

ALASKA LEGISLATURE COMMITTEE FILES 1965-1966 8072

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all health and social services which involve some governmental participation. However, we have made no attempt to develop a rigorous definition of human services. Because we are dependent on many human services professionals and many existing documents for our information, limiting ourselves to an explicit definition of human services would unnecessarily preclude us from using information which addresses a slightly different set of services. At the very least, we would be forced to extensively qualify statements cited from other sources.

SUMMARY

Federal, State and local governments as well as profit making organizations and human service professionals have traditionally provided human services directly to the residents of Alaska. In recent years, nonprofit corporations have begun to assume a significant role in providing virtually all types of human services available in Alaska.

Description of Nonprofit Providers in Alaska

There are a number of common features and structural similarities among nonprofit human service providers in Alaska. The following characteristics are defined by statutes:

- every nonprofit corporation must have a board of directors which is legally responsible for the management of the corporation;
- nonprofit corporations are not required by law to have members or shareholders;
- if there are no members of a nonprofit corporation, directors have sole voting authority; and
- every nonprofit corporation must have a stated purpose or purposes.

However, there is also a great diversity in the scale and breadth of service provided by nonprofits; some organizations provide many services in many communities while others provide one service in one community. There was no consensus among the professionals we interviewed that the size of the nonprofit organization was related to quality of service.

Regional and village Native nonprofit organizations are unique providers of human services in Alaska. Both of these types of organizations are recognized by the Bureau of Indian Affairs as tribal organizations, and are therefore eligible to receive grants and contracts to provide services under federal Native programs. These organizations, which also receive grants and contracts from State or private sources, have become particularly important in the areas of the State that lack organized local government.

Planning for Human Services

One important step in human services planning is assessing local needs and designing services to meet those needs. The Municipality of Anchorage and the United Way of Anchorage each use a formal proposal review process that allows providers to present service delivery approaches based on the organizations' perception of the local need. Native nonprofit organizations prepare specific plans that detail local needs and plans for service delivery. In addition, regional health plans are prepared by the three health systems agencies in the state. Various State agencies develop statewide plans (State Health Plan, Alcoholism and Drug Abuse Plans and Alaska Maternal and Child Health Plan).

A second aspect of planning is the ability of providers to coordinate services to use resources as efficiently as possible. The Governor's Office of Management and Budget is currently developing a data base consisting of all State grants and contracts awarded to nonprofit organizations. Additionally, several human service providers noted that extensive informal coordination and cooperation occurs among nonprofit providers.

Although we found that planning occurs at all levels of organizations involved in human service provision, a major constraint to the utility of planning is that available resources are not always allocated for the services identified in the plan. Some providers feel that State agencies should adopt a more active role in establishing social service priorities and communicating these priorities to the legislature. Other providers noted that these priorities are more appropriately established at the local level.

Administration of Grants and Contracts

The State of Alaska, through the use of grants and contracts with nonprofit organizations, has become a major purchaser of human services. The Attorney General's Office has determined that there is no significant difference between the use of grants and contracts in the purchase of services. Both forms of procurement are considered to be legally binding and subject to administrative rules and regulations that govern the provisions of services.

Functionally, grants and contracts are different, however. Contracts must be approved by the Department of Administration and are subject to the regulations that apply to professional services contracts (AS 36.98). Grants can be awarded by various departments within the executive branch of State government without the approval of the Department of Administration, although in some cases this approval is obtained.

The following four mechanisms are generally used to purchase services from nonprofit organizations:

- Competitive selection grants are competitively awarded by departments or divisions to nonprofit corporations to purchase specific services that are authorized in statute.
- Named recipient grants are awarded to nonprofit providers identified in a legislative appropriation.
- Block grants award sums of money to grantees who then decide the specific applications depending on local need.
- Professional services contracts are used to purchase contractual services from nonprofit organizations.

Regardless of whether a grant or contract is used to purchase the service, the State agency that purchases the service is responsible for grant or contract compliance. Two major mechanisms are generally used to do this. First, regular program reports are required that detail the activities of the grant or contract over a specified period. In many cases, the payment for services performed by the grantee or contractor is dependent upon the receipt of these reports. Second, on-site evaluations are performed on service providers.

Current Issues Affecting Nonprofits

Due to the rapidly expanding role that nonprofits are playing in human service delivery in Alaska, several issues have surfaced concerning the way in which nonprofits can best deliver human services. The following issues were identified in hearings held by Governor Sheffield's Mini-Cabinet, as well as in our interviews with various human service providers:

- The current process of planning for human services and allocating resources to provide those services is inefficient and disorganized and does not result in a comprehensive assessment of human service needs or priorities.
- The annual funding process is an inefficient method of purchasing services because it consumes considerable administrative energy from both State agencies and the service provider. Several suggestions have been made to extend funding periods beyond one year to reduce the uncertainties of funding and minimize the resources currently directed toward obtaining more funding.

- Nonprofit agencies and the State should work together to increase funding of human services from sources other than the State. However, nonprofit providers also feel that when providing State services, they should be paid the full cost of providing the service just as a private contractor is paid for any other good or service. In addition, some providers expressed fears that the State may withdraw equivalent funds for every dollar raised.
- Some providers identified a "lack of sophistication" among some nonprofit agencies and suggested that the State supply more technical assistance and training to nonprofit corporations.
- There is a lack of standardization of forms, procedures, time frames and the information nonprofits must provide State agencies. This results in the complaint that providers must supply essentially the same information in slightly different ways to a variety of State agencies.
- Some providers advocate the expansion of delivery of human services through locally controlled organizations because local hire, local accountability and local providers' ability to mobilize local resources enhance the quality of services. One suggestion made to the mini-cabinet to expand local control is to provide more funds through local block grants.
- Rural providers expressed concern that some program requirements are designed for urban Alaska and are not applicable to rural Alaska.
- Some individuals questioned the appropriateness of State dependence upon Native nonprofit organizations to provide services to all eligible clients in a community or region. Critics claim that non-Natives may have no formal means of participating in policy making within the Native corporation.
- The issue of the State contracting with nonprofit organizations to deliver services that are mandated by statute has also been raised. It appears that the State retains the ultimate responsibility to provide these services regardless of whether the service is provided by State employees or through a contract or grant with another provider.

NONPROFIT PROVIDERS OF HUMAN SERVICES

In recent years, the residents of Alaska have experienced a growing reliance on nonprofit organizations to deliver human services. In some cases, nonprofit organizations are providing services formerly delivered by State employees, and, in other cases, nonprofits are offering new services. This section of the report will distinguish different types of nonprofit organizations, discuss their planning activities and describe their relationship to State government.

Nonprofit Providers in Alaska

Governments--especially the State, but also federal and local governments--provide many human services directly to some portions of the population. A variety of private individuals and organizations also provide human services in Alaska. Some of these, particularly in the field of health care, are profit making enterprises; however, nonprofit agencies play a significant role in the provision of virtually all types of human services available in Alaska.

In October 1983, the Governor's Human Services Mini-Cabinet published a Human Service Provider Directory, which surveyed agencies which had contracts, grants, or service agreements with the State for the provision of human services. The survey identified over 500 human services grants or contracts with nonprofit agencies; this accounted for over half the agreements identified. It should be noted that the survey was not intended to be comprehensive; some agreements may have been excluded. The Office of Management and Budget is currently developing a computerized grants information system which should be able to provide more comprehensive information in the future.

Recently, the University of Alaska's Institute of Social and Economic Research (ISER) performed a study of Anchorage Subsidized Human Services for the Municipality of Anchorage. While the report is limited to Anchorage, it does contain information on the numbers and types of human service providers in the community, in addition to data on funding sources, staffing patterns, and hours of service provided. One finding of the study was that nonprofit providers account for 33 percent of all direct human service expenditures in the Anchorage area.

Organization and Structure of Nonprofit Providers

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services. There are a number of common features and structural similarities among nonprofit human service providers in Alaska. Some similarities are the result of Alaska's statutory requirements for nonprofit corporations. For example, every nonprofit corporation must have a board of directors which is legally responsible for the management of the corporation. The board elects the officers of the corporation and, if the responsibility is not delegated in its articles of incorporation, the board also makes the bylaws of the corporation. By law, this board must have at least three directors.

Under the Alaska Nonprofit Corporation Act (AS 10.20), a board may designate an executive committee comprised of at least two directors to exercise the board's authority; however, this delegation of authority does not relieve the board of directors of any of their legal responsibilities.

Nonprofit corporations are not required by law to have members or shareholders. If a nonprofit corporation so chooses, it can designate one or more classes of members, whose qualifications and rights are set forth in the corporation's articles of incorporation or bylaws. Members may be vested with the power to elect directors and to adopt, alter, amend or repeal bylaws. Many nonprofits are formed to represent some group of individuals or organizations; having a membership is a logical outgrowth of the corporation's purpose. Other nonprofits may not have a natural membership, as when an agency's purpose is to provide service to a changing group of clients.

If there is no membership of a nonprofit corporation, directors have sole voting authority. Lacking any special provisions in the articles of incorporation or bylaws, existing directors would therefore be responsible for electing new directors. However, a nonprofit may have other provisions within its articles of incorporation or bylaws. According to Mike Meehan, Executive Director of Catholic Social Services, the Archbishop of the Anchorage diocese appoints board members for that agency's board. Alaska Children's Services, which is supported by four different church organizations, reserves one-half of the seats on its board for representatives of these churches.

While the board of directors of a nonprofit corporation may be vested with considerable authority in the management of the corporation, not all boards choose to exercise this authority. Boards usually delegate much of the day-to-day responsibilities of operating the corporation to employees. However, most major policy decisions, such as whether or not to apply for or accept State grants and contracts, are made by the boards of directors. Boards may take an active role in formulating policy, or they can be reactive, serving to review policy developed by staff.

Every nonprofit is required by law to have a purpose, or purposes. These purposes must be stated in the articles of incorporation, which an organization must file with the Alaska Department of Commerce and Economic Development in order to be granted nonprofit status by the State of Alaska. Nonprofit corporations are forbidden by law to adopt a corporate name which implies that the nonprofit has been organized for purposes other than those listed in its articles of incorporation. It should be noted that because nonprofit corporations may have several purposes, some organizations which provide human services may also have other activities which are not related to the field of human services.

In addition to the legal requirements for nonprofit corporations, some other features are often associated with nonprofit human service providers. One such feature is the receipt of private contributions. Because the services they offer are often perceived to have a positive social benefit, nonprofits frequently are able to obtain some financial support directly from private sources within the community. Some of this support may be donated goods or services, in addition to cash contributions. In some nonprofits, volunteer labor accounts for a significant amount of services provided. Some organizations, such as the United Way, solicit contributions in a community and then disburse funds to individual nonprofit agencies. However, private contributions are not the only means of support, or even a major source of funding, for many nonprofit providers.

Among the people we interviewed, it was generally agreed that nonprofit human service providers usually pay lower salaries than do government agencies, although a few agencies were identified as paying wages comparable to State government salaries. Human service provision tends to be labor intensive; providers often attributed four-fifths of their expenses to payroll. Therefore, the cost of providing services may be less for nonprofits than for State agencies. However, some individuals also mentioned that the salary differential made it more difficult to attract and maintain qualified personnel.

Aside from the features discussed above, there is a great diversity in the scale and breadth of services provided by private nonprofits in Alaska. Some nonprofits operate many services or in many communities; others may offer a single service in one community. Although the nonprofits represent a broad continuum of size and diversity of service, and it is probably not productive to attempt to differentiate each nonprofit, it is useful to compare some of the features that tend to be associated with larger, more diverse nonprofits with those of smaller, more specialized nonprofits.

In Alaska, there are several nonprofit human service providers which administer a number of different programs and/or serve many locations. Usually, such an agency directs its programs to a particular clientele

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or operates similar programs for different clientele. However, in some cases both client and programs may be substantially different in nature. For example, Catholic Social Services in Anchorage operates shelters for women and for street people; it also operates several untimely pregnancy programs, including counseling and adoption services.

One practical effect of operating more than one program is that administrative costs can be spread over the various programs. Frequently, there are economies of scale derived from combining the administrative support functions of more than one program. If a nonprofit provider relies heavily on government grants and contracts for its funding, this enables it to charge government agencies a lower overhead rate for each of its programs. Furthermore, an agency with several funding sources will be less drastically affected by any budget reduction of funding for a single program.

In contrast, there are also many smaller, more specialized nonprofit agencies operating one or two programs within a single community. In terms of the number of agencies, these are the most common type of nonprofit service provider in Alaska. To the extent that these agencies depend on government funding for revenue, they may be very susceptible to loss of funding resulting from government budget reduction or loss of government grant or contracts. However, there was no consensus among those we interviewed that bigger was better for nonprofits. Some individuals indicated that smaller, less bureaucratic nonprofits could have more program flexibility and possibly use volunteers more effectively. In addition, Bob Lohr of RurALCAP stated that community-based providers were more accountable to their community and were best able to mobilize local resources.

Native Nonprofit Corporations. There are twelve regional nonprofits with service areas corresponding to all but one of the thirteen ANCSA regions in the state. These organizations are unique and deserve special attention.

Regional Native nonprofit organizations evolved from the regional associations that promoted the interests of rural Alaska in the land claims settlement process. In some regions, associations were formed directly as a result of the land claims issue while in other regions associations had existed for many years. Regardless of their origins, after the passage of the Alaska Native Claims Settlement Act (ANCSA) in 1971, the regional organizations turned their attention to the promotion and delivery of health and human services in rural Alaska.

At approximately the same time that these organizations became involved in health and social issues, other providers in the state, most notably the Rural Alaska Community Action Program (RurALCAP), were expanding economic development activities to rural areas. The Native organizations and the Community Action programs, because of their common goals,

formed alliances and, in some instances, merged into single corporations. These corporations expanded health and social services and continued to assert more local control over issues affecting residents of the region. However, in 1973, the Nixon Administration made the decision to terminate the Office of Economic Opportunity (OEO), thus eliminating one of the Community Action Program's main source of funds and threatening the alliance between the regional organizations and the Community Action programs.

The response of the regional corporations was to assume responsibility for their own administration and pursue grants and contracts that would allow them to deliver health and social services without reliance on Community Action agencies. Over the past decade, these corporations have become the major social service providers in many areas of rural Alaska.

Village nonprofit corporations are a second major type of Native nonprofit corporation. The Alaska Native Claims Settlement Act acknowledged the existence of Native village profit corporations that could receive the title to lands claimed by the village. In many instances, associate nonprofit village corporations were formed to provide human services at the village level.

Both the regional and village nonprofit corporations have been recognized by the Bureau of Indian Affairs as tribal organizations, and are therefore eligible to receive grants and contracts to provide services under federal Native programs. This tribal designation is a result of the Indian Self Determination Act of 1975. This federal act mandated that health, education and social services previously provided to Natives by federal agencies were now to be provided through contracts with Indian tribes. The assumption of these federal programs provided a strong stimulus to the growth and development of the Native nonprofit organizations and established them as important service providers in most areas of the state.

Nonprofit corporations may also contract to provide State-mandated or State-supported services. The extent to which the Native nonprofits contract with the State varies widely. For example, the Maniilaq Association contracts to operate virtually all of the Alaska Department of Health and Social Services human service programs in the NANA region, which includes Kotzebue. It even has its own Budget Request Unit (BRU) in the State budget. In comparison, some of the other regional and village Native nonprofit corporations contract to provide only a few services.

These corporations are the direct providers of many services associated with government; in fact, these corporations are sometimes referred to as quasi-governmental agencies. As George Irvin of the Alaska Federation of Natives describes it, these corporations act as "the hand

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on the area of government" in many rural areas of the state. This role is particularly critical in some rural areas that are not within organized boroughs. Because there is no borough government (and in some cases no local government recognized by the State) to organize and deliver social services in these areas, Native nonprofit corporations have provided the delivery mechanism for these services.

However, these corporations are not equivalent to local or regional governments; they lack the ability to make laws, the power of taxation, and other essential powers of government. Also, because their tribal status under the Indian Self Determination Act is contingent upon Native control of the organization, non-Native residents sometimes feel that their interests are not adequately represented even though State contracts and grants require all residents to be provided services. The extent to which regional nonprofit corporations can or should assume the duties of government in Alaska is a question of considerable concern to many individuals involved in the provision of human services.

Native nonprofit corporations can be clearly distinguished by their status as tribal organizations. No other form of nonprofit human service provider operating in Alaska has the same potential for delivering such a broad range of human services to the communities and regions.

PLANNING FOR HUMAN SERVICES

Human service provision in Alaska involves not only a multitude of separate, independent, nonprofit providers, but also several different funding sources, including federal, State, municipal, and private agencies. In such an environment, decision making is diffuse. The funding decisions made by the federal government, the Alaska Legislature, State agencies, municipal governments, private charities, and the nonprofits themselves all contribute to the mix of human services available to the population. Furthermore, for some kinds of services, government agencies and/or private, for-profit providers may also be serving the same (or overlapping) populations that are served by nonprofit agencies.

One often-repeated goal for the delivery of human services in Alaska is that sufficient planning and coordination occur to insure that:

- human services funded are those for which there is the greatest need;
- the location of the available services corresponds to the location of the greatest need; and
- services provided represent the most effective response to the needs being served.

Some planning occurs at all levels of organizations involved in human service provision--local, regional and State--as each human service provider must plan for the programs it will offer. In this section, we will discuss some of the current planning activities and other efforts to enhance coordination and cooperation among service providers.

Planning cannot alleviate all problems, especially when the provider of services does not control the resources to be used in providing the service. For example, the State may perceive a need to change the method of delivery of Medicaid services only to discover that federal regulations prohibit that particular activity. A local nonprofit organization may perceive a local need for day care and parenting programs only to discover that the only funding that is available must be used for treatment of victims of child abuse. In both of these cases, the likely response of the provider is to change the focus of the desired service in order to obtain the available funding. This is especially true of nonprofit organizations which rely heavily on State and federal grants and contracts for their resources.

Within the constraints imposed by the resource allocation system, organizations that deliver services attempt to secure funding to provide the services they perceive as meeting their clients' needs. If the

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funding that is available cannot be used to meet the perceived need, the organization must decide whether or not to accept the funds and provide the alternate service.

The process used by nonprofit service providers to assess local needs and design services to meet those needs varies considerably among organizations. In some cases, the planning process occurs in conjunction with the funding decisions made by other organizations or agencies. For example, in Anchorage, the Municipality of Anchorage and the United Way provide funding for local services through a formal proposal review process. According to Lynn Caswell of the Anchorage United Way, that organization requires member groups to submit plans concerning desired use of United Way funds in the upcoming year. Although these plans are reviewed by the United Way board, the process attempts to allow local organizations freedom in determining how resources are used. However, Ms. Caswell noted that there have been occasions in which the United Way has changed the focus of services proposed by local providers.

The Municipality of Anchorage is attempting to develop a comprehensive human service plan in conjunction with block grant funding by establishing a coalition of service providers and public members. Although the block grant funding decisions are ultimately made by the Borough Assembly, the coalition would help assess local needs, develop service priorities and allow local providers a forum in which to express their local service plans.

Native nonprofit regional corporations engage in health planning in conjunction with the Indian Health Service through the development of tribal specific health plans. The ability of these corporations to apply resources to the needs identified in the plans is enhanced by the Indian Self Determination Act. This act helped to localize planning and resource allocation for Indian Health Service and Bureau of Indian Affairs human service programs.

The three health systems agencies (southeast, southcentral and northern) also participate in developing regional health planning for their respective areas of the state. In some cases, local health plans must be reviewed by the health systems agencies prior to approval by State agencies.

Statewide planning also occurs. Examples of this effort are the State Health Plan, Alcoholism and Drug Abuse Plan and Alaska Maternal and Child Health Plan. Although these plans provide detailed inventories of needs and goals and objectives, several providers questioned the use of these plans in the allocation of resources. Part of this criticism, however, occurs because of different expectations concerning the State role in social service planning, especially with regard to the degree of State involvement in the actual allocation of resources. Some providers feel that State agencies should adopt a more active role in

establishing social service priorities and communicating these priorities to the legislature. Other providers noted that these allocations are more appropriately made on the local level. It is interesting to note that the recent growth in the number of legislatively designated grants has contributed to the ability of local providers to make local decisions concerning the use of human service resources. Some human service providers believe that this has occurred at the expense of an organized system of statewide social service planning, coordination and resource allocation.

A second important aspect of planning is the ability of providers to coordinate services to use resources as efficiently as possible. Generally, this means designing service provision so that there is a minimum of duplication. To some extent, this coordination among providers occurs formally in the planning mechanisms described above. As Lynn Caswell of the United Way noted, organizations have been denied funding for specific services if the services they propose are being competently provided by another organization.

The Governor's Office of Management and Budget is currently involved in a project that could provide information helpful to the coordination of nonprofit services. That office is attempting to develop a data base consisting of all State grants and contracts awarded to nonprofit organizations.

Beyond this formal cooperation implicit in the allocation process, several providers described how informal coordination and cooperation occurs among provider organizations. Tom Gundersen, of Alaska Children's Services, maintains that within certain areas of human services, such as child care, the various providers are not only aware of the services available in the community but also the quality of these services. This awareness stems from agency interaction resulting from referrals and exchange of information among agencies. Bob Lohr, Director of RurALCAR, notes that because formal mechanisms of service cooperation and coordination are very difficult to maintain, many organizations in rural Alaska rely on informal exchanges of information. An informal information exchange appears to work well in areas that have only a few providers, making this exchange of information easier than in areas of the state that have many providers.

STATE OF ALASKA ADMINISTRATION OF GRANTS AND CONTRACTS

The State of Alaska, like most governments, utilizes grants and contract to purchase goods and services that benefit residents of the state. These purchases range from ferries to computers to mental health counseling. Although nonprofit organizations also provide services to federal and local governments, the State government has become a major purchaser of human services. The growing reliance of residents on services purchased by the State rather than provided directly by State employees emphasizes the importance of the State's administrative role in the human service delivery system. This section of the report will examine this expanding State role.

Grants and Contracts

To many people, the terms grant and contract denote different financial arrangements. Normally, a contract is viewed as a legally binding pledge to provide a good or service in return for fixed compensation. On the other hand, a grant is generally viewed as less legally restrictive and not as closely tied to performance as is a contract. These distinctions do not exist as far as the State of Alaska is concerned. The Attorney General's office and the Department of Administration have determined that there is no significant difference between the use of a grant or contract in the purchase of services. Both forms of procurement are considered to be legally binding and subject to administrative rules and regulations that govern the purchases of services.

However, there are functional differences between grants and contracts. Contracts must be approved by the Department of Administration, which has been designated by AS 37.05.022 as the State's purchasing agent. Contracts that purchase services from nonprofit providers are subject to procedures that apply to professional service contracts (AS 36.98). Contracts awarded under the professional services regulations require approval of the award process by the Contracts Review Committee as well as final document approval by the Department of Administration. Grants can be awarded by various departments within the State government without the approval of the Department of Administration, although in some cases approval is obtained from the department.

The decision as to whether a grant or contract is the appropriate method of procurement depends upon several factors. In some cases, the statute enabling the State to purchase the service specifies the use of either a grant or contract. For example, AS 44.47.305, which establishes the Child Care Grant Program, specifies the procedures to be used in awarding child care grants and defines the eligibility criteria for providers. In other cases, the procurement method will depend upon the legislative intent of the appropriation (as determined by the

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actual wording of the appropriation bill) and the particular line item of the budget into which the appropriation is placed. If funds to purchase the service are located in the grants and claims line item, then the services must be purchased with a grant. The same is true of the contracts line item. The Governor's Office is the only executive branch agency that has the authority to move legislative appropriations from one line item to another, thus allowing alternate procurement methods to be used.

Types of State Grants/Contracts

Generally, there are a variety of types of grants and contracts used by the State to purchase services. Because this report focuses on non-profit service providers, we will not discuss grants to incorporated municipalities (AS 37.05.315) and grants to unincorporated municipalities (AS 37.05.317). This section of the report will examine competitive selection grants, named recipient grants, block grants and professional services contracts.

Competitive selection grants. These grants are competitively awarded by departments or divisions to purchase specific services that are authorized in statute. Generally, each grant program of this type is defined by a statute which gives the purpose of the grant program, defines eligibility for both recipients and providers of the service and details any special procedures to be followed in purchasing services under the program. Although many programs of this type exist in the statutes, some are dormant because money has not been appropriated to them and consequently no services can be purchased.

Two grant programs, the Child Care Grant Program and the Alcoholism and Drug Abuse Grant Program, are illustrative of competitive selection grants. Both of these programs are established by statutes (AS 44.47.305 and 47.30.475, respectively) which detail the services to be purchased by the grants and contains eligibility criteria for providers.

For example, the Child Care Grant statute specifies that only licensed child care facilities are eligible to receive grants, the total grant cannot exceed \$50 for each child cared for by the facility and the grant awards shall be adjusted geographically based on instructional unit allotments (AS 14.17.051). In addition, the statute provides a formula to be used in determining the grant award for eligible child care facilities and gives the responsibility for administration of the program to the Department of Community and Regional Affairs.

Alcoholism and Drug Abuse grants can be used to purchase services from nonprofit corporations, city or borough governments or other political subdivisions of the State. The statute notes that money is to be awarded by the Department of Health and Social Services based on community

need and that communities are required to match department funds. Grants cannot be awarded under this statute unless the services to be provided by the grantee are part of a health services or other overall planning effort.

In both of these examples, and with competitive grants in general, funds are appropriated to a State agency which purchases services through a process of soliciting proposals and choosing the service providers based on a preestablished evaluation criteria. This process is described below.¹

The first step in the funding process is initiated by the State after an appropriation is made that allows the purchase of a particular service. The state agency responsible for delivering that service publishes a request for proposal (RFP) and sends the RFP to any organizations on the bid list (the list of organizations that have expressed interest in providing that service). The RFP, which is advertised in applicable localities using appropriate means for the area, describes the information that a potential grantee needs in order to prepare a competitive proposal. Generally the RFP includes: the department within state government purchasing the service, a summary of the services to be purchased, the deadline for accepting proposals, the professional qualifications required for the individuals who will provide the service, possibly the method of evaluation to be used in awarding grants and any special factors the provider should consider in its plan for delivering the proposed services.

The next step requires the provider to write and submit a grant proposal that conveys to the granting agency exactly how the services are to be performed. One major section of the proposal is the statement of need which generally describes the nature of the problem, consequences if the problem is not addressed, past efforts at solving the problem and demonstration that provision of this service will not duplicate other efforts. Also included in the proposal is the organization section which established the providers competence to accomplish the proposed activity. Information in this section includes the past activities of the organization, the service area of the organization and its representation on the governing body and the educational background and professional qualifications of the organization staff.

¹This description of the funding process is taken from the draft report of the Office of Management and Budget's Grants Management Handbook.

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The third element in the proposal is the goals and objectives. This section details the actual outcomes to be achieved as the service is provided. Related to the statement of goals and objectives is the methodology to be used by the organization in reaching the stated goals and objectives. This section may include work schedules, job descriptions of new staff to be hired and the rationale for choosing a certain methodology.

The budget component of the proposal details how the available resources will be allocated to accomplish the goals and objectives. Consequently, the budget should be directly related to the methodology to be used. Two aspects of the budgeting process, matching and determining an indirect cost rate will be examined later in this chapter.

Monitoring and evaluation make up the final components of the grant application process. Monitoring refers to the applicants internal organizational controls that are designed to give information to both the grantor and grantee concerning the progress made in providing the service. Evaluation refers to the process of determining the value of the services offered by the provider. The evaluation should not only determine if the goals and objectives were reached, but also if reaching these goals and objectives had the desired outcome. In other words, the evaluation is to determine not just the degree of activity but the value of the activity in meeting the determined need. Monitoring activities are usually applied continuously over the life of the grant. Evaluation activities may be done either continuously or after the service is provided. It should also be noted that evaluation includes examining the service providers expenses related to the provision of services.

The reader is cautioned that this description is only intended to portray the basic proposal and funding process. Specific grant programs may have proposal requirements that differ from those described here.

Named recipient grants. Named recipient grants actually identify the recipient of the grant in the legislative appropriation. The appropriation goes first to a designated State agency which is responsible for passing the money to the grantee. For example, the fiscal year 1985 budget states that "the sum of \$50,000 is appropriated to the Department of Health and Social Services as a direct grant to Big Brothers/Big Sisters of Juneau for local services to youth." In this example, the appropriation appears in the grants and claims line item of the Department of Health and Social Services which in turn grants the money to the named recipient, in this case Big Brothers/Big Sisters of Juneau.

The procedure used to award named recipient grants is found in Alaska Statute 37.05.316. The department to which the appropriation is made

notifies the recipient of the appropriation and requests a proposal that describes how the named recipient will provide the services specified in the appropriation. If the department concludes that the named recipient can accomplish the required services, the grant is awarded to that provider. If the department concludes that the named recipient cannot provide the particular service, proposals to provide the services are requested from other providers. If the Governor's Office agrees that granting to another provider is appropriate, the department can make the grant award to a provider other than the named recipient.

Representatives of several State departments with which we talked noted that it is rare that an organization designated to receive a named recipient grant does not receive it. One reason for this is the political consideration in not awarding grants to providers specifically named by legislators. Also, because these grants are usually for specific services, the named recipient in many cases is a competent provider of that specialized service.

Block grants. Block grants are a funding mechanism whereby sums of money are transmitted to grantees who then decide the specific applications of the money depending on local need. This differs from the normal grant process in which funding is provided for a specific service determined prior to the grant approval.

Within Alaska, the block grant approach is used sparingly. In FY 85, the municipalities of Anchorage and Fairbanks received \$2.9 million and \$.7 million respectively in social service block grant funds from the State. Although both of these grants represent only a small portion of the total social services expenditures in these two locations, some community service providers feel that this approach can be expanded to efficiently allocate larger portions of health and social services resources. The Municipality of Anchorage utilizes the following process to distribute block grant funds.

The first step is the distribution of a request for proposal by the Municipality of Anchorage, Department of Social Services (MOA-DSS). At this stage, other resource providers are asked to make presentations concerning the types of programs they are funding. This helps the Department of Social Services determine the support that various types of services are receiving from other sources. Proposals are submitted by organizations interested in providing services. These proposals are reviewed by the Social Services Task Force which then makes recommendations to the mayor who transmits funding priorities to the assembly. The Social Services Task Force includes local social service consumers and providers. After the assembly approves the funding allocations, grants are prepared by the municipality's social services department. This department is also responsible for monitoring the performance of grantees.

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The block grant approach is seen by some Anchorage service providers as a way to ensure that the allocation of social services dollars is made according to local needs. These supporters would like to see this approach expanded to include funding for additional services. Nancy Cornwell, of the Municipality of Anchorage, Department of Social Services, supports this expanded use of block grants to allocate local service funding. She also notes that understanding the human service needs of a community as well as the services currently offered in the community are important if a block grant allocation scheme is to work effectively. As a secondary benefit, the results of the examination of the social service system of a community can be used for planning decisions other than the allocation of block grant funds.

Another major benefit of the block grant approach to funding of local services is that it can potentially reduce the fragmentation of social service dollars. Under the funding scheme used most often, dollars are distributed to specific agencies for specific services either by the legislature or departments of State government. This process of disbursement allows coverage over a wide range of social services but also fragments the social service dollars making it difficult to focus larger amounts of resources on problems that create various social service needs. The block grant approach provides the flexibility to either fragment or combine service dollars as dictated by local circumstance.

However, several providers with whom we talked criticized the block grant approach. Mike Meehan, Director of Catholic Social Services in Anchorage, noted that there were methods of circumventing this funding allocation process.² His experience shows that if local providers do not receive the desired funding level from the block grant allocation, that agency could directly contact the legislature and secure the funding by use of a named recipient grant. As more organizations succeed in securing funding in this way, the block grant allocation would lose its credibility and legitimacy in the community.

A second criticism involves the makeup of the group that is given the responsibility to allocate funds. We mentioned earlier that this allocation board would require information concerning the needs of the community and the services currently offered. Therefore, at least a portion of the allocation group would be individuals involved in some way with social services delivery. It would be difficult for such a group to maintain strict objectivity because of both professional opinions concerning the best way to deliver services and personal opinions concerning the way any specific organization delivers services. Decisions that were viewed by the community as too subjective could damage the credibility of the allocation process and reduce support for it.

²Mr. Meehan was formerly the director of planning for the Municipality of Anchorage.

The block grant approach has been viewed by some as a potential method of allocating resources in rural Alaska. It is particularly inviting in rural localities because of the freedom it allows local planners to fund local service delivery efforts that are more attuned to local cultures than traditional service delivery. However, both of the criticisms previously discussed are applicable to rural Alaska as well as to urban centers. The ability of providers to circumvent the allocation process and the potential for lack of objectivity by the allocation board could cause the block grant process to lose legitimacy.

Rural Alaska has the additional problem of lack of regional governments to administer block grants. In Anchorage, the block grant goes to the municipality, which is then responsible for initial distribution of the funds as well as ongoing oversight of the grants or contracts. In rural areas of the state, there are no organized boroughs to perform these functions on a regional basis. Regional nonprofit corporations provide services on a regional basis, but, because they are largely Native organizations, they may have difficulty in establishing legitimacy among the non-Native population.

Professional Services Contracts

Professional Services Contracts are generally used by State agencies to purchase services from nonprofit organizations. Alaska Statute 36.98 provides the legal basis for these contracts and authorizes the Commissioner of the Department of Administration (DOA) to adopt regulations to be used in awarding these contracts.³ Regulations require the use of the professional contracts procedure if the contract amount, including amendments, exceeds \$5,000 and if the contract is not related to an emergency that is threatening life and property. Contracts of less than \$5,000 can be awarded by State agencies and do not require Department of Administration approval. All of the requirements that are applied to the original contract are also applied to any amendments to the contract.

The first step in the contract approval procedure is the filing by the contracting agency of the Authority to Negotiate (ATN). The ATN conveys to the Department of Administration the desire of the contracting department to purchase professional services through a contract. The ATN includes information such as the division in which the project director is located, the estimated amount of the contract, the period of performance and an explanation of the purpose of the contract and

³These regulations are found in the State Administrative manual, sections 8102 through 8193.

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the services to be performed. The ATN must be approved by both the department requesting the contract and the DOA prior to any notification to the public that services may be purchased.

After the ATN has been approved, an appropriate procurement method is chosen depending upon the dollar amount of the contract. If the contract is greater than \$5,000 but not more than \$25,000, a formal or informal method may be used. If the contract exceeds \$25,000, a formal method must be used.

An informal method means that at least three quotes are solicited from providers on the contract register. A formal method requires that a request for services be prepared and advertised appropriately. The request for proposal for professional services includes information such as the work to be performed, any special conditions affecting the project and a description of the factors to be used in evaluating the proposals.

However, there are occasions when the formal procedure is not appropriate. Alaska Statute 36.98 allows alternate procurement methods to be used in any of the following situations:

1. The contracting agency demonstrates that there is a single source of the expertise or knowledge required or that one person or firm can clearly perform the required tasks more satisfactorily due to prior work performed by the person or firm.
2. The commissioner of the Department of Administration makes a determination that public necessity will not permit delay in purchasing the service.
3. The service is to be provided by another State agency, a federal agency or a subdivision of the State.

In any of these cases, the alternate form of procurement must be authorized by the Department of Administration and reviewed by the Contract Review Committee. This committee, composed of representatives of the Divisions of Finance, General Services and Supply and Risk Management within DOA, reviews the process used to award all contracts to assure that proper procurement procedures have been followed. It is the intent of the committee to review the various stages of the procurement process so any problems can be detected before entering the next phase of the process. For example, the committee can review and suggest corrections to the request for proposal prior to its publication, thus assuring that providers and agency staff do not expend resources writing and reviewing proposals based on an inappropriate request document.

Matching and Indirect Costs

Matching and indirect costs are two aspects of grant and contract management that can be misunderstood by both purchasers and providers of services. This section of the report will provide brief explanations of these two issues.

Local Match. Local match refers to the requirement of some grants and contracts that the grantee provide a percentage of the total resources required to provide the particular service. Depending upon the particular regulation or statute governing the grant program, the match can either be cash or in-kind. For example, alcoholism grants funded under AS 47.30.477 require that "grants shall be awarded in the ratio of 75 percent state money to 25 percent community money, except in communities designated as poverty areas the ratio shall be 90 percent state money to 10 percent community money..." The statute goes on to say that money for the match can be from any source other than State money and that the value of real property used directly in conjunction with the grant may be calculated as match.

In-kind match is contributions to the provision of services that are not cash resources. Examples are donated office space, uncompensated services of employees, borrowed equipment and donated supplies. These items are valued at the equivalent amount of cash that would be needed to purchase them with cash resources from the grant budget.

Although matching requirements are sometimes criticized for establishing barriers to grant funds for locations and organizations that need them most, several representatives of State grant programs noted two advantages of matching requirements. First, the local match helps to stretch State resources. For example, in the alcohol grant program cited above, the local match can contribute as much as 25 percent in additional resources to purchase services for alcoholism programs.

Second, the match requirement acts as a check against the purchase of services that do not have community support. If a match is required, individuals who are contributing resources to the match can be expected to scrutinize the project more closely than if they contribute nothing. In addition, the local match requirement helps to ensure local participation and support for the project after it is initiated. If local funds are used in the grant funding, interest in the success of the project may be spread among more local residents than just the consumers and providers of the service.

Indirect costs. If a nonprofit corporation operates only one grant or contract, all of the expenses involved in providing the services paid for by the grant or contract are direct program costs. This includes

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all of the administrative costs associated with implementing the grant, including office space, office equipment, utilities, telephone calls, transportation, etc.

However, many times a nonprofit organization will simultaneously provide services under more than one grant or contract. For example, large multi-purpose nonprofit corporations provide a variety of services with funding coming from many separate grants and contracts. In these cases, it is much more difficult to determine the actual administrative costs to be charged as direct costs to each grant and contract. For example, it may be impossible to determine the actual expense of the use of office equipment such as typewriters or computers to apply to each individual grant or contract.

The solution to this accounting allocation problem is to use an indirect cost rate that includes the costs that are common to all programs but cannot be assigned to these programs separately. There are no hard and fast rules about what should be considered an indirect cost as opposed to a direct cost. Generally, if the actual cost cannot be reasonably assigned to a particular activity, the cost is considered to be indirect. However, it should be remembered that whether a cost is assigned to a grant or contract directly or through some kind of indirect allocation system, the cost is still charged to the grant or contract.

Indirect cost rates can be calculated in a variety of ways. Generally, the procedure involves determining the percentage of all the common costs to be charged to each grant or contract by dividing the total direct costs of all the grants and contracts of the corporation by the total administrative costs of the corporation (the costs that can't be assigned to specific programs). For example, if a corporation administered grants and contracts totaling \$1 million in direct expenses and incurred administration expenses of \$200,000, the indirect cost rate is 20 percent. Consequently, for every program dollar administered by that corporation, 20 cents would go to help pay that program's share of the corporation's administrative expense. In the grant or contract budget, this expense would appear in a line item called indirect or administrative expense and is considered as part of the total grant or contract award.

An indirect cost rate can be established by either the State or federal government. The federal government has a fairly complicated procedure to be followed in establishing a rate. However, once the rate is established, aside from a few exceptions, it can be used for all federal grants and contracts. In addition, this rate is also generally recognized by the State as a legitimate and allowable cost. If a federal rate has not been negotiated, an indirect rate can be negotiated with the State. This may occur on a case by case basis or one State agency may accept a rate previously established by another State agency.

One special situation involving indirect costs needs to be mentioned. Sometimes a nonprofit organization will receive grant or contract funds to subcontract the actual services to another provider. In this case the original grantee is just passing the funds to the ultimate service provider, hence the name pass through funding. Because the original grantee is not incurring the same administrative costs as if the grantee were providing the service directly, the usual indirect cost rate does not apply. Therefore, a special indirect cost rate, a pass through rate that more accurately reflects the administrative costs to the original grantee or contractor is calculated. As with the indirect cost rate, this pass through rate can be negotiated with both the State and federal governments.

Grant and Contract Compliance

Regardless of whether a grant or contract is used to purchase services, the State agency that is purchasing the services is responsible for grant or contract compliance. Although actual administrative practice may vary by department, generally program compliance is assigned to the division level. This responsibility involves assuring that the services that were purchased by the State are actually provided according to the methods prescribed in the agreement. The Division of Family and Youth Services, Department of Health and Social Services, provides an example of compliance procedures. According to Dan Masden of that agency, two general mechanisms exist to monitor services purchased by grants and contracts.

First, regular program and expenditure reports are required that detail the activities of the grant or contract over a specified period. Depending on the size of the grant or contract and the complexity of the services provided, these reports are normally required monthly or quarterly. However, in some cases (because of the nature of the services purchased) only one report at the conclusion of the service delivery is required. The content and format of these performance reports are generally detailed in the grant or contract and in many cases the actual payment by the State to the service provider is linked to the receipt and review of these reports.

The second compliance method involves on-site visits by Division of Family and Youth Services staff. Due to the number and types of contracts and grants administered by the division, all contractors and grantees cannot be visited. Generally, on-site evaluations are performed on the large contractors or grantees as well as any providers that have potential for compliance problems. It should be remembered that these evaluations are largely program related although any financial irregularities are referred to the office responsible for that grant or contract. Financial audits of grantees and contractors are

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performed through the commissioner's office. Also, many nonprofit corporations, especially the ones that provide multiple services, pay for private audits of their financial records. These audits are generally available for State review.

CURRENT ISSUES AFFECTING NONPROFITS

Nonprofit providers play a dynamic role in the provision of human services in Alaska. As the role of nonprofits within this structure continues to change, many choices must be made concerning the way in which nonprofit service providers can best be used to maintain and improve the quality and quantity of human services available to Alaskans.

In this section, some of the major issues confronting human service providers and policy makers in Alaska are discussed. Most of these concerns were raised in the course of interviews with professionals in the field of human service delivery. In addition, Governor Sheffield's Human Service Mini-Cabinet conducted numerous hearings throughout Alaska at the end of 1983 and identified many issues which relate to nonprofit human services. Many of the findings of these meetings are included in the discussion. While some of the issues pertain to nonprofit providers exclusively, many of the issues relate to the human service delivery system as a whole. The first five issues discussed pertain to the improvement of the human services delivery system; the final four pertain to the role that nonprofit providers should play in this delivery system.

As one reads this section, it will become apparent that many of the issues discussed are interrelated. On occasion, some of the positions advocated by human service professionals on one issue contradict positions taken on other issues. No attempt to analyze these contradictions has been made; the purpose of this section is to present the issues as they were communicated to us in numerous interviews.

Planning and Allocation in the Human Service Delivery System

One of the most common sources of concern identified in our interviews was the fragmented, disorganized nature of how decisions are made as to which and how human services are provided. Criticisms were directed at the level and quality of planning efforts, the degree of coordination and cooperation between and within the various government and nonprofit agencies involved in the provision of human services, and the processes by which funds are allocated among human services. While these are, to some extent, separate problems, they all relate generally to the process through which human service needs are identified, the appropriate responses are determined, and the resources are allocated. Furthermore, it is useful to consider these issues together because some of the concerns expressed specifically pertain to the way in which planning, allocation, and coordinating activities relate to one another.

Some of the individuals with whom we spoke believe that there is currently insufficient human services planning occurring in Alaska, as evidenced by the lack of a comprehensive assessment of human service needs. There is concern that without well defined needs, it is difficult to establish rational priorities.

Comparing the needs for different types of services--determining which needs are greatest--is the essential second step in the needs assessment process. Kathy Sutcliffe, Director of Health for the Aleutian/Pribilof Association, expressed a desire for a central needs assessment; she believes that without one, regions of the state with less visibility but great needs may be overlooked in the allocation of human service resources. Jack Kruse of the Institute for Social and Economic Research (ISER) stated that the present system of allocating funds, without a clear definition of priorities from funding agencies, creates uncertainties for nonprofit agencies.

The allocation of funds for human services without regard to planning was another source of concern for many of the individuals we interviewed. According to the findings of the Human Services Mini-Cabinet:

"there is no consistent funding (or service) standard set state-wide upon which to evaluate the allocations proposed between services... Also, too much emphasis goes into funding new or one shot programs without real evaluation of what already exists or understanding what impact the funding might have."⁴

This is not, however, a problem of the allocation process alone. When planning does not occur, it cannot be incorporated into the allocation process. In addition, some individuals mentioned that plans are not always timed appropriately. Bob Lohr, with the Rural Community Action Program (RurALCAP), noted that for planning to be incorporated into the allocation process, it must be coordinated with the budget cycle of funding agencies. Planning results must be available near the beginning of the budget process, not as the budget approaches finalization.

Another common complaint was that human services agencies act independently of one another. For example, Nancy Cornwell, with the Municipality of Anchorage Department of Social Services, noted that resource providers do not always communicate well with one another. Kathy Sutcliffe cited a lack of coordination between the State and the federal

⁴Human Services Mini-Cabinet, Human Service Provider Regional Meeting Report, prepared by Department of Health and Social Services, Division of Planning, Policy and Program Evaluation, February 29, 1984. P. 13. (Hereafter cited as Human Service Provider Regional Meeting Report.)

government. Tom Gunderson, Acting Director of Alaska Children's Services, noted that there is no formal coordination among nonprofit provided services. Sometimes even within an agency, there is inadequate coordination among the local, regional and statewide offices. The Human Services Mini-Cabinet described existing planning efforts as:

"too fragmented--too directed to particular problem areas...hence eliminating any ability for comprehensively or holistically addressing the wider human service needs. In the same way, current State planning is too fragmented among local, regional and State levels."⁵

Most of the individuals with whom we spoke stated a need for comprehensive, integrated human services planning. In the course of our interviews, several important characteristics of this idealized planning process emerged, although probably no one individual would concur with all of them.

- It must have the capacity to identify human service needs within the population, both the types of service needed and the intensity of need for each service.
- The process must coordinate among local, regional, and statewide planning efforts, and between federal, State, municipal, and private planning efforts. Because funding and allocation decisions are often made at the higher levels of government and on a broader geographic scale, while services are frequently delivered at a local level, it is essential that there be coordination and consensus of aims among the various levels of planning.
- Resource allocation decisions should be made in consideration of the total range of human service needs, rather than independent allocation of funds for each type of service. This is sometimes called "holistic" planning, referring to the belief that because many human service problems are interrelated, effective solutions cannot be developed by treating each aspect of such interrelated problems independently.
- The planning process should have a long-term focus. This would help to lend continuity and coherence to human service programming from year to year. It would also help to reduce uncertainty among providers about the funding of their agencies or programs.

⁵Human Service Provider Regional Meeting Report, P. 4.

- There should be sufficient internal discipline within the planning and allocation process to ensure the coordination of allocation decisions with the needs and priorities indentified by the planning process.

Many human services professionals believe that without internal discipline, it would be impossible to obtain the cooperation from nonprofit providers needed to ensure that the other characteristics listed above could be obtained. Presumably, institution of comprehensive planning may result in reductions of funding for at least a few agencies as priorities are redefined. Without some kind of discipline, it would be in the best interest of such agencies to attempt to bypass the planning process. On the other hand, it seems doubtful that this discipline can be achieved without a widespread perception of fairness and effectiveness in the planning process. Lacking this perception, those responsible for making allocation decisions such as the Alaska Legislature, will be hard put to justify their commitment to the process.

However, in the course of our interviews, few tangible suggestions were made as to how this process might be implemented. Comprehensive planning is seen as an elusive goal, with many difficulties to be surmounted before its successful implementation. For example, one of the basic elements of planning is an assessment of need. However, human service needs are very difficult to assess quantitatively. Jack Kruse, with ISER, has pointed out several obstacles to this assessment. Surveys are of limited value, because of the expense and because many of the populations at need are difficult to identify. Some human services are targeted for very small populations with very great needs.

Mr. Kruse suggests one method of determining needs would be a survey of needs as perceived by providers and others who have regular contact with the populations at need. However, he noted that for many human services, the number of providers in a given community is very small, and needs assessments would probably be limited to rough estimates of need relative to the degree of service presently available.⁶

Another obstacle to developing comprehensive planning is the lack of consensus about where decision making should take place within the process. Some of the individuals with whom we spoke believed that the planning process should not be directly connected with the allocation

⁶For a more detailed discussion of Kruse's proposal for determining need, see: Jack Kruse, A Description of Anchorage Subsidized Human Services, Institute of Social and Economic Research, University of Alaska, June 22, 1984. PP. 14-16.

process. Others believed that without some form of explicit link between the two, planning activities frequently would be ignored in favor of political considerations.

Also, some individuals believe that many nonprofit providers are comfortable with the status quo and will be reluctant to support any proposal for planning which might reduce their own influence in the allocation process. Mike Meehan, Director of Catholic Social Services, perhaps expressed it best when he stated that while everyone supports planning in principle, most providers will be leery of any attempt to implement comprehensive planning. However, he believes that those nonprofits who do not cooperate in the planning process should be forced to obtain their funding from other sources.

It seems likely that many issues would have to be resolved before the successful implementation of a comprehensive, integrated planning process could be achieved. Kathy Sutcliffe suggested that human service providers and resource agencies in Alaska probably would need to plan extensively just to develop this planning process. Other providers noted the necessity of integrating planning with policy decisions concerning the development and delivery of human services.

Although there were many complaints about deficiencies in the system of planning for and allocating funds to human services, many people believed that the State and other human service funders were doing a reasonably good job of allocating their resources. Informal cooperation and information sharing among human service providers was cited as one factor which help minimize the negative effects of deficiencies in formal planning. One view of the present system of planning and resource allocation is that the large number of providers and funding agencies creates a marketplace for human services which functions similar to laissez faire capitalism. In the broadest sense, the system is selfcorrecting; funding agencies will not continue to fund inefficient providers or unnecessary services in the long run.

Extending the Funding Periods for Grants to Nonprofits

Traditionally, most government grants and contracts with nonprofits for human services are for a term of one year. Many providers contend that this annual funding process is an inefficient mechanism for contracting with nonprofits. Some nonprofit providers complain that it is sometimes well into the fiscal year before a contract to provide services can be negotiated between the funding agency and the provider. The Human Services Mini-Cabinet found that the process:

"results in tremendous amounts of time being lost by the provider researching and applying for new funding. Further, this militates against the need to engage in long range planning or program

development; creates unwillingness to employ longer term and perhaps more effective treatment methodologies; encourages higher staff turnover due to job insecurity; and does not enable the set up of employee benefit packages..."⁷

The Mini-Cabinet also found that the uncertainty created by the funding process spills over into client relations, resulting in the client having a lack of confidence in the provider's continued existence.⁸

Several individuals have suggested that the funding periods for non-profit providers be extended to two or more years, to reduce the uncertainties of funding and minimize the resources that must be directed toward obtaining more funding. While it is acknowledged that extended grant and contract periods could have some adverse effect on nonprofit accountability, most individuals with whom we spoke believe that the majority of nonprofits receiving grants and contracts have already proven their ability to provide services in a responsible manner. For unproven nonprofits, some form of probationary, one-year grant or contract could be given until the provider establishes that it can manage funds responsibly and deliver quality services.

Alternative Sources of Funding

One issue identified by the Human Services Mini-Cabinet is the increased funding of human services from sources other than the State. Among the possibilities mentioned are the use of fee-for-service and the billing of third-party insurance coverage where applicable.⁹ Another source of funding is the local match provision of some State grant programs. Private nonprofit providers also have access to private contributions, which can come in the form of money, donated supplies or equipment, or volunteer labor.

In the course of our interviews, two different concerns were expressed regarding alternative sources of funding. One is that nonprofit providers should, whenever practical, avail themselves to all potential sources of funding. Human service professionals quite understandably desire to direct as much resources as possible toward meeting human service needs. The ability to exploit various sources of funding is frequently cited as a sign of a well functioning nonprofit provider. It is also perceived as an indication of broad-based support for a service.

⁷Human Services Provider Regional Meeting Report, p. 7.

⁸Ibid., p. 7.

⁹Ibid., p. 10.

The other concern is that funding agencies not place any unfair burden on nonprofits to utilize other sources of funding (including in-kind contributions). Many nonprofit providers believe that they should be treated the same as any other private enterprise with whom government contracts to provide a service, particularly in the case of services that the State is required to provide by law. From this perspective, the nonprofit should be paid the full cost of providing the service, just as a private contractor would be paid for providing any other good or service.

As noted earlier, local match requirements have been criticized for making it difficult for some organizations or even local communities to obtain State funding. Most of the individuals we interviewed strenuously opposed any requirement or evaluation method that would penalize nonprofits who failed to obtain some level of private support. Some individuals also mentioned that any requirements for nonprofits to obtain private contributions would hurt many smaller nonprofits, who lack the skills or resources to engage in fund raising efforts. Also, questions of efficiency have been raised. Fund raising can distract providers from their basic mission of providing service, and additional moneys raised may not justify this cost.

Some nonprofit providers fear that a system which emphasized the use of other sources of funding might ultimately lead to the State withdrawing equivalent funds for every dollar raised. Thus, in the long run, nonprofits would have no greater funds, but would have a greater burden in raising them.

Improving Professional and Managerial Capabilities of Nonprofits

A number of individuals identified a "lack of sophistication" as a problem among some nonprofit human service agencies. This included a number of specific characteristics such as unfamiliarity with the funding process, a lack of skills or knowledge necessary for efficient management, and a general lack of experience or expertise at providing specific services. These deficiencies were noted in both personnel and boards of directors. Some individuals were specifically concerned with providers in rural communities, where the provision of services may be newer or personnel has less regular contact with other human service providers.

One factor frequently mentioned as compounding the problem is the State's salary schedule; the State generally pays higher salaries for human services professionals. As a result, there is a tendency for these professionals to begin their careers with nonprofit providers and move into State government as they acquire the necessary experience. This trend makes it more difficult for nonprofit providers to retain

their expertise. In addition, when nonprofit providers assume a service formerly provided by the State, this salary differential often prevents them from retaining the existing staff.

One suggestion to alleviate these problems is for the State to provide technical assistance to the nonprofit providers. This assistance could include help with completing grant applications and with complying with recordkeeping and reporting requirements. In this manner, the State could help to ensure that the funds it disperses to nonprofits are used in the most efficient fashion. One example of this kind of assistance is the Grants Management Handbook recently developed by the Office of Management and Budget. The handbook seeks to familiarize individuals with requirements of the grant application process and financial management of the grant.

Some people also stated that such efforts are important to ensure that sophistication in the technical aspects of grant applications was not an absolute requirement to funding; nonprofits should not have to be polished to receive grants.

Another means of addressing these problems is to increase the availability of training for nonprofit employees and boards. This was one of the needs identified by the Human Services Mini-Cabinet.¹⁰ Not only does this approach have the potential to improve the quality of service and management of nonprofit providers, Lynn Caswell with the United Way of Anchorage pointed out that training opportunities can in some cases serve as an alternative for agencies unable to pay higher salaries.

Standardization of Management of Human Services Programs

One issue identified by the Human Services Mini-Cabinet was the "lack of uniformity/consistency in the management of human services programs across State agencies." Among the specific problems cited were a lack of standardization of forms, procedures, time frames and the information which nonprofits must provide the agencies. This results in providers wasting time "filling out essentially the same information in slightly different ways or at slightly different times."

In response to these criticisms, the State's Office of Management and Budget (OMB) is attempting to standardize grant procedures. This effort includes an attempt to develop a uniform grant application form. According to Linda Delaney, with OMB, her agency would also like to standardize budget information and eliminate duplicated audit efforts.

¹⁰Human Service Provider Regional Meeting Report, p. 16.

Local Control of Human Service Provision

One often-cited advantage of nonprofit providers is that delivering service through a community-based agency allows for more local control of services (or, for some areas of rural Alaska, regional control). Some individuals believe that such factors as local accountability, local hire, and local providers' ability to mobilize resources within the community usually enhance the quality of the service provided.

Such individuals contend that centralized authority results in delays in decision making and in decisions that may not be effective within the local context. They would like to see increased local control in Alaska's human service delivery system. The Mini-Cabinet found that providers believe:

"too many decisions [are] being made in Juneau; regional managers hav[e] little authority to make decisions; [there is a] need for greater local input into planning, program development and funding decisions; and programs [are] so general and regulations too rigid to allow local needs to be appropriately or efficiently met."¹¹

The Mini-Cabinet findings contained many proposed solutions including decentralization of delivery decision making in State agencies and providing more of the funding for human services through local block grants.¹² One example of how centralized decision making can result in inefficient use of resources is when a statewide office of an agency funds a nonprofit in a community, even though local referral agencies do not refer clients to that provider. Thus, the service funded will likely be underutilized. Decentralized decision making could help ensure that the agencies funded are well respected within the community.

A block grant approach to funding would allow communities more flexible responses to local problems by localizing the allocation decisions. However, in the course of our interviews, several people suggested that there might be resistance to a block grant approach for human service funding both from local governments and from some nonprofit service providers. Local governments might resist receiving most funding for human services through block grants for fear that once they assumed responsibility for delivering the service, the State might reduce or eliminate the block grant. Local governments would then be faced with

¹¹Human Service Provider Regional Meeting Report, p. 5.

¹²Human Service Provider Regional Meeting Report, p. 5.

a substantial new fiscal burden. According to Bob Lohr, many nonprofits might oppose a block grant approach to funding human services because they perceive more security in having their funding connected to a line item in the State budget than in competing for a piece of a block grant.

Rural vs. Urban Services

Many of the individuals with whom we spoke believed that the problems facing human service providers in rural areas of the state are frequently of a different nature from those of providers in Alaska's urban communities. Rural areas often lack basic services, a diversity of nonprofit providers available to deliver services, and access to the same labor pools of human service professionals. In many rural areas, regional or local governments that could accept block grants or provide services directly do not exist. Native nonprofit corporations have tended to fill the void caused by the absence of government services. In contrast, urban communities may be faced with the challenge of coordinating services provided by tens, if not hundreds, of different agencies. Local governments are well established and may add another level to the flow of funding to nonprofits.

As a result of basic differences between rural and urban Alaska, programs or program requirements based on an urban model for service delivery may not be practical in rural Alaska. Urban and rural human services may have to be approached as two separate and distinct delivery systems. Among the possible steps to alleviate the problems stemming from these differences identified by the Human Services Mini-Cabinet are greater recognition of the priority of rural services and the need to use a nonurban model in delivery or accounting for services.¹³

The Role of Native Nonprofit Corporations

As noted earlier in this report, the State of Alaska contracts with Native nonprofit corporations to deliver many different human services. In some instances, as with the Manilaaq Association, the Native nonprofit will contract to provide several statutorily mandated services, which would otherwise be provided by State personnel. In the course of our interview, a number of individuals questioned whether it was appropriate for the State to depend too extensively on Native nonprofits to provide services to all eligible clients in a community or region. It was noted that Native nonprofits exist, by and large, to

¹³Human Service Provider Regional Meeting Report, p. 15.

serve the needs of their own membership, usually Natives or Native organizations. Non-Natives may have no formal means of participating in policy making within the Native nonprofit corporation. In theory, it is possible that Native nonprofits may have agendas which are tailored to the needs of their members and could conflict with the needs of the nonmember clients they have a contractual obligation to serve.

However, while many individuals were willing to acknowledge that the special nature of Native nonprofits posed a philosophical problem, no one with whom we spoke indicated that there was evidence this problem had manifested itself. Some individuals believed that Native nonprofits are completely capable of providing State services equally to Natives and non-Natives. Bob Lohr, with RurALCAP, did not see any difficulties with having Native nonprofits provide service to non-Natives. He felt that problems arising from Native control of these providers were more theoretical than practical. It was also noted that State contracts can explicitly require Native nonprofits to provide equal access to State-funded services.

State Responsibility for Legally Mandated Services

Another issue pertaining to the State's use of nonprofit providers to deliver human services was raised by representatives of the Division of Public Health, the Division of Family and Youth Services, and the Emergency Medical Services program in the course of earlier work performed by the House Research Agency. This issue relates to the State's responsibility to provide services which are statutorily mandated. This responsibility is not transferred when the State contracts with a nonprofit provider to deliver such services. "The contract transfers the function, but cannot change the policy as established by law. If the contractor cannot perform the function as required by law, the State is obligated to do the work, potentially fragmenting service delivery if mandated services have to be provided by the State while other services are provided by contractors."¹⁴

¹⁴Jay Livey, "State Government Funding of Nonprofit Agencies," House Research Agency Research Request 85-005, August 31, 1985. P. 8.

CONCLUSION

Virtually every human service professional with whom we talked during the course of this project believed that a significant portion of human services in Alaska will continue to be provided by nonprofit corporations. A significant number of providers also expressed the view that nonprofit service delivery will expand as more existing State services are provided locally through grants and contracts to nonprofits and as these organizations initiate new services.

However, beyond the general belief in the viability of nonprofits in the human service delivery system, we found little consensus concerning the role nonprofits should play. Part of the reason for this confusion is the lack of basic information concerning the activities of the organizations themselves.

Recently, three projects have been started, however, that should provide basic information concerning nonprofit service delivery. The Governor's Office of Management and Budget is developing a computerized information program to collect and sort data on all grants and contracts awarded to nonprofit agencies. The Institute of Social and Economic Research, University of Alaska has just completed a study for the Municipality of Anchorage that describes the human service delivery system within that municipality. The Alaska Native Management Center at the University of Alaska Fairbanks has initiated a study to assess the effectiveness of nonprofit Native regional corporations. These projects, and others like them, will provide the information and analysis needed to define the current role of the nonprofits in the service delivery system.

However, collection of information is just the first step in determining the role nonprofit organizations will play in service delivery. Human service professionals working for both State government and nonprofits noted the need for policy direction in:

- planning for all human services based on statewide needs assessments and allocating State resources among State agencies and nonprofits according to these needs;
- developing methods of recognizing gaps and duplications in services between nonprofits and State agencies and among nonprofits; and
- distributing resources to nonprofit organizations without imposing heavy administrative burdens on either the nonprofit or State agencies, while still guaranteeing efficient use of State resources.

CONCLUSION

We noted in the report that there is no consensus among representatives of nonprofit providers or State agencies concerning the exact nature of their future role. For example, some nonprofit representatives claim that State government should take a more active role in establishing human service priorities and allocating resources based on those priorities. Other human service professionals feel that control of human services planning and resource allocation is more properly done at the local level. The contradictions inherent in many of the other issues that providers presented to the Human Services Mini-Cabinet illustrate this lack of consensus.

However, if the State does not begin to formally define the role of nonprofit corporations, this role will be defined implicitly, quite possibly in ways that perpetuate confusion among the State and providers. The development of policies concerning planning, allocation of resources, administration of human service programs and identification of service gaps and duplication extends beyond the role of nonprofit corporations to the entire human service delivery system. However, if nonprofits have become an integral part of the human service delivery system in Alaska, and the consensus is that they have, a new definition of their role seems inevitable.

Inspectors against recertification of API

By SHEILA TOOMEY
Daily News reporter

The state's only public mental hospital apparently failed to regain its lost federal certification after a two-day inspection last week, a state official said.

The certification is worth about \$1.5 million a year in federal Medicaid and Medicare payments to Alaska Psychiatric Institute (API), said Mel Henry, director of the state Division of Mental Health.

In a meeting Friday, federal inspectors informed the state unofficially that their recommendation to the Department of Health and Human Services in Washington, D.C., would be against returning the certification API lost after a similar inspection in July, Henry said.

"If that is so, we are really going to challenge them," he said. "We think we are way above the national standards for hospitals like ours."

Henry said his department would wait until the official report is filed in about two weeks before deciding what specific action to take.

The original decertification went into effect Sept. 29. API requested last week's re-inspection, hoping to regain its standing.

The hospital has 176 beds and an annual budget of \$13 million, Henry said. No patients have been evicted because of the lost revenue. The state has been picking up the tab for expenses previously covered by the federal programs, he said.

API was cited after the July inspection for inadequate staffing and

incomplete record keeping. The institution has since filled a number of positions that were vacant, Henry said, but apparently failed to satisfy the inspectors.

"It is absolutely ludicrous," he said of the negative evaluation.

But, according to Tom Wallner of the federal Health Care Financing Administration in Seattle, API "does not meet the minimum Medicare requirements." The requirements are "not fancy or luxurious" he said.

Henry complained that federal officials refuse to tell API how many doctors, nurses, social workers and other staff members they must have and refuse to give them a minimum required patient-to-staff ratio.

"We begged them for numbers," he said. "How do we know what

they want us to do? They said, use your professional judgment. . . . Well, our professional judgment is that we are providing good care."

Wallner confirmed that API would not be told how large a staff it needs to win certification.

"We don't have a magic number. We don't have a rigid ratio," he said. What is needed depends on the kinds of patients in the hospital at any given time.

"We identify what those patients' needs are and if there are unmet needs," he said.

Wallner agreed the evaluation of any hospital is subjective and involves "a great deal of judgment" by the inspectors, who are consultants hired by the Health and Human Services Department. The guidelines are "pretty clear," he said, and

"most professionals" recognize when care is adequate or inadequate.

Henry said he and other state officials have begun to wonder if the issue is really the quality of care. Hospitals in Oregon and Connecticut that formerly had no problems with certification, recently were decertified for what appear to be inadequate reasons, he said.

Perhaps the federal government is trying to cut health care costs, he suggested.

"One doesn't know, but it's clear that generally human service programs are taking a beating in the Reagan administration."

"I assure you that's not the case," said Wallner. "We don't take these things lightly. We have an obligation, when we find deficient care, to stop funding."

DMHDD BUDGET REQUEST FOR FY 1987

1. Community Mental Health Center budget the same level as for FY 1986.
2. Proposed incremental increases:
 - a. \$2,085,000 for new Fairbanks CMH programs.
 - b. \$1,000,000 for 9 new positions at API.
 - c. \$924,000 for Developmental Disabilities increases.
 - d. \$775,000 for designated mental health beds in Fairbanks, Bethel, and Sitka.
 - e. \$500,000 for new CSP projects.
 - f. \$450,000 as replacement for SCC legislative intent from FY 1986.
 - g. \$444,000 for adolescent group home at API.
 - h. \$250,000 for improvements at Harborview.
 - i. \$213,000 for inflation adjustment for API.
3. The CMHC budget would be allocated on a new formula based on the following priorities:
 - a. A baseline funding level for all small centers.
 - b. A cost of living adjustment for all centers outside of Anchorage.
 - c. Remaining funds to be allocated on a population basis.
4. Depending on the baseline funding level established for small centers and the COLA used, SCC may lose a portion of its budget to other centers.
5. CSP funds are to be allocated on a formula basis similar to the CMH funds.

DEPT. OF HEALTH AND SOCIAL SERVICES

DIVISION OF MENTAL HEALTH & DEVELOPMENTAL DISABILITIES

3601 "C" Street
P.O. Box 6333
Suite 508
Anchorage, Alaska 99502-00

December 2, 1985

Dear CMHC Director:

During 1985, a Taskforce comprised of program directors, Governor's Mental Health Advisory Council members, and Division staff has been working on a method of allocating funds to community mental health centers. The goal of the Taskforce was to develop an allocation system by December 1, 1985. While most Taskforce members agreed that the current formula needs more development in areas such as CMHC performance, a usable allocation formula has been developed.

During the Allocation Taskforce teleconference held on November 20, 1985; members debated the exact variables to use in the formula. Because there was divided support for two sets of variables, Division staff would like input from all program directors on the final formula to be used for FY87. Enclosed are the results of the two sets of variables applied to the FY86 CMHC allocation. These results are different from those previously calculated because the population figures for some CMHCs have changed. The Department of Community and Regional Affairs recently completed their calculations of CMHC service area populations. These population figures will be used in the FY87 allocation formula.

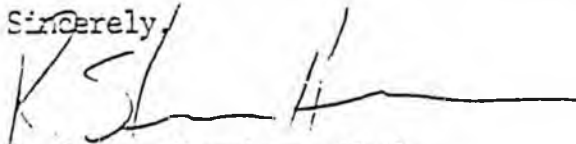
For program directors who are unfamiliar with the proposed allocation formula, I have prepared a brief discussion of allocation issues and variables. Also, please feel free to call me if you have further questions concerning the proposed allocation system.

Before Division staff decide on the formula to allocate FY87 funds, input from all program directors will be considered. However, since the grant packages must be mailed in early January, 1986; your comments on the allocation system must be received by December 20, 1985 to have an impact on the FY87 allocation system.

In your comments please address the following issues:

1. Which formula variables do you prefer?
 - A. Formula I with Population, base-funding = \$70,000, maximum negative change = 15%, population adjustment = 5%.
 - B. Formula II with Population base-funding = \$80,000, maximum negative change = 10%, population adjustment 5%.
 - C. Neither option.
2. Discuss the reasons for your choice along with any comments on the allocation of CSP funds.
3. Discuss additional variables you would like included in future allocation systems.
4. General observations and comments.

Sincerely,



R. Steven Harrison, Ph.D.
Program Administrator, CMHS
Division of Mental Health &
Developmental Disabilities

Enclosures: Proposed Allocation System: Discussion
Steps to Determine CMHC and CSP Allocations
FY86 Basic Funding Data
Results of Formula I
Results of Formula II

cc: Governor's Mental Health Advisory Council Members

Regional Administrators

Mel Henry, Ph.D., Director
DMH&DD

PROPOSED ALLOCATION SYSTEM: DISCUSSION

The results of applying two different sets of variables to the funding formula have been included in the sections "Formula I" and "Formula II". The actual funding formula complete with step-by-step instructions is presented in "Steps to Determine CMHC and CSP Allocations". A discussion of the four variables which are used in the funding formula is presented below:

1. Base Funding: This variable insures that all centers receive enough funding for a clinician and basic support costs. The use of a calculated grant amount represents a change in Division philosophy. In the past, DMH&DD funding was reduced for centers which had found ways of reducing expenses. The reduction in the level of funding to programs which operate a combined mental health and alcoholism treatment program is an example. The base funding concept would allow centers which were able to reduce expenses or secure additional revenue to use those dollars to enhance the level of mental health services delivered to the area. The base level of funding should not be confused with optimal funding. Raising the minimum level of funding to where small centers were optimally funded by the State would probably result in less incentive for centers to secure local contributions. Also, larger centers and centers with high costs of living would have reduced funding since every \$10,000 increase in base funding decreases the amount available by \$230,000. The base funding level considered in Formula I is \$70,000 and Formula II is \$80,000.

2. Population: The need for mental health services varies with the size of the population in the mental health district. Therefore, a significant portion of the funding should be distributed between CMHCs on a population basis. The population figures which will be used in the allocation process are those certified by the Department of Community and Regional Affairs.

3. Population Adjustment: The cost of goods and services varies across the State. The relative cost is reflected in the State's salary differential which is often referred to as a cost of living allowance. For State salaries, salary differential steps which range from 0 to 9 have been assigned to each election district. The cost of living adjustment has been introduced into the allocation formula by increasing the population according to the state pay differential step times the population adjustment percent. This means that if a location with a pay differential of 0 and a location with a pay differential of 9 (population adjustment of 5%) both treated 100 people, the cost associated with providing services in the higher cost of living area would be calculated as if that center were treating a 145 people ($100 + 100 \times 9 \times .5 = 145$). In actual practice, the modification of the population base by a cost of living factor proposes that more individuals can be served for the same amount of funds in a low cost of living area than in a high cost of living area. Both Formula I and II contain a 5% population adjustment factor.

4. Maximum Negative Change: Large sudden decreases in funding are difficult for a program to absorb. Arrangements for alternative sources of funds or reductions in the scope of services must be planned well in advance. The use of the maximum negative change concept insures that programs will be guaranteed 85% to 90% of the prior year funding level. The maximum negative change rates considered in this analysis are 10% for Formula I and 15% for Formula II. It should be noted that the higher the change rate, the sooner the Division will be allocating funds according to an accepted allocation system and be independent of the subjective funding levels awarded in the past.

STEPS TO DETERMINE CMHC AND CSP
ALLOCATION

CMHC FUNDING

1. Obtain the population for each CMHC District.
2. Obtain the salary differential (0-9) for each CMHC.
3. Determine the dollars available for distribution among CMHCs.
4. Calculate adjusted population based upon the salary differential.

$$P_{adj} = P_d + P_d \times C\% \times C_i$$

Where: P_{adj} = population adjusted for cost of living.
 P_d = population of CMHC district.
 $C\%$ = population adjustment percent (5%).
 C_i = salary differential (0-9).

5. Use the P_{adj} to calculate CMHC funding according to the following formula:

$$F = (P_{adj} / \sum P_{adj}) \times (D - N \times M) + M$$

where: F = CMHC funding.

P_{adj} = population adjusted for cost of living.
 $\sum P_{adj}$ = Sum of the adjusted population for the N CMHCs.
 D = dollars available for CMHC grants.
 N = number of Mental Health Centers receiving CMHC grants (23).
 M = minimum funding (70.0 or 80.0).

6. Compare funding (F) to previous year funding. If CMHC has a maximum negative change greater than 15% (10% for formula II), calculate the funding using the previous year level (F_p).

$$F_{mnc} = F_p - F_p \times MNC$$

where: F_{mnc} = calculated funding using maximum negative change.
 F_p = previous year funding.
 MNC = Maximum Negative Change (15% or 10%).

7. Recalculate the remaining CMHC funding levels using the formula in #5 with corrected $\sum P_{adj}$, N , and D . Corrected values for these three variables are:

D = D - total dollars allocated to CMHCs requiring application of MNC.

P_{adj} = $\sum P_{adj}$ - adjusted population of CMHCs requiring MNC.

N = N - total number of CMHCs requiring MNC.

CSP_FUNDING

1. Obtain F_{adj} for each CMHC which qualifies for a Community Support Project (see CMHC funding).
2. Calculate ΣF_{adj} for CMHCs which qualify for CSP.
3. Calculate funding according to the following Formula:

$$F_{csp} = (F_{adj} / \Sigma F_{adj}) * D_{csp}$$

Where: F_{csp} = CSP funding.

D_{csp} = dollars available for CSP grants.

4. Compare funding (F_{csp}) to the previous year funding. Apply the maximum negative change rule using the method outlined in #6 and #7 under CMHC Funding.

FY66 CMHC FUNDING DATA

PROGRAM	POPULATION	FY66-CMHC BUDGET	FY66-CSF BUDGET	TOTAL CMHC BUDGET	\$/CAP CMHC	\$/CAP T-CMHC	SALARY DIFRNTL
ANCHORAGE	248933.0	1686.4	899.5	2585.9	6.8	10.4	0.0
FAIRBANKS	72281.0	532.2	171.0	703.8	7.4	9.7	4.0
WASILLA	41093.0	300.0	40.0	340.0	7.3	8.3	1.0
JUNEAU	31818.0	427.5	40.0	467.5	13.4	14.7	0.0
KENAI	29433.0	292.3	100.0	392.3	9.9	13.3	2.0
KETCHIKAN	21153.0	398.5	160.0	558.5	18.8	26.4	0.0
BETHEL	15616.0	223.5	56.2	279.7	14.3	17.9	8.0
KODIAK	13478.0	225.9	86.2	312.1	16.8	23.2	3.0
HOMER	9486.0	126.1	0.0	126.1	13.3	13.3	2.0
SITKA	8317.0	147.0	0.0	147.0	17.7	17.7	1.0
BARROW	7978.0	179.8	40.0	219.8	22.5	27.6	9.0
DILLINGHAM	6640.0	141.2	30.0	171.2	20.6	25.0	7.0
ALEUT/FRIE	4869.0	150.0	0.0	150.0	30.8	30.8	7.0
VALDEZ	3697.0	86.9	0.0	86.9	23.6	23.6	5.0
SEWARD	2947.0	105.0	10.0	115.0	35.6	39.0	2.0
PRINCE WAL	2589.0	75.4	0.0	75.4	29.1	29.1	0.0
CORDOVA	2588.0	86.2	0.0	86.2	33.3	33.3	4.0
GALENA	2293.0	109.3	0.0	109.3	47.7	47.7	9.0
TOK	2009.0	106.1	0.0	106.1	52.8	52.8	5.0
HAINES	2004.0	88.4	0.0	88.4	44.1	44.1	2.0
COPPER CNT	1927.0	65.1	0.0	65.1	33.8	33.8	4.0
MCGRATH	1453.0	69.5	0.0	69.5	47.8	47.8	9.0
ANIAK	1377.0	73.5	0.0	73.5	53.4	53.4	9.0

TOTAL 534169.0 5696.4 1632.9 7329.3 26.1 28.0 4.0

7329.3

ADDITIONAL CMHCs AVE \$/CAPITA = 10.7 13.7

NOME	9753.0
KOTZEBUE	6599.0
FORT YUKON	1335.0
TANANA	1199.0

TOTAL 553055.0

TOTAL DECEMBER, 1965 OFFICIAL DEPARTMENT
OF COMMUNITY AND REGIONAL AFFAIRS
POPULATION IS 555,606.
BARROW WITH POPULATION OF 3,315 NOT IN TOTAL,

NOTE: ALL DOLLAR AMOUNTS IN THE FILE ARE DIVIDED BY 1000.0 TO MAKE THE DISPLAY EASIER TO READ. THE ANCHORAGE AMOUNT WAS REDUCED BY THE FUNDING FOR THE TRANSITIONAL CENTER (\$597.9) WHICH SHOULD MORE APPROPRIATELY BE PLACED IN THE COMMUNITY SUPPORT PROJECT (CSF) BUDGET. THE ANCHORAGE CSF AMOUNT INCLUDES \$229.6 FOR CASE MANAGEMENT, \$597.9 FOR THE TLC, AND \$72.0 FOR EMPLOYMENT AND TRAINING CENTER OF ALASKA.

FORMULA 1

PRG	AM	ADJUSTED POPULATION	FORMULA FUNDING NO MNC	CALC WITH MNC	CALC -FY86	CALC \$/CAP	CALC FY86 + 1000	CALC FY86 + 5000
ANCHORAGE		248933.0	1835.8	1726.8	40.4	6.9	2222.7	3996.4
FAIRBANKS		86737.2	685.3	647.3	114.5	9.0	820.1	1438.1
WASILLA		43147.7	376.1	357.2	57.2	8.7	443.1	750.6
JUNEAU		31818.0	295.7	363.4*	-64.1	11.4	363.4*	571.9
KENAI		32376.3	299.7	285.5	-6.8	9.7	350.0	580.7
KETCHIKAN		21153.0	220.1	338.7*	-59.6	16.0	338.7*	403.6
BETHEL		21862.4	225.1	215.5	-8.0	13.8	259.1	414.8
KODIAK		15499.7	179.9	192.0*	-33.9	14.2	204.0	314.5
HOMER		10434.6	144.0	139.4	13.3	14.7	160.2	234.6
SITKA		8732.9	131.9	128.1	-18.9	15.4	145.5	207.7
BARROW		11568.1	152.1	152.8*	-27.0	19.2	170.0	252.5
DILLINGHAM		9234.0	135.5	131.5	-9.7	19.2	149.9	215.6
ALEUT/PRIE		6573.2	116.6	127.5*	-22.5	26.2	127.5*	173.7
VALDEZ		4508.6	102.7	100.7	13.8	27.3	109.9	142.7
SEWARD		3241.7	93.0	91.6	-13.4	31.1	98.0	121.1
PRINCE WAL		2589.0	68.4	67.2	11.8	33.7	92.4	110.8
CORDOVA		3105.6	92.0	90.7	4.5	35.0	96.9	119.0
GALENA		3324.9	93.6	92.9*	-16.4	40.5	98.8	122.4
TOK		2511.3	67.6	90.2*	-15.9	44.9	91.7	109.6
HAINES		2204.4	85.6	84.7	-3.7	42.3	89.1	104.8
COPPER CNT		2312.4	86.4	85.4	20.3	44.3	90.0	106.5
MCGRATH		2106.9	64.9	64.0	14.5	57.8	68.2	103.2
ANIAK		1996.7	64.2	83.3	9.8	60.5	67.3	101.5
		576071.4	5696.4	5696.4	.0	26.2	6696.4	10696.4

* INDICATES MAXIMUM NEGATIVE CHANGE RULE APPLIES.

COLUMN DESCRIPTION

- ADJUSTED POPULATION: CMHC DISTRICT POPULATION ADJUSTED FOR COST OF LIVING AS CALCULATED BY THE FORMULA IN "STEPS...".
- FORMULA FUNDING NO MNC: CENTER FUNDING CALCULATED BY THE FUNDING FORMULA WITHOUT APPLYING THE MAXIMUM NEGATIVE CHANGE RULE.
- CALC WITH MNC: A CALCULATION OF THE LEVEL OF FUNDING PROJECTED FOR FY87 IF \$5696.4 IS AVAILABLE FOR CMHC GRANTS.
- CALC -FY86: A CALCULATION OF THE GAIN OR LOSS (-) A CMHC WILL SUSTAIN COMPARED TO THEIR FY86 FUNDING LEVEL.
- CALC \$/CAP: A CALCULATION OF DOLLARS PER CAPITA ACCORDING TO THE FUNDING LEVEL IN "CALC WITH MNC".
- CALC FY86 + 1000: THE LEVEL OF FUNDING PROJECTED FOR FY87 IF AN ADDITIONAL \$1,000,000.0 IS AVAILABLE FOR CMHC GRANTS.
- CALC FY86 + 5000: THE LEVEL OF FUNDING PROJECTED FOR FY87 IF AN ADDITIONAL \$5,000,000.0 IS AVAILABLE FOR CMHC GRANTS.

FORMULA II

PROGRAM	FORMULA		CALC WITH MNC	CALC -FY86	CALC \$/CAP	CALC FY86 + 1000	CALC FY86 + 5000
	ADJUSTED POPULATION	FUNDING NO MNC					
ANCHORAGE	248933.0	1746.4	1612.3	-74.1	6.5	2112.8	3907.0
FAIRBANKS	86737.2	660.6	613.9	81.1	6.5	788.3	1413.5
WASILLA	43147.7	368.8	345.6	45.6	6.4	432.3	743.3
JUNEAU	31818.0	293.0	384.8*	-42.7	12.1	384.8*	569.2
KENAI	32376.3	296.7	279.3	-13.0	9.5	344.4	577.7
KETCHIKAN	21153.0	221.6	356.7*	-39.8	17.0	356.7*	405.2
BETHEL	21862.4	226.4	214.6	-8.9	13.7	258.5	416.1
KODIAK	15499.7	183.8	203.3*	-22.6	15.1	206.6	318.3
HOMER	10434.6	149.9	144.2	18.1	15.2	165.2	240.4
SITKA	8732.9	138.5	133.8	-13.2	16.1	151.3	214.3
BARROW	11568.1	157.4	161.8*	-18.0	20.3	174.5	257.8
DILLINGHAM	9234.0	141.8	136.8	-4.4	20.0	155.4	222.0
ALEUT/FRIE	6573.2	124.0	135.0*	-15.0	27.7	135.0*	181.1
VALDEZ	4608.8	110.9	108.4	21.5	29.4	117.6	150.9
SEWARD	3241.7	101.7	100.0	-5.0	33.9	106.5	129.8
PRINCE WAL	2589.0	97.3	95.9	20.5	37.1	101.1	119.8
CORDOVA	3105.6	100.8	99.1	12.9	38.3	105.4	127.7
GALENA	3324.9	102.3	100.5	-8.8	43.8	107.2	131.1
TOK	2511.3	96.8	95.5*	-10.6	47.5	100.5	113.6
HAINES	2204.4	94.8	93.6	5.2	46.7	98.0	113.9
COPPER CNT	2312.4	95.5	94.2	29.1	48.9	98.9	115.6
MCGRATH	2106.9	94.1	93.0	23.5	64.0	97.2	112.4
ANIAK	1996.7	93.4	92.3	18.8	67.0	96.3	110.7
	576071.4	5696.4	5696.4	.0	28.1	6696.5	10696.4

* INDICATES MAXIMUM NEGATIVE CHANGE RULE APPLIES.

COLUMN DESCRIPTION

- ADJUSTED POPULATION: CMHC DISTRICT POPULATION ADJUSTED FOR COST OF LIVING AS CALCULATED BY THE FORMULA IN "STEPS...".
- FORMULA FUNDING NO MNC: CENTER FUNDING CALCULATED BY THE FUNDING FORMULA WITHOUT APPLYING THE MAXIMUM NEGATIVE CHANGE RULE.
- CALC WITH MNC: A CALCULATION OF THE LEVEL OF FUNDING PROJECTED FOR FY87 IF \$5696.4 IS AVAILABLE FOR CMHC GRANTS.
- CALC -FY86: A CALCULATION OF THE GAIN OR LOSS (-) A CMHC WILL SUSTAIN COMPARED TO THEIR FY86 FUNDING LEVEL.
- CALC \$/CAP: A CALCULATION OF DOLLARS PER CAPITA ACCORDING TO THE FUNDING LEVEL IN "CALC WITH MNC".
- CALC FY86 + 1000: THE LEVEL OF FUNDING PROJECTED FOR FY87 IF AN ADDITIONAL \$1,000,000.0 IS AVAILABLE FOR CMHC GRANTS.
- CALC FY86 + 5000: THE LEVEL OF FUNDING PROJECTED FOR FY87 IF AN ADDITIONAL \$5,000,000.0 IS AVAILABLE FOR CMHC GRANTS.

FY86 CSF FUNDING DATA

FORMULA I

PROGRAM	FORMULA		FORMULA			CALC	CALC
	FY86-CSF BUDGET	FUNDING NO MNC	CALC WITH MNC	CALC -FY86	CALC \$/CAP	FY86 +500	FY86 +1000
ANCHORAGE	899.5	773.4	764.5*	-135.0	3.1	985.0	1232.2
FAIRBANKS	171.0	269.5	238.2	67.2	3.3	343.2	429.4
WASILLA	40.0	134.1	110.5	78.5	2.9	170.7	213.6
JUNEAU	40.0	98.9	87.4	47.4	2.7	125.9	157.5
KENAI	100.0	100.6	88.9	-11.1	3.0	128.1	160.3
KETCHIKAN	160.0	65.7	136.0*	-24.0	6.4	136.0*	136.0*
BETHEL	56.2	67.9	60.0	3.8	3.8	86.5	108.2
KODIAK	86.2	48.2	73.3*	-12.9	5.4	73.3*	76.7
BARROW	40.0	35.9	31.8	-8.2	4.0	45.8	57.3
DILLINGHAM	30.0	28.7	25.5*	-4.5	3.7	25.5*	45.7
SEWARD	10.0	10.1	8.9	-1.1	3.0	12.8	16.0
TOTAL	1632.9	1632.9	1632.9	.0	3.8	2132.9	2632.9

* INDICATES MAXIMUM NEGATIVE CHANGE (MNC) RULE APPLIES.

FY86 CSF FUNDING DATA

FORMULA II

PROGRAM	FORMULA		FORMULA			CALC	CALC
	FY86-CSF BUDGET	FUNDING NO MNC	CALC WITH MNC	CALC -FY86	CALC \$/CAP	FY86 +500	FY86 +1000
ANCHORAGE	899.5	773.4	809.5*	-90.0	3.3	973.1	1227.7
FAIRBANKS	171.0	269.5	208.4	37.4	2.9	339.1	427.8
WASILLA	40.0	134.1	103.7	63.7	2.5	168.7	212.8
JUNEAU	40.0	98.9	76.4	36.4	2.4	124.4	156.9
KENAI	100.0	100.6	90.0*	-10.0	3.1	126.6	159.7
KETCHIKAN	160.0	65.7	144.0*	-16.0	6.8	144.0*	144.0*
BETHEL	56.2	67.9	52.5	-3.7	3.4	85.5	107.8
KODIAK	86.2	48.2	77.6*	-8.6	5.8	77.6*	77.6*
BARROW	40.0	35.9	36.0*	-4.0	4.5	45.2	57.1
DILLINGHAM	30.0	28.7	27.0*	-3.0	3.9	36.1	45.5
SEWARD	10.0	10.1	7.8	-2.2	2.6	12.7	16.0
TOTAL	1632.9	1632.9	1632.9	.0	3.7	2132.9	2632.9

* INDICATES MAXIMUM NEGATIVE CHANGE (MNC) RULE APPLIES.

THE CSF FORMULA DOES NOT CONTAIN A BASE FUNDING COMPONENT. IN ORDER FOR A PROGRAM TO WARRANT A SPECIALIZED PROGRAM FOR CMI, THERE MUST BE A SUBSTANTIAL POPULATION BASE. MOST OF THE SMALLER RURAL PROGRAMS CAN PROVIDE SERVICES TO THE CHRONICALLY MENTALLY ILL IN THEIR SERVICE AREA AS PART OF THEIR COMPREHENSIVE MENTAL HEALTH SERVICES.

SOUTHCENTRAL COUNSELING CENTER
SPECIAL LEGISLATIVE REPORT

Prepared August, 1985

by
John P. Huntingdon
Manager, Information and Evaluation

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SERVICE OVERVIEW

The Southcentral Counseling Center (SCC) currently delivers mental health services from three facilities in Anchorage: the main Center near Tudor and Lake Otis, the Transitional Living Center (TLC) in Fairview, and the Alzheimer's Disease Center (ADC) near Service High School. Outreach services are provided in Tyonek, Eagle River, Chugiak, Palmer, Whittier, and various locations in the Anchorage Bowl.

Services delivered from the main Center include adult and family outpatient, testing and evaluation, geriatric outreach, and aftercare services for the chronically mentally ill (CMI). Aftercare programs for the chronically mentally ill include vocational training at several facilities in Anchorage, and case management throughout the Municipality. Seventy-one percent of the patients discharged to community mental health centers from the Alaska Psychiatric Institute (API) are referred to SCC for care. A large percentage of all API patients remain in Anchorage rather than return to their village of origin because villages feel they cannot cope with psychotic patients. Geriatric outreach services are delivered to senior citizens from throughout the State in Senior Centers, Pioneer Homes, private residences, nursing homes, and other locations in the Municipality and in Palmer. Special adult and family outreach services are delivered in Tyonek, Eagle River, Whittier, and at the McLaughlin Youth Center. Some clients from outside of Anchorage travel to the SCC for services rather than seeking services at their local community mental health center.

The Transitional Living Center provides crisis, respite, and rehabilitation beds and mental health treatment services of a short term nature, primarily for the chronically mentally ill. The TLC also has a supervised apartment program for clients who progress toward independent living. The focus of the TLC has been to relieve pressure on the Alaska Psychiatric Institute and to transition clients back into community living. The TLC has served clients from all over Alaska and is a Statewide resource.

The Alzheimer's Disease Center, and its Day Break Program, serve elderly clients with Alzheimer's Disease and related disorders. Alzheimer's clients receive day care, mental health treatment, and medication services. Their families receive certain supportive services. The Day Break staff is also heavily involved in educating the community about Alzheimer's Disease.

HISTORICAL PERSPECTIVE

Over the last several years, the Southcentral Counseling Center (SCC) has experienced a series of funding, program, and policy changes that have resulted in extreme organizational stress and turmoil.

Funding cutbacks for outpatient services by Federal, State, and Municipal agencies (from \$2,372,749 to \$1,686,400 while population increased over 30% and new statewide responsibilities were added) have resulted in termination of the following separate programs since FY 1982:

1. Community Consultation and Education
2. Emergency Services
3. The Parent Training Center (primarily served young adults and teenagers with mental health or substance abuse problems, and their young children)
4. Native Outreach Services
5. Family Services (primarily worked with children and adolescents)
6. Elderly Substance Abuse

Additional State cutbacks of \$256,341 since FY 1984 resulted in termination of two Foster Care programs:

1. Foster Care for Seriously Disturbed Children
2. Foster Parent Support

A State Medicaid rate reduction of 20% in FY 1984 affected reimbursement for services. The State also eliminated reimbursement for community mental health clinic services for General Relief Medicine (GRM) recipients. A Medicare rate freeze has also been in effect.

As a result of these funding and reimbursement cuts, the SCC staff has been reduced from a high of 108 in 1983 to the current level of 65 full time equivalents.

LEVELS OF SERVICE

During FY 1985, the SCC served a total of 3,559 clients in mental health treatment. Other persons were served by the Center's various education, information, and family support efforts. The total served in treatment was a reduction of 1,011 clients, or 22%, from the 4,570 clients served in FY 1984. After heavy public funding reductions began in FY 1983, the Center was faced with a moral dilemma in what to do with the caseload it already had, and with the increasing demands for additional services. In attempting to meet the service demand and not dump clients still in treatment, the Center ran a \$182,800 operating deficit for FY 1983. Even with severe staffing and program cuts which began in the latter half of FY 1984, the Center experienced an additional \$305,000 operating deficit for FY 1984. Total clients served peaked at 4,570 in FY 1984, fell to 3,559 in FY 1985, and is expected to level off at about 3,500 for FY 1985. In FY 1985, the Center had no operating deficit, thanks to late year legislative funding assistance. A balanced budget is expected for FY 1986, at the expense of severely curtailed services from previous levels.

Accompanying the public funding cutbacks has been a steady policy shift by funding agencies in their funding targets. Municipality of Anchorage, State, and Federal funding for outpatient services for children, adults, and the elderly has decreased significantly (Figure 1). Programs for these clientele are where the vast majority of persons are served. At the same time, funding for services for the chronically mentally ill (CMI) has increased. CMI services are intensive and high cost, and thus serve far fewer persons than conventional outpatient services. The Center's budget is now largely targeted at the chronically mentally ill, in line with State Division of Mental Health and Developmental Disabilities priorities.

Services for the Chronically Mentally Ill. Services for the chronically mentally ill (CMI) are a priority according to State Community Mental Health Regulations. The CMI are served in day treatment, socialization, medication, vocational rehabilitation, and case management programs by the Aftercare Unit. Residential Care is provided to the CMI by the Transitional Living Center. Day care services for Alzheimer's clients is provided by the Day Break program, which is not supported by State Mental Health funds. During FY1985, 16.6% of the Center's clients were chronically mentally ill (Figure 2). The latest trend analysis for the Alaska Psychiatric Institute shows a continuing decrease in length of stay, which places additional demand on SCC services for the CMI. A large percentage of Aftercare Unit clients are originally from outside of Anchorage, but after discharge from API have remained in Anchorage.

Services for Children and Adolescents. Services for children and adolescents are a priority according to State Community Mental Health Regulations. However, the heaviest reductions in services over the last several years have occurred in services for children and adolescents. The closing of the Parent Training Program and the termination of the Family Services Unit, as well as internal shifting of funds to services for the chronically mentally ill, have resulted in less than half as many children receiving treatment on an annual basis. In FY 1985, total staffing to serve the estimated 80,000 children and adolescents in Anchorage was one full time equivalent (FTE) position, one-half

of an FTE funded by State Community Mental Health Service funds, and one-half of an FTE funded by Federal Block Grant funds. One public funded FTE position serving children and adolescents in FY 1985 compares with a high of 11 FTE positions two years before.

When the Family Unit was terminated, outreach work with children and adolescents in the schools ended. When the Native Outreach Program was terminated, a number of Native children receiving specialized services were transferred to the Cook Inlet Native Association. These CINA services are now severely curtailed and virtually eliminated. When the Parent Training Center closed, some children were transferred to the Adult and Family Unit, but most programming ended.

During FY 1985, 11.9% of the Center's clients were children and adolescents (Figure 2). This percentage is about half of what is served by other mental health centers nationwide. Hopefully adequate funding to support services for children and adolescents will be restored in the future.

Geriatric Services. Based on a National Institute of Mental Health survey in 1981, the Geriatric Program in Anchorage was rated at the top of 667 mental health centers nationwide in its service level. While staffing has been cut to about half of what it was several years ago, the Geriatric Program continues to serve a higher caseload of elderly than other community mental health centers nationwide, based on the April, 1985, National Council of Community Mental Health Centers Membership Profile Report. During FY 1985, 4.4% of the non-chronic clients of the Center were 60 years of age or over (Figure 2). Most of these clients have insufficient resources to pay for service, being only covered by inadequate Medicare insurance. Services to the Elderly are not a priority under State Community Mental Health Regulations.

Adult Services. The majority of Center clients are non-chronic adults, age 18 - 59. During FY 1985, 67.1% of Center clients were in this category (Figure 2). Although it is argued that public funding should not support the same level of service for this clientele in Anchorage as in the other parts of the State because of the number of available private clinics, State statistics do not support this argument. Most of the population SCC serves cannot afford private services, and the disproportionately higher percentage of expensive chemotherapy services actually increases the cost of services for SCC. Most indicators of mental health service need, such as homicide, child abuse, suicide, and divorce rates, are as high or higher in Anchorage than other parts of the State, indicating that the private sector is not having a measurable effect on these problems. As an example, based on the 1985 Department of Health and Social Services Vital Statistics Report, 56% of all divorces in the State, over a five year period, occurred in Anchorage. The SCC serves a higher percentage of unemployed persons (28.3%) than the other centers in the State (19.5%) based on the Department of Mental Health and Developmental Disabilities Annual Statistical Report. Yet due to the funding allocation disparities, Anchorage clients must pay a larger share of their cost of care than do the clients in other areas of the State. Based on the State report, 92% of SCC clients were assigned fees of \$20 or more per session while only 63% of the clients of other State community mental health centers were assigned fees of \$20 or more per session.

Despite the claimed abundance of mental health services in Anchorage, 44% of all suicides in the State occurred in Anchorage, based on the State Vital Statistics Report. With 45% of the State's population, Anchorage has virtually the same rate of suicide as the rest of the State. Suicide was the #1 cause of death for ages 35 - 39; and the #2 cause of death for ages 20 - 29, after accidents.

PUBLIC FUNDING FOR OUTPATIENT SERVICE COMPARED WITH CLIENTS SERVED, SCC

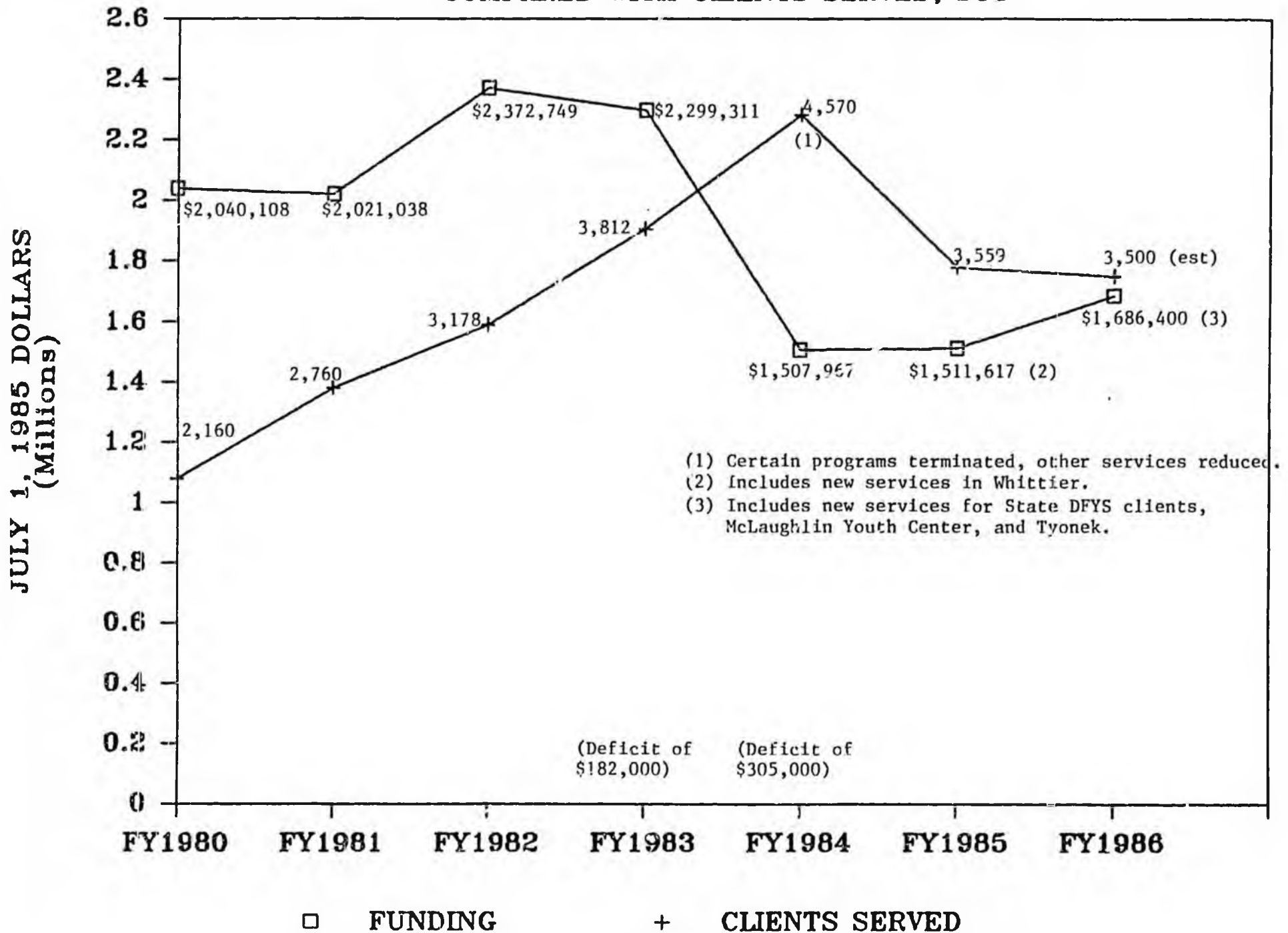


Figure 1

DISTRIBUTION OF CLIENTS SERVED — FY1985

SOUTHCENTRAL COUNSELING CENTER

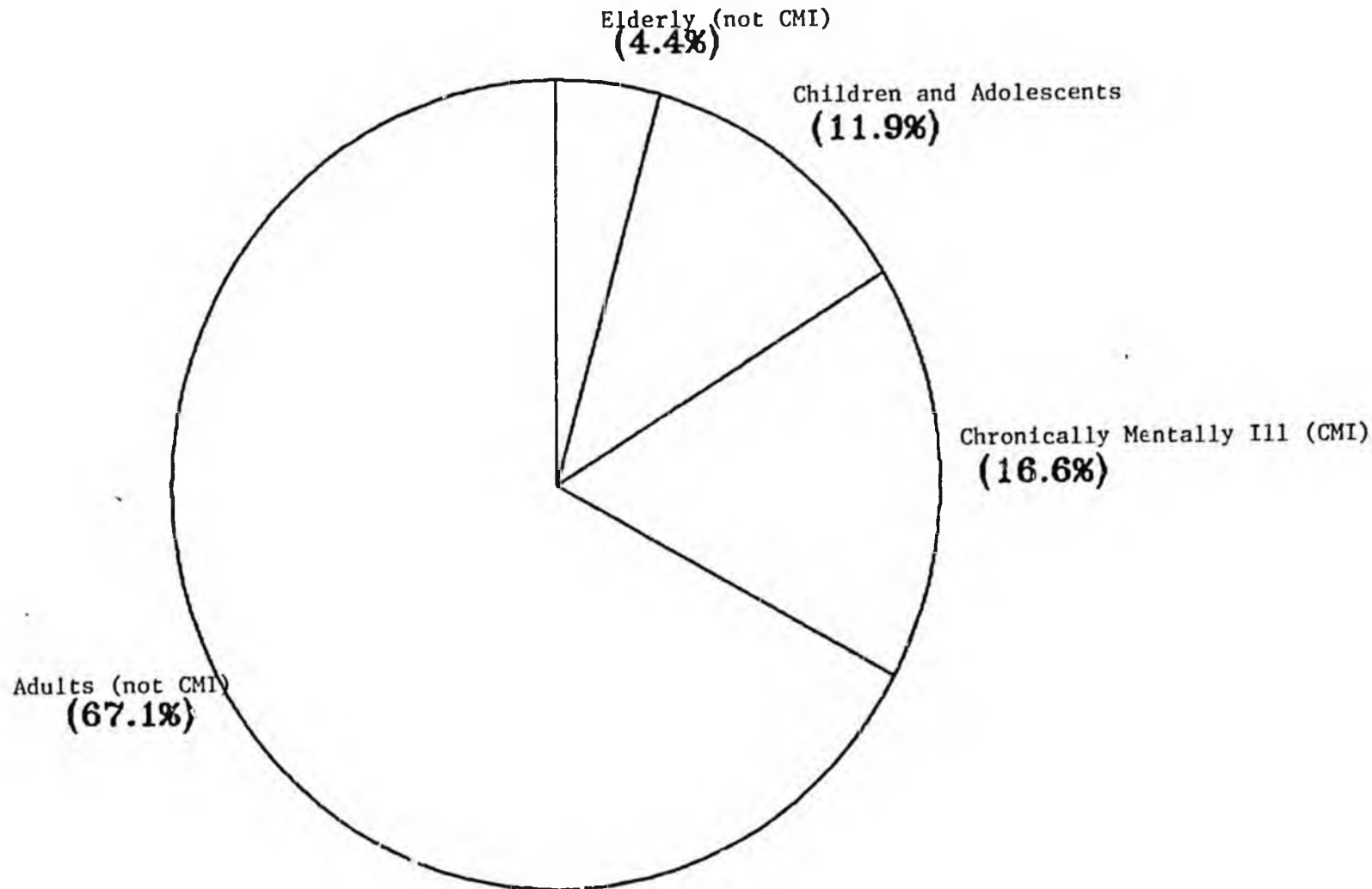


Figure 2

PROGRAM FUNDING

The total budget for SCC programs in FY 1986 is down about \$133,000 in real terms from FY 1985. Public funding cuts occurred in State Department of Social Services, State Department of Vocational Rehabilitation, and in Federal Mental Health Block Grant funds received from the State. First and third party payments for services are also expected to decrease due to State requirements to provide services for McLaughlin Youth Center, DFYS child abuse clients, Whittier, and Tyonek, where clients have fewer resources for reimbursement of services. Any reductions in Medicaid mental health coverage could cause major program adjustments, particularly for those programs with large numbers of Medicaid clients, such as the Aftercare Program for the chronically mentally ill.

The Center's budget for FY 1986 is largely targeted at providing services to the chronically mentally ill, in line with the priorities of the State Division of Mental Health and Developmental Disabilities (Figure 3). Actually, an even larger proportion of the Center's resources will be used to serve the chronically mentally ill, since the Adult and Family Unit and the Geriatric Unit each serve about 80 CMI per year, as well.

SCC DEBT

The Southcentral Counseling Center currently has a debt of \$300,000 on its new building near Lake Otis and Tudor, and a debt of \$215,000 on the Transitional Living Center building. The State Department of Health and Social Services allows no interest or mortgage payments to be expensed against their grants and contracts or against the Center's self-generated match funds, despite the use of these facilities for treatment programs. Thus, SCC must develop other resources to pay the debt on these facilities, further burdening the Center's financial position.

BUDGET ALLOCATION BY SERVICE CATEGORY

SOUTHCENTRAL COUNSELING CENTER, FY1986

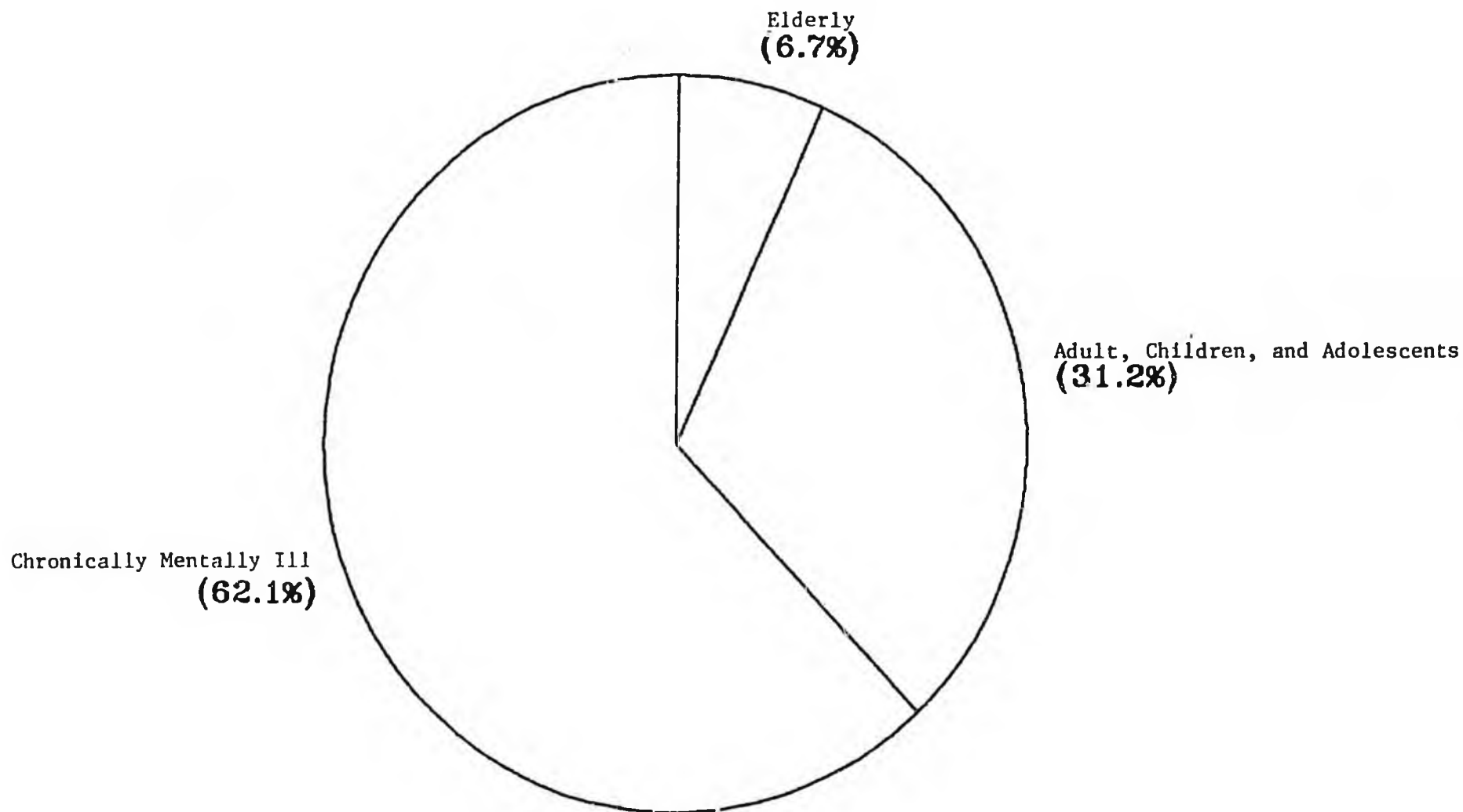


Figure 3

STATE COMMUNITY MENTAL HEALTH SERVICES FUNDING

FY 1986 State Community Mental Health Services funding, including Federal Block Grant funds provided to the SCC, but not including the State Community Support Project funds which are addressed separately, provide \$9.32 per capita for mental health services for the population that the Center has been assigned, not including the large number of transients in Anchorage, some of whom receive services at the Center. This compares with an average of \$19.57 per capita funding for all other areas of the State, including SB520 funds for services in Fairbanks. When the cost of services provided by SCC to the State as a whole, such as TLC services, and those provided outside of the Municipality of Anchorage, such as Tyonek, Whittier, and Palmer, are subtracted, the per capita funding for Anchorage becomes \$6.60, or less than 34% of that provided for citizens outside of Anchorage. When comparing outpatient services for adults and children, which are the predominant services provided by other mental health centers in the state, with SCC funding for those services, the picture is even worse, with Anchorage receiving only \$2.87 per capita, or 15%, of that received by the rest of the State's population. Those figures are based on the FY 1986 Department of Health and Social Services funding levels approved by the Commissioner on June 24, 1985, and on the FY 1985 Statewide Population Summary prepared by the Department of Community and Regional Affairs. The comparative funding figures are illustrated on Figure 4.

Since SCC has consistently been funded by the State at a lower level than other centers in the State on a per capita basis, SCC clients have had to pay a higher fee than have clients of the State community mental health system in the rest of the State, as was further discussed at Levels of Service, above.

When all mental health funds are considered, including Community Support Project funds, the per capita funding for each mental health service area shows an even greater disparity (Figure 5). While the Mat-Su Center at Wasilla has lowest funding at about \$10, and Anchorage second lowest at \$10.55 (including Community Support Project moneys to the Alaska Special Education and Training Program), other populations are receiving almost 10 times as much funding! Of the 24 other service areas in the State, 18 receive more than double that of Anchorage or Mat-Su on a per capita basis.

Based on the FY 1984 DMHDD Community Mental Health Center Overview, SCC programs provided almost 50% of the State's total staff hour effort in the community mental health system, yet received only about 28% of total State funding.

STATE FUNDING FOR FY1986

COMMUNITY MENTAL HEALTH SERVICES

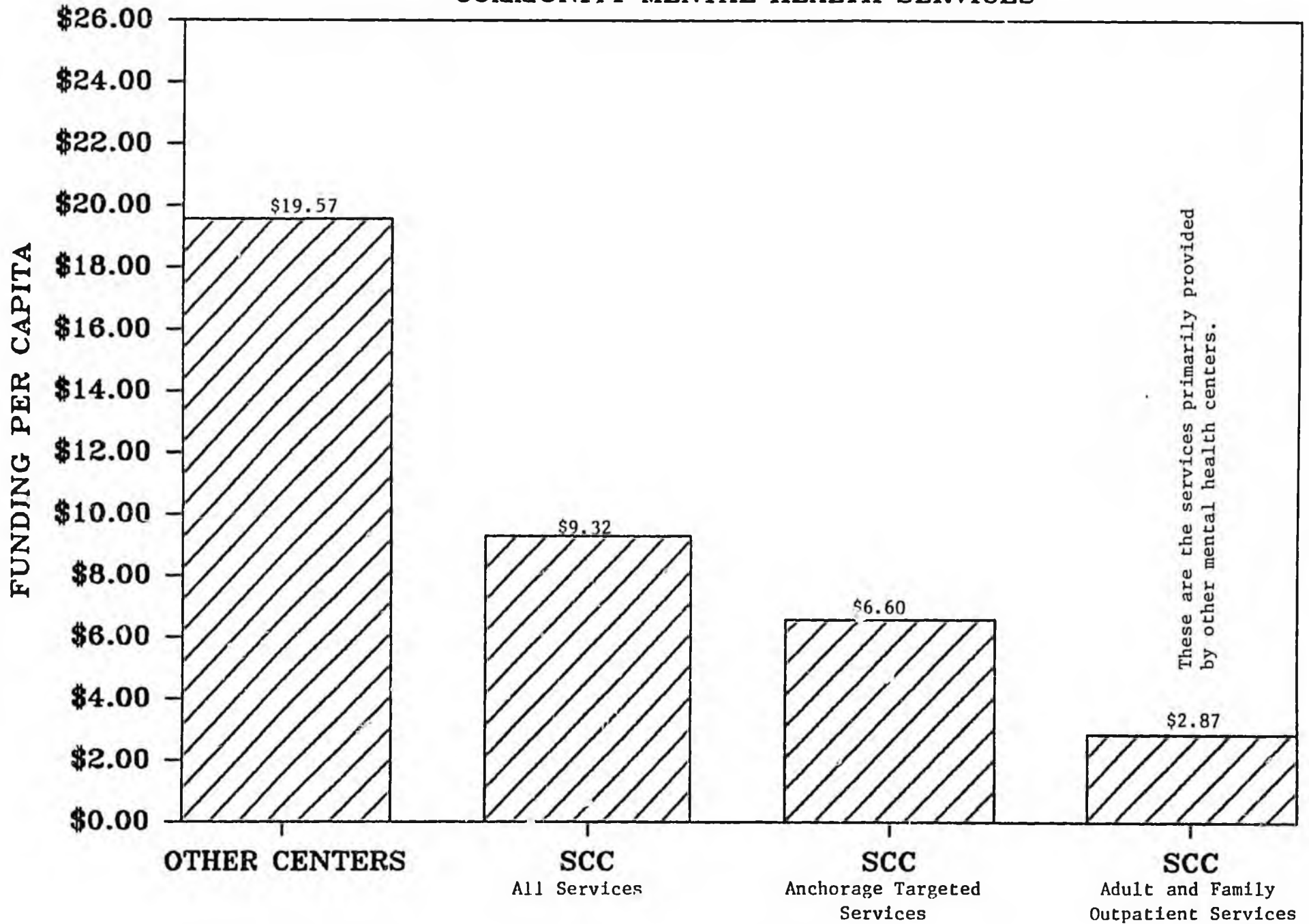
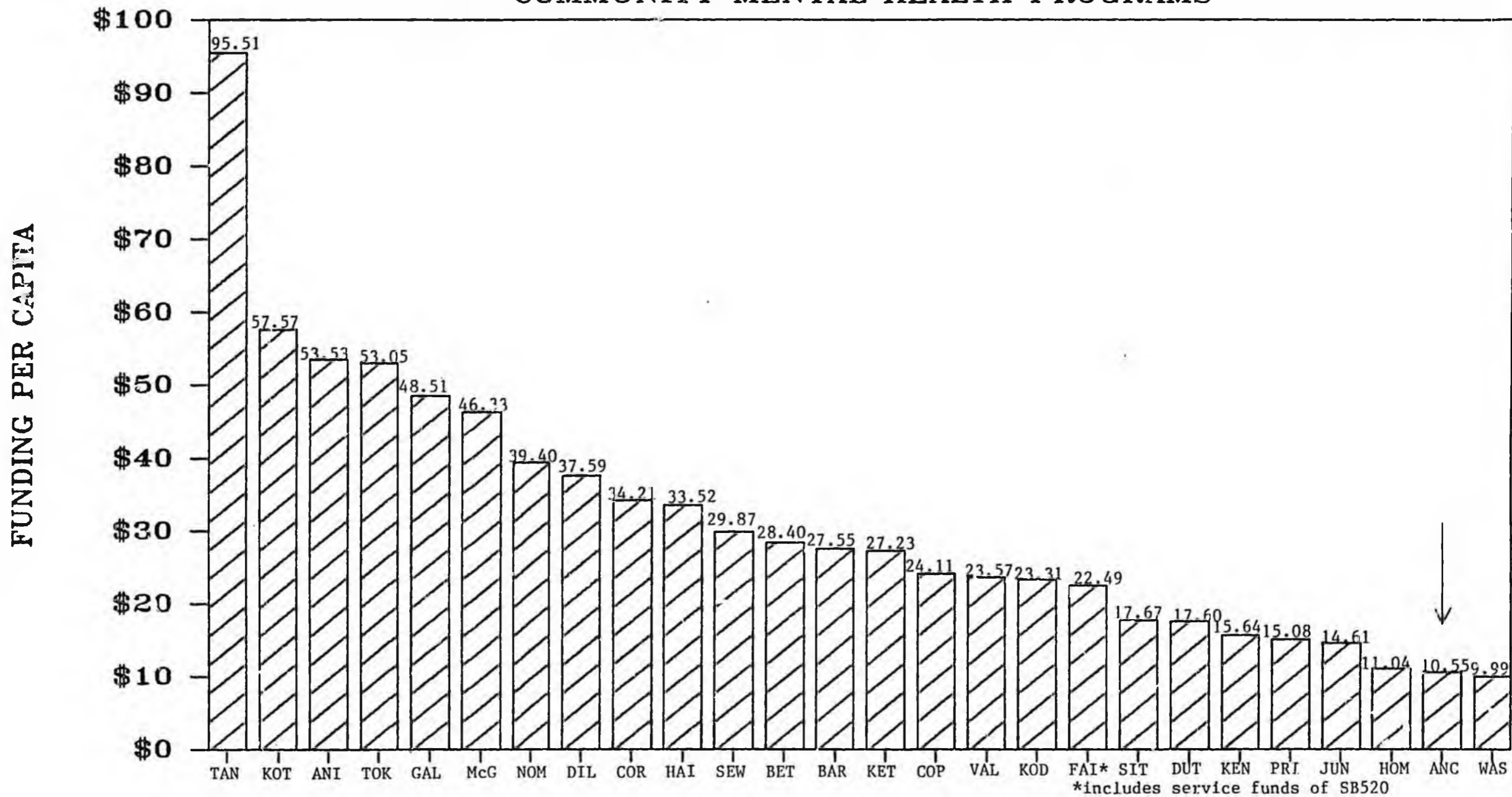


Figure 4

TOTAL STATE FUNDING FOR FY1986

COMMUNITY MENTAL HEALTH PROGRAMS



SERVICE AREA

Figure 5

STATE COMMUNITY SUPPORT PROJECT FUNDING

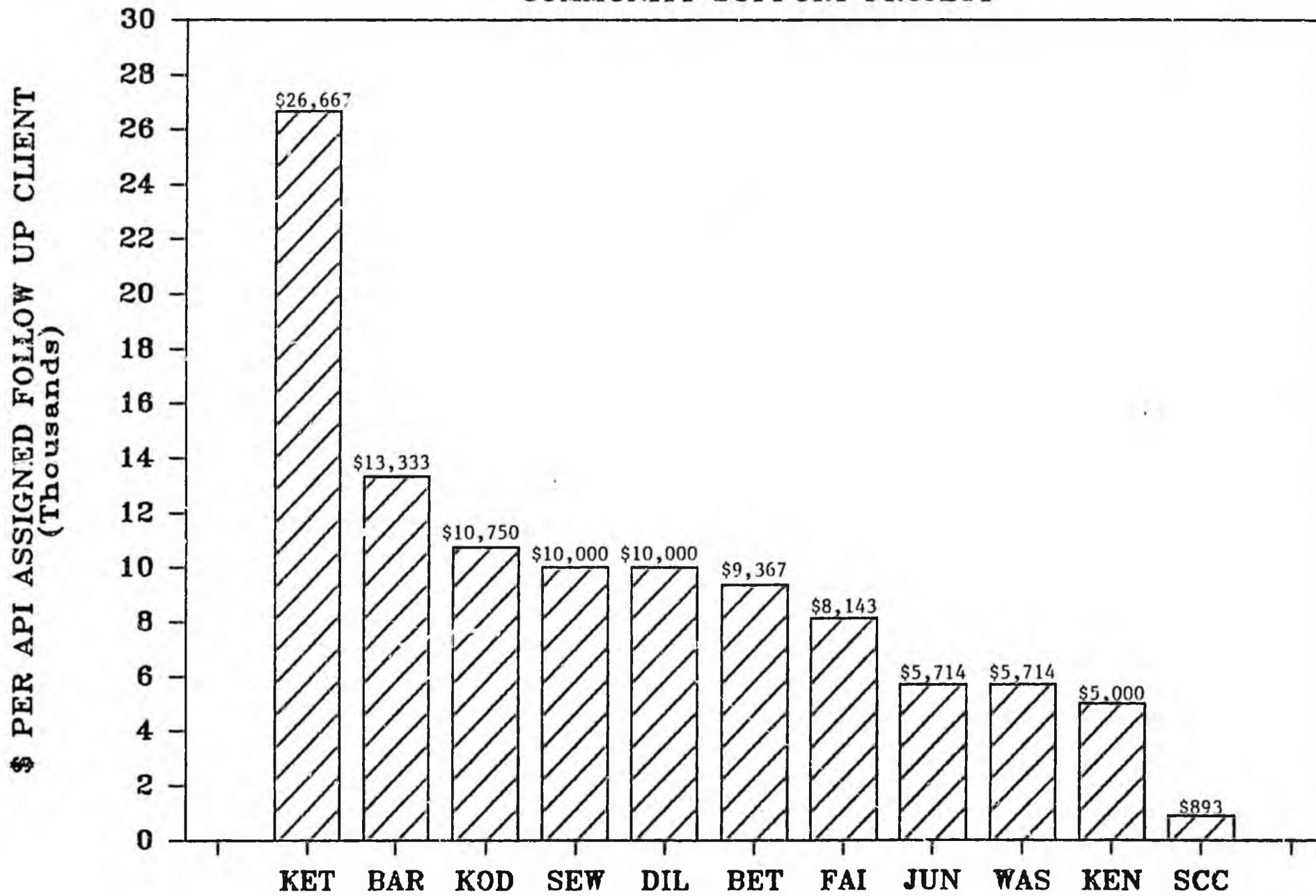
The State Division of Mental Health and Developmental Disabilities initiated a Community Support Project for the Chronically Mentally Ill (CMI) in FY 1985. Additional funding was provided for FY 1986. The purpose of this project is to provide community care rather than hospital care for the CMI. An analysis of the latest available information from the Alaska Psychiatric Institute (API) (FY 1984 Report published in 1985) shows that 72% of API admissions are from Anchorage. Of API discharges who were assigned to the State community mental health system for follow-up, 71% were assigned to the Southcentral Counseling Center. Since most of the API admissions are from Anchorage and most discharges into the community mental health system are to the Southcentral Counseling Center, it would seem that the bulk of the State Community Support Project (CSP) resources would be assigned to the Southcentral Counseling Center. However, this is not the case. Only 23% of CSP resources are assigned to the Southcentral Counseling Center in FY 1986. Based on annual API discharges, and assuming that API follow-up data will remain the same for FY 1986, SCC will receive only \$893 per annual API assigned follow-up client, while other centers receive at least \$5,000 per follow-up client, with the high being \$26,667 per follow-up client for Ketchikan (Figure 6).

Another way of analyzing the utilization of State CSP resources would be to measure the allocation of funds based on the number of CMI that are found in each community mental health center's caseload. Based on the FY 1985 State survey, SCC was serving 411 CMI, far more than any other facility, private or public in the State. By dividing the CSP resource allocation among centers by their CMI caseload from the survey, the disparity in funding is again startling, with Seward being the lowest at \$185 per CMI, SCC being second lowest at \$559 per CMI, and all others, except two, being at \$1,200 per CMI or more. Barrow received the highest allocation at \$6,667 per CMI (Figure 7).

Based on the most recent Department of Mental Health and Developmental Disabilities Annual Report, the Southcentral Counseling Center received more than 12 times as many API discharges than did the next highest community mental health center in the State (257 vs 21 for Fairbanks), and more than double all other community mental health centers added together (257 vs 106). These data show that resources are not being targeted at the problem, but are probably allocated on political considerations. The Alaska Mental Health System will not become cost-effective in serving the CMI unless its resources are targeted at the problems it is attempting to address.

STATE FUNDING FOR FY1986

COMMUNITY SUPPORT PROJECT



COMMUNITY MENTAL HEALTH CENTER

Figure 6

STATE FUNDING FOR FY1986

COMMUNITY SUPPORT PROJECT

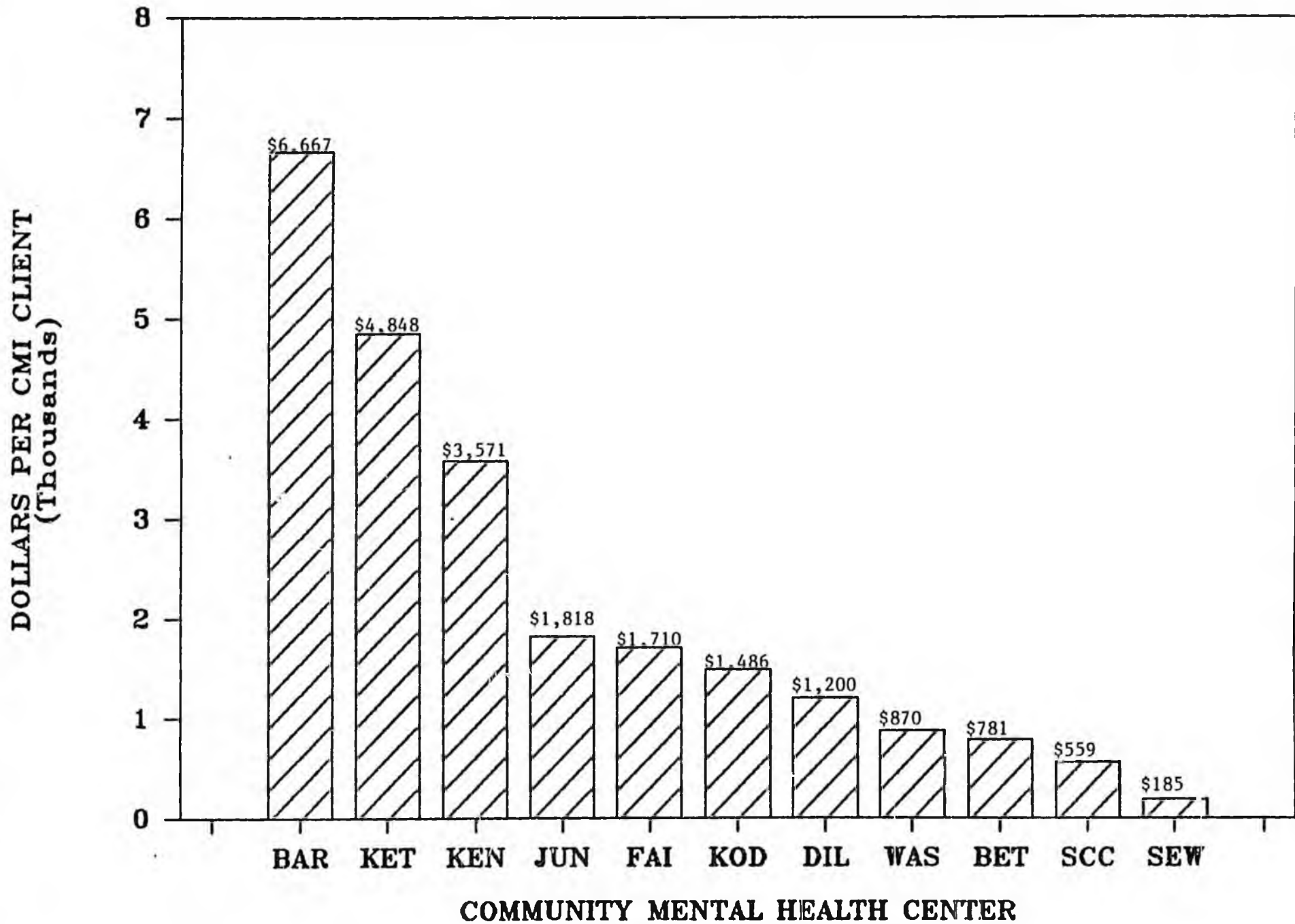


Figure 7

SCC SERVICE AND COST EFFICIENCY

Several months ago, the State Department of Mental Health and Developmental Disabilities (DMHDD) prepared a cost analysis showing the costs to the State for each hour of direct mental health service delivered. A copy of the Department of Mental Health and Developmental Disabilities cost analysis graph is at Figure 8. As can be seen, SCC is one of the most cost efficient providers of community mental health services in the State, providing services for less than half the cost of most other centers. This cost efficiency occurred despite the fact that SCC provided 63% of all chemotherapy services in the State community mental health system, based on the Department of Mental Health and Developmental Disabilities Annual Report. The costs of medical doctors to provide chemotherapy is by far the largest hourly staff expense in mental health programs.

Data taken from an April, 1985, report from the National Council of Community Mental Health Centers (NCCMHC) demonstrates the extremely high service levels achieved by the SCC as compared with 513 community mental health centers nationwide. Using the NCCMHC Profile Report, and adjusting the budget figure using the Federal Government's cost differential of 25% for Anchorage, Figure 9 is obtained. The figure shows that while SCC had a slightly higher total budget (4.1%) and a slightly higher total staff level (2.4%) than the average for all centers, SCC received a substantially lower percentage of public funding (14.2% or \$259,426 less) and served a much larger number of clients (64.5% more).

Thus, the national and in-State comparisons demonstrate that the Southcentral Counseling Center, despite underfunding in public monies and great program turmoil has been highly cost efficient and has served a much larger number of clients than other centers.

Comparative analyses over the last six years, have consistently shown that the SCC has been publicly underfunded for the population it serves and for the services it provides. Part of this underfunding problem is attributed to the State's low level of funding for its community mental health program and part to the great disparity in funding across the State, as was previously discussed. The data demonstrate that the SCC has done exceptionally well with the public resources it has been provided, compared with other community mental health centers.

FY84 CMHC COST OF DIRECT HOUR

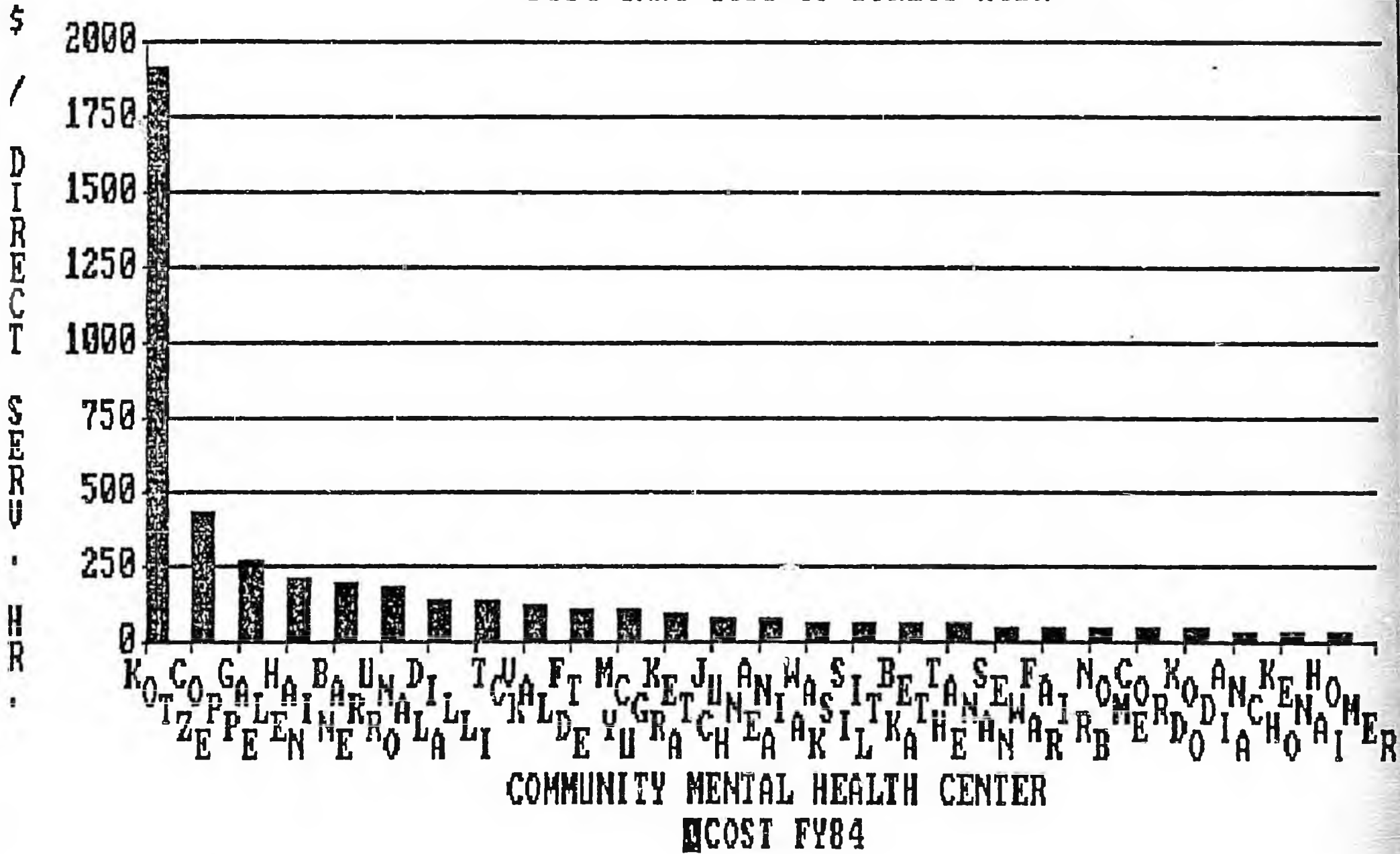


Figure 8

FY84 CMHC COST OF DIRECT HOUR

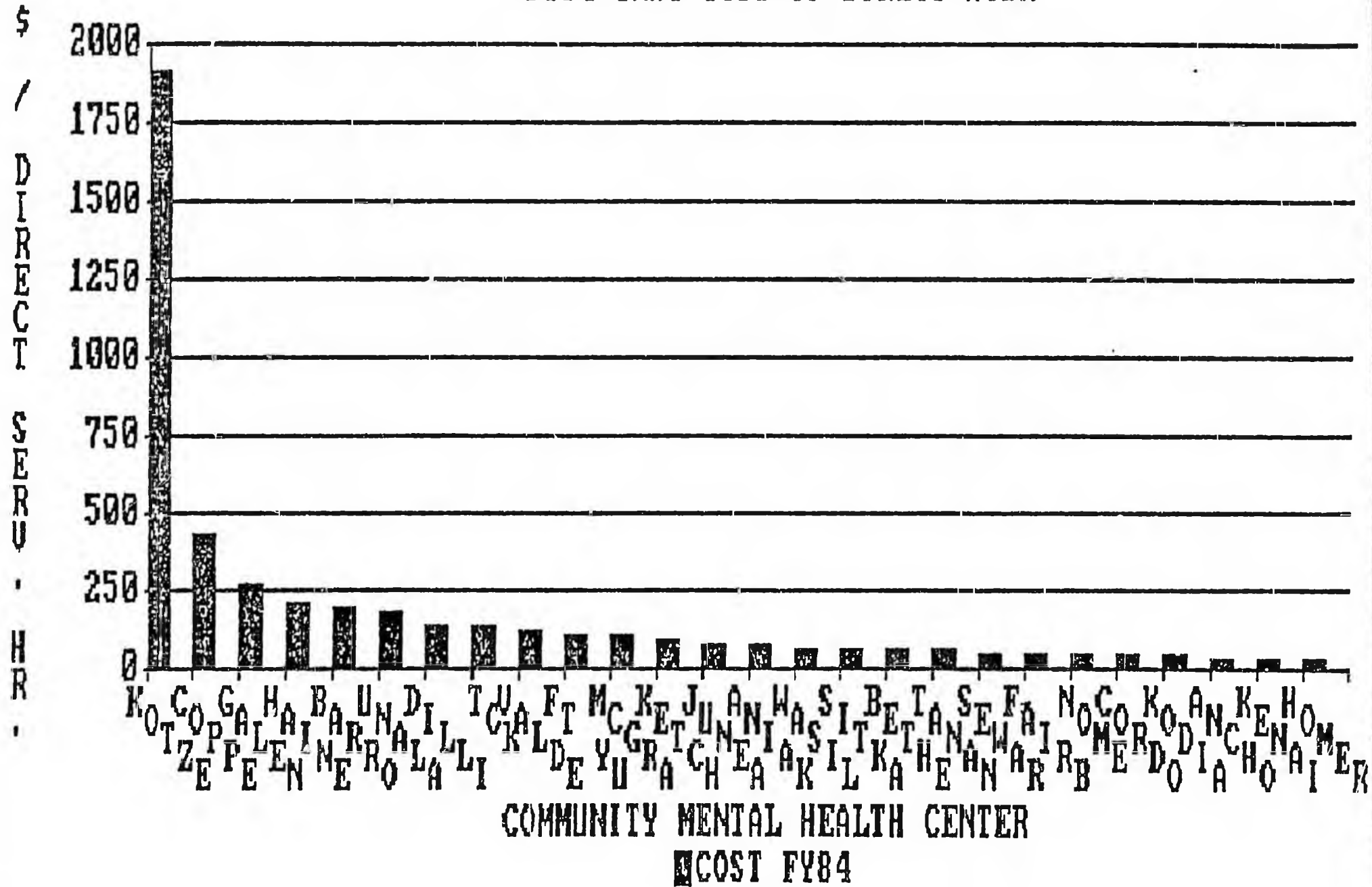
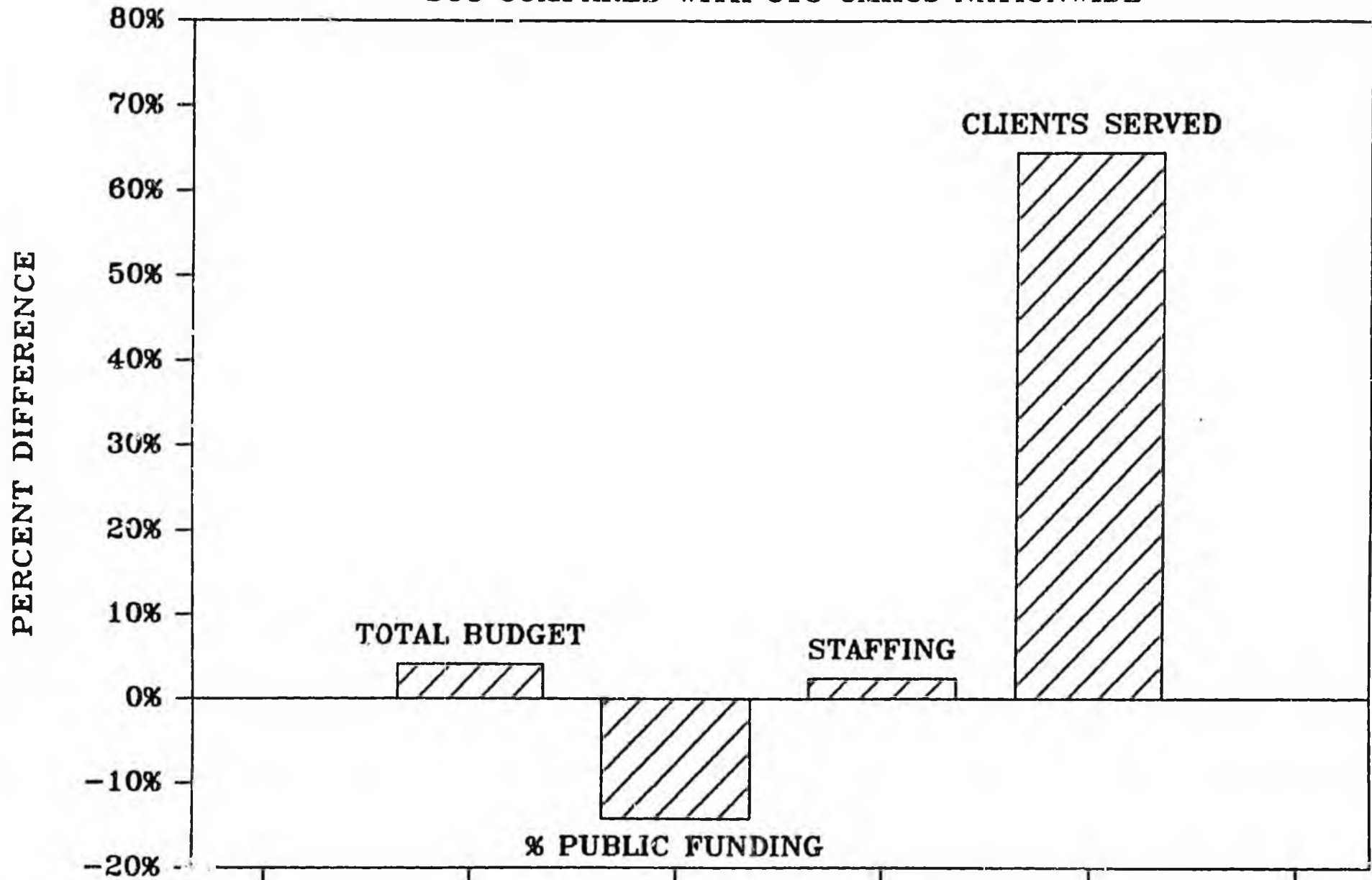


Figure 8

RESOURCE AND SERVICE PROFILE

SCC COMPARED WITH 513 CMHCs NATIONWIDE



SOURCE: NCCMHC PROFILE REPORT—APRIL 1985

Figure 9

SCC STAFFING

The SCC is currently experiencing a precarious personnel situation, with only one full time psychiatrist and only one licensed Ph.D. Psychologist on staff. Being located in Anchorage presents a highly competitive personnel environment for the Center. Because of its lower salary levels and high workload requirements, the SCC has continuously lost high quality staff to the private sector and to State agencies. The Center lost six staff to Charter Hospital when it opened, including the supervision of the Day Treatment Program for CMI. Over the last several years, the Center has lost other staff to Humana Hospital, the Alaska Psychiatric Institute, the University of Alaska, the State Division of Family and Youth Services, the Department of Corrections, and to private clinics. Particularly difficult to obtain and retain have been licensed Ph.D. psychologists, and psychiatrists. Mental health professionals with these qualifications can make much more money outside the Center working with a safer and more affluent clientele. They also do not have to deal with the high caseloads, the extensive paperwork requirements of the State Division of Mental Health and Developmental Disabilities, and other administrative requirements which come with public mental health programs. The Center's Adult and Family Unit, which provides services to the vast majority of the Center's clients, has had four unit supervisors in a little over two years. Three supervisors moved to the private sector. Over the last year the Center has increased salary levels somewhat, in an attempt to retain good staff. This has resulted, however, in some staff layoffs, since budgets would not support staffing at the previous levels and salary increases. The latest staff cuts were made in July, 1985.

The current SCC staffing level is 65 full time equivalents, down from a high of 108 in 1983. The greatest staff turnover over the last several years have been in the Adult and Family Unit, at the Transitional Living Center, and in Psychiatric Services, and within Administrative and support staff.

COMMUNITY SATISFACTION WITH SERVICES

Each year since 1980, the Center has surveyed its clientele to determine if those served were satisfied with the services received. The last three of these surveys were accomplished with standardized survey forms used nationwide in mental health programs. The Center's performance, based on these surveys of the public, have been consistently higher than other centers nationwide. The 1984 survey was accomplished by an independent researcher from the State of Washington who also conducted surveys at other mental health centers.

The Center has been pleased with its highly favorable ratings, especially in view of the turmoil of the last few years.

Despite the fact that those in need of mental health services are not vocal in demanding, or are unable to demand, their fair share of State resources, and despite their inability or reluctance to discuss publically the services they do receive, those that have received services at the Southcentral Counseling Center have been highly satisfied with the care they have been provided.

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PER CAPITA FUNDING, OUTPATIENT SERVICES: COMPARED WITH CLIENTS SERVED, SCC

