

ALASKA LEGISLATURE COMMITTEE FILES 1965-1966

3214.80 HESS HB 231 - HB 249

for persons whose rent was greater or less than \$35 (for five adults) seemed like a reasonable breakpoint to use. (This need standard is the one still in use.)

In any case, even if the discussion is limited to the period for which data exist, it is easy to imagine how rent increases averaging 70 to 80% over a five year period would erode the effectiveness of an \$80 per month per person grant that has remained constant.

Fuel and utility costs have followed a similar trajectory, often making heating a home a bigger problem than paying for it in many parts of rural Alaska. When fuel and utility costs are added to rents, the absurd inadequacy of an \$80 total grant for subsistence becomes compounded.

As the numbers in the Municipality's compilation indicate, larger households tend to be more rent-efficient than smaller ones. In other words, cost per capita decreases as household size increases. The statute authorizes \$80 per month per person, a formula which ignores the lower rental efficiency of smaller households and therefore could be said to effectively discriminate against them, or conversely to favor large households. (These large households are not necessarily families with children but rather could consist of unrelated adults.)

The need standard (see GR description) makes an attempt to address this problem by implementing higher per capita figures for the smallest households, increasing the figures by a constant amount for each additional household member to create a rudimentary curve of estimated minimum subsistence cost over size of household. The problem with the need standard is that it is too low. Three adults can simply not live on \$550 a month, nor four on \$600, etc.

Recent cuts in Federal assistance programs have placed an additional burden on GR. The program was amended to provide cash benefits to 18 year old high school students who had previously received AFDC. Until recently, eligible families of high school students could continue receiving AFDC benefits as long as the child was in high school, even if he or she turned 18. When this provision of the AFDC program was abolished, GR moved to pick up the slack.

Similarly, redistribution of food stamps to total dwellers (August, 1984) resulted in a slight decrease in the food stamp allotment of urban dwellers in the State, forcing them to shift more personal resources to make up the difference.

Additional evidence of unmet need can be found in the following comparative distribution compiled from survey data:

Question: In the past 12 months have you gone without food in order to pay other bills (for Vital necessities)?

Renters:	Yes	60%
	No	38%
	No Response	2%
Homeless	Yes	40%
	No	60%

The discrepancy indicates that low income people must choose in the long term, between having a home and occasionally going hungry, and being out on the streets with a full belly. The fact that low income people often have to choose among several absolute necessities is not terribly surprising.

What is disturbing about this comparison is the implication that people are being forced to choose between chronic (if not necessarily acute) hunger and long term homelessness as conditions of their lives, rather than being able to successfully play one problem off against the other, borrowing from Peter to pay Paul as it were, to avoid being engulfed by either one.

The emergency focus of the program is problematic as well. In the case of rental assistance, the applicant must show an eviction notice before being considered for aid. At this point the applicant generally owes at least one month's rent if not more. As often as not, \$80 only constitutes 10% of back rent owed after a relatively short period of nonpayment.

If the applicant is eligible, the procedure is for the eligibility worker to contact the landlord and offer him or her \$80 per applicant in exchange for a waiver of the landlord's right to evict for the length of the rental period in question. The landlord has the option to decline a GR offer and proceed with the eviction if the offer is smaller than the amount of indebtedness. Very often landlords do just that. Who can blame them?

In a reasonably tight rental market they easily can find someone new to agree to rent a unit. The financial risk involved in re-renting will often appear preferable to the potential loss of revenue were they to accept the GR offer. Such a dynamic benefits landlords by allowing them to minimize their risk in either case while it leaves the fate of tenants to the vagaries of the marketplace. Clearly the effectiveness of a relief program should not be impacted by such factors as change in the vacancy rates of rental units.

Another sign of ineffectiveness of the GR program is that many needy persons are unaware of its existence. There is also widespread perception among those who are aware of GR that the program is useless. This is worth noting because needy persons are extremely knowledgeable about programs that have proved to be of some benefit to them and they pass the information along an informal but highly effective grapevine.

## 2. Planning

There currently exists no effective comprehensive social services planning process in the State of Alaska. A recent report (Human Services Provider Regional Meetings Report, Feb. 29, 1984) prepared by the Department acknowledges this fact and calls for the State to require and support integrated human service planning throughout the State.

Current health and social services planning includes the State Health Plan, The Title XX Plan required by the Federal government for programs receiving Federal funding, and other plans such as the handicapped and gifted plan which focus on narrow, specific areas of need. Without an integrated social services planning process, it is impossible to make a comprehensive needs assessment in order to weed out situations of unmet

need. Such a comprehensive needs assesment would no doubt bring about a major reassessment of the GRA program and its role as the ultimate guarantor of subsistence aid.

The irony of the situation is that there exists in the Alaska Statutes an entire Chapter (AS 47.75) mandating just such an integrated planning process in great detail, complete with provisions for input from services providers and the general public. This Chapter, which was enacted during the 1976-77 session of the legislature, has never been implemented. The Bill establishing the program (SB 654) had an attached \$175,000 fiscal note but no allocation was ever made to fund the program. According to Newton Chase at the Department of Health and Social Serices, the Department requested an appropriation from the legislature to comply with the terms of AS 47.75 but none was forthcoming. The Department then contacted the Attorney General's office concerning the matter and was told that if no appropriation had been made, the Department was not obligated to comply. Hence arose the absurd situation in which the legislature refuses to give che Department the means to follow laws that the legislature itself has passed, rendering those laws effectively void.

David Williams of the Department explained that Federal Law 93-641 requires and subsidizes comprehensive health planning (the origin of the State Health Plan) which (he claims) is equivalent to the type of social services planning mandated by AS 47.75. Although the law does not require such planning for social services, Williams said that the Department hopes to expand the model to include a Statewide social service plan similar to the State Health Plan. As yet no such attempt has been made.

### 3. Demographic Issues

The following is a discussion of special subgroups of the population who seem to share special subsistence need which regularly goes unmet:

- a. Victims of abuse - Interviews with women at the Abused Women's Aid in Crisis (AWAIC) shelter in Anchorage revealed a consistent pattern of difficulty in obtaining aid to start over again after leaving violence-ridden homes. Many of these women have children but often they experience long delays in qualifying for AFDC because of the requirement for birth and welfare records, often left behind in other states.

Until recently, many such women were deemed ineligible for aid because they owned property; often a home to which they couldn't return. A recent court decision ruled that assets which are inaccessible due to an ongoing situation of abuse should not disqualify a person from receiving aid. Despite such steps to help families of abused women, the considerable initial cost of a new home (two month's rent, security deposit) is often greater than AFDC benefits can pay.

Women without children can only resort to GR which is essentially useless for securing a new home. The lack of aid forces many women to remain at AWAIC for a period of months.

- b. Recently discharged patients - as we have seen in the survey results, it is not uncommon for persons to lose their homes during a period of hospitalization. This problem is compounded if they lose their jobs as well. Hospital social workers report increasing numbers of discharged patients ending up in shelters.
- c. Disabled persons whose claims are pending - disability claims (in particular for those programs which receive Federal funding) often take a long time to process. Often the only resource available to applicants pending award of a grant is GR. The applicant is involved in a kind of catch-22 situation in which an emergency grant is needed while a disability claim is pending but he/she may be ruled ineligible for GR because the pending (but not secured) check is considered a prior resource.

#### 4. Housing for the Dead

As we have seen in the GR program description section, nearly half of all GRA grant money is spent on State subsidies for GR recipients' funerals or paupers' burials, regardless of whether the pauper had been on GR. In the former case, needy relatives of the deceased apply for burial assistance under the usual GR eligibility criteria. If deemed eligible they are awarded up to \$750 for funeral expenses (including the casket) and unlimited assistance for burial expenses. For reasons not entirely clear, paupers' burials are administered by the GR program.

The diversion of so much of the GR budget (42.6% according to a recent Department estimate) to burials is excusable in that the GR program exists for the expressed ("housing") purpose of providing subsistence for the living, rather than for the dead.

#### 5. Emergency Criterion for GR Eligibility

As we have seen, the actual process of eviction or utility disconnection must be underway in order for an applicant to qualify for GR by which time the \$80 grant has ordinarily been dwarfed and rendered impotent by the magnitude of overdue fees. Not only does this requirement seriously impair the value of GR in preventing evictions, it completely rules out the possibility of using GR to help people establish themselves in new homes or meet day-to-day expenses. If the Department sees fit to encourage such home placement grants, they should be large enough to cover the cost of the security deposit and any other initial costs involved in taking possession of new home.

#### 6. Policies and Strategies of Low and Moderate Income Housing Assistance

There is a tendency for people to discuss various methods of housing assistance in terms of relative merit with the goal of determining which one is "best". The fact of the matter is that the various methods (such as aided self-help, shelters for the homeless, emergency rental assistance grants, and subsidized public housing) address different aspects of housing need.

Aided self-help can provide materials and technical expertise to rural residents wishing to build their own homes. Shelters provide immediate short-term relief for the homeless. Rental assistance can serve as a shot in the arm to prevent eviction or place homeless people in homes and/or as a medium term remedy for a spell of unemployment or misfortune. Subsidized public housing provides long-term rental assistance for low income families. Far from being mutually exclusive, the various methods support each other by covering all segments in the spectrum of need. The common interest can best be served by supporting all these programs while taking care not to duplicate services.

The recent proliferation of emergency shelters in Anchorage is a response to a critical situation in which homeless people have been sleeping out year round and not infrequently freezing to death. The shelters serve an extremely valid purpose but their development has had an unfortunate side effect; the assumption shared by many that sufficient shelter beds will solve the problem of emergency housing need. The implication is that no matter how crushing a burden rents become and how many people are thrown out of their homes, accomodating them in emergency shelters (perhaps for a period of months) is a socially acceptable solution.

This solution is unacceptable. Emergency shelters are less than optimal places for children. They are also less than optimal places for adults. Sharing an extremely chaotic living space with extremely chaotic people is not conducive to the kind of effort and self discipline needed to pull one's way up out of destitution.

The State is making an important policy decision concerning what constitutes an adequate response to the emergency rental housing situation by default. This tacit policy has the effect of institutionalizing homelessness rather than counteracting it, encouraging the emergence of a permanent underclass of chronically homeless people. Such decisions should be made consciously and public rather than passively.

#### VI. RECOMMENDATIONS

1. Remove \$80 per person per month statutory limitation on GR subsistence grants. Size of grants to be limited by needs standard.
2. Revise needs standard and financial eligibility criteria to bring them up to date with current cost of living and poverty levels, respectively.
3. Implement a more smoothly curved need standard with larger per capita figures for smaller households to correct remaining bias toward large households.
4. Authorize larger appropriations to fund an improved program.
5. Redefine Emergency Need By:

- a. Changing existing regulations so that no more eviction or cutoff notice is necessary for GR eligibility.
  - b. Allowing a certification period of several months to provide medium term assistance to applicants or special groups deemed needy of it. This intermediate approach would remove the administrative burden of processing emergency claims each month while avoiding the expense and habitual dependency associated with conventional long term entitlement programs.
6. Provide for additional home placement grants to meet the initial cost of securing housing (chiefly the security deposit). Such deposits would be refundable to the State.
  7. Create a new State burial program which would administer pauper's burials and burial assistance to needy persons. Thus restoring GR to its stated purpose of providing for subsistence.
  8. Institute some type of comprehensive Statewide social services planning either by funding the program mandated by AS 47.75 but never implemented, or through legislation replacing it with an alternative which would actually be funded and carried out in the prescribed fashion.
  9. Based on the findings of the comprehensive needs assessment included in the planning process recommended above, the legislature should draft a statement of intent articulating its policies on the issue of homelessness and emergency rental assistance, or in some other appropriate manner, formally address these issues.
  10. The GRA program in particular should be thoroughly scrutinized with the aim of determining if perceived need would better be met by radical overhaul of the existing structure or its outright replacement by a new program. The recommendations in this section are presented as guidelines for the former option but could also serve as part of a blueprint for the latter.

## APPENDIX A

### Glossary of Terms and Abbreviations

1. AFDC - Aid to Families with Dependent Children - a Federal entitlement program designed to help single parent households.
2. Authorized Appropriation - An allocation to a specific program authorized by the legislature.
3. Department (Dept.) - Refers to the Department of Health and Social Services, which administers the GRA and GRM programs.
4. Division (DPA) - Refers to the Division of Public Assistance of the Department, which implements the GRA and GR programs.
5. Eligibility Worker (EW) - a caseworker in the Division.
6. FY - Fiscal Year.
7. GR - General Relief. In the strict sense, the designation "GR" refers to all aspects of General Relief, medical and non-medical alike. In common usage (including in the DPA's manual) "GR" refers to General Relief Assistance.
8. General Relief Assistance - The non-medical GR program. Primarily used for rental and burial assistance. (Abbreviated "GRA".)
9. GRM - General Relief Medical. The medical component of General Relief. Funded and awarded separately from GRA.
10. L.S.C. - The (Alaska) Legal Services Corporation.
11. Needs Standard - The Department's estimation of what it costs to stay alive, upon which they base assistance grants.
12. Pre-Homeless - Individuals at considerable risk of losing their homes due to economic hardship.

13. Supplemental Appropriation - An additional appropriation authorized during the course of a fiscal year to meet unforeseen expenses.

## APPENDIX B

### Survey Methodology for Survey of the Homeless and Pre-Homeless

#### 1. The Instrument

The survey instrument was a 51 item questionnaire composed of questions concerning:

- Nature of specific need
- Coping strategies
- Housing status and history
- Economic status and history
- Employment status and history
- Public assistance status
- Demographic characteristics

Item development focused on operationalizing these variables. Many of the questions were adapted from other surveys, in particular the empirical assessment of the inner city homeless of Los Angeles, prepared by the Basic Shelter Research Project in that city (Ropers, Robertson et.al., 1984).

Numerous persons helped in the development of the instrument: in particular Michael Hueltsman of the Municipality of Anchorage and Professor Michael Baring-Gould of the University of Alaska at Anchorage.

There were three preliminary and one final draft of the survey. All the drafts were pretested in interview situations except the first, which was revised without pretesting.

#### 2. Interview Sites

In an effort to approach a representative survey sample and to tap segments of the population with unique characteristics, the decision was made to conduct interviews at a number of sites. Several shelters for the homeless and other service providers agreed to conduct the interviews themselves and their caseworkers were trained in the interviewing technique.

Interview schedules and instructions were sent to the branch offices of the Alaska Legal Services Corporation (LSC) in an effort to gather Statewide data, but due to the short time line, only the Juneau LSC office was able to return completed schedules in time for them to be included in the study.

The following is a list of agencies which participated in the survey and the number of interviews completed at each. Agencies whose staff members administered the survey are indicated with an "\*". Except for the Juneau LSC office, all survey sites are in Anchorage:

- |  |    |
|--|----|
| - Division of Public Assistance,   | 41 |
| - Gambell Street office  |    |
| <br>   |    |
| - Brother Francis Shelter  | 32 |
| <br>   |    |
| - Juneau LSC Office*   | 9  |
| <br>   |    |
| - Clare House*   | 8  |
| <br>   |    |
| - Abused Women's Aid in Crisis   | 6  |
| - (AWAIC) shelter  |    |
| <br>   |    |
| - Cook Inlet Native Association*   | 5  |
| <br>   |    |
| - McKinnel Shelter (Salvation Army)  | 1  |
| <br>   |    |
| - Clare house and the AWAIC shelter are for women and their children only. Cook Inlet serves only natives. |    |

Subjects at the DPA office were interviewed in the waiting room. Subjects at the Brother Francis Shelter were interviewed in the common areas. Assisted Group self-enumeration was employed at AWAIC. The agencies whose staff people conducted interviews incorporated the interview into their intake procedures. All pretesting took place at the DPA office.

### 3. Time Frame

Pretests were held during the week of June 25-29. Interviews were held between July 11 and 27, 1984.

#### 4. Interviewer Training

In addition to the caseworkers at the agencies listed above, four volunteers participated in administering the interviews at the DPA office and the Brother Francis Shelter. All interviewers were briefed and supplied with an interviewer's instruction packet. The packet:

- Clarifies details and definitions in the interview schedule.
- Briefly describes the objectives and conditions of the survey.
- Addresses points of procedure and protocol, especially confidentiality.

#### 5. Interview Procedure

At the sites where interviews were not incorporated into an intake process, an effort was made to randomize subject selection by approaching potential subjects at regular spatial intervals. Interviewers identified themselves and AHOME alerted the potential subject to the following conditions of participation: Strict confidentiality of information gathered; voluntary nature of participation; and the fact that the survey was not being administered in conjunction with any agency of government or any organization other than AHOME and that participation would in no way jeopardize assistance payments or other benefits.

After notification of the above considerations, if the subject was willing the interviewer asked the questions in order. Except under controlled circumstances at the AWAIC shelter (where group interviews were deemed less sensitive) no self enumeration was allowed. Interviews were encouraged to skip questions if they proved too offensive and continue the interview.

#### 6. Analysis

In the process of tabulation and analysis, data collected on a number of peripheral question items were omitted; in other cases, responses to several related items were compressed into a single statistic in the interest of achieving concise results.

Raw data from the survey were coded and entered in matrix form using an Osborne 1 personal computer and the Supercalc spreadsheet package. Apart from the central tendency statistics for rent levels, which were generated using the package, the results are either simple frequency distributions or crosstabulations in percentage form, tabulated from the matrix. Because of small sample size, elaborate crosstabulations were impractical.

MARCH 28, 1985

MAX GRUENBERG  
POUCH V  
STATE CAPITAL  
JUNEAU, AK. 99811

DEAR MR. GRUENBERG:

I AM PLEASED THAT YOU HAVE TAKEN TIME TO LOOK AT THE INADEQUATE GENERAL RELIEF STANDARDS, HOWEVER I FEEL THAT YOU ARE NOT TAKING THE TIME TO CONSIDER THE COMPLETE PROBLEM. THERE ARE SERIOUS FLAWS WHICH EXIST IN THE CURRENT GENERAL RELIEF PROGRAM AS IT NOW STANDS.

THE RECENT NEWSPAPER ARTICLES ARE SLIGHTLY MISLEADING IN AS MUCH AS IT STATES THAT THE MONTHLY STANDARD FOR GENERAL RELIEF IS \$80. FOR A SINGLE PERSON THAT IS CORRECT. THE NEED STANDARD FOR GENERAL RELIEF IS \$80 PER MONTH PER PERSON IN THE HOUSEHOLD. A FAMILY OF FOUR COULD RECEIVE A GENERAL RELIEF VENDOR PAYMENT OF UP TO \$320. I DO AGREE THAT IN ALASKA HOUSING IS HIGH AND THAT EVEN THE \$320 WOULD PROBABLY NOT COVER A MONTHLY RENT PAYMENT. I BELIEVE BY JUST INCREASING THE STANDARD TO \$200 A MONTH PER PERSON, WITHOUT LOOKING AT RE-WRITING AND RE-VAMPING THE WHOLE GENERAL RELIEF PROGRAM, WOULD BE A GIANT MISTAKE.

IF YOU INCREASE THE STANDARD, WITHOUT RE-VAMPING THE WHOLE PROGRAM, HAVE YOU STOPPED TO CONSIDER THE INCREASE IN GENERAL RELIEF APPLICANTS AND THE STAFF INCREASE THAT WOULD BE NECESSARY TO INSURE THAT EVERY APPLICANT WOULD BE ABLE TO BE INTERVIEWED?

AS A STATE EMPLOYEE, I HAVE WORKED WITH THE GENERAL RELIEF PROGRAM AND HAVE FIRST HAND KNOWLEDGE THAT THE ELIGIBILITY TECHNICIANS HAVE SUBMITTED SUGGESTIONS AND IDEAS TO RE-WRITE THE PROGRAM MANUAL AND WE HAVE NEVER GOTTEN ANY RESULTS. OUR SUGGESTIONS DID INCLUDE A STANDARD INCREASE AS WELL AS OTHER PROGRAM REQUIREMENTS WHICH ARE NEEDED TO MAKE THE PROGRAM WORK EFFECTIVELY. THESE SUGGESTED REQUIREMENTS INCLUDED A LIMIT TO THE NUMBER OF TIMES THE HOUSEHOLD COULD APPLY IN A GIVEN YEAR. THE CURRENT PROGRAM HAS NO TIME LIMITS AND EVEN FOR A SINGLE HOUSEHOLD \$80 A MONTH TIMES 12 MONTHS A YEAR IS \$960. TIMES THAT BY THE NUMBER OF GENERAL RELIEF APPLICANTS EACH MONTH AND YOU HAVE QUITE A LARGE SUM OF MONEY BEING SPENT WITH NO VISABLE RESULTS.

I AM WRITING THIS LETTER AS A PRIVATE CITIZEN AND HOMEOWNER AND NOT AS A STATE EMPLOYEE AND BECAUSE I HAVE WORKED WITH THE GENERAL RELIEF PROGRAM I FEEL THAT I HAVE AN ABOVE THE AVERAGE ALASKANS KNOWLEDGE OF THE WAY THE PROGRAM WORKS. THE AVERAGE ALASKAN REALLY HAS NO CONCEPT OF HOW OR WHAT THE GENERAL RELIEF PROGRAM DOES OR DOES NOT DO FOR ALASKAN'S NEEDY.

ALASKA'S NEEDY DO NEED HELP, BUT LET'S GIVE THEM A HELPING HAND TO FIND JOBS AND NOT JUST LET THEM EXIST AT STATE EXPENSE WITH NO PRIDE. WHY NOT COMBINE THE GENERAL RELIEF PROGRAM WITH A JOB SEARCH, TRAINING FOR JOBS, OR COMMUNITY SERVICE PROGRAM? PEOPLE WHO ARE TRAINED TO WORK AND WHERE JOBS ARE AVAILABLE ARE PRODUCTIVE AND NOT LIVING AT STATE AND FEDERAL EXPENSE.

PAGE 2

AS LONG AS WE KEEP GIVING PEOPLE A "HAND OUT" INSTEAD OF A "WAY OUT", WE ARE NOT REALLY HELPING.

I WOULD LIKE YOU TO KNOW I AM ALSO SENDING A SIMILAR LETTER TO DON CLOCKSIN AS WELL, SINCE HE HAS CO-SPONSORED THE HOUSE BILL #231.

I APPRECIATE THE OPPORTUNITY TO EXPRESS MY VIEWS. AGAIN, I WOULD LIKE TO RE-EMPHASIZE THE SUGGESTION THAT YOU TAKE THE TIME TO CONSIDER THE WHOLE PROBLEM AND NOT JUST POUR MORE MONEY INTO AN INADEQUATE PROGRAM.

IF I CAN BE OF ANY ASSISTANCE, ON MY OWN TIME, PLEASE LET ME KNOW.

RESPECTFULLY,

A handwritten signature in cursive script that reads "Ann Wehrman".

ANN WEHRMAN  
2721 LEXINGTON CIRCLE  
ANCHORAGE, AK. 99502

they could use the loan if neces-

## How the state compensates landlords of renters who can't pay

3/6/85  
Times

Dear Editor:

Rep. Don Clocksin (D-Anchorage) is introducing legislation to change the state general relief assistance vendor payment from \$80 to \$200 per month. This really seems inconsequential because it is such a small amount and the average taxpayer doesn't even know such a program exists.

I'll just clarify what general relief assistance vendor payments are for. They pay a landlord to keep from evicting someone for non-payment of rent, or, pay a public utility to prevent shut-off of a utility, again for non-payment.

Rep. Clocksin is correct that the \$80 per month is based on a 1953 economy and is a bit unrealistic. However, that \$80 per month is per household member, so if we have a household of two adults and eight children (total of 10) in the household the state would now pay \$800 per month to the landlord to keep this family from being evicted if they met

the other program requirements.

Under Rep. Clocksin's new plan the state would now pay \$200 per person or \$2,000 per month to keep this same family from being evicted if they met the program requirements. While \$80 per month for one person is unrealistic so is \$2,000 per month for a household.

Undoubtedly the program needs to be revamped but on a graduated scale with regard to household size and not just a flat per person amount regardless of the number of people in the household.

And, I almost forgot, this general relief assistance vendor payment is just to landlords of property managers to prevent evictions. It is also to banks, credit unions, savings and loans or other such institutions to prevent families from losing their homes due to foreclosures.

I just made your day didn't I?

Frank Sanstrom  
Wasilla

# More relief funds sought for state's needy

by Bruce Scandling  
Associated Press

Juneau — Alaska's needy — especially those falling through cracks in a web of government relief programs — would have a stronger safety net in which to land under legislation being considered in the House.

A measure introduced by House Majority Leader Don Clocksin and Rep. Max Gruenberg, both Anchorage Democrats, would boost monthly payments in the state's General Relief Program from \$80 to \$200 a month.

Payments under the program, administered by the state Department of Health and Social Services, go for monthly housing, utility or burial costs. The money is paid directly to vendors providing these services.

"It's my conclusion that this program has not been an effective safety net," Clocksin said Tuesday. "Eighty dollars a month is just not enough."

General relief payments are aimed at needy Alaskans who are ineligible for other state and federal assistance programs like Aid to Families with Dependent Children or programs for the elderly and disabled.

"If you're poor and you don't

fit into one of those neat categories, you're still poor," Clocksin said.

The program was established in 1953 to provide relief to Alaskans who can't pay basic living costs, or for burial needs.

Another part of the program — General Relief Medical Assistance — will pay more than \$19 million to needy Alaskans this year. It would not be affected by the Clocksin-Gruenberg bill, which was introduced in the House Monday.

Legislative researchers are still trying to compute how much the measure would cost, but Clocksin said he expects this year's \$537,000 appropriation for general relief to at least double if his bill becomes law.

About 375 Alaskans are using the program each month, state officials said. Almost all of the claims are filed to pay housing and utility costs. However, the small percentage of burial claims filed each month take a larger bite out of money set aside for the program.

While an Alaskan applying for general relief can get no more than \$80 a month for housing and utility costs, the average burial claim is \$806 per client, according to the Alaska chapter of the

National Association of Social Workers.

The bill comes in the wake of study of the General Relief Program prepared for the Alaska Public Interest Research Group and the national social workers' group.

The report, released last month, slammed state lawmakers who have not increased the \$80-a-month payments. In fact, appropriations for the program were actually cut back the past two years, said AkPIRG Director Maureen Kennedy.

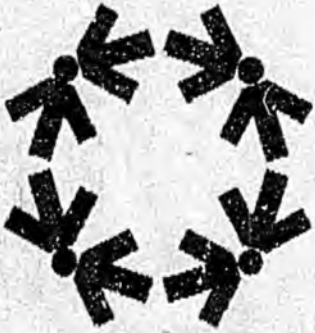
She said rents in Anchorage — where most of the general relief

claims are filed — have doubled since 1978.

"The legislature realizes the program is unworkable and inadequate, but rather than overhauling it and increasing payments so they can make a difference, we've cut back and diverted funds . . ." Kennedy said when the report was released.

Cecilia Kleinkauf, an Alaska member of the National Association of Social Workers, also criticized the current payment plan.

"We give state employees more in per diem for one day than we do general relief recipients in a month," Kleinkauf said.



**ALASKA PUBLIC INTEREST RESEARCH GROUP**  
Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3861

April 3, 1985

Rep. Max Gruenberg  
Rep. Niilo Koponen  
House HESS  
Pouch V  
Juneau, AK 99811

Dear Representatives:

The Alaska Public Interest Research Group strongly supports HB 231, increasing the cap on General Relief Assistance from \$80 to \$200.

As you may know, nearly all states have in place a program similar to General Relief, which provides financial assistance to needy persons not eligible for other state and federal programs. Employable persons are NOT eligible. Though I have worked in several other states on GR issues, never have I heard of a state with such a low benefit level or with such tight restrictions on payments.

The current \$80 per person limit on the program is totally inadequate and has not been increased since 1953. This amount is intended to cover "subsistence needs" according to the statutory language, but as you know, \$80 a month covers nowhere near an average rent payment in Anchorage or Barrow; much less does it cover food, utilities and other subsistence needs.

Rents in Anchorage have doubled since 1978, and changes in BIA and AFDC programs have shifted additional burdens on the GR program, yet the legislature has cut the appropriation by 40% over the last two years. Moreover, nearly half the 1984 expenditures went to pay for burials, which are not subject to the \$80 cap and averaged over \$800 apiece.

Last summer, we supervised the research on a report on the General Relief program. I have pouched a copy down to you. Though we point out substantial areas of the program that should be revamped and overhauled before it works smoothly, we certainly support HB 231 as a step in the right direction.

Sincerely,

Maureen Kennedy  
Director

# Study Criticizes \$80 Cap On General Relief Program

The \$80 per person limit on the state's General Relief Assistance Program (designed to provide qualified unemployable people with necessities) is totally inadequate, according to a study just released by the Alaska Public Interest Research Group and the Alaska Chapter of the National Association of Social Workers. The figure has not increased since 1953.

"Though rents in Anchorage have doubled since 1978, and though changes in BIA and AFDC programs have shifted additional burdens on this state program, the legislature has cut the appropriation by 40% over the last two years," said Maureen Kennedy, AkPIRG director.

"The legislature realizes the program is unworkable and inadequate, but rather than overhauling it and increasing payments so they make a difference, we've cut back."

"We give state employees in one days per diem more than we give general relief recipients in a month," said Yvonne Chase, President of NASW.

"The State continues to divert funds from the program for pauper burials. In fact, nearly

half of the 1984 expenditures went to burials, which are not subject to the \$80 cap, and which averaged over \$800 a piece." The NASW recommends that the State, at a minimum, increase the cap to \$160.

The report, written by Michael Reibel, includes a detailed survey of 102 destitute people and dramatically demonstrates the extent of unmet need. It recommends that the State:

--Authorize larger appropriations for the program;

--Review program regulations and redefine "emergency need;"

--Conduct a study of the distribution and adequacy of payments;

--Create a separate state burial program; and

--Institute a comprehensive statewide social services plan, as required by law.

The NASW has taken on the General Relief Program as a top legislative priority for this session. The group represents over 200 social workers throughout the state.

AkPIRG, a statewide research and advocacy organization, has 600 members.

*All Alaska  
Weekly*

# 'Inadequate' relief forces needy into crisis shelters

by Tim Leslie  
Times Writer

The state's failure to provide adequate housing assistance to the needy is forcing destitute Alaskans to move out of apartments into crowded emergency shelters, a recently completed study says.

Released jointly by the Alaska Public Interest Research Group and the Alaska Chapter of the National Association of Social Workers, the study is an evaluation of the state's General Relief Assistance Program.

The study claims needy families are being forced to move into emergency shelters because the program's monthly \$80-per-person payments are "inadequate." As a result, the study concludes, the state is "encouraging the emergence of a permanent underclass of chronically homeless people."

The General Relief Program, administered by the state Department of Health and Social Services, was established in 1953 to provide "subsistence for needy persons when no other source of assistance is available to them." No monetary limits are placed on medical grants, but those seeking money for food, clothing, or rent are entitled to a maximum of \$80 per month.

The study criticizes the program because the \$80-per-person cap has never been increased, despite Alaska's rising housing costs.

"It is easy to imagine how rent increases averaging 70 to 80 percent over a five-year period would erode the effectiveness of an \$80-per-month grant," the study says.

The study also criticizes the program's "antiquated" eligibility criteria for keeping money out of the hands of the needy. The study says unspent appropriations led legislators to reduce the program's budget from \$900,000 in 1983 to \$537,000 for 1985, but adds that much of the money remained unspent because needy people earning more than \$300 per month cannot qualify for assistance.

"The apparent surplus (in the program's budget) is not really a surplus at all, but a reflection of legitimate need which is obscured by serious defects in the structure of the program," the study says.

AkPIRG President Maureen Kennedy said she thinks state

## Safety net fails to catch woman

by Tim Leslie  
Times Writer

Although problems with the state's General Relief Assistance Program have been detailed in a recently completed study, Eunice Fennel said she learned of the program's shortcomings first hand — as a public assistance recipient.

Fennel, 47, said she never expected to be asking the state to help pay the rent. But the seven-year Anchorage resident said she didn't expect her health would deteriorate so quickly, either.

"You don't ever know when your health's going to go out on you," said Fennel, who lives in a small, one-bedroom apartment in Spenard. "I've always been so independent."

Fennel was hospitalized in June and July for degenerative arthritis in her hips and spine. Suddenly forced to take time off from her job as a clerk-typist, she borrowed money from friends to help pay her \$405 monthly rent.

Fennel went back to work part time in September and — with bills starting to pile up — finally convinced a doctor to approve her return to full-time work in October. But recurring pain in her left hip soon forced her back into the hospital.

It was then that Fennel decided it was time to swallow her pride and investigate the possibility of obtaining public assistance.

"I've worked all my life," Fennel said. "It's been embarrassing to have to ask for help."

Fennel received \$80-a-month allowances from the General Relief Program in November, December and January. But when she returned to work part time in mid-January, Fennel was warned that individuals who earn more than \$300 per month are ineligible for the program. Fennel, who will earn \$370 this month, said she may also lose her food stamps.

Friends have recommended she apply for federal disability aid, but Fennel said she would receive only \$440 per month and would be required to quit her job. That, she said, would force her from her apartment and into an emergency shelter.

Although she walks with crutches and is taking medication for chronic pain, Fennel said she will again ask her doctor for permission to work a full 40-hour week.

"I'm going to try to work full time," Fennel said. "I don't have a choice."

legislators are aware of the program's problems, but are choosing to ignore them.

"Though rents in Anchorage have doubled since 1978, the legislature has cut the (General Relief Program) appropriation by 40 percent over the last two years," Kennedy said. "The legislature realizes the program is unworkable and inadequate, but rather than overhaul it and increase payments to make a difference, they've cut back."

"We give state employees in one day's per diem more than we give general relief recipients in a month," added NASW President Yvonne Chase.

The study says emergency shelters are "extremely valuable," but should not be viewed as

the solution to the problem of housing the poor. To do so, the study says, "has the effect of institutionalizing homelessness rather than counteracting it, encouraging the emergence of a permanent underclass of chronically homeless people."

A copy of the study has been sent to Rep. Don Clocksin, D-Anchorage, who plans to draft a bill this year which would overhaul the General Relief Program.

Clocksin said he will work to revise the program's outdated eligibility criteria and will try to double the grants from \$80 to \$160 per month.

February 16, 1985

THE Anchorage  
Times

POSITION PAPER  
HOUSE BILL NO. 231

For "An Act relating to amount of general and temporary assistance."

Legislation is proposed to increase the maximum monthly benefit amount paid to eligible applicants under the Division of Public Assistance, General Relief Assistance program (GRA) from \$80 to \$200 per person. Alaska's GRA program dates back to when federal assistance programs were not as extensive as they are today. As the major assistance programs expanded in scope, GRA became more limited in terms of its eligibility requirements and the amount of financial aid available. The GRA program remains an important part of Alaska's welfare system, providing for the specific emergency needs of clients unable to meet those needs through other programs. Those basic needs include shelter, utilities, transportation, food, and clothing. In addition, limited funds for dignified burial of a needy person may be provided. Benefits are paid directly to the vendor providing for the eligible client's specific need. The program is 100 percent state funded, and is used only after the applicant has exhausted all other possible resources.

The Division of Public Assistance is currently serving 1800 cases annually with a budget of \$537,000. A large percentage of these cases involve rental assistance payments. There are numerous local agencies providing support and shelter services for the needy. This public and private service agency network, along with the GRA program, does help provide for the basic needs of the indigent.

Enactment of HB 231 would have significant impact on the General Relief Assistance Program. The major effect would be the increase in the GRA caseload due to the attractiveness of the increased payment standard. It is estimated that the GRA caseload would increase by at least 20 percent in two years as a result of this Act. This caseload increase will result in the need for additional staff to meet the service demand. Clients must apply for assistance each month they experience a specific emergency need. GRA cases are therefore, very labor intensive compared to other assistance programs where client cases are merely maintained once opened. The division would have to dedicate more staff time to the intake and processing of these GRA applications. The fiscal note for this Act calls for the addition of one Eligibility Technician position in FY 1987. However, the true administrative impact of increased caseload would not be alleviated in the other large district offices, which would not receive any new positions. A significant caseload increase in a given area could have an adverse effect on the efficiency and eligibility decision time frames in the offices.

House Bill 231 does offer some improvement to the current GRA program. The \$80 per person monthly maximum payment now in effect is widely considered to be too low. The fact that a majority of GRA payments are for the allowable maximum indicates that clients'

specific needs often exceed the available benefit. This does not necessarily mean a higher payment amount is needed, since there are other resources available to the needy (i.e. food stamps, energy assistance, homeless shelters, charitable organizations, etc.). GRA is, however, one of the few programs offering cash rental assistance to those facing eviction. This has become the largest service component of the program, and will doubtless expand with implementation of a higher payment amount. A higher payment amount would draw more households to use GRA, and to use it repeatedly, because it would pay most or all of the overdue rent. This trend could represent a drift toward an income maintenance program, and away from the established philosophy of GRA as a program of last resort.

While increased payments for the existing program represents a beneficial change in the service delivered by the division and received by its GRA clientele, it is not viewed at this time as a priority use of additional state dollars. While this Act is consistent with the department's goals and objectives to provide all Alaskans with a reasonable level of subsistence, the department does not feel there is a serious unmet need requiring urgent change.

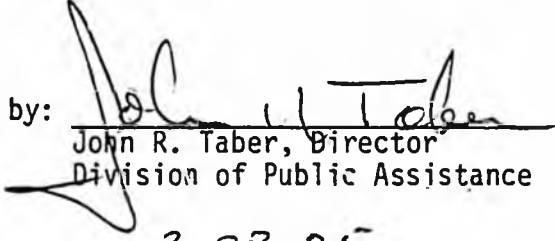
There is not an obvious alternative to this Act which better meets the needs of the indigent. The concerted efforts of public and private agencies currently form a basic emergency service network for our most needy citizens. Increasing the State's GRA benefit amount would help strengthen this network, yet the responsibility to do so does not rest entirely upon the State. It is a good idea and a just cause, but its affordability in light of other pressing needs is the question. The language of the Act does give the Department discretion in setting the monthly benefit amount lower than \$200. This could be a cost saving option which could help meet the need at a lesser cost, but public demand and advocacy groups would push vigorously to get and keep the benefit level at the maximum of \$200.

#### DEPARTMENT RECOMMENDATION

House Bill 231 proposes an increase in the maximum monthly benefit amount available under the General Relief Assistance Program from \$80 to \$200 per person. The need for the increased benefit amount is a legitimate concern. It is consistent with the department's objectives and the program goals.

The Department of Health and Social Services supports this bill in concept only. Implementation of the bill would require the addition of funding to the Governor's budget request, and the Department does not urge funding of this increase at the expense of other worthwhile programs already in existence.

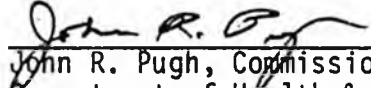
Recommended by:

  
John R. Taber, Director  
Division of Public Assistance

Date:

3-28-85

Approved by:

  
John R. Pugh, Commissioner  
Department of Health &  
Social Services

Date:

4-2-85

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: HB 231  
 Title: An Act Relating to Amount of General and Temp. Relief Assistance.  
 Sponsor: Reps. Clocksin & Gruenberg  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: DHSS/Div. of Public Assistance  
 Program Category Affected: Social and Economic Assistance Programs for General Population BRU, Program or Subprogram(s) Affected: Assistance Payments BRU - General Relief Assistance

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES			34.3	35.7	37.1	38.6
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT			2.0			
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS	0	399.2	439.1	461.1	479.5	498.7
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		399.2	475.4	496.8	516.6	537.3
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND	0	399.2	475.4	496.8	516.6	537.3
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	0	399.2	475.4	496.8	516.6	537.3

**POSITIONS:**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME			1	1	1	1
PART-TIME						
TEMPORARY						

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

See Attached Analysis

Prepared By: John R. Taber, Director  
 Division: Public Assistance

Phone: 465-3347  
 Date: March 6, 1985

Approved by Commissioner: John R. By  
 Agency: Health & Social Services

Date: 4-2-85 *JCC*

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor

FISCAL NOTE ANALYSIS - HB 231

GRA Caseload Characteristics (Burial Assistance Not Included)

<u>Service Category</u>	<u>Percent of GRA Expenditures</u>
Rental Assistance	87.6 %
Utility Assistance	4.7 %
Miscellaneous Assistance (18 yr. olds in High School, Food, and Clothing)	7.7 %

<u>Household Size</u>	<u>Percentage of GRA Caseload</u>
1	55.0
2	18.5
3	11.6
4	7.3
5	5.5
6 or more	2.1

FY 1986 GRA caseload was derived by increasing projected current year caseload (excluding burial assistance) by 8.8 percent. This projected caseload increase is based on the anticipated response to an increased benefit level. Benefits will not always equal the \$200 per person limit. Vendor payments are made for specific needs of eligible households, and will often be less than the allowable limit. (See projected payment amount by household size below).

<u>Household Size</u>	<u>Annual Cases/Payment Amount</u>	<u>Total</u>
1	1100 X 195	\$214,500
2	370 X 385	142,450
3	232 X 560	129,920
4	146 X 680	99,280
5	110 X 750	82,500
6	42 X 775	32,550
	<u>1998</u>	<u>\$701,200</u>

FY 1986 Need With New Payment Standard	701.2
Less FY 86 Governor's Request (Rental and Misc. Assistance Only)	302.0
FY 86 Increment Increase to Fund New Standard	<u>399.2</u>

FY 1987 caseload was derived by increasing FY 1986 by 10 percent. This projected caseload growth is due to increased benefit amounts attracting more clientele, and the spreading knowledge of higher payments through agency outreach efforts. The caseload should expand considerably during the first two years as the new benefit level becomes known. At this point, one Eligibility Technician (R/S 12B Anchorage) would be needed to accommodate the larger caseload. One-time funding of 2.0 is budgeted for purchase of office equipment for 1.0 PFT new position.

FY 1988 expenditures are calculated at a 5 percent rate of growth. FY 1989-1990 are calculated at a 4 percent rate of growth.

HB 231

# Legislature

Anchorage Daily News Wednesday, February 27, 1985

## Legislation to bolster aid to state's needy proposed

**By BRUCE SCANDLING**  
The Associated Press

**JUNEAU** — Alaska's needy — especially those falling through cracks in a web of government relief programs — would have a stronger safety net in which to land under legislation being considered in the house.

A measure introduced by House Majority Leader Don Clocksin and Rep. Max Gruenberg, both Anchorage Democrats, would boost monthly payments in the state's General Relief Program from \$80 to \$200 a month.

Payments under the program, administered by the state Department of Health and Social Services, go for monthly housing, utility or burial costs. The money is paid directly to vendors providing these services.

"It's my conclusion that this program has not been an effective safety net," Clocksin said Tuesday. "Eighty dollars a month is just not enough."

General relief payments are aimed at needy Alaskans who are ineligible for other state and federal assistance programs like Aid to Families with Dependent Children or programs for

the elderly and disabled.

"If you're poor and you don't fit into one of those neat categories, you're still poor," Clocksin said.

The program was established in 1953 to provide relief to Alaskans who can't pay basic living costs, or for burial needs.

Another part of the program — General Relief Medical Assistance — will pay more than \$10 million to needy Alaskans this year. It would not be affected by the Clocksin-Gruenberg bill, which was introduced in the House Monday.

Legislative researchers are still

trying to compute how much the measure would cost, but Clocksin said he expects this year's \$537,000 appropriation for general relief to at least double if his bill becomes law.

About 375 Alaskans are using the program each month, state officials said. Almost all of the claims are filed to pay housing and utility costs.

The bill comes in the wake of study of the General Relief Program prepared for the Alaska Public Interest Research Group and the national social workers' group.

The report, released last month, slammed state lawmakers who have not increased the \$80-a-month payments. In fact, appropriations for the program were actually cut back the past two years, said AKPIRG Director Maureen Kennedy.

She said rents in Anchorage — where most of the general relief claims are filed — have doubled since 1978.

A similar bill introduced by Clocksin in 1981 passed the House but died in the Senate for lack of support.

3/28/85

Max - I spoke on the phone today with Dave Frank of Evergreen Memorial Chapel (see attached correspondence)

he feels strongly that adding increase in general relief burial assistance as amendment to HB 231 (increase in general relief assistance) would be a good idea

it has been five years since there was any adjustment made in the amount of general relief burial assistance - he says average cost of a burial is \$1,500 and the state normally pays only \$750.

he suggested I call Jim Dalman of the Division of General Relief for figures - Jim says an average of 240 - 250 general relief burials are done each year statewide, but he says the average payment by the state is \$850 - 900 (additional costs are allowed over the \$750 limit for special expenses such as thawing the ground, larger size coffin, etc.) Jim feels also that the funeral home's average cost is more like \$850, since some of the items they included in their \$1,500 estimate are not normally included in an indigent burial

Jim also suggested contacting Dave Bruce of the Division of Public Health - the state requires that an autopsy be performed if no Doctor was present at the time of death, and this is paid by the state -- it sometimes gets into a lot of extra cost, i.e. if a person dies in a remote area and the body has to be transported, embalmed, etc. (I haven't contacted him)

Dave Frank, Evergreen Memorial Chapel 279-5477

Jim Dalman, Division of General Relief 46503058

Dave Bruce 465-3090

Jim Dalman also said the Division can't do anything about raising the amount of assistance w/out help from the legislature - i.e. an increase in the limit (he would suggest 1,200)

KE

# State of Alaska

## COMMITTEES

HOUSE HEALTH, EDUCATION  
AND SOCIAL SERVICES  
(Co-Chairman)  
HOUSE JUDICIARY  
HOUSE COMMUNITY AND  
REGIONAL AFFAIRS



POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-4968

914 CLAY COURT  
ANCHORAGE, ALASKA 99503  
(907) 276-6844

Representative Max F. Gruenberg, Jr.  
District 11  
Spenard, Upper Midtown Anchorage

March 15, 1985

Mr. R.D. Rome  
Evergreen Memorial Chapel  
P.O. Box 100537  
Anchorage, AK 99510

Dear Mr. Rome:

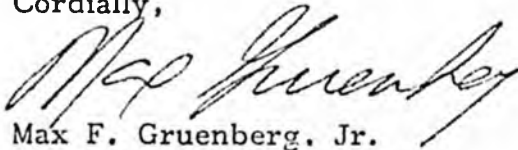
Thank you very much for your letter of February 28 and enclosures. I remain most interested in the progress of your negotiations, particularly because it seems that the state's payments are clearly too low.

Representative Clocksin and I have sponsored HB 231, copy enclosed, dealing with another aspect of the general relief statutes.

I am aware that 7 AAC 47.130 limits the amount of such payments for funeral and burial expenses to \$750 generally. In view of the obviously increased costs for such services as set forth in the audit, it appears the regulation should be revised.

I would be happy to talk with you further on this, either by telephone, or in correspondence, as you prefer. Kindly advise.

Cordially,

  
Max F. Gruenberg, Jr.

MFG/ke  
Encls. - HB 231, 7 AAC 47.130

February 28, 1985

Representative Max Gruenberg Jr.  
State Capitol  
Pouch V  
Juneau, Alaska 99811

Dear Representative Gruenberger,

Enclosed you will find a copy of a Preliminary Review of Mortuary Costs from the Department of Health & Social Services along with a copy of our response to this report.

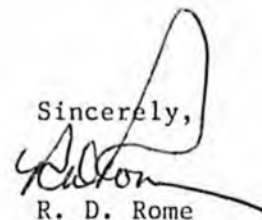
We have asked the Department of Health and Social Services to increase the amount paid by the Division of Public Assistance for General Relief funeral services. The amount now paid by Public Assistance is considerably less than our cost of providing the services and has been for several years.

Several months ago we offered to have the Division do an audit of our books to determine the costs involved in providing this service to the State.

We hope that you will support a fair and equitable increase in the amount paid by Public Assistance for funeral services.

If we can provide you with any other information, please let us know.

Sincerely,



R. D. Rome  
partner

## *Evergreen Memorial Chapel*

737 E STREET  
P.O. BOX 100537

TELEPHONE 279-5477  
ANCHORAGE, ALASKA 99510



February 27, 1985

Mr David Bruce  
Deputy Director, Division of Public Health  
Pouch H-06M  
Juneau, Alaska 99811

Dear Mr. Bruce,

Referencing the State Memorandum dated January 30, 1985 from Audit Manager DHSS to you on the subject Preliminary Informational Review Mortuary Costs, we wish to make the following comments for the record and appropriate action, as well as a further clarification of our costs.

Paragraph four of the opening statement needs to be further clarified to say that the prices are, as stated, 1983 figures, with no amount added in for return on investment. We don't anticipate that action will be taken on our request for DPA increases until at least June or July of 1985 and perhaps even later, and that DPH programming may not be totally clarified for at least sixty to ninety days. Thus it is imperative that an inflation factor be instituted, not just for 1984, but for at least the first 6 months of 1985 also. Return on investment computation should be at a minimum 14 or 15% considering the investment amount and risk thereto. Cash placed in secure municipal bonds draws about 11 to 13% - is it not reasonable to assume that our investment and risk should draw a percentage somewhat higher than that?

Item 1) Exhibit 4, Adjustments made to Claimed Costs, we believe to be a defensible item. The Internal Revenue Service in a formal IRS audit has held the residence as a necessary and integral part of our funeral home operation, considering we must be available on a 24 hour basis at this location. We feel that the entire \$15,347 is a justified cost of doing business.

Item 5) Exhibit 4, indicates Spenard Heights Mortuary does NOT have a separate telephone number. Enclosed is a copy of the most recent Anchorage Telephone Directory showing that it indeed does have a separate telephone number, and we would also tell you that it has had its own number for the past 20 years.

There are five items in Exhibit 1, Public Health Cost Analysis, that we wish to discuss, and for which we would request further review. They are:

1. Cremation Costs. In our 1983, 84, and 85 books there is nothing to indicate any maintenance costs or ongoing repair reserve fund for the cremator itself. Past experience, and our earlier books, indicate that a re-bricking of the unit about every 800 cremations is a necessity. In May of 1980 we re-bricked and re-paired the cremator for the second time since its installation in 1965. The cost of which was \$17,894.00 paid to the David Evans Co. of Seattle. Incidental repairs since that time approximate \$300 to \$400. In some

## *Evergreen Memorial Chapel*

737 E STREET      TELEPHONE 279-5477  
P O BOX 100537      ANCHORAGE, ALASKA 99510



way, that cost should be worked into the cost of cremation. We do have a savings program to take care of expenses of this magnitude, but do not label it specifically as a reserve for cremator repair and maintenance. This is definitely a cost to be considered in computing the final figure.

2. Under cremation cost there is not an amount for the Alternative Container that is necessary for placement of the remains into the crematory when no casket is used. An alternative container is a large cardboard container made specifically for cremation. The cost for the unit itself is \$14.50 plus freight of \$3.63 and warehousing of \$1.81 for a total of \$19.94. (DHSS should also be aware that many times families desire traditional funeral services with viewing in a casket, and then request the final disposition as cremation rather than burial - thus in setting our fee schedule there should be a specific number for the cremation itself.)

3. Air Tray or Combo Prep does not include the cost of the Air Tray or Combo Pack themselves. The Air Tray, as a cost of merchandise, costs Evergreen \$35.00 for the unit, \$14.65 for the freight to Anchorage, and \$4.97 for warehousing. Adding the cost of personnel to ready the Tray for use, you get a cost of \$94.09 not the \$39.47 you list in your Audited Costs. (The Combo Pack is not used for DPA or DPH so is irrelevant.) We have enclosed copies of our invoices on these items.

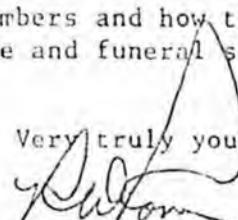
4. The casket cost figure is also incorrectly computed as there is no amount included for warehousing costs. The warehousing cost on this casket is \$13.34 so the casket cost should be \$146.67.

5. We are unclear as to the explanation of 4) Air Transfer Costs and how that relates to Air Tray or Combo Preparation as described on page -4-. We believe that the composite cost of the Air Tray plus the cost of preparing it for use should be the only items considered under this heading.

All in all we are quite satisfied that the auditing department has presented a fair appraisal of our costs with the exceptions mentioned above. Again we would reiterate that these are 1983 cost figures and should be adequately adjusted for inflation (minimum 18 months) and for return on investment at 14% to 15% annualized rate.

Please keep us advised of any pending actions concerning DPA and DPH as it concerns the use of our audited books. We desire to give as much input as we can in clarifying these numbers and how they can most realistically be used to benefit the State and funeral service.

Very truly yours,

  
R. D. Rome, Partner

## Evergreen Memorial Chapel

737 E STREET      TELEPHONE 279-5477  
P O BOX 100517      ANCHORAGE, ALASKA 99510

cc: Robert Fraser, Director, DPH  
James Dahlman, DMA  
Rod Betit, Director, DMA  
Millie Duxbury, DPA, Audit Manager



# MEMORANDUM

# State of Alaska

TO: David Bruce, Deputy Director  
Division of Public Health  
Department of Health & Social Services

DATE: January 30, 1985

FILE NO:

TELEPHONE NO 465-3120

*CJA*  
FROM: Millie Duxbury, CPA, Audit Manager  
Audit - Office of the Commissioner  
Department of Health & Social Services

SUBJECT: Preliminary Informational Review  
Mortuary Costs

We reviewed the cost study submitted by Evergreen Memorial Chapel based on costs incurred during the year ended December 31, 1983 in providing funeral related services and autopsies. The purpose of our review was to make a recommendation to the Divisions of Public Assistance and Public Health on the costs of funeral home services.

Our review included an examination of the costs and statistical bases used in the submitted cost study, as well as a determination of the services provided to the Divisions of Public Health and Public Assistance. Our review included such auditing procedures as we felt were necessary in the circumstances.

The results of our examination are shown in the exhibits. Exhibit One shows a comparison between audited costs, claimed costs, and what the Division of Public Health is currently paying for services. Exhibit Two includes an explanation of the costs incurred for each item of service. Exhibit Three is an analysis of the costs for providing services to the Division of Public Assistance. Exhibit Four explains the adjustments that were made to claimed costs as a result of our review. The cost figures shown in the exhibits do not include an amount for a return on investment to the owners.

We found that the Division of Public Health pays in excess of costs incurred for embalming, dressing, autopsy restoration, autopsy facility, cremation costs, the casket and administration costs. The Division pays under costs for transportation services. The costs used are from the year ended December 31, 1983 and do not include the effects of any inflation during 1984. We recommend the Division apply an inflation factor to the audited costs in Exhibit Two and revise their payments for funeral home services where the circumstances indicate. Further, a reasonable return on investment should be negotiated into the payment schedule established.

We found that the Division of Public Assistance (DPA) generally pays less than the costs of providing services. We also found that costs differ depending on whether the funeral and burial service is conducted in Anchorage or if Evergreen Memorial Chapel is preparing the body to be shipped out of Anchorage. Also, the cost differs if the body is cremated or if a burial is conducted. The Division pays \$750 for funeral home services, regardless of the actual services provided. This amount was established in 1981 and has not been revised. We recommend four rates be established for services; one for funeral and burial services performed at the facility;

January 30, 1985

one for preparing the body to be shipped to another location for burial; one for funeral and crematory services performed at the facility, and one for crematory services and shipping the remains to another location. Rates should be revised using costs shown in Exhibit Three as a guideline and taking into account inflation factors and reasonable rate of return on investment.

This report is a preliminary report. We are allowing thirty days for comments on the report. If you disagree with our findings and recommendations, please provide us with additional documentation supporting your position. If you have any questions, please call me at the above telephone number.

cc: Robert Fraser, Director, DPH  
Rod Betit, Director, DMA  
James Dalman, DMA

PUBLIC HEALTH COST ANALYSIS

EXHIBIT 1

FYE 12/31/83

	<u>Audited Costs</u>	<u>Claimed Costs</u>	<u>Public Health Payment</u>
First Call	82.94	89.79	
Embalming (includes facility)	159.65	173.61	190
Cosmetics	52.81	59.79	
Hairdressing	39.61	44.85	
Dressing	13.20	14.95	3) 70
Casketing	17.43	19.73	
Casket Preparation	20.73	26.68	
Family Conference	91.43	103.18	
Arranging Details	75.78	84.65	
Visitation, Private	44.25	51.64	
Visitation, Public	236.01	275.40	
Auto Preparation	16.18	11.32	
Floral Arranging	44.25	51.64	
Chapel Preparation	17.86	21.99	
Funeral Service	341.84	379.10	
Procession	43.48	46.46	
Graveside	43.48	46.46	
Obituaries	8.88	7.74	
Death Certificate	2) 108.49	92.77	
Billing	2) 11.72	10.22	
Record Book	34.08	31.81	
Air Tray or Combo Prep	4) 39.47	54.09	
Cremation	1) 80.32	99.32	
Cremation Clean-Out	1) 46.21	58.87	
Remains Mailing	1) 42.97	36.49	
Autopsy Restoration	76.58	86.70	85
Airport Delivery/Pick-Up	4) 57.97	61.95	45
Autopsy Facility	79.22	89.69	100
Casket	133.34	133.34	150

1) Cremation Costs = \$ 169.50 260

2) Administration Costs = \$ 120.21 125

3) Includes cost of clothing  
estimated to be \$36.00

4) Air Transfer Costs = \$ 97.44 SEE EXHIBIT 4 FOR ADJUSTMENTS  
Another \$57.97 should be  
added if the body had to  
be picked up from the  
airport.

State of Alaska

Department of Health  
and Social Services

DESCRIPTION OF COSTS

<u>DOLLAR AMOUNT</u>	<u>ITEM</u>	<u>DESCRIPTION</u>
\$ 82.94	FIRST CALL	This is the cost of removing a decedent from the place of death to the funeral home. One man hour, vehicle and appropriate overhead allocation.
\$159.65	EMBALMING	Arterial injection of remains with preservative fluids and care of the abdominal and thoracic cavities as necessary. One and a half man hours, equipment, cost of materials and allocated overhead.
\$ 52.81	COSMETICS	This is the application of cosmetic materials and the cost of reconstructive work averaged over all embalmed cases according to required time with cost of materials and allocated overhead.
\$ 39.61	HAIRDRESSING	This is an averaged cost of performing hair-dressing services for both men and women according to time requirements and overhead allocations.
\$ 13.20	DRESSING	This is primarily a time factor in dressing the remains prior to the funeral services and includes allotted overhead.
\$ 17.42	CASKETING	Time requirements for the placing of the remains into the casket and the subsequent arranging of the remains for proper viewing by the next of kin.
\$ 20.73	CASKET PREPARATION	Time requirement for the removal of the required casket from storage, unpacking and making the required adjustments for placement of the remains into the casket.
\$ 91.43	FAMILY CONFERENCE	Consultation with family members to ascertain desires for funeralization. Usually requires one and a half to two hours time. (Minimum service)
\$ 75.78	ARRANGING DETAILS	Consultation with clergy, cemetery pallbearers, airlines, florists and other persons who may be responsible for parts of the funeralization process. (Minimum service)

State of Alaska

Department of Health  
and Social Services

DESCRIPTION OF COSTS

<u>DOLLAR AMOUNT</u>	<u>ITEM</u>	<u>DESCRIPTION</u>
\$236.01	VISITATION	Three hours, usually the night before a service. Visitations include labor, facility expense, and overhead.
\$ 44.25	VISITATION	One hour before the service.
\$ 16.18	AUTO PREPARATION	The time taken to see that vehicles are appropriately clean and ready for use during the funeral.
\$ 44.25	FLORAL ARRANGING	Time taken to receive and arrange floral pieces for the funeral.
\$ 17.86	CHAPEL PREPARATION	Time taken to set up for clergy, place chairs in chapel for guests, set up the family seating area and placement of the casket into the chapel.
\$341.84	FUNERAL SERVICE	This is the cost of the funeral directors and staff for a period of three hours time required to perform the duties as funeral directors for the services. Also included is the proportionate overhead cost; as well as the direct costs of providing the facilities.
\$ 43.48	PROCESSION	Driver time and proportionate overhead costs, as well as use of vehicle costs.
\$ 43.48	GRAVESIDE	Cost of personnel during graveside services.
\$ 8.88	OBITUARIES	Labor cost of personnel to call obituary information to the two local newspapers.
\$108.49	DEATH CERTIFICATION	Typing time, delivery to doctors office, return to doctors office for pick up of the certificate, delivery to district court for filing and obtaining of burial transit permit. A total of two and a half hours of time required, plus vehicle costs and overhead.
\$ 34.08	BOOK, OBIT RECORD	Office time in preparing an obituary record for clergyman, register book for guests and appropriate printing. Also includes direct cost of materials and an overhead allocation.

DESCRIPTION OF COSTS

<u>DOLLAR AMOUNT</u>	<u>ITEM</u>	<u>DESCRIPTION</u>
\$ 11.72	A/R, BILLING	Time and materials in preparing accounts receivable information and forms along with the billing for the services to the appropriate State agency.
\$ 39.47	AIR TRAY OR COMBO PREP	Receptical for casket to ship on airlines. Cost includes 20 minutes of labor, facility usage and overhead.
\$ 80.32	CREMATION	The cost of a cremation includes 45 minutes of labor, gas, facility usage and overhead.
\$ 16.21	CREMATION CLEAN OUT	This is the cost of cleaning the crematorium and involves a half hour of labor, facility usage and allocated overhead.
\$ 76.58	AUTOPSY RESTORATION	The funeral home sews the body up after the autopsy. The cost includes one and a half hours of labor, facility usage and overhead.
\$ 57.97	AIRPORT DELIVERY	This is the cost of delivering a body to the airport for shipping and involves one hour of labor, plus automobile costs and overhead.
\$ 42.97	REMAINS MAILING	The cost of mailing remains includes one hour of labor, automobile usage and overhead.
\$ 79.22	AUTOPSY FACILITY	This is the cost of the facility and cleaning the facility after an autopsy. It involves one and a half hours of labor, plus allocated overhead.
\$133.34	CASKET	Actual cost of casket delivered to the door in Anchorage. Includes freight and packaging costs.

PUBLIC ASSISTANCE COST ANALYSIS

FYE 12/31/83

	<u>Regular Burial</u>		<u>Cremation</u>	
	<u>Shipped Out</u>	<u>Service At EMC</u>	<u>Shipped Out</u>	<u>Service At EMC</u>
First Call (Home)	\$ 82.94	\$ 82.94	\$ 82.94	\$ 82.94
Embalming	159.65	159.65		
Cosmetics	52.81	52.81		
Hairdressing	39.61	39.61		
Dressing	13.20	13.20	13.20	13.20
Casketing	17.42	17.42	17.42	17.42
Casket Preparation	20.73	20.73	20.73	20.73
Family Conference	91.43	91.43	91.43	91.43
Arranging Details	75.78	75.78	75.78	75.78
Visitation (One Hour)		44.25	44.25	44.25
Auto Preparation		16.18		
Floral Arrangement		44.25		44.25
Chapel Preparation		17.86		17.86
Funeral Service		341.84		341.84
Procession		43.48		
Graveside		43.48		
Obituaries	8.88	8.88	8.88	8.88
Death Certificate	108.49	108.49	108.49	108.49
Record Book, Etc.	34.08	34.08	34.08	34.08
Billing	11.72	11.72	11.72	11.72
Airport Delivery	37.97			
Casket	133.34	133.34		
Visitation (Three Hours)	236.01			
Air Tray	39.47			
Cremation			80.32	80.32
Cremation Clean Out			46.21	46.21
Remains Mailing			42.97	42.97
<b>Total</b>	<b>\$ 1,183.53</b>	<b>\$ 1,401.42</b>	<b>\$ 678.42</b>	<b>\$ 1,082.37</b>
Public Assistance pays	\$ 750.00	\$ 750.00	\$ 750.00	\$ 750.00

ADJUSTMENTS MADE TO CLAIMED COSTS

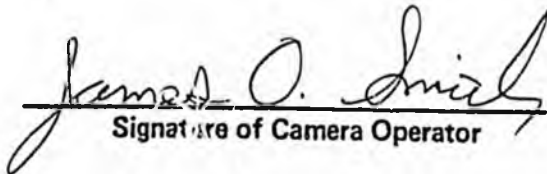
- 1) The personal residence of one of the funeral directors is located in the Evergreen Memorial Chapel building. In allocating facility costs, no costs were allocated to the personal residence. This adjustment disallows \$15,347 of facility costs relating to the residence, based on square footage.
- 2) None of the facility expense was allocated to the operation of the automobiles. We allocated \$6,200 to the automobile costs, based on the square footage of the garage, from facility expenses.
- 3) The cost study spread overhead costs over the funeral directors' hours. An adjustment was made to include all direct labor hours as the base for allocating overhead. This adjustment has no effect on costs.
- 4) The costs used in our report do not include amounts for donations (\$6,649), bad debts (\$2,796), advertising (\$13,513), and promotion (\$3,024). Donations, advertising and promotion expenses are for furthering the goodwill or attracting private paying clients and are not related to securing State business. Bad debts are not allowed as an expense as they relate to non-State clients.
- 5) The costs used in our study include the expenses of Spenard Heights Mortuary. Spenard Heights and Evergreen Memorial are run as one business: Spenard Heights does not have a separate telephone number or staff and is vacant most of the time.

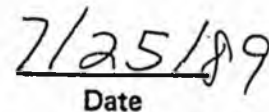


# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
Signature of Camera Operator

  
Date

H B

2 3 4

# COMMITTEE REPORT

## HOUSE

## STATE AFFAIRS

(7)

FURTHER: FINANCE

2/25/85

Date: 15 Mar 1985

Mr. Speaker:

The Committee on HEALTH, EDUCATION AND SOCIAL SERVICES has had HB 234

"An Act limiting retirement credit for military service under the Public Employees' Retirement System and the Teachers' Retirement System."

under consideration and reports it back as follows:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 234  same title  
 new title
- and recommends do pass
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation  Zero Fiscal Note Attached
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

*A. J. Gumbert*  
*Karen M. Harkins*  
*Chadwick Taylor*  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

*John P. ...*  
 CHAIRMAN  
*Mr. Gumbert*  
*C. ...*

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

Page 1 of 2

**REQUEST**

Bill/Resolution No.: HB 234  
 Title: "An Act limiting retirement credit for military service..."  
 Sponsor: House MESS  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: All State Agencies  
 Program Category Affected: Labor services elementary and secondary education  
 BRU, Program or Subprogram(s) Affected: PERS. TRS.

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs						
100 Rtmnt & Bnfts		(558.3)	(603.0)	(651.2)	(703.3)	(759.6)
200 Travel						
300 Contractual						
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
700 TRS Match		(83.3)	(90.0)	(97.2)	(104.9)	(113.3)
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>(641.6)</b>	<b>(693.0)</b>	<b>(748.4)</b>	<b>(808.2)</b>	<b>(872.9)</b>
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

GENERAL		(589.4)	(636.6)	(687.5)	(742.5)	(801.9)
FEDERAL F		(25.0)	(27.0)	(29.2)	(31.5)	(34.0)
OTHER		(27.2)	(29.4)	(31.7)	(34.2)	(37.0)
<b>TOTAL</b>	<b>-0-</b>	<b>(641.6)</b>	<b>(693.0)</b>	<b>(748.4)</b>	<b>(808.2)</b>	<b>(872.9)</b>

**POSITIONS:**

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

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

Prepared By: J. K. Humphreys, Director Phone: 465-7070  
 Division: Retirement & Benefits Date: 3/12/85  
 Approved by Commissioner: Lisa Rudd Date: 3-12-85  
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

House Bill 234  
Fiscal Note Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration

March 12, 1985

IV Analysis: Passage of this bill would prohibit a member, first hired after the effective date of this bill, from claiming credit for military service in the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems if that member were eligible to receive a retirement benefit for the same service from the United States Government.

This is estimated to result in a .10% decrease in PERS contributions, a .02% decrease in TRS employer contributions and a .02% decrease in TRS State Match. The PERS state salaries for FY 86 are estimated to be \$544,046,592, the TRS state salaries for FY 86 are estimated to be \$71,490,744 and TRS State Match salaries for FY 86 are estimate to be \$416,297,654. All salaries are estimated to increase by 8% each year.

The state cost savings of \$641.6 is calculated as follows:

The change in PERS employer contribution rate (-.10%) times the estimated state PERS salaries (\$544,046,592) equals [\$544.0]

Plus the change in TRS employer contribution rate (-.02%) times the estimated FY 86 state TRS salaries (\$71,490,744) equals [14.3]

Plus the change in TRS State Match contribution rate (-.02%) times the estimated FY 86 TRS State Match salaries (\$416,297,654) equals [83.3]  
[\$641.6]

In addition to the state savings as described above, this would result in a savings in Political Subdivision contributions as follows:

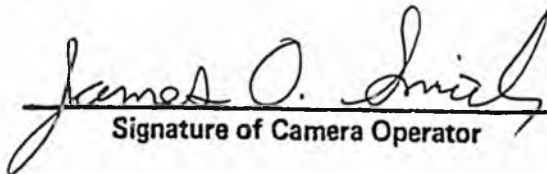
FY 86	FY 87	FY 88	FY 89	FY 90
[\$497.6]	[\$537.4]	[\$580.4]	[\$626.8]	[\$677.0.8]

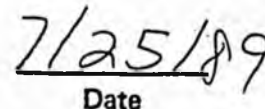


# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
Signature of Camera Operator

  
Date

H

B

2

4

1





STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

The Honorable Ben Grussendorf  
Speaker of the House  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill clarifying and codifying fiscal procedures for the University of Alaska.

This bill will settle three university fiscal issues:

- 1) administration of university receipts;
- 2) university authority to invest money and spend the interest earned on it; and
- 3) reallocation of state appropriations to the university.

1. Administration of university receipts:

Because it is a public, higher-education corporation established under the state constitution, the University of Alaska has several unique sources of revenue. Unlike the heads of other state agencies, members of the Board of Regents are trustees; they administer university money and property, and, while serving in that capacity, are accountable for all university receipts.

The university receives money from a variety of sources. In addition to state general fund appropriations, the university generates income from student tuition and fees; auxiliary enterprises; gifts, grants, and contracts; federal educational and research projects; sales and rentals of university educational properties; sales, rentals, and services of educational activities; and recovery of indirect costs of university activities.

Section 1 of the bill clarifies the Board of Regents' ability to receive and spend these sources of income. Section 2 requires the university president to establish procedures for receipt, expenditure, and reporting of university

receipts. Section 5 defines "university receipts." Section 8 allows the university to carry forward unexpended balances of these university receipts.

## 2. Investment of university money:

Unlike other state agencies, the university maintains a separate treasury, drawing cash from the state treasury in monthly installments. The university deposits money in interest-bearing accounts pending payment of payrolls and other obligations. While the university has received annual budget authority to receive and spend the interest earned, the attorney general has opined that the university has no statutory authority to do so.

The university and my administration agreed to clarify this statutory authority, using four fundamental principles:

- 1) the university should be encouraged to prudently manage its resources;
- 2) university cash balances should not sit idle, but should be temporarily deposited in interest-bearing accounts;
- 3) the university should be strictly accountable for money entrusted to it; and
- 4) there should be clear statutory rules for university investment.

Section 3 of the bill authorizes the university to invest money it receives, regardless of the source. Section 4 of the bill requires the university to invest certain surplus money, and restricts that investment to the same instruments provided for state general fund surplus under AS 37.10.070. If appropriated by the legislature, or approved under the revised program procedures of AS 37.07.080(h), the university may spend earnings from these investments.

Last year the legislature attempted to appropriate prior years' interest income to the University of Alaska working capital reserve fund (AS 14.40.296). I vetoed that appropriation because the statutory authority for both the receipt of interest income and its deposit to the working capital reserve fund were unclear. Amendments to the working capital reserve fund contained in sec. 6 of his bill would take care of last year's problem.

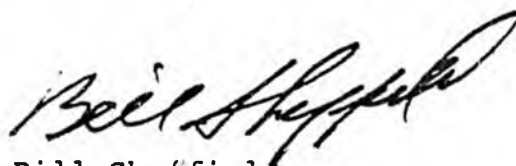
## 3. Reallocation of state appropriations:

AS 37.07.080(e) establishes procedures for the division of budget review, in the Office of the Governor, to reallocate

money authorized by legislative appropriations. In past years, the legislature has authorized the Office of the Governor to establish procedures for reallocations within university appropriations. Section 7 of this bill gives the division of budget review and the Board of Regents the authority to establish procedures for reallocation within appropriations. Transfers between appropriations would continue to require authorization by law.

The University of Alaska is working closely with my administration on budget and financial matters. This bill settles several issues that have damaged university-state relations in past years. Therefore, I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield  
Governor

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: AB 241  
 Title: "An Act relating to the fiscal procedures ..."  
 Sponsor: Rules/Governor  
 Requestor: \_\_\_\_\_  
 Date of Request: 2/22/85

*pg 1 of 2*

**FISCAL DETAIL**

Agency Affected: University of Alaska  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES		0				
200 TRAVEL		0				
300 CONTRACTUAL		0				
400 SUPPLIES		0				
500 EQUIPMENT		0				
600 LAND & STRUCTURES		0				
700 GRANTS, CLAIMS		0				
800 MISCELLANEOUS		0				
<b>TOTAL OPERATING</b>		0				
<b>CAPITAL</b>						
<b>REVENUE</b>		0				

**FUNDING: (Thousands of Dollars)**

GENERAL FUND		0				
FEDERAL FUNDS		0				
OTHER		0				
<b>TOTAL</b>		0				

**POSITIONS:**

FULL-TIME		N/A				
PART-TIME						
TEMPORARY						

**ANALYSIS:** Attach a separate page if necessary. See Attached

Prepared By: Sherman Carter, Executive Vice President Phone: 474-7593  
 Division: University of Alaska Date: \_\_\_\_\_

Approved by Commissioner: Sherman Carter Date: 2/21/85  
 Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

7/1/84

STATEMENT OF FISCAL IMPACT

AS 282

Agency Comments

No additional funding will be required as a result of this legislation. This bill codifies present investment and operating procedures and provides additional flexibility in fiscal planning which will allow the University of Alaska to better cope with adverse financial conditions during periods of revenue instability.

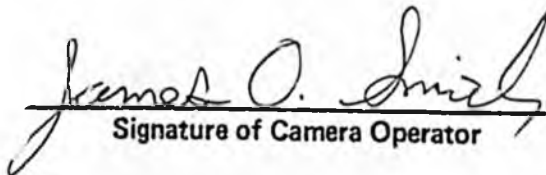
It will permit increased efficiency; and, by providing full disclosure will not decrease the governor's or legislature's control over the university. The Board of Regents endorsed this legislation as indicated in the following resolution: "The Board of Regents reaffirms its endorsement of the legislation to clarify fiscal procedures of the University of Alaska and urges adoption of a bill to do this to be introduced by the governor."

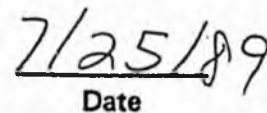


# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
Signature of Camera Operator

  
Date

H

B

2

4

9

IN YOUR FILE: HB 249

-memo from staff

-position paper from Department of Revenue

-position paper form DHSS

-briefing paper from Alaska Lung Association

-letter from Alaska Environmental Lobby



Alaska State Legislature  
House of Representatives  
COMMITTEE ON HEALTH, EDUCATION  
AND SOCIAL SERVICES

OFFICIAL BUSINESS

POUCH V  
JUNEAU, AK 99811  
465-3759

TO: Members of the House HESS Committee  
FROM: Deborah Niedermeyer, Committee Aide  
DATE: 13 March, 1985  
RE: HB 249, cigarette tax

HB 249 raises the tax on a pack of cigarettes by 8¢. This probably would not change the price of cigarettes because the federal tax on cigarettes is scheduled to drop by 8¢ on October 1. It is possible, however, that Congress will decide not to lower the tax.

The bill will raise \$5.6 million per year for the state.

The current Alaska tax on cigarettes is 8¢ per pack. Four states have lower cigarette taxes, they are North Carolina, 2¢, Virginia, 2½¢, Kentucky, 3¢ and South Carolina, 7¢. All other state cigarette taxes are higher, with the average at 15.6¢ per pack.

The Division of Public Health quotes national estimates that a 10% increase in the price of cigarettes results in a 4.2% decrease in consumption. For teenagers it results in a 14% decrease.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date    3/7/85

REQUEST

Bill/Resolution No: HB 249  
 Title: Cigarette Tax Increase  
 Sponsor: Adams, M.M. Miller, Binkley,  
 Hurley and Pourchot  
 Requestor: Health Education & Soc. Svcs  
 Date of Request: March 7, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue  
 Program Category Affected: Collection and  
 Management  
 BRU, Program of Subprogram(s) Affected:  
Audit Division  
Audit Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
400 SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
800 MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
<u>TOTAL OPERATING</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>CAPITAL</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>REVENUE</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
<u>TOTAL</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Martin J. Richard  
 Division: Audit Division

Phone: 465-2320  
 Date: March 7, 1985

Approved by Commissioner: Shirley A. Standish  
 Agency: Revenue

Date: 3/7/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

REQUEST  
Bill/Resolution No: HB 249  
Title: An Act increasing the excise tax on cigarettes  
Sponsor: Adams, Miller, Binkley, Hurley, Pourchot  
Requestor: Health Education & Social Svcs  
Date of Request: March 6, 1985

Revision Date \_\_\_\_\_  
FISCAL DETAIL  
Agency Affected: Revenue  
Program Category Affected: \_\_\_\_\_  
BRU, Program of Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	4,099.2	5,600.0	5,600.0	5,600.0	5,600.0

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS:

It is assumed that the number of net taxable cigarettes will reach a level of 1.4 billion annually and remain at that level for the forecast period. HB 249 raises the General Fund portion of the cigarette tax from a rate of 1-1/2 mills (\$.0015) to 5-1/2 mills (\$.0055) per cigarette. The school fund also receives 2-1/2 mills (.0025) per cigarette, a rate not changed by the legislation. The FY 86 figure is adjusted to account for the fact that the new tax would apply to only part of that year.

Prepared By: David R. Tonkovich <sup>WAT</sup>  
 Division: Research Section

Phone: 465-2173  
 Date: 3/6/85

Approved by Commissioner: [Signature]  
 Agency: Revenue

Date: 3/7/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

POSITION PAPER

HOUSE BILL NO. 249

For "An Act increasing the excise tax on cigarettes; and providing for an effective date.

This bill provides for an increase in the cigarette excise tax and states an intent that resulting revenues be used for health care and health education programs.

The bill's introduction is particularly timely in view of the likelihood of a reduction in the federal excise tax from the "temporary" level of sixteen cents per pack established in 1962 to a "permanent" level of eight cents per pack. Nationally, it is estimated that even a ten per cent increase in the price of cigarettes would result in a 4.2 percent decrease in consumption. For teenagers, the decrease might reach 14 percent.

Nationally, it is estimated that from 25 to 35 percent of cancer in the male population and five to ten percent in the female population is mainly due to the smoking of tobacco products, primarily cigarettes. Smoking cessation is imperative if the high toll of cancer in this country is to be reduced. This legislation is a rare example of doing good by increasing taxes since it would discourage consumption and help to educate Alaskans regarding the dangers of tobacco use.

The Department strongly supports this bill.

Recommended by: Robert I. Fraser for  
Robert I. Fraser, M.D.  
Director  
Division of Public Health

Date: 3/7/85

Approved by: John R. Pugh  
John R. Pugh  
Commissioner  
Department of Health and  
Social Services

Date: 3/7/85

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST  
 Bill/Resolution No.: HR 249  
 Title: Increasing excise tax on  
cigarettes  
 Sponsor: M.M. Miller, et al.  
 Requestor: \_\_\_\_\_  
 Date of Request: 3/04/85

FISCAL DETAIL  
 Agency Affected: Health & Social Services  
 Program Category Affected: Public Health  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
State Health Services  
Administration

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**POSITIONS:**

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

ANALYSIS: Attach a separate page if necessary

Prepared By: Robert I. Fraser, M.D. Phone: 465-3090  
 Division: Public Health Date: 3/4/85

Approved by Commissioner: Jan R. O'Connell Date: 3/6/85 jcc  
 Agency: Department of Health & Social Services

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

7/1/84

THE CIGARETTE TAX IN ALASKA

An Opportunity for Investing in Health

The following information has been developed by representation from several organizations which support the concept of increasing the Alaska State tax on cigarettes and utilizing the funds generated for health promotion. Among the organizations which have passed resolutions of support as of January 23, 1985, are the Alaska Lung Association, the American Cancer Society, the Alaska Public Health Association, the Alaska Health Educators Consortium, the Alaska Native Health Board, the Municipal Health Commission of Anchorage and the Alaska Council on Smoking or Health.

Curtis Mekemson, Executive Director

~~Alaska Lung Association~~

January 23, 1985

THE CIGARETTE TAX IN ALASKA  
An Opportunity for Investing in Health

INTRODUCTION AND SUMMARY

During 1965 Alaska has an opportunity to recapture \$6,000,000 a year it has been sending to Washington in cigarette taxes, develop what may be one of the most effective health promotion programs in the nation, and discourage an increase in smoking among young people and others. How can the State achieve these goals?

In 1983 Congress doubled its tax on cigarettes from 8-16 cents with the condition that the tax would return to 8 cents on October 1, 1985 unless Congress acted to do otherwise. Congress, after considerable debate and pressure from the tobacco lobbyists, chose not to act during its last session. Its inaction will have the effect of reducing the price of cigarettes and costing the Federal Government billions of dollars in revenues.

Washington's loss could become Alaska's gain. By passing and signing legislation to increase Alaska's tax on cigarettes by 8 cents, the State may be able to collect the money it has been sending to Washington without increasing taxes. Maintaining the price of cigarettes will have the added benefit of discouraging the increase in smoking which will result if the price of cigarettes drop. Finally, if the new revenues are focused on health promotion, the gain could be multiplied many times by reducing Alaska's serious health risk factors such as smoking and alcohol consumption.

Implementing an effective health promotion program will depend upon establishing long term goals, supporting statewide media and school health campaigns, and encouraging local community initiatives. Direction for such an effort will involve creating an appropriate structure within State government to develop a 5 year health promotion plan for Alaska, oversee statewide campaigns, provide grants to local communities, evaluate the success of the health promotion programs, and provide advice to the Governor, Legislature and appropriate State Departments on health related projects and plans.

Following is a more detailed discussion of the tax, the correlation between smoking and price, the health effects of smoking, the seriousness of Alaska's health problems, the potential of a health promotion's program, and a suggested list of activities which could be carried out in a statewide health promotion program.

THE CIGARETTE TAX IN ALASKA  
An Opportunity for Investing in Health  
Page 2

THE CIGARETTE TAX IN ALASKA

Alaska presently has a four mill levy on each cigarette which is the equivalent to eight cents a pack and raises approximately \$6,000,000 a year. Two and one half of the four mills collected goes into a special school building fund which was created in 1956. In 1961 an additional 1½ mills was added to the tax and goes into the general fund. The only significant change in the last 23 years has been to exempt application of the tax on military services.

Nationally, only four states have lower taxes than Alaska. These include North Carolina at .02, Virginia at .025, Kentucky at .03, and South Carolina at .07. Each of these States is involved in substantial tobacco production. The average State tax is 15.6 cents per pack, close to double that of Alaska.

It is difficult to predict what will happen with the Federal tax. An effort is being planned by the National Council on Smoking or Health to reinstitute the eight cents to be dropped in October 85. Obviously they will be opposed by tobacco interests. Even if the eight cents is reinstated, however, the low level of the Alaskan tax and the value of an expanded health promotion effort in Alaska would justify the new State tax.

Doubling Alaska's tax to 8 mills or 16 cents will increase State cigarette tax revenues to approximately \$12,000,000 a year. Since there is already an established procedure for collecting the tax from wholesalers by the Department of Revenue, collecting the new tax should involve a minimal of effort and expense.

Any new tax cannot be dedicated to a specific purpose under the Alaska Constitution. (The school fund is an exception because it was in effect prior to the adoption of the constitution.) Legislative intent for the expenditure of funds can be expressed however. Specific appropriation then goes through the normal budgetary process and is up for reconsideration each year.

CIGARETTE SMOKING AND PRICE

A direct correlation exists between smoking and price. As the cost of smoking goes up, the percentage of smoking drops. A study done by Professor Eugene Lewit and other economists for the College of Medicine and Dentistry of New Jersey showed a 10% increase in the price of cigarettes would lead to a 4% overall drop in smoking. Among teenagers the drop would be 14%! Conversely, a drop in prices will encourage an increase in smoking - again with teenagers being the most effected.

### SMOKING, HEALTH, AND ECONOMICS

The health effects of cigarette smoking are extremely well documented. Smoking is the major cause of lung cancer, heart disease, emphysema, and chronic bronchitis. In fact, smoking is the single most preventable cause of disease. In 1985 over 340,000 Americans will die prematurely because of their smoking habit. Millions more will live with crippled lungs and strained hearts.

Human suffering is only part of the picture. Smoking related diseases cost some 16 billion dollars in medical care resources yearly - a figure which can be translated into an extra \$100 per year in extra taxes and health insurance premiums for working adults. This applies whether the person smokes or not.

Many other costs such as lost working days, fire damage, special ventilation systems, etc. add to the bill we all get to pay. Information from Senator Ted Stevens to Dr. James Sproull of Anchorage placed these costs at 26 billion dollars for a total of 42 billion. As Stevens noted "The overall economic loss to the nation due to smoking is staggering."

### SMOKING AND OTHER HEALTH RISK FACTORS IN ALASKA

For whatever the reasons, Alaskans tend to be toward the top of national statistics in pursuing habits with high health risk factors. Following is a discussion of four key indicators: smoking, alcohol abuse, accidents, and mental health.

**SMOKING:** Thirty six percent of adult Alaskans smoke. Only two states, Kentucky at 36.6% and North Carolina at 37.7%, exceed Alaska. Once again, both of these states are tobacco producing. Another statistic indicative of Alaskans smoking habits is that the number of cigarette packs sold per capita in the U.S. dropped by 4.6% between 1976 - 1982 while increasing by 4.2% in Alaska. An 8.6% difference. Eventually, these figures will be translated into more lung cancer, heart disease and emphysema.

**ALCOHOL.** Another very apparent health risk to Alaskans is excessive alcohol consumption. A statewide health survey carried out by the Department of Health and Social Services in 1984 showed this to be the number one concern of the various groups surveyed. Alaskans are number 12 nationally in acute drinking and take the number 3 spot

for chronic drinking. (Acute is defined as 5 or more drinks on an occasion one or more times per month and chronic is defined as 2 or more drinks per day or 14 or more drinks per week.) The two states which exceed Alaska in chronic drinking are New Hampshire and Florida. In per capita consumption of distilled spirits we are also close to the top. Alaska consumes 3.3 gallons per person, New Hampshire 4.8, Nevada 5.7, and Washington D.C. 6.

**ACCIDENTS:** Accidents rates are also very high in Alaska. 1981 census figures showed Alaska with an accidental death rate of 89.3 per 100,000 population in comparison with 43.2 for the nation. Not surprisingly, the major differences were aircraft and water related.

**MENTAL HEALTH:** Mental health is also a problem as reflected by such indicators as suicide, family violence, child abuse, and violent crimes. Often alcohol plays an important role. In 1980 suicide was the fifth leading cause of statewide mortality. The rate of 17.7 suicides per 100,000 compares with a U.S. rate of 12.2. It is also important to note that the suicide rate increased from 13.2 per 100,000 in 1970 to the 17.7 in 1980.

What the above statistics relate is Alaska is facing a serious health crises with both short and long term implications which will result in considerable human suffering. It will also result in the expenditure of millions of dollars in public and private funds. A critical point of this paper is an aggressive health promotion program can reduce the suffering and will eventually more than pay for itself in reduced health care costs.

#### HEALTH PROMOTION AS A TOOL IN DISEASE PREVENTION

Risk factor intervention through health promotion has become a major tool for preventing cardiovascular diseases, cancer, cirrhosis of the liver, accidents, and chronic lung disease -- the major current health problems in modern nations. Numerous approaches are used and are necessary in successful programs. Four of the most important include reaching young people through comprehensive health education, educating the general public through mass media efforts, promoting self help in local communities and at the workplace, and utilizing the medical care de-

livery system in promoting health among high risk groups. A growing body of evidence supports the effectiveness of efforts:

- ° In school health a long term study has recently been completed by the University of Washington on the impact of the Primary Grades Health Promotion Project, Growing Healthy. (Growing Healthy is a comprehensive school health curriculum which was developed in Berkeley and Seattle in the early 70's and is now being utilized nationally by numerous school districts.) A summary of the findings state that "the curricula have a positive impact upon children's current levels of knowledge about health and their attitude toward health...and upon present and future health practices of students and their families."
- ° The Stanford Heart Disease Prevention Program provides considerable support for community wide programs. Utilizing a multimedia campaign for the general public and intensive instruction for high risk individuals in three Northern California Communities, the risk for coronary heart disease was reduced 15% to 20% among total participants and 30% among the high risk group.
- ° A similar experiment carried out in Finland over 4½ years with a largely rural population showed decreased cigarette smoking, decreased blood pressure, and a considerable reduction in the incidence of strokes -- from 3.6 to 1.9 per 1,000 males and 2.8 to 1.8 per 1,000 females.

What each of these health promotion programs have in common is they were carried out over a long period of time and they were comprehensive in their approach. They demonstrate that done right, health promotion can make a significant difference.

#### AN INVESTMENT IN HEALTH

The cigarette tax revenues utilized in health promotion can help assure a healthier future for Alaska. Life style issues which deserve attention include smoking, nutrition, alcohol and other drug use, safety, mental health, and fitness. Maximizing the impact of the health promotion program will depend upon several factors.

- ° A long term commitment to the program is needed. Establishing positive health habits takes several years. One way to help assure the necessary focus is to develop a 5-year health

promotion plan for the State. The plan should include specific goals and objectives that can be carefully evaluated during and at the completion of the program.

- ° Reaching young people must be a priority. This will require working closely with the education system. While mandating a specific comprehensive health education program may not be desirable, the State should provide all school districts with the best materials and training in comprehensive school health available. Joint financing of program implementation may also be desirable.
- ° Local initiative is critical. The key to health promotion lies in encouraging people to take responsibility for their own health. A way to encourage such initiative will be to make grants available to local communities and organizations to help carry out the five-year plan. Grants should be closely monitored for effectiveness in terms of achieving the plans goals and objectives.
- ° Statewide campaigns primarily utilizing the media can provide valuable support to school and local initiative efforts. The tobacco and liquor industry spend millions to get their message across. The real message is advertising pays. It can work as effectively in discouraging smoking and excessive drinking as it does to promote it.

Carrying out the type of program outlined above will require considerable initiative creativity and energy. Success will depend upon establishing an adequately staffed office within State government that has the necessary charge and flexibility to implement the program. It will also depend upon seeking advice and involvement from the various interests within the State concerned with health promotion. Some type of advisory body should be established to achieve the latter objectives.

#### CONCLUSION

The cigarette tax combined with health promotion concept provides Alaska with a unique opportunity to promote wellness and encourage the avoidance of unnecessary health risks.



# Alaska Environmental Lobby, Inc.

204 N. Franklin Street, Suite 3 Juneau, Alaska 99801

907-586-2345

March 12, 1985

Rep. Niilo Koponen, Co-Chairperson  
Rep. Max Gruenberg, Co-Chairperson  
House Health, Education & Social Services Committee  
Pouch Y  
Juneau, AK 99811

Dear Representatives Koponen and Gruenberg:


The Alaska Environmental Lobby, Inc. endorses HB 249 "An Act increasing the excise tax on cigarettes." By increasing the state's tax to match the corresponding decrease in Federal excise tax, the state of Alaska has the unique opportunity to gain approximately \$6,000,000 per year of "new" revenues with no increase in price to the consumer. This new pool of money could be well-spent on health education and promotion.

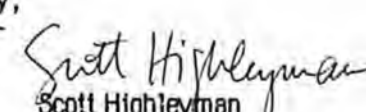
Nationally only four states have a lower tax than Alaska. These include the substantial tobacco producing states North Carolina, South Carolina, Virginia and Kentucky. The average state tax is 15.6 cents per pack--almost double that of Alaska. Doubling Alaska's tax to 8 mills or 16 cents will increase State cigarette tax revenues to approximately \$12,000,000 a year. Since the Department of Revenue already has an established procedure for collecting the tax from wholesalers, the new tax would involve a minimum of effort and expense.

Maintaining the price of cigarettes at current levels will have the added benefit of discouraging the increase in smoking which will result if the price of cigarettes drop. Additionally, if the new revenues are focused on health promotion, the gain could be multiplied many times by reducing Alaska's serious health risk factors such as smoking and alcohol consumption.

Washington's loss could become Alaska's gain. By passing and signing legislation to increase Alaska's tax on cigarettes, the state would be able to collect the money it has been sending to Washington without affecting price. At a time when we are faced with projected decreases in state revenue and decreases in Federal aid in many areas, HB 249 makes good sense both economically and for the sake of a healthy human environment.

The Alaska Environment Lobby endorses HB 249 and urges your support. Thank you for your attention to this important bill.

Sincerely,  
  
Mark Stasik  
AEL Volunteer

  
Scott Highleyman  
Executive Director

cc: Rep. Adams  
Rep. M. M. Miller  
Rep. Binkley  
Rep. Hurley  
Rep. Pourchot

ALASKA CENTER FOR THE ENVIRONMENT • ALASKA CHAPTER, SIERRA CLUB • JUNEAU GROUP, SIERRA CLUB • SITKA GROUP, SIERRA CLUB  
KNIK GROUP, SIERRA CLUB • DENALI GROUP, SIERRA CLUB • ANCHORAGE AUDUBON SOCIETY • ARCTIC AUDUBON SOCIETY  
DENALI CITIZENS COUNCIL • ALASKA FRIENDS OF THE EARTH • JUNEAU AUDUBON SOCIETY • KACHEMAK BAY CONSERVATION SOCIETY  
KENAI PENINSULA AUDUBON SOCIETY • KODIAK AUDUBON SOCIETY • LYNN CANAL CONSERVATION • ALASKA WILDERNESS GUIDES ASSOCIATION  
SITKA CONSERVATION SOCIETY • NORTHERN ALASKA ENVIRONMENTAL CENTER • SOUTHEAST ALASKA CONSERVATION COUNCIL

Date: 1/23/85

To: Senator Vic Fischer

From: Steve

Re: Statements for Cigarette Tax Bill Introduction

\* This measure would raise the state cigarette tax from eight to 16 cents, capturing for the general fund the eight cents federal tax reduction for cigarettes that takes effect on October 1, 1985.

\* The cigarette tax has not been increased since 1961 -- 23 years ago.

\* The result is a \$6 million annual windfall for Alaska, while cigarette prices remain unchanged.

\* At this time of projected revenue decreases, it would be irresponsible not to seek alternative means of generating revenue.

\* This is a win-win situation. The state coffers increase, and cost of cigarettes is the same.

\* The implementation of a comprehensive health promotion package in our schools is a major element of this statewide health education program.

\* The US Surgeon General has called for a smoke-free generation. This bill would help Alaska achieve this goal, by discouraging any increase in smoking and promoting a statewide health education program.

\* Smoking is a killer. This year, over 340,000 Americans will die prematurely because of their smoking habit. Millions more will live with smoking related heart disease, emphysema, lung cancer, and chronic bronchitis.

\* Smoking related diseases cost some \$16 billion in medical care resources annually.

\* Nationally, only four other states have lower cigarette taxes than Alaska. These states, North Carolina at 2¢, Virginia at 2½¢, Kentucky at 3¢ and South Carolina at 7¢, are major tobacco producers.

\* The average state tax is 15.6 cents per pack, close to double that of Alaska, and about equal to the tax after this measure is enacted.

\* If we do not act to at least keep cigarette prices stable, then we will be responsible for more Alaskans, especially teenage Alaskans, smoking. Studies have shown that a decrease in the price of cigarettes encourages a significant increase in smoking, particularly among youth.

\* If a state tax increase is not realized, then more Alaskans will smoke -- translating into more lung cancer, heart disease, and emphysema.

\* It is my intent to use some of the funds gained by this tax to support health promotion and education programs, in order to encourage healthy living practices and discourage smoking, drinking and drugs.



# Coalition on Smoking OR Health

A PUBLIC POLICY PROJECT WITH THE  
NATIONAL INTERAGENCY COUNCIL ON SMOKING AND HEALTH  
1302 Eighteenth Street, N.W., Suite 603, Washington, D.C. 20036  
(202) 785-8909

## MID-YEAR LEGISLATIVE REVIEW

July 1984

### HISTORIC COMPROMISE REACHED ON COMPREHENSIVE SMOKING EDUCATION ACT

After six months of extraordinary, intensive negotiations, an historic compromise acceptable to the Coalition on Smoking OR Health, its member organizations, the tobacco industry and a bipartisan group of the House of Representatives was reached on H.R.3979, the Comprehensive Smoking Education Act, on May 16, 1984. One day after the compromise was reached, the bill was approved unanimously by the Energy and Commerce Committee of the House of Representatives. This bill is now awaiting action by the full Senate and House.

The Comprehensive Smoking Education Act was introduced in November 1981 in the House of Representatives by Henry Waxman (D-CA) and in the Senate shortly thereafter by Senators Orrin Hatch (R-UT) and Robert Packwood (R-OR), all of whom have worked long and hard to secure its passage for the past three years. The negotiations which broke the stalemate which had been holding up the bill were led by Congressman Albert Gore, Jr. (D-TN), Mike Synar (D-OK), and Committee Chairman John Dingell (D-MI). Also participating in the negotiations were Representatives Al Swift (D-WA), Dennis Eckart (D-OH), and Gerry Sikorski (D-MN). The compromise is expected to be considered by both the Senate and the House in August or early September.

If enacted, the Comprehensive Smoking Education Act will:

- Replace the current health warning with 4 stronger, more prominently displayed, more specific health warnings on cigarette packages, cigarette advertisements and cigarette billboards;
- Create a statutory mandate for a federal office and a new federal interagency council to coordinate and oversee federal and private educational and research efforts concerning the health hazards of smoking; and
- Require cigarette companies to disclose to the Department of Health & Human Services a complete list of all chemicals and other ingredients added to cigarettes during the manufacturing process.

More specifically, the compromise version of the Comprehensive Smoking Education Act will require the following four labels to be rotated on all cigarette packages and cigarette advertisements beginning 12 months after its date of enactment



"CIGARETTE SMOKING IS THE SINGLE MOST PREVENTABLE CAUSE OF DEATH IN THE UNITED STATES"

The Coalition on Smoking OR Health and its member organizations responded promptly and positively. At a Joint News Conference held in New York City on May 29, 1984, Dr. Charles A. LeMaistre, announced, "Today, the member volunteer health agencies of the Coalition on Smoking OR Health announce their unity and determination to assist Dr. Koop and rid America of the single most preventable cause of illness — and the greatest threat to American health — cigarette smoking." At the same time, the American Cancer Society, the American Lung Association and the American Heart Association announced that in conjunction with the Surgeon General, the three voluntary health organizations would convene a National Conference in the near future for the purpose of developing a blueprint for making this goal a reality.

Dr. Koop's call for a "Smoke-Free Society by the Year 2000" coincided closely with the release of the federal government's most recent report on smoking. Three days after announcing the goal of a "Smoke-Free Society by the Year 2000", Dr. Koop issued the 17th Surgeon General's Report on the "Health Consequences of Smoking". Reviewing the results of this Report, Dr. Koop concluded, "We can say again today, with greater certainty than ever, that cigarettes are the most important individual health risk in this country, responsible for more premature death and disability than any other known agent." Dr. Koop added that the latest Report reaffirms the judgment of all six Surgeons General since 1964 that "cigarette smoking is the chief, single, avoidable cause of death in our society and the most important public health issue of our time."

#### CONGRESS FAILS TO ACT ON CIGARETTE EXCISE TAX

In mid-1982 Congress increased the federal excise tax on each pack of cigarettes for the first time in 31 years, doubling the tax from 8 cents per pack to 16 cents per pack. The impact of this Congressional action both on federal revenues and the health of this nation were substantial and immediate. Overall cigarette consumption in 1983 decreased by about 5% from 634 billion cigarettes the year before to approximately 603 billion cigarettes. In addition, federal revenues from cigarette excise taxes increased from 2.5 billion dollars in 1982 to 4.1 billion dollars in 1983 and to an estimated 5.1 billion dollars in 1984.

However, the success of the 1982 increase in the cigarette excise tax was tempered by the adoption by Congress of a sunset provision which provided that the cigarette excise tax would automatically drop back from 16 cents to 8 cents in October, 1985. Thus, the Coalition on Smoking OR Health and its member organizations began work immediately in an effort to convince Congress to repeal this sunset provision.

While the Coalition urged Congress to repeal the cigarette excise tax sunset provision during its consideration of this year's tax package, few expected Congress to take such action with the election only four months away. The Senate version of the tax package never mentioned cigarette excise taxes. The House version proposed what was labeled as a compromise in which the cigarette excise tax would have been reduced from 16 cents to 12 cents for a period of three years beginning in October 1985. With no public discussion about the reason for its actions even this compromise was rejected by the Conference Committee.

The public's response to Congress' failure to act was swift and strong. The Washington Post wrote:

## COALITION ENDORSES CIVIL AERONAUTICS BOARD SUNSET ACT OF 1984

As the result of the Airline Deregulation Act of 1978, the CAB and the federal government's rules governing smoking aboard commercial aircraft will cease to exist at the end of 1984 unless Congress takes prompt, corrective action. Currently, the CAB regulates smoking aboard aircraft in fulfillment of its statutory obligation to insure that airlines provide fair and adequate service to airline passengers. When Congress passed the Airline Deregulation Act of 1978, it made no provision for the transfer of this power to another Federal agency.

With the support of the Coalition, Congressman Norman Mineta (D-CA) introduced H.R.5297, the Civil Aeronautics Board Sunset Act of 1984 on March 29, 1984. Among the provisions of this Act is a provision retaining the power of the federal government to regulate smoking aboard commercial aircraft and transferring that authority to the Secretary of the Department of Transportation. Hearings at which the Coalition testified were held on Congressman Mineta's proposal on March 14, 1984 before the Aviation Subcommittee of the House Committee on Public Works and Transportation. Although the airline industry did not actively oppose this provision, the Reagan Administration did, arguing that there is no need for federal regulation in this area. Despite the opposition of the Reagan Administration, H.R.5297 has now been approved by the House. In the Senate the bill was referred to the Aviation Subcommittee of the Senate Commerce Committee. Hearings on the bill were held on June 21, 1984. The Coalition submitted written testimony to the Committee at the hearings urging prompt and favorable action. The bill was acted on favorably by the full Senate Commerce Committee shortly before Congress recessed for the Democratic National Convention. The full Senate is expected to take up the measure within the next 60 days.

### STEERING COMMITTEE COALITION ON SMOKING OR HEALTH

Robert Weymueller, Chairman  
American Lung Association

Alan Davis  
American Cancer Society

John Kessler  
American Heart Association

### FOR FURTHER INFORMATION PLEASE CONTACT:

Matthew L. Myers  
Staff Director

David B. Neumeier  
Associate Director

Asbill & Junkin  
1302 - 18th Street, N.W., #603  
Washington, D.C. 20036  
(202) 785-8909

The Coalition on Smoking OR Health was founded on March 5, 1982 by the American Lung Association, the American Cancer Society and the American Heart Association to bring smoking prevention and education issues to the attention of legislators and other governmental officials. The Coalition also serves as a public policy project with the National Interagency Council on Smoking and Health, an organization backed by 24 additional private, health, education and youth leadership organizations.

NATIONAL PUBLIC ISSUE BRIEF - STATUS SHEET

DATE: August 23, 1984

ISSUE: THE COMPREHENSIVE SMOKING PREVENTION  
EDUCATION ACT OF 1983

BILL NUMBERS: S. 772, H.R. 3979

STATUS:

- House: On May 17, 1984, the Energy and Commerce Committee approved H.R. 3979. No action to date on this bill in the House.
- Senate: In late summer of 1983, after a series of delays, S. 772 was approved by the full Committee on Labor and Human Resources. Senator Orrin Hatch (R-UT), chief sponsor and Chairman of the Committee has been working with Senate leadership and the Administration to ensure quick consideration and passage of the bill. No action to date in the Senate on this bill.
- The Coalition On Smoking Or Health is monitoring this bill very closely. Reports now indicate that a vote may occur in September.

CIGARETTE WARNING LABELS CONTAINED IN H.R. 3979, AS AMENDED

SURGEON GENERAL'S WARNING: Smoking Causes Lung Cancer, Heart Disease, Emphysema, And May Complicate Pregnancy.

SURGEON GENERAL'S WARNING: Quitting Smoking Now Greatly Reduces Serious Risks to Your Health.

SURGEON GENERAL'S WARNING: Smoking By Pregnant Women May Result in Fetal Injury, Premature Birth, And Low Birth Weight.

SURGEON GENERAL'S WARNING: Cigarette Smoke Contains Carbon Monoxide.

NATIONAL PUBLIC ISSUE BRIEF - STATUS SHEET

DATE: August 23, 1984

ISSUE: CIGARETTE EXCISE TAX

BILL NUMBERS: H.R. 4125, 4170, 3513

- STATUS:
- House: Earlier this year, the House included provisions dealing with the cigarette excise tax in the Omnibus Deficit Reduction Act of 1984. The House version would have allowed the excise tax to be reduced to only 12¢ instead of 8¢ and extended this figure through 1988.
  - Senate: The Senate version of the Omnibus Deficit Reduction Act did not include any provisions addressing the cigarette excise tax.
  - Conference: The House/Senate Conferees voted on June 22, 1984, to eliminate the cigarette excise tax from the Omnibus Deficit Reduction Act of 1984 (H.R. 4170). This means that the cigarette excise tax will return to 8¢ per pack in 1985 as called for in the 1982 legislation.

Introduced: 1/24/85  
Referred: Health, Education & Social Services  
and Finance

1 IN THE SENATE

BY V. FISCHER

2

SENATE BILL NO. 94

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act increasing the excise tax on cigarettes; and  
7 providing for an effective date."

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

9 \* Section 1. INTENT. (a) It is the intent of the legislature that the  
10 excise tax on cigarettes levied by this Act be used principally to fund  
11 health promotion and education programs to enhance wellness, good nutri-  
12 tion, and physical and mental fitness and to encourage the avoidance of  
13 unnecessary health risks, including smoking and use of alcohol and other  
14 drugs.

15 (b) The health promotion and education programs shall include  
16 promoting the implementation of school health education programs statewide  
17 for all grades; distributing and coordinating grants for statewide and  
18 local health promotion and education programs; and developing a five-year  
19 health promotion and education plan for the state, including one-year plans  
20 of operation.

21 \* Sec. 2. AS 43.50.190(a) is amended to read:

22 (a) There is levied an excise tax of five [ONE] and one-half  
23 mills on each cigarette imported or acquired in this state.

24 \* Sec. 3. This Act takes effect October 1, 1985.