

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

4002 SHEETS HB 697 - HJR 58

878

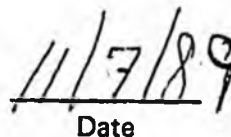


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Date

H B

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Senate Health, Education and Social Services Committee

Legislation Checklist

Bill number: HB 697

Sponsor: HESS

Date referred to committee:

Synopsis completed:

Fiscal note:

Further referrals:

CONTACTS:

✓ DHSS - John Taber ³³⁴⁷, Norma Jang ³⁰³⁰

✓ Municipal League - Scott Bruges
586-1325

✓ OCRA; 4700 Jennifer Tate

Under fed. law, Alaskans
can purchase subsistence
food gathering items
(nets, rods) w/ food stamps -
only from stores that also
sell food.

cash registers already show
food stamp purchases
separately. Doesn't seem
to be a big deal.

MEMORANDUM

TO HOUSE HESS COMMITTEE MEMBERS

FROM NANCY BENNETT, COMMITTEE STAFF

RE HB 697 - AN ACT PROHIBITING MUNICIPAL SALES TAX ON
PURCHASES MADE WITH FOOD STAMPS

The HESS Committee introduced this bill, at the request of the Department of Health and Social Services, because a new federal law mandates that states must have in place by October 1, 1986 a law prohibiting sales tax on food stamp purchases.

We have a draft Committee Substitute for the bill which incorporates two new sections, 1 and 2 of the bill, which clarify that home rule municipalities may not tax food stamp purchases. Clearly this was the intent of the original bill, but an oversight in drafting which was pointed out to us by the drafting attorney after the introduction of HB 697.

HB 697

CSHB 697 (HESS) Prohibiting municipal sales tax on purchases made with food stamps

HB 697 would prohibit the state or local governments from charging a sales tax on purchases of food made with food stamps. Enactment of this provision is necessary to ensure state compliance with the Federal Food Stamp Act. Recent amendments to the act provide that as of October 1, 1986 the program cannot be administered in states where tax is charged on food stamp purchases.

According to the Department of Community and Regional Affairs, in 1984 food stamp purchases generated approximately \$300,000 in sales tax revenues statewide.

CSHB 614 (HESS) Extending the termination date of the Board of Dental Examiners

HB 614 would extend the dental board through 1988. The letter of intent passed by the House calls on the board to complete a series of tasks that would address concerns raised by the Legislative Budget and Audit committee.

During its sunset review of the board in March 1986, the Senate Health, Education and Social Services Committee recommended its continuation.

BILL SHEFFIELD, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

March 24, 1986

POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE: (907) 563-1073

The Honorable Peter Goll
Alaska State House
of Representatives
P.O. Box V
Juneau, AK 99811

Dear Representative Goll:

RE: HOUSE BILL 697 - PROHIBITION OF MUNICIPAL SALES TAX
ON PURCHASES MADE WITH FOOD STAMPS

You have asked what effect eliminating sales tax charged on food stamps would have on cities for State Revenue Sharing or general operations. The impact on cities would be minimal, based on the following information:

* 1984 Alaska Food Stamp Benefits \$19,782,024

Half of this amount is issued in Alaska cities which do not have a sales tax. Therefore, the number we have used in calculating sales tax dollars affected is \$10,000,000 in yearly food stamp purchases.

Taxable 1984 Food Stamp Benefits	\$10,000,000
Statewide Blended Sales Tax Rate	X 3%
SALES TAX REVENUES LOST DUE TO EXEMPTION	\$ 300,000

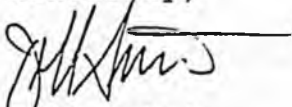
As you know, a \$300,000 yearly tax loss over the entire State would have very little effect on the Revenue Sharing Program or local government operations.

If you have any questions or would like further information, please let me know.

* Statistics from:

Mark Murray, Food Stamp Quality Control Technician
Department of Health and Social Services
Division of Public Assistance

Sincerely,



Emil Notti
Commissioner

POSITION PAPER

HOUSE BILL NO. 697

"An Act prohibiting municipal sales tax on purchases made with food stamps; and providing for an effective date."

BACKGROUND

On December 23, 1985, the Food Security Act of 1985 (Public Law 99-198) was enacted. Title XV, Subtitle A, of this Act modifies the Food Stamp Act of 1977. One area that requires immediate attention of the Alaska State Legislature concerns charging tax on items purchased with food stamps.

Section 1505 states that, as of October 1, 1986, the Food Stamp Program cannot be administered in states where tax is charged on purchases made with food stamps. An extension of up to one year (October 1, 1987) may be granted if the state can justify, to the satisfaction of the Secretary of the United States Department of Agriculture, that more time is needed to implement this change. The Act says that an extension may be given if the state demonstrates that implementation by October 1, 1986, would have an adverse and disruptive effect on the administration of the Food Stamp Program or would not provide adequate time for retail stores to implement changes in sales tax policy.

PURPOSE OF FEDERAL AMENDMENT

This amendment to the Food Stamp Act provides equity of food purchasing power between persons participating in the Food Stamp Program and living in areas where taxes are levied on food items and food stamp households residing in areas where food items are not subject to taxation. There are 20 states that charge either state or local sales tax on food purchases. According to Congressman Leon Panetta, Chairman of the Subcommittee on Domestic Marketing, Consumer Relations and Nutrition, "This (Amendment) would put an end to what is, in effect, a transfer of revenues from the Federal Government to State and local government at the expense of low-income households."

IMPACT

If this proposal is enacted, the impact varies from none to moderate.

There will be no impact on the Department of Health & Social Services, Division of Public Assistance (the agency administering the Food Stamp Program) at the Central Office, Regional or District Office levels.

There will be a small positive impact on those Food Stamp Program participants who reside in areas that levy taxes on items that may be bought with food stamps. If a municipality has a four percent sales tax and a food stamp household living in that community spends \$78 worth of food stamps, prior to the enactment and implementation of this legislation, the household would have spent \$3 of their food stamps paying tax on their purchases. This bill allows those low income households to use all their food stamps on food items.

House Bill No. 697

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The degree of negative impact municipalities that levy taxes on these certain items will experience depends on the percentage of taxation levied and the number of Food Stamp Program participants that shop in the municipality. According to a study conducted last year by the Department of Community and Regional Affairs, it was estimated that in 1984, \$300,000 in revenues were generated by purchases made with food stamps.

The grocery stores in areas levying taxes will, undoubtedly, be impacted the most by this bill. Each store will need to make alterations to their accounting/bookkeeping systems. Computerized cash registers will have to be reprogrammed to take this change into account. In stores where automation does not exist, hand methods of calculating this change will have to be established.

If this proposed legislation is not passed, every group mentioned above will be negatively impacted.

On the average, 26,826 people, or 8,942 households participate in the Food Stamp Program each month in Alaska. These people will suffer irreparable harm, physically as well as economically, through the loss of their food purchasing power. Many households have no money to buy food; food stamps are their only tender at the grocery store.

The State will lose approximately \$4.5 million annually in Federal matching funds because, besides providing all the food stamps issued in Alaska, the U.S. Department of Agriculture also provides 50 percent of the administrative costs for running the Food Stamp Program. Staff will be cut in The Division of Public Assistance's Central Office, Regional Offices and District Offices, since the Department will be losing one of the major programs administered by that Division.

Grocers would be greatly impacted if the Food Stamp Program no longer existed in Alaska. It is projected that \$25,000,000 in food stamps will be issued to Alaskans during 1986 and the majority of that amount is spent at groceries in Alaska. Without that revenue and no food program to replace the Federal program, many grocers would suffer severe economic hardship.

RECOMMENDATION

The Department of Health and Social Services strongly recommends the passage of this bill. Although passage of this bill appears to cause a decline in revenue to certain municipalities and a revision in bookkeeping/accounting methods for grocery stores in these municipalities, loss of the Food Stamp Program in Alaska would hurt one out of every 20 Alaskans, cause far greater revenue declines at all levels, and remove a major revenue source for Alaska's grocers, wholesalers, and shippers.

MEMORANDUM

State of Alaska

TO: Honorable John Pugh
Commissioner
Department of Health and
Social Services

DATE: February 14, 1986

FILE NO: 66-3-86-0317

TELEPHONE NO: 465-3603

FROM: Harold M. Brown
Attorney General

SUBJECT: Sales taxes on food
stamp purchases

By: George W. Edwards *GWE*
Assistant Attorney General
Human Services-Juneau

You have asked for our evaluation of the potential impact of certain recent federal food stamp legislation on the state's food stamp program eligibility.

We believe the legislation in question could result in the termination of state participation in the federal food stamp program if certain sales tax restrictions are not implemented.

Section 1505 of the Food Security Act of 1985 (H.R. 2100) amends the Food Stamp Act at 7 U.S.C. § 2013(a) to provide that:

[A] State may not participate in the food stamp program if the Secretary determines that State or local sales taxes are collected within that State on purchases of food made with coupons issued under this Act.

Alaska boroughs and cities are currently permitted to collect sales taxes on sales, rents, and services without restriction. AS 29.45.650(a) states:

(a) A borough may levy and collect a sales tax not exceeding six percent on sales, rents, and on services provided in the borough. The sales tax may apply to any or all of these sources. Exemptions may be granted by ordinance.

AS 29.45.700 states:

(a) A city in a borough that levies and collects areawide sales and use taxes may levy sales and use taxes on all sources taxed by the borough in the manner provided for boroughs, except that the assembly may by ordinance authorize a city to levy and collect sales and use taxes on other sources.

(b) A city in a borough that does not levy and collect sales and use taxes for areawide borough functions may levy and collect sales and use taxes in the manner provided for boroughs.

(c) A city outside a borough may levy and collect sales and use taxes in the manner provided for boroughs.

A study conducted by the Department of Community and Regional Affairs last year found that Alaska's food stamp purchases during 1984 totaled \$19,788,024. The department estimated that these purchases generated approximately \$300,000 in sales tax revenues. Its conclusion was that the loss of sales tax revenues from food stamp purchases would have little effect on revenue sharing or local government operations.

Since Alaska's current sales tax laws do not require that municipalities exempt food items purchased with food stamps, legislative action will be necessary to assure that the state will continue to qualify for the federal program.

Proposed legislation accompanies this memorandum. It creates an exception to existing sales tax law by prohibiting taxation of food purchases made with food stamps. You will note that it conforms to the requirements of section 1505 in not prohibiting taxation of purchases of non-food items made with food stamps. The potential for revenue loss to municipalities resulting from this legislation is minimal compared to the loss to the state's economy which would result from termination of the food stamp program.

Unless an extension is granted by the Secretary of Agriculture, section 1505 will become applicable to Alaska on October 1, 1986. This date represents the beginning of the federal fiscal year and is controlling according to the Congressional Record for December 17, 1985, at H 12398.

An extension to October 1, 1987, may be granted as set forth in section 1505(b)(2):

(2) Upon a showing by a State, to the satisfaction of the Secretary, that the application of paragraph (1), without regard to this paragraph, would have an adverse and disruptive effect on the administration of the food stamp program in such State or would provide inadequate time for retail stores to implement

Honorable John Pugh, Commissioner
Department of Health and Social Services
66-3-86-0317

February 14, 1986
Page 3

changes in sales tax policy required as a result of the amendment made by subsection (a), the Secretary may delay the effective date of subsection (a) with respect to such State to a date not later than October 1, 1987.

We are unable to address the question of how much lead time municipalities and retailers in Alaska may require to implement the sales tax changes proposed in the legislation. If a compelling case for an extension is made before the legislature by municipalities or retailers, the same argument would hopefully convince the secretary. Barring such a showing, the appropriate course of action appears to be the passage of necessary legislation with a special effective date of October 1, 1986.

Please review our proposed legislation in light of the above information and let us know how you wish to proceed.

GWE:nb



United States
Department of
Agriculture

Food and
Nutrition
Service

Western
Region

550 Kearny Street
San Francisco, CA 94108

FEB 03 1986

MR JOHN R PUGH
COMMISSIONER
STATE DEPARTMENT OF HEALTH AND
SOCIAL SERVICES
ALASKA OFFICE BUILDING POUCH H-01
JUNEAU AK 99811

Dear Mr. Pugh:

President Reagan signed the Food Security Act of 1985 (Public Law 99-198, commonly known as the Farm Bill) on December 23, 1985. This Act mandates that "a State may not participate in the Food Stamp Program if the Secretary determines that State or local sales taxes are collected within the State on purchases of food made with coupons issued under this Act". The Act provides that this provision is to become effective, with respect to a State, beginning on the first day of the federal fiscal year that commences in the calendar year during which the first session of the State legislature is convened following enactment of the law. States may delay the effective date to no later than October 1, 1987, if they can satisfy the Department of Agriculture that implementation of the sales tax provision would have an adverse effect on State program administration or would provide inadequate time for retail stores to implement changes in sales tax policy as a result of the legislation.

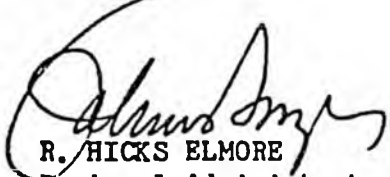
The enclosed letter was mailed to your Governor on January 21, 1986, to alert him of the sales taxes requirements as well as those provisions to be implemented by May 1, 1986. This Department is in the process of drafting program regulatory amendments designed to implement the requirements mandated in Section 1505 of the Food Security Act of 1985. However, we suggest that you begin working with your legislature immediately if your State is now charging a sales tax on food stamp transactions. If you determine that a delay in removing the sales tax on food purchased with coupons will be needed, your Governor should notify the Secretary of the Department of Agriculture of the State's intention to seek authority to delay the effective date to no later than October 1, 1987. Simultaneously, all supporting evidence for the delay should be forwarded to this office.

Mr. John Pugh

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We will be in contact with you in the near future to provide additional guidance on the specific information required to document the need for a delay in implementation of the effective dates.

Sincerely,



R. HICKS ELMORE
Regional Administrator
Western Region

Enclosure

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : HB No. 697
 Title : Prohibiting Municipal sales tax on purchases made with food stamps.
 Sponsor : Health, Ed. and Soc. Svcs. Comm.
 Requestor : _____
 Date of Request : 3/18/86

FISCAL DETAIL

Agency Affected : Health & Social Services
 BRU : Public Assistance/Administrati
 Components : Eligibility Determination

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

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-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS :

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

ANALYSIS : Attach a separate page if necessary

This measure provides a positive impact on those Food Stamp Program participants who reside in areas that levy taxes by allowing those low income households to use all their food stamps on food items. It does not establish any program or function which would impact the Division of Public Assistance.

Prepared by : John P. Taber, Director Phone : 465-3347
 Division : Division of Public Assistance Date : 3-18-86

Approved by Commissioner : Conne [Signature] Date : 3-20-86
 Agency : Department of Health & Social Services

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
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JCC

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May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

Senate Health Education and Social Services Committee 5/1/86, 2:10pm

ices are essential to ensure the long-term agricultural viability and profitability of farms and ranches in the United States;

(2) agricultural research and technology transfer activities of the Secretary (including activities of the Extension Service, the Agricultural Research Service, and the Cooperative State Research Service), State cooperative extension services, land-grant and other colleges and universities, and State agricultural experiment stations—

(A) have contributed greatly to innovation in agriculture; and

(B) have a continuing role to play in improving agricultural productivity;

(3) the annual irretrievable loss of billions of tons of precious topsoil through wind and water erosion reduces agricultural productivity;

(4) many farmers and ranchers are highly dependent on machines and energy resources for agricultural production;

(5) public funding of a properly planned and balanced agricultural research program is essential to improving efficiency in agricultural production and conservation practices; and

(6) expanded agricultural research and extension efforts are needed to assist farmers and ranchers to—

(A) improve agricultural productivity; and

(B) implement soil, water, and energy conservation practices.

PURPOSES

SEC. 1463. It is the purpose of this subtitle to—

(1) facilitate and promote scientific investigation in order to—

(A) enhance agricultural productivity;

(B) maintain the productivity of land;

(C) reduce soil erosion and loss of water and plant nutrients; and

(D) conserve energy and natural resources; and

(2) facilitate the conduct of research projects in order to study agricultural production systems that—

(A) are located, to the extent practicable, in areas that possess various soil, climatic, and physical characteristics;

(B) have been, and will continue to be, managed using farm production practices that rely on—

(i) items purchased for the production of an agricultural commodity; and

(ii) a variety of conservation practices; and

(C) are subjected to a change from the practices described in subparagraph (B)(i) to the practices described in subparagraph (B)(ii).

INFORMATION STUDY

SEC. 1464. (a) Subject to section 1468, the Secretary shall inventory and classify by subject matter all studies, reports, and other materials developed by any person or governmental agency with the participation or financial assistance of the Secretary, that could be used to promote the purposes of this subtitle.

(b) In carrying out subsection (a), the Secretary shall—

(1) identify, assess, and classify existing information and research reports that will further the purposes of this subtitle, including information and research relating to legume-crop rotation, the use of green manure, animal manures, and municipal wastes in agricultural production, soil acidity, liming in relation to nutrient release, intercropping, the role of organic matter in soil productivity and erosion control, the effect of topsoil loss on soil productivity, and biological methods of weed, disease, and insect control;

(2) identify which of such reports provide useful information and make such useful reports available to farmers and ranchers; and

(3) identify gaps in such information and carry out a research program to fill such gaps.

RESEARCH PROJECTS

SEC. 1465. (a) Subject to section 1468, in cooperation with Federal and State research agencies and agricultural producers, the Secretary shall conduct such research projects as are needed to obtain data, draw conclusions, and demonstrate technologies necessary to promote the purpose of this subtitle.

(b) In carrying out subsection (a), the Secretary shall conduct projects and studies in areas that are broadly representative of United States agricultural production, including production on small farms.

(c) In carrying out subsection (a), the Secretary may conduct research projects in rotating crops, soils, production methods, and weed, insect, and disease pests on individual fields or other areas of land.

(d) In the case of a research project conducted under this section that involves the planting of a sequence of crops, the Secretary shall conduct such project for a term of—

(1) at least 5 years; and

(2) to the extent practicable, 12 to 15 years.

(e) In coordination with the Extension Service and State cooperative extension services, the Secretary shall take such steps as are necessary to ensure that farmers and ranchers are aware of projects conducted under this section.

(2) The Secretary shall ensure that such projects are open for public observation at specified times.

(f) Subject to paragraph (2), the Secretary may indemnify an operator of a project conducted under this section for damage incurred or undue losses sustained as a result of a rigid requirement of research or demonstration under such project that is not experienced in normal farming operations.

(2) An indemnity payment under paragraph (f) shall be subject to any agreement between a project grantee and operator entered into prior to the initiation of such project.

COORDINATION

SEC. 1466. The Secretary shall—

(1) establish a panel of experts consisting of representatives of the Agricultural Research Service, Cooperative State Research Service, Soil Conservation Service, Extension Service, State cooperative extension services, State agricultural experiment stations, and other specialists in agricultural research and technology transfer; and

(2) ensure that a research project under this subtitle is designed after taking into consideration the views of such panel.

REPORTS

SEC. 1467. The Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate—

(1) not later than 180 days after the effective date of this subtitle, a report describing the design of research projects established in accordance with sections 1465 and 1466;

(2) not later than 15 months after the effective date of this subtitle, a report describing the results of the program carried out under section 1464; and

(3) not later than April 1, 1987, and each April 1 thereafter, a report describing the progress of projects conducted under this subtitle, including—

(A) a summary and analysis of data collected under such projects; and

(B) recommendations based on such data for new basic or applied research.

AGREEMENTS

SEC. 1468. The Secretary may carry out sections 1464 and 1465 through agreements

with land-grant colleges or universities, other universities, State agricultural experiment stations, nonprofit organizations, or Federal or State governmental entities, that have demonstrated appropriate expertise in agricultural research and technology transfer.

DISSEMINATION OF DATA

SEC. 1469. The Secretary shall—

(1) make available through the Extension Service and State cooperative extension services—

(A) the information and research reports identified under section 1464; and

(B) the information and conclusions resulting from any research project conducted under section 1465; and

(2) otherwise take such steps as are necessary to ensure that such material is made available to the public.

AUTHORIZATION FOR APPROPRIATIONS

SEC. 1470. There are authorized to be appropriated such sums as may be necessary to carry out this subtitle, to remain available until expended.

EFFECTIVE DATE

SEC. 1471. This subtitle shall become effective on October 1, 1985.

TITLE XV—FOOD STAMP AND RELATED PROVISIONS

Subtitle A—Food Stamp Provisions

PUBLICLY OPERATED COMMUNITY MENTAL HEALTH CENTERS

SEC. 1501. (a) Section 3 of the Food Stamp Act of 1977 (7 U.S.C. 2012) is amended by—

(1) in subsection (f), striking out "which" and all that follows through "providing" and inserting in lieu thereof ", or a publicly operated community mental health center, under part B of title XIX of the Public Health Service Act (42 U.S.C. 300x et seq.) to provide"; and

(2) inserting ", or a publicly operated community mental health center," after "private nonprofit institution" in the last sentence of subsection (i).

(b) Section 12 of such Act (7 U.S.C. 2019) is amended by inserting "publicly operated community mental health centers or" after "purchased, and".

DETERMINATION OF FOOD SALES VOLUME

SEC. 1502. Section 3(k) of the Food Stamp Act of 1977 (7 U.S.C. 2012(k)) is amended by inserting after "food sales volume" in clause (1) the following: ", as determined by visual inspection, sales records, purchase records, or other inventory or accounting record-keeping methods that are customary or reasonable in the retail food industry."

THRIFTY FOOD PLAN

SEC. 1503. The first sentence of section 3(i) of the Food Stamp Act of 1977 (7 U.S.C. 2012(i)) is amended by striking out "fifty-four" and inserting in lieu thereof "fifty".

DEFINITIONS OF THE DISABLED

SEC. 1504. Section 3(r) of the Food Stamp Act of 1977 (7 U.S.C. 2012(r)) is amended by—

(1) inserting before the semicolon at the end of paragraph (2) the following: ", federally or State administered supplemental benefits of the type described in section 1616(a) of the Social Security Act if the Secretary determines that such benefits are conditioned on meeting the disability or blindness criteria used under title XVI of the Social Security Act, or federally or State administered supplemental benefits of the type described in section 212(a) of Public Law 93-66 (42 U.S.C. 1382 note)";

(2) inserting before the semicolon at the end of paragraph (3) the following: ", or receives disability retirement benefits from a governmental agency because of a disability

considered permanent under section 221(f) of the Social Security Act (42 U.S.C. 421(f));

(3) inserting "or non-service-connected" after "service-connected" in paragraph (4)(A);

(4) striking out "or" at the end of paragraph (5);

(5) striking out the period at the end of paragraph (7) and inserting in lieu thereof "or"; and

(6) adding at the end thereof the following:

"(7) is an individual receiving an annuity under section 2(a)(1)(v) or 2(a)(1)(vi) of the Railroad Retirement Act of 1974 (45 U.S.C. 231(a)(1)(v) or 231(a)(1)(vi)), if the individual's service as an employee under the Railroad Retirement Act of 1974, after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act, and if an application for disability benefits had been filed."

STATE AND LOCAL SALES TAXES

Sec. 1505. (a) Section 4(a) of the Food Stamp Act of 1977 (7 U.S.C. 2013(a)) is amended by inserting before the period at the end of the first sentence the following: "except that a State may not participate in the food stamp program if the Secretary determines that State or local sales taxes are collected within that State on purchases of food made with coupons issued under this Act."

(b)(1) Except as provided in paragraph (2), the amendment made by subsection (a) shall take effect with respect to a State beginning on the first day of the fiscal year that commences in the calendar year during which the first regular session of the legislature of such State is convened following the date of enactment of this Act.

(2) Upon a showing by a State, to the satisfaction of the Secretary, that the application of paragraph (1), without regard to this paragraph, would have an adverse and disruptive effect on the administration of the food stamp program in such State or would provide inadequate time for retail stores to implement changes in sales tax policy required as a result of the amendment made by subsection (a), the Secretary may delay the effective date of subsection (a) with respect to such State to a date not later than October 1, 1987.

RELATION OF FOOD STAMP AND COMMODITY DISTRIBUTION PROGRAMS

Sec. 1506. Section 4(b) of the Food Stamp Act of 1977 (7 U.S.C. 2013(b)) is amended by—

(1) striking out the first sentence; and

(2) striking out "also" in the second sentence.

CATEGORICAL ELIGIBILITY

Sec. 1507. (a)(1) Section 5(a) of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by inserting after the first sentence the following: "Notwithstanding any other provisions of this Act except sections 6(b), 6(d)(2), and 6(g) and the third sentence of section 3(i), and during the period beginning on the date of the enactment of the Food Security Act of 1985 and ending on September 30, 1989, households in which each member receives benefits under a State plan approved under part A of title IV of the Social Security Act, supplemental security income benefits under title XVI of the Social Security Act, or aid to the aged, blind, or disabled under title I, X, XIV, or XVI of the Social Security Act, shall be eligible to participate in the food stamp program."

(2) During the period beginning on the date of the enactment of this Act and ending on September 30, 1989, section 5(j) of the Food Stamp Act of 1977 (7 U.S.C. 2014(j)) shall not apply.

(b) Section 11(f) of the Food Stamp Act of 1977 (7 U.S.C. 2020(f)) is amended by adding

at the end thereof the following: "No household shall have its application to participate in the food stamp program denied nor its benefits under the food stamp program terminated solely on the basis that its application to participate has been denied or its benefits have been terminated under any of the programs carried out under the statutes specified in the second sentence of section 5(a) and without a separate determination by the State agency that the household fails to satisfy the eligibility requirements for participation in the food stamp program."

(c) Not later than 2 years after the date of the enactment of this Act, the Secretary shall—

(1) evaluate the implementation of the second sentence of section 5(a) of the Food Stamp Act of 1977, as amended by subsection (a) of this section; and

(2) submit to the Committee on Agriculture, Nutrition, and Forestry of the Senate and the Committee on Agriculture of the House of Representatives a report summarizing the results of such evaluation.

THIRD PARTY PAYMENTS

Sec. 1508. Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by—

(1) inserting "except as provided in subsection (k)," after "household," in subsection (d)(1); and

(2) adding at the end thereof the following new subsection:

"(k)(1) For purposes of subsection (d)(1), except as provided in paragraph (2), assistance provided to a third party on behalf of a household by a State or local government shall be considered money payable directly to the household if the assistance is provided in lieu of—

"(A) a regular benefit payable to the household for living expenses under a State plan for aid to families with dependent children approved under part A of title IV of the Social Security Act (42 U.S.C. 671 et seq.); or

"(B) a benefit payable to the household for living expenses under—

"(i) a State or local general assistance program; or

"(ii) another basic assistance program comparable to general assistance (as determined by the Secretary).

(2) Paragraph (1) shall not apply to—

"(A) medical assistance;

"(B) child care assistance;

"(C) energy assistance;

"(D) assistance provided by a State or local housing authority; or

"(E) emergency and special assistance, to the extent excluded in regulations prescribed by the Secretary."

EXCLUDED INCOME

Sec. 1509. (a) Section 5(d) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)), as amended by section 1508, is amended by—

(1) inserting "and except as provided in subsection (k)," after the comma at the end of clause (1);

(2) in clause (3)—

(A) striking out "higher education" and inserting in lieu thereof "post-secondary education"; and

(B) adding at the end thereof "and to the extent loans include any origination fees and insurance premiums,";

(3) inserting "no portion of any non-Federal educational loan on which payment is deferred, grant, scholarship, fellowship, veterans' benefits, and the like that are provided for living expenses, and no portion of any Federal educational loan on which payment is deferred, grant, scholarship, fellowship, veterans' benefits, and the like to the extent it provides income assistance beyond that used for tuition and mandatory school fees," in the proviso to clause (5) after "child care expenses,"

(4) inserting ", but household income otherwise is included under this subsection shall be reduced by the extent that the producing self-employment income or the income derived from self-employment a farmer" before the comma in clause (5)

(5) inserting "except as otherwise provided in subsection (k) of this section" after "stamp program" in clause (10).

(b) Section 5(k) of such Act, as added by section 1508, is amended by adding at the end thereof the following new paragraph:

"(3) For purposes of subsection (d)(1), national loans on which payment is deferred, grants, scholarships, fellowships, veterans' educational benefits, and the like are provided to a third party on behalf of a household for living expenses shall be treated as money payable directly to the household."

(c) Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014), as amended by section 1508, is amended by adding at the end thereof the following new subsection:

"(l) Notwithstanding section 142(b) of the Job Training Partnership Act (29 U.S.C. 1552(b)), earnings to individuals participating in on-the-job training programs under section 204(5) of the Job Training Partnership Act shall be considered earned income for purposes of the food stamp program except for dependents less than 19 years of age."

CHILD SUPPORT PAYMENTS

Sec. 1510. Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014), as amended by sections 1508 and 1509—

(1) in subsection (d) by—

(A) striking out "and" at the end of clause (1); and

(B) inserting before the period at the end thereof the following: ", and (3) at the option of a State agency and subject to section (m), child support payments that are excluded under section 402(a)(18)(A) of the Social Security Act (42 U.S.C. 602(a)(18)(A)(vi));" and

(2) adding at the end thereof the following new subsection:

"(m) If a State agency excludes payment from income for purposes of the food stamp program under subsection (d)(13), the State agency shall pay to the Federal Government, in a manner prescribed by the Secretary, the cost of any additional benefits provided to households in such State that arise under such program as a result of such exclusion."

DEDUCTIONS FROM INCOME

Sec. 1511. Section 5(e) of the Food Stamp Act of 1977 (7 U.S.C. 2014(e)) is amended by—

(1) in the second sentence, striking "homeownership component" and inserting in lieu thereof "homeowners' costs maintenance and repair component";

(2) effective May 1, 1986, in the third sentence, striking out "18" and inserting in lieu thereof "20";

(3) effective May 1, 1986, amending the fourth sentence by—

(A) amending the proviso to clause (1) read as follows: "Provided, That amount of such excess shelter expense deduction shall not exceed \$147 a month in forty-eight contiguous States and the District of Columbia, and shall not exceed Alaska, Hawaii, Guam, and the Virgin Islands of the United States, \$256, \$210, \$ and \$109 a month, respectively, adjusted October 1, 1986, and on each October thereafter, to the nearest lower dollar amount to reflect changes in the shelter (exclusive of homeowners' costs and maintenance and repair component of shelter costs), and utilities components of housing cost

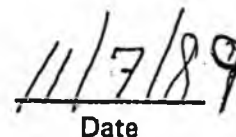


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Signature of Camera Operator


Date

HCR

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May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

Senate Health Education and Social Services Committee 5/8/86, 1:25 pm

COMMITTEE REPORT

SENATE

3

FURTHER:

5/5/86

Date 5-8-86

Mr. President

The Committee on HESS considered HCR 61 am

Relating to access to basic health care services for Alaskans.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Joe Jacobson

MEMBERS HAVING
OTHER RECOMMENDATIONS

Edm He Vice N.R

Fahrenkamp
Chairman

Chairman recommendation

The attached amendment would remove the requirement that people who handle controlled substances in Alaska register with both the state and federal governments, and amend state law to specifically provide that federal registration requirements must be met. This was recommended by the legislative audit.

At its March 5 sunset review of the Board, the Senate Committee on Health, Education and Social Services did recommend its continuation. The Board terminated June 30, 1985 and has until June 30, 1986 to conclude its affairs.

HCR 61 am Relating to access to basic health care services for Alaskans.

HCR 61 requests the Governor to direct the Department of Health and Social Services to identify potential means and costs of providing for the health care needs of Alaskans who do not have adequate health care protection. It is anticipated that funding support for the study will come from a grant from the Robert Wood Johnson Foundation, and that the House Research Agency and legislative staff will cooperate in the effort. The resolution calls for the results of the study to be submitted to the legislature by March 1, 1987.

SB 415 Relating to school board composition.

SB 415 would exempt Rural Education Attendance Areas (REAs) that convert to city or borough school districts from statutory provisions that govern the number of members who may serve on a city/borough school board. Current statute provides, for city/borough districts with less than 5000 students, a 5 member board; for city/borough districts with more than 5000 students, a 7, 9, or 11-member board; and for REAs, a 5, 7, 9, or 11-member board.

The bill is intended to address the conversion of the Northwest Arctic REA in Kotzebue to a borough school district. The REA currently has an 11-member board; existing statute would require that the board be reduced to five members.


Alaska State Legislature
Representative Niilo Koponen

Fouch V
Juneau, Alaska 99811
(907) 465-4992

542 4th Avenue, Suite C
Fairbanks, Alaska 99701
(907) 456-8161

MEMORANDUM

TO:

FROM: REP. NIILLO KOPONEN 

RE: HOUSE RESEARCH INTERIM PROJECTS

DATE: MAY 5, 1986

This session I introduced HB 675, "An Act relating to health care for low-income persons." You will note in my Interim Report for the HESS Committee that I devoted some Committee time to a partial search regarding alternatives to providing some level of health care to low-income persons who are without insurance coverage and who do not qualify for assistance under some other program.

The Department of Health and Social Services has expressed an interest in the approach which this legislation takes. My approach is based upon legislation originally proposed in Washington State. In their position paper on HB 675, the Department of Health and Social Services, in supporting the concepts for HB 675, recommends that in the first year an "assessment of the problem" be made. The Department lacks the information to give HB 675 a realistic fiscal note or other support. In response, the House HESS Committee unanimously decided to introduce HCR 61, which asks the Governor to direct the Department of Health and Social Services to provide the Legislature with some baseline information:

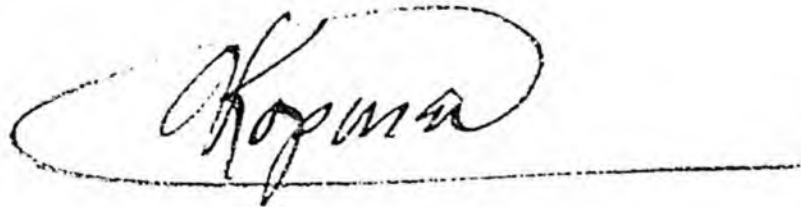
(1) determine how many persons in this state are currently without adequate health care protection;

(2) analyze the health care financing plan proposed in HB 675 and other similar plans being proposed or used in other states to determine the most efficient and effective way to provide health care protection to persons who would not otherwise be protected;

(3) assess the financial implications of providing broader access to basic health care services for persons in the state;

(4) report by March 1, 1987 to the Fifteenth Legislature concerning its determination and recommendations.

I am aware particularly of work in this area being done by both Washington and Wisconsin. The Department of Health and Social Services will be applying for a grant for work from the Robert Wood Johnson Foundation which has provided assistance to other states for similar projects. Grant awards will be announced in January 1987. With passage of this resolution we can be assured that enough basic information will be received by March of next year that the Fifteenth Legislature can draft appropriate legislation in a timely fashion. I urge your support for this measure.

A handwritten signature in cursive script, appearing to read "Koyama", is written over a horizontal line. The signature is enclosed within a large, loopy oval shape.



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James O. Smith
Signature of Camera Operator

11/7/89
Date

HJR

34

Senate Health, Education and Social Services Committee

Legislation Checklist

Bill number: HJR 34

Sponsor: KOPONEN

Date referred to committee: 4/23/85

Synopsis completed:

Fiscal note:

Further referrals: FINANCE

CONTACTS:

✓ Koponen (Liza McLaren)

SCHOOL FOOD SERVICE PROGRAMS

PART A

NATIONAL SCHOOL LUNCH PROGRAM

The oldest and foremost program in the child nutrition field is the National School Lunch Program (NSLP). The 79th Congress recognized the need for a child feeding program. Legislation was introduced to give the program a permanent status and to authorize the necessary appropriations for it. This legislation was identified as the NATIONAL SCHOOL LUNCH ACT of 1946; Section 2 of the Act defines its purposes:

It is hereby declared to be the policy of Congress, as a measure of national security, to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities and other food, by assisting the States, through grants-in-aid and other means, in providing an adequate supply of food and other facilities for the establishment, maintenance, operation and expansion of nonprofit school lunch programs.

Public Law 336, The National School Lunch Act, was passed on June 4, 1946.

The primary purpose of school lunch is to make available to school children lunches of maximum nutritional value at a minimum cost to the child. Lunch programs are organized and administered for the benefit of children and every improvement in buying, organization, administration should be focused to this end.

FUNCTIONS:

School Lunch is intended as a laboratory for learning - not functioning solely as a service operation. Three important functions of the National School Lunch Program are:

1. To provide a noon meal for children that is nutritionally adequate, tasty, and satisfying.
2. To help children grow socially and emotionally.
3. To provide learning situations in which to improve children's food habits.

ORGANIZATION AND ADMINISTRATION

The National School Lunch Program is administered at three levels - federal, state and local. The United States Department of Agriculture (USDA) administers the program for the Federal Government. School Food Services administers the program as a part of the Division of Management, Law and Finance for the Alaska State Department of Education. The local school board administers the program at the local level.

Federal funds for the National School Lunch Program are directed to the states to reimburse participating schools based on number of meals served. Cash reimbursement is received for all children served and additional reimbursement is given for those children eligible for free and reduced price meals (see explanation page). In addition, the United States Department of Agriculture buys and distributes commodity foods to schools in the program.

Any public or private nonprofit school or residential child care institution (RCCI) may apply to the Department of Education for a school lunch program. In order to participate, the school or RCCI must agree to:

- a. Operate the school lunch program on a nonprofit basis for all children regardless of race, color, national origin, handicap, sex or age.
- b. Serve lunches that meet nutritional standards as set by the USDA. These standards are listed below under "Meal Pattern".
- c. Provide lunches free or at a reduced price to children categorized as eligible under the school (or RCCI) food authority approved policy for the determination of eligibility for free and reduced price meals (see Section). Children receiving these meals must not be identified or discriminated against in any way.

MEAL PATTERN: In 1980, the term "Type A Lunch" was struck from the USDA regulations. "Type A Lunch" will now be referred to as National School Lunch Program (NSLP) meal pattern. A summary of the meal patterns and variations by age group are shown on the "School Lunch Patterns" chart on page (next following page-delete this!!). Below are listed the four food components of a NSLP lunch.

MEAT/MEAT ALTERNATE REQUIREMENT:

A regulation of the United States Department of Agriculture states that the required amount of cooked protein must be met by the main dish or the main dish and one other menu item. The required amount is 2 ounces of cooked meat, fish or poultry or its equivalent in cheese, eggs, cooked soybeans, etc. (see chart for details).

PROPOSED FEDERAL BUDGET CUTS FY86
CHILD NUTRITION PROGRAMS

1. Eliminate Section 4 funding for the paying child (19 1/2¢ or 21 1/2¢ per lunch).
2. Eliminate cash reimbursement for paid breakfasts (15 1/4¢).
3. Eliminate Commodity support for the paying child (12¢ per lunch for entitlement commodities).
4. Freeze all reimbursements that are not terminated.
5. Lower reimbursement rate for Free and Reduced Price Lunches by approximately 12¢ and increase entitlement commodities by the same amount.

SCHOOL LUNCH PROGRAM

You cannot get an accurate perspective on the FY86 proposed cuts without taking a look at past cuts.

The National School Lunch Program has had continuous cuts in the last four years. Reimbursement for a reduced price lunch has decreased from 10 cents less than free lunch reimbursement to 40 cents less than free lunch reimbursement. The amount paid by the child is expected to make up the difference. In 1981, the Free and Reduced Price Income Eligibility Guidelines were restructured. Hardship conditions, extremely high shelter costs, medical expenses, disaster or casualty losses, and expenses for mental or physical handicaps were eliminated, and a small standard deduction was added to the guidelines. This was a significant reduction, as the high cost of rent and utilities in Alaska can easily be 50 percent of a low income family's income. In March of 1981, 43 percent of the meals served were to children qualifying for free and reduced price meals. In March of 1984, 41 percent of meals served were to free and reduced price children. This represents 13,884 fewer free and reduced price meals served monthly.

In most school feeding programs, especially those with less than 40 percent of lunches served to children qualifying for free and reduced price meals, participation of the "paying child" is essential to run a cost effective program. When costs of a program exceed income, other school district funds must be used to support the program. In 1981 the reimbursement for all lunches was reduced by 44 percent. From 30.5 cents to 17 cents. This caused districts to increase the price of lunch for the paying child, which resulted in a low rate of participation.

Reimbursement rates from 1981 to 1984 have been adjusted annually for the increase in the annual cost of living. Currently the rate is 19.5 cents for all lunches. This is still 36 percent less than it was. In 1981, the average daily attendance at schools in the program was 63,707 and the average daily lunch participation was 33,808. In 1984 the Average Daily Attendance was 71,542 and the average daily lunch participation (ADP) was 34,641. This represents an 11 percent increase in students eligible to participate in the program, and only a 2.5 percent increase in participation. This can be directly attributed to the increased cost to the paying child.

Estimated cuts in reimbursement in the Lunch and Breakfast Programs would be:

\$1,242,736 21.4%

CHILD CARE FOOD PROGRAM (CCFP)

The general comments on the School Lunch Program apply to the CCFP also. At its peak in FY80 the CCFP reimbursement covered food costs and a good portion of labor costs associated with the food program. At the present time the reimbursement does not fully cover food costs, even at Head Start Centers which are almost 100% low income children.

In 1980 the annual reimbursement per child in the Child Care Food Program in Centers was \$334.00; the cuts bring this down to \$181.00.

Providing that FY86 participation remains the same as FY85, approximately \$160,000.00 or 20% in federal funds would be cut. But in no way could participation remain the same. At least 21 sponsors of centers out of 47 would be forced to leave the Program adding an additional \$143,000.00 to the cuts bringing the percentage cut to 39%. Due to the added paper work and reduced reimbursement many other sponsors are expected to terminate participation in the Program.

Assuming that the same percentage of children qualifying for free and reduced price meals in Family Day Care Homes, the proposed cuts in this Program will eliminate 65% of the Program.

Estimated cuts in reimbursement would be:

Centers	\$302,638	39% cut
Units	646,337	65% cut
TOTAL	<u>\$948,975</u>	

January 18, 1985

The Honorable Ted Stevens
United States Senate
147 Russell Office Building
Washington, DC 20510

Dear Senator Stevens:

As the FY-86 Federal budget proposals are being made, we wish to make you aware of Alaska Department of Education's stand on Child Nutrition Programs.

We oppose a General Nutrition Assistance Block Grant. We urge permanent reauthorization of all programs.

We support the continued funding of Section 4 and commodity assistance for all children. In this State, 57 percent of children participating in schools and child care feeding programs are in the paying category. Without a subsidy for these children, the program availability to poor students would be jeopardized.

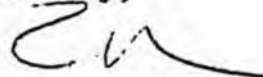
We are opposed to any funding cuts. The costs for producing meals in schools and child care centers is already much higher than the reimbursement.

We believe that good nutrition is a prerequisite to excellence in education.

The National Evaluation Study of the School Lunch Program shows that the program works. It deserves continued support and funding.

We believe that the National commitment to child nutrition must continue through Federal leadership and Federal support.

Sincerely,



Harold Reynolds, Jr.
Commissioner

SCHOOL DISTRICTS TO BE HARDEST HIT
BY PROPOSED FEDERAL BUDGET CUTS
IN SCHOOL FEEDING PROGRAMS

Below is a list of school districts whose Free and Reduced Price Meal participation is below 40 percent. Since these programs have a larger percentage of paying students, they will be hardest hit by the proposed FY86 federal budget cuts.

<u>School District</u>	<u>Percentage of Free and Reduced Price Meals in FY84</u>
* Adak	28%
Anchorage	26%
* Annette Island	28%
Bristol Bay	28%
Cordova	28%
Delta Greely	36%
Dillingham City	29%
Fairbanks North Star	30%
Galena	23%
Kenai	32%
Ketchikan	27%
Klawock	34%
Mat-Su	25%
Kenana	12%
Nome City	27%
North Slope	34%
Sitka	17%
Unalaska	28%
Valdez	23%

* = REAA districts

Nationally it has been determined that a 5 cent increase in price to the paying child results in a 5% decline in participation.

The cuts propose a 31.5 cent reduction in support for each meal served to a paying child. a 30 cent increase in price would result in a 30 percent reduction in participation.

CHILD CARE CENTERS
TO BE HARDEST HIT BY
PROPOSED FEDERAL BUDGET CUTS

Below is a list of Centers that service a high percentage of non-needy children and would be impacted the most by the proposed cuts.

Aniak
Bayshore, Anchorage
Bunnell, Fairbanks
Butterfly, Anchorage
College Day, Fairbanks
Craig
Children's Community, Juneau
Little Bears, Girdwood
Nome
Ptarmigan, Valdez
St. Jude, Juneau
Totem Tots, Fairbanks
Wee Care Too, Anchorage
Wesleyan, Anchorage
Hillcrest, Anchorage
Joy, Eagle River
Anchorage Child Care
Kotzebue Day Care
Play and Learn, Fairbanks
Tanaina, Anchorage
Wee Willie Winkle, Anchorage

American School Food Service Association

4101 EAST ILIFF AVENUE • DENVER COLORADO 80222
(800) 525-8575 • (303) 757-8555

INFORMATION SHEET

SECTION 4 FUNDING

This information sheet has been prepared in response to frequently asked questions regarding Section 4 funding.

1. Q. What is Section 4 funding?
A. Section 4 is that Section of the National School Lunch Act which provides reimbursement to schools for all nutritionally adequate lunches served to children regardless of the family income of the child.
2. Q. Who receives Section 4 funding?
A. Schools participating in the National School Lunch Program receive this reimbursement for all lunches served to children which meet Federal school lunch meal pattern.
3. Q. How long has Section 4 funding been available?
A. It has been available since the enactment of the National School Lunch Act in 1946. The Act was established as a measure of national security and to safeguard the health and well-being of all the Nation's children. Section 4 was never intended to cover the full cost of providing a meal. Instead it was the cash provided to help school districts defray the basic overhead costs involved in participating in the National School Lunch Program. At the same time commodities were provided to help defray the food cost. Section 4 reimbursement was the only cash funding available to participating schools until the late 1960's. At this time, Section 11 was added to provide funding for meals served to needy children. The National School Lunch Act was never intended to become a welfare program. It is instead a health and education program for all children.
4. Q. Has the School Lunch Program been successful in improving the health of the nation's children?
A. Yes. A recent USDA study indicates that the school lunch program improves the nutritional intake of children in all income categories. Further, the Field Foundation Medical Team, which has studied the question of hunger in the poorest sections of the country, has reported to Congress that the school lunch program, along with other food programs, has dramatically reduced hunger in America.

12. Q. How will poor children be affected?
A. Any school district with a low percentage of free and reduced price lunches will find it difficult, if not impossible, to continue in the National School Lunch Program. When a school drops the National School Lunch Program poor children who cannot afford to buy a lunch will clearly be at nutritional risk. When the school lunch program becomes a welfare program instead of a health and education program for all children, the needy child will be inevitably overtly identified even in schools with a high percentage of needy children.
13. Q. If ASFSA doesn't approve of the cuts in the proposed budget, what other cuts would be acceptable?
A. Child Nutrition Programs constitute approximately 3/10 of 1 percent of the total Federal budget. In 1981 they were cut \$1.5 Billion or approximately 30 percent. This cut was proportionately 12 times greater than cuts received by any other Federal program. Child nutrition has already contributed more than its share to balancing the budget. Additional cuts will dismantle and destroy the program for all children, including the needy. Therefore, it can take no more cuts.
14. Q. I voted for the President and support his policies. I also believe in the school lunch program but am reluctant to speak out on this issue. How do I resolve my conflict?
A. ASFSA is in no way criticizing the President or opposing his policies - tax reform, defense spending, foreign relations, etc. We are simply saying that David Stockman, Director of Office of Management and Budget (OMB) is wrong on this issue. He has incorrectly advised the President on the school lunch program. Speaking out in a professional way is the right and responsibility of all citizens.

HJR ³⁴ ~~5~~ SPONSOR STATEMENT

HJR ³⁴ ~~B~~ comes in response to a letter and a resolution I received from the Fairbanks Home Economics Association alerting me to proposed cuts in federal funding for the child nutrition programs.

The Association's resolution requested that the State of Alaska spend its dollars to make up for proposed Federal government cuts to this program. Since the federal budget is still being negotiated, it seems the State should first try and prevent these federal cuts to this important program from occurring.

According to Senator Murkowski's staff the most recent version of the compromise Republican/Presidential budget still eliminate the subsidy for "high income" which would hurt Alaska. When that budget will be finalized is not known, but it is important that input in this process occurs soon. Senator Murkowski's staff person, Sheila Rogan, did mention April 22 as a date when the budget would be discussed.

TO: BETTYE
FROM: SANDRA
RE: HJR 34 - FUNDING FOR CHILD NUTRITION PROGRAMS (KOPONEN)

THE NATIONAL SCHOOL LUNCH PROGRAM PROVIDES FUNDS TO STATES TO REIMBURSE PARTICIPATING SCHOOLS. CASH REIMBURSEMENT IS RECEIVED FOR ALL CHILDREN SERVED WITH ADDITIONAL REIMBURSEMENT FOR THOSE CHILDREN ELIGIBLE FOR FREE AND REDUCED PRICE MEALS. THE FUNDS FOR NON-NEEDY CHILDREN HELP DEFRAY ADMINISTRATIVE COSTS, THUS ENCOURAGING SCHOOLS TO PARTICIPATE (ULTIMATE PURPOSE, OF COURSE, IS TO ENSURE THAT KIDS ARE RECEIVING NUTRITIONAL LUNCH).

⁸⁷
FY ~~86~~ FEDERAL BUDGET PROPOSALS WOULD CUT \$400 MILLION FROM CHILD NUTRITION PROGRAMS NATIONWIDE, WHICH MEANS MORE THAN A 30% REDUCTION IN THE LEVEL OF CASH REIMBURSEMENT TO SCHOOLS. CONCERN IS THAT SOME SCHOOLS (IT AFFECTS CHILD CARE FACILITIES, TOO) WILL BE FORCED TO DROP OUT OF THE PROGRAM.

HJR 34 URGES CONGRESS TO MAINTAIN PRESENT LEVEL OF FUNDING.
ALTERNATIVE IS TO HAVE STATE PICK UP THE ADDITIONAL COST....

CSHB 185 (Loans), Relating to the maximum loan amounts, eligibility requirements, and conditions of scholarship loans.

CSHB 185 revises the scholarship loan program (commonly known as the student loan program) based on recommendations of the Alaska Commission on Postsecondary Education. In brief, CSHB 185 would: 1) allow a student to attend summer school and charge the loan for that attendance period against the upcoming loan year; 2) defer the collection of student loans from a member of the armed forces until the completion of the borrower's first enlistment period. Currently an enlisted borrower is deferred from payment and interest does not accrue for as long as the borrower is in the military; 3) provide for denying a new loan to a borrower in default on a previous student loan, a provision currently in regulation; 4) set out those circumstances under which a person may be physically absent from the State and not lose residency. Though exceptions are currently being made by the Commission without statutory or regulatory authority, the only existing acceptable absence from the State is military service.

CSHB 34, Urging Congress to maintain the current level of federal funding for child nutrition programs.

The National School Lunch Program was established in 1946 to make available to school children lunches of maximum nutritional value at a minimum cost to the child. Federal funds for the program are directed to states to reimburse participating schools. Cash reimbursement is received for all children served with additional reimbursement for those children eligible for free and reduced price meals.

FY 86 federal budget proposals would cut \$400 million from child nutrition programs nationwide, which represents more than a 30% reduction in the level of cash reimbursements to participating schools.

HJR 34 urges Congress to maintain the present level of federal funding for the program.

SUMMARY OF PAST FEDERAL REIMBURSEMENT CUTS
To The
CHILD CARE FOOD PROGRAM

- 1/81 Snack rate reduced 3¢ (all categories)
- 9/81 Number of meals eligible for reimbursement decreased to two meals and one snack. Previously had been for three meals and two snacks. Centers continued to serve appropriate meals during a child's stay at the center, but did not receive reimbursement.
- 9/81 Paid meals (Breakfast, Lunch, Supper, Snack) all reduced approximately 45 percent.
- 1/1/82 Free and Reduced Price Guidelines were restructured, which eliminated hardship provisions (high medical, shelter, etc. costs). This further reduced the number of needy children. Especially hard hit were single parents in Alaska, many of whom paid 50% of their income for shelter costs.
- 10/1/81 Food Service Equipment Assistance (FSEA) eliminated. FSEA funds were very limited. However, this assistance for buying new equipment was extremely important to centers on a limited budget.
- 10/1/82 Tiering eliminated. This cut reimbursement for many centers in half.

At its peak the CCFP reimbursement covered food costs and a good portion of labor costs. At the present time the reimbursement does not fully cover food costs alone, even at Head Start Centers which are almost 100% low income children.

The proposed institution of a means test in the Family Day Care Home would eliminate 65% of the program. There would be no reimbursement of any kind for children not qualifying for free or reduced price meals.

The following resolution has been adopted by the Executive Board of the Alaska School Food Service Association, February 14, 1985.

CHILD NUTRITION PROGRAM PROPOSED LEGISLATION
TO COMPENSATE FOR REDUCED FEDERAL FUNDING

WHEREAS: The Child Nutrition Program in the State of Alaska services a wide range of children from all economic backgrounds; and

WHEREAS: Good nutrition is essential to growth, development, learning, and general wellness which has been provided by local school districts and child care agencies; and

WHEREAS: The National Evaluation of School Nutrition Programs, April, 1983, shows that students participating in the school lunch programs are better nourished than children who do not have access to the programs, and

WHEREAS: Efforts from seven affiliated organizations within the State have adopted the Alaska State Nutrition Committee's School Lunch Resolution of January, 1984, which emphasizes and promotes good nutrition practices; and

WHEREAS: The State of Alaska is experiencing increasing enrollment, increasing program participation, and rising costs; and

WHEREAS: The projected Federal cuts to Child Nutrition Programs will put lunch programs in jeopardy of continuing for any children; and

WHEREAS: The projected Federal cuts, representing more than a 30% reduction in cash reimbursement to statewide Child Nutrition Programs will adversely affect the quality and ability to maintain existing Child Nutrition Programs for Alaska's young people.

THEREFORE BE IT RESOLVED that participants in all Child Nutrition Programs urge the fourteenth Alaska Legislature to consider adopting legislation which will compensate for any decrease or elimination of Federal financial support.

STATE OF ALASKA
THE LEGISLATURE

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

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May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database MPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HESS 4-30-85 1:36pm

MEMORANDUM

State of Alaska

TO: Lisa McLaren, House HESS Committee
Representative Koponen's Office
Alaska State Legislature

DATE: February 27, 1986

FILE NO.: 0051M

THRU: Mary Hakala, Special Assistant

TELEPHONE NO.: 465-2865

FROM: E. Ruth Benigno, R.D. *ERB*
Program Coordinator, Food Services
Educational Finance and Support Services

SUBJECT: Proposed FY87 Federal Budget
Cuts for Child Nutrition
Programs

Attached are copies of President Reagan's proposed federal budget cuts for FY87, and other information explaining the impact of the cuts nationally and on a statewide basis in Alaska.

Looking at the total cuts proposed for all Child Nutrition Programs, there is a 17 percent cut for FY87 on a national level.

Assuming participation remains the same, the projected cuts in the Alaska School Feeding Programs are 25 percent and Child Care Food Programs in Centers are 31 percent. Please see attached worksheets.

For the Family Day Care Home Program there is no way to predict the cuts because we have no records of the income eligibility of the participants. If we assume that needy children in homes is the same percent as in centers, which is 32 percent, the Family Day Care Home Program will be virtually eliminated. (Home providers who care for five children will not remain in the program with only two children qualifying for meal reimbursement.)

The Child Care Centers with a high percentage of paid meals will not find it beneficial to continue participation.

Schools will be forced to raise prices 20-25 cents for a paid meal. Nationally, a one percent decline in participation is evidenced for every one cent increase in price.

A district-by-district and center-by-center analysis will be completed approximately March first and copies will be provided to you. This is an endeavor to predict declines in participation by school district and child care center.

Attachments
ERB:jce

ADMINISTRATION'S PROPOSED BUDGET CUTS
Fiscal Year 1987

1. National School Lunch Program

a. Eliminate cash and commodities attributable to students above 185% of the poverty line.

b. Increase commodity rate to 24¢/meal for students below 185% of poverty and lower cash rate by 12¢/meal.

2. School Breakfast Program

Eliminate cash and commodities attributable to students above 185% of the poverty line.

3. Child Care Food Program

a. Eliminate cash and commodities attributable to children above 185% of the poverty line.

b. Increase commodity rate to 24¢/meal for children below 185% of poverty and lower cash rate by 12¢/meal.

c. Eliminate special funding for audits.

d. Require means test for family day care homes.

4. Nutrition Education and Training

Eliminate N.E.T. effective October 1, 1986.

5. Summer Food Service Program for Children

a. Eliminate reimbursement for administration.

b. Lower reimbursements rate to the same as that for meals in national school lunch program.

6. State Administrative Expense Funding

Lower budget authority by \$19.6 million to recoup increased appropriation.

7. Special Milk

Eliminate program for children over 130% of poverty line.

Total cut is \$775 million below current law.

SCHOOL FEEDING PROGRAMS - LUNCH, BREAKFAST, MILK
WORKSHEET TO PROJECT EFFECT OF PROPOSED FEDERAL FY87 BUDGET CUTS

1. Number of lunches served to paying children in FY85.	3,564,46
2. Times reimbursement.	X .20
3. Sub-total.	\$(721,804)
4. Number of meals <u>1,337,820</u> times extra two cents.	(26,756)
5. TOTAL estimated section 4 reimbursement lost from the paying child.	\$(748,560)
6. Number of breakfasts served to paying children in FY85.	70,740
7. Times reimbursement.	\$ X .16
8. TOTAL estimated breakfast reimbursement lost.	\$(11,320)
9. Number of lunches served to paying children in FY85 (same figure as #1).	3,564,46
10. Times entitlement for commodities.	X .11
11. TOTAL value of USDA Commodities lost for paying child.	\$(418,820)
12. Number Free and Reduced lunches served in FY85.	2,685,58
13. Times proposed decrease in reimbursement.	X .19
14. TOTAL decrease in F & RP cash reimbursement.	\$(523,688)
15. Number F & RP lunches served in FY85 (same number as #10).	2,685,58
16. Times value of Commodity entitlement.	X .12
17. Increase in value of Commodity entitlement.	\$ 328,984
18. TOTAL federal cash reimbursement in FY85 (lunch, breakfast).	\$16,604,09
19. Times usual 4 percent cost of living increase.	X .04
20. TOTAL revenue lost due to no cost of living increase.	\$(264,160)
21. Number of half-pint milk served to paying child.	215,440
22. Times reimbursement.	X .09
23. TOTAL reimbursement lost for Special Milk Program.	\$(20,467)

SUMMARY	FOOD	\$ CASH
Line 5		(748,560)
Line 8		(11,320)
Line 11	(418,825)	
Line 14		(523,688)
Line 17	<u>328,984</u>	
Line 20		(264,164)
Line 23		(20,467)

TOTAL NET LOSS due to proposed budget cuts. \$ (89,841) \$ (1,568,199)

This assumes that participation in FY85 and FY87 are the same.

25% cut

* - Food not cash

(\$1,658,040)

CHILD CARE FOOD PROGRAM
WORKSHEET TO PROJECT EFFECT OF PROPOSED FY87 FEDERAL BUDGET CUTS

1. Number of lunches and suppers served to paying children in FY85.	<u>380,108</u>
2. Times reimbursement.	X .202
3. TOTAL estimated reimbursement lost from the paying child.	<u>\$(76,972</u>
4. Number of breakfasts served to paying children in FY85.	<u>244,433</u>
5. Times reimbursement.	\$ X .16
6. TOTAL estimated breakfast reimbursement lost.	<u>\$(39,109</u>
7. Number of lunches and suppers served in FY85 (same figure as #1).	<u>380,108</u>
8. Times entitlement for commodities or cash in lieu.	X .117
9. TOTAL value of USDA Commodities or cash in lieu lost for paying child.	<u>\$(44,663</u>
10. Number Free and Reduced lunches and suppers served in FY85.	<u>201,894</u>
11. Times proposed decrease in reimbursement.	X .195
12. TOTAL decrease in F & RP cash reimbursement.	<u>\$(39,369</u>
13. Number F & RP lunches and suppers served in FY85 (same number as #10).	<u>201,894</u>
14. Times value of Commodity entitlement.	X .122
15. Increase in value of Commodity entitlement.	<u>\$ 24,732</u>
16. Number paid supplements served in FY85.	<u>430,245</u>
17. Times reimbursement.	X .052
18. TOTAL decrease in paid supplement reimbursement.	<u>\$(22,588</u>
19. TOTAL federal cash reimbursement in FY85(lunch,supper,supplements,breakfast).	<u>725,590</u>
20. Times usual 4 percent cost of living increase.	X .04
21. TOTAL revenue lost due to no cost of living increase.	<u>\$(29,024</u>

SUMMARY	FOOD	CASH
Line 3		\$ (76,972
Line 6		(39,109
Line 9	<u>(44,663)</u>	
Line 12		(39,369
Line 15	<u>24,723</u>	
Line 18		(22,588
Line 21		(29,024

TOTAL NET LOSS due to proposed budget cuts. (19,931) + (207,062)

This assumes that participation in FY85 and FY87 are the same.

Total food service & cash in lieu (\$ 226,993)

31% cut

FAMILY DAY CARE HOME PROGRAM

Loss of 68 percent of reimbursement assuming number of needy children are the same percentage as in centers.

Actual FY 85 Food Service Reimbursement	\$1,185,772
Projected FY 87 Reimbursement with proposed cuts	379,447

0070M



U.S. DEPARTMENT OF AGRICULTURE

1987 BUDGET SUMMARY

FOOD AND NUTRITION SERVICE
Program Level
Fiscal Years 1985-1987

Program	1985 Actual	1986 Current Estimate	1987	
			Current Law	Proposed Legislation
(Dollars in Millions)				
Food Stamp Program	\$11,732.2	\$11,692.6 a/	\$12,001.0	\$11,687.7
Nutrition Assistance for Puerto Rico	825.0	820.0	825.0	825.0
Child Nutrition Programs:				
Cash Grants to States:				
School lunch program:				
Section 4	532.1	430.4	557.1	27.8
Section 11	2,127.6	2,210.3	2,356.0	2,372.8
School breakfast	407.0	409.9	436.4	414.1
State administrative expenses ...	46.9	48.9	51.2	51.2 b/
Summer food	115.1	121.9	132.7	111.7
Child care food	434.9	483.5	541.7	338.1
Total, Cash Grants to States ..	3,663.6	3,704.9	4,075.1	3,315.7
Commodities	475.2	511.8	501.8	510.7
Nutrition studies and surveys	2.5	2.4	2.5	2.5
Nutrition education and training	5.0	5.0	5.0	- -
Total, Child Nutrition Programs	4,146.3	4,224.1c/	4,584.4	3,828.9
Special Milk Program.....	15.5	13.1c/	16.3	1.4
Special Supplemental Food Programs:				
WIC	1,504.2	1,560.1	1,617.0	1,617.0
CSFP	38.1	40.8	38.6	38.6
Total, Special Supplemental Food Programs	1,542.3	1,600.9	1,655.6	1,655.6
Cash and Commodities for Selected Groups:				
Needy Family Program	51.8	52.9	55.3	55.3
Nutrition Program for the Elderly	120.8	125.9	132.0	132.0
Total, Cash and Commodities for Selected Groups	172.6	178.8	187.3	187.3
Temporary Emergency Food Assistance Program	56.8	47.6	- -	- -
Food Program Administration	84.2	78.5	86.1	86.1
Total, Food and Nutrition Service	<u>18,574.9</u>	<u>18,655.6</u>	<u>19,355.7</u>	<u>18,272.0</u>

a/ Reflects effect of legislation to be proposed to save \$69 million by repealing certain provisions of the Food Security Act of 1985 which are to become effective May 1, 1986.

b/ This amount will be offset by funds States are allowed to carry over for a savings of \$19.6 million.

c/ Reflects effect of legislation to be proposed to eliminate the Federal subsidy to non-needy participants in the Child Nutrition (\$66.6 million) and Special Milk Programs (\$3.5 million) for a savings of \$70.1 million.

FOOD AND NUTRITION SERVICE (FNS)

The Food and Nutrition Service, through State and local agencies, administers a number of programs which provide food assistance to individuals. FNS programs are designed to meet family food needs, the food needs of individuals with special nutritional requirements, and the food needs of persons in certain institutional settings. Programs administered by FNS include the Food Stamp Program; Nutrition Assistance for Puerto Rico; Child Nutrition Programs; Special Milk Program; Special Supplemental Food Programs; Cash and Commodities for Selected Groups; and Temporary Emergency Food Assistance Program.

Food Stamp Program. The Food Stamp Program allows needy households to obtain a more nutritious diet by providing coupons to enable them to purchase food at retail stores. One-hundred percent of benefit costs and over 50 percent of administrative costs are borne by the Federal Government. State and local governments are responsible for receiving and processing applications, as well as ensuring that the correct amount of benefits are issued to eligible households. States with overissuance errors in excess of legislatively determined levels are required to pay for a portion of the loss to the Federal Government.

For 1987, the Administration is requesting a program level of \$11.7 billion for the Food Stamp Program. A slight reduction in participation is expected based on a lower projected level of unemployment and legislation proposed in 1987. Under current law, program costs would increase to \$12 billion due to a projected increase in the cost of the Thrifty Food Plan and expanded eligibility requirements.

However, Federal costs in 1987 will be held to about the 1986 level because savings of \$350.3 million are anticipated based on the following proposed program changes:

- Hold States liable for the full dollar value of erroneously issued benefits above a tolerance level of five percent. Under current law, the States are held liable for only a fraction of their erroneous issuances above five percent. Implementation of this proposal would encourage the States to invest in error prevention and would result in savings of \$11 million in 1987.
- Make the rules regarding the treatment of cash utility assistance consistent with assistance provided through vouchers. Under current law, if a household's utility expenses are paid by a third party (vendor payment), only that portion of the household's utility expense that it pays itself can be considered as a household utility expense in calculating the excess shelter deduction. However, if a household receives cash assistance intended to help the household pay its utility expense, the entire utility expense, whether paid from the cash assistance received or the household's own resources, may be counted in the calculation of the excess shelter deduction. This proposal would prohibit counting expenses paid through cash assistance from being counted in calculating a household's excess shelter deduction. The Food Stamp Act prohibits counting energy assistance as income to the household. Allowing households to count all of its utility expenses, even those reimbursed through either a cash or a third party (vendor payment), as a utility expense is a "double benefit" to households. The proposal would save \$68 million in 1987.

- Count stipends as well as the earnings of Job Training Partnership Act (JTPA) participants as income. The Food Security Act of 1985 (Public Law 99-198) requires that earnings provided under JTPA be counted as income. Requiring that stipends also be counted as income would save \$10 million in 1987.
- Amend the State administrative funding formula. The proposal would retain the current 50 percent match provision, but would make the following changes:
 - States with average per recipient administrative expenses in excess of 175 percent of the national average would receive 25 percent Federal match for that portion of expenses in excess of 175 percent.
 - Special matches for anti-fraud and automated data processing activities would be gradually reduced from the current 75/25 Federal/State basis to a 50/50 basis.

This proposal would save \$6.3 million in 1987.

- Propose the repeal, as of May 1, 1986, of several provisions enacted under the Food Security Act of 1985 which expand program eligibility. The following provisions are being proposed for repeal:
 - Increase in the assets limit. On May 1, the limit on assets for most households will be raised from \$1,500 to \$2,000.
 - Increase in the earnings deduction. The earned income deduction, currently set at 18 percent, will rise to 20 percent on May 1.
 - Separation of the dependent care/excess shelter deduction into two deductions.
 - Increase the maximum limit of both the dependent care deduction and the excess shelter deduction.

Repealing the above provisions will save \$69 million in 1986, \$189 million in 1987, and \$230 million in 1988.

- Require that States implement a universal work requirement for employable applicants and recipients. The work requirement can consist of job search, Community Work Experience Program (CWEPE), or other types of employment and training activities. All employable applicants and recipients would be required to participate in at least one of the employment or training programs. This proposal is expected to result in net program savings of \$66 million because some applicants or recipients will either find paid employment through employment and training programs or be determined ineligible because they choose not to comply with the work requirements.

The proposed program changes noted above will be partially offset by an increase of \$37 million in 1987 due to proposed legislation affecting the Aid to Families with Dependent Children (AFDC) program.

Nutrition Assistance for Puerto Rico. Through a grant of \$825 million, this program provides assistance to the Commonwealth of Puerto Rico for food assistance to low-income households. The Secretary must review and approve the Commonwealth's annual plan of operation.

Child Nutrition Programs. Federal assistance in the form of cash and commodities is provided through State agencies to schools, institutions, day care centers and family day care homes to prepare and serve meals to children. The 1986 funding level is \$4.2 billion. The 1987 request is \$3.8 billion, \$775 million less than the 1987 current law estimate and \$395 million less than the 1986 estimate. The 1987 request is the result of the following proposals:

- Eliminate cash and commodity subsidies for meals served to non-needy children in the School Lunch, School Breakfast and Child Care Food Programs. This proposal would eliminate subsidies for meals served to children from families with incomes above 185 percent of the poverty level. Proposed legislation would also include a means test for participants in Family Day Care Homes since currently all meals in these homes are subsidized at the same rate regardless of family income. The proposal would be effective on July 1, 1986, in schools and on October 1, 1986, in the Child Care Food Program. This proposal provides approximately \$721.7 million in savings for 1987.

Note: Cash and commodity subsidies for free and reduced price meals will be adjusted so that commodities will continue to be purchased for donation to the Child Nutrition Programs at the same level as under current services.

- Eliminate special per meal administrative reimbursement rates and modify the general per meal reimbursement rates in the Summer Food Service Program. This proposal would make Summer Food Service Program rates comparable to those for free meals in the School Lunch, School Breakfast, and Child Care Food Programs. This proposal provides approximately \$21.0 million in savings for 1987.
- Eliminate the Nutrition Education and Training (NET) Program.
- Eliminate the special fund for State Child Care Food Program audits. The Uniform Single Audit Act of 1984 requires organization-wide audits for organizations receiving Federal funds, making obsolete special funding provisions, originally set up for States to conduct program specific audits. This proposal provides approximately \$7.9 million in savings.
- Offset, for 1987 only, the State Administrative Expenses (SAE) by the amount of carryover. States are allowed under current law to carryover unspent SAE funds from the year appropriated into the following year. A recent study has shown that SAE carryover has grown to about 40 percent of appropriated funds. This proposal will provide approximately \$19.6 million in savings.

School Lunch and School Breakfast Programs
Participation and Federal Subsidies

	<u>Daily Average Participation</u>			<u>Federal Subsidy</u>		
	<u>1986</u>	<u>1987</u>		<u>1986</u>	<u>1987</u>	
		<u>Existing</u>	<u>Proposed</u>		<u>Existing</u>	<u>Proposed</u>
	<u>(Thousands)</u>			<u>(¢ per meal)</u>		
<u>School Lunch Program:</u>						
1. Students from families above 185% of poverty (above \$19,703 per year for a family of 4)	11,964	12,187	- -	24.37	25.12	- -
2. Students from families between 130% and 185% of poverty (between \$13,845 and \$19,703 for a family of 4).....	1,582	1,612	1,612	102.83	108.92	108.92
3. Students from families below 130% of poverty (below \$13,845 for a family of 4)	10,103	10,741	10,741	142.98	149.09	149.09
<u>School Breakfast Program:</u>						
1. Students from families above 185% of poverty (above \$19,703 per year for a family of 4)	414	420	- -	9.84	10.34	- -
2. Students from families between 130% and 185% of poverty (between \$13,845 and \$19,703 for a family of 4)	74	81	81	45.11a/	48.44a/	48.44
3. Students from families below 130% of poverty (below \$13,845 for a family of 4)	2,345	2,489	2,489	73.43a/	79.69a/	79.69

a/ Reflects a weighted average of the Federal Subsidy for meals served in regular and severe need schools.

Special Milk Program. Through the Special Milk Program, the Department provides half-pints of milk to children in schools and institutions that do not participate in other Federal feeding programs. In 1987, the program will be funded at a level of \$1.4 million a decrease of \$11.7 million from the 1986 level of \$13.1 million. For 1987, legislation is being proposed to eliminate subsidies for milk served to children from families whose income exceeds 130 percent of poverty (\$13,845 for a family of four). The Department will continue to pay the full cost of milk served to children from families below 130 percent of poverty.

Special Supplemental Food Programs. The Special Supplemental Food Program for Women, Infants and Children (WIC) and the Commodity Supplemental Food Program (CSFP) provide nutritional assistance to pregnant and post-partum women, infants and children on the basis of financial and nutritional need. The WIC Program consists of cash grants to States, with assistance provided primarily in the form of State-issued vouchers that can be redeemed for specified foods at retail stores. The CSFP provides assistance in the form of commodities purchased or donated by USDA. The Federal Government also provides grants to States for administrative expenses.

In 1986, for WIC, total projected program funding of \$1.56 billion will provide assistance to approximately three million participants per month. In 1987, the Administration's proposal of \$1.62 billion for the WIC Program will also support about three million participants per month.

The proposed CSFP program level of \$40.8 million in 1986 and \$38.6 million in 1987 will support slightly over 140,000 participants per month in both years. In 1987, the Administration will continue to fund those elderly persons participating in CSFP during 1986. Further, the Administration is proposing to repeal the provision in the Food Security Act of 1985 requiring administrative funding be provided for commodities which are not part of the CSFP food package.

Cash and Commodities for Selected Groups. This program includes the Needy Family Program on Indian Reservations (NFPIR), the Food Distribution Program to residents of the Republic of Palau, a Trust Territory of the Pacific, and the Nutrition Program for the Elderly (NPE).

NFPIR and the Food Distribution Program for Palau are largely commodity programs; about 71 percent of program resources are used to purchase nutritious commodities. The remainder of program resources are used to pay administrative expenses incurred by distributing agencies.

For 1987, the Administration is proposing a program level of \$55.3 million for the NFPIR and the Trust Territory of the Pacific. This is a net increase of \$2.4 million over the 1986 program level and allows for inflationary increases in food costs, an increase in NFPIR participation, and an increase in administrative expenses. These increases are offset by a decrease in participation in the Trust Territory of the Pacific because the Compact of Free Association, which was signed on January 14, 1986, provides funding through other sources outside USDA for assistance to the Marshall Islands and the Federated States of Micronesia. The 1987 budget request reflects continuation of the program in Palau.

The NPE is predominantly a cash subsidy program with almost 96 percent of program resources used to make cash payments to meal providers. Meals are served to the elderly regardless of their financial circumstances.

For the NPE in 1986, funds will be held at the authorized level of \$125.9 million. A rescission will be requested for \$5.2 million. For 1987, the Administration plans to request \$132.0 million, the amount authorized.

Temporary Emergency Food Assistance Program. In 1986, the Department is providing \$50 million to help States pay for intrastate storage and distribution costs for donated Federal commodities. No funding is being requested for 1987.

Food Program Administration. Food Program Administration provides Federal oversight for the programs of the Food and Nutrition Service.

The recommended funding level for 1987 is \$86.1 million, a net increase of \$7.6 million over the 1986 level of \$78.5 million. This includes an increase of \$5.1 million for computer purchases.

SCHOOL DISTRICTS SERVING LESS THAN 30% FREE & REDUCED PRICE MEALS

October 1985

	<u>Percentage of Free & Reduced</u>	<u>Average Daily Participation</u>	<u>Number of Sites</u>	<u>Reimbursement FY85</u>	
				<u>Paid Meals</u>	<u>F&RP Meals</u>
Adak	29	272	2	\$8,774	\$17,397
Bristol Bay	8	150	2	4,608	4,617
Cordova	22	162	2	5,004	12,458
Craig	29	88	2	3,325	18,469
Galena	23	103	2	3,920	6,364
Ketchikan	26	757	5	26,207	66,118
Nenana	22	108	2	4,089	7,558
Nome	21.5	400	2	13,548	30,264
Sitka	21	834	5	27,153	46,393
Unalaska	25	83	2	2,846	6,689
Valdez	26	389	5	18,010	39,504
Yakutat	28	145	3	4,792	19,774
TOTAL		3491	34	\$122,276	\$275,606

TOTALS OF THE ABOVE Predicted to Drop Child Nutrition Programs in Alaska

12 School Districts
3491 Children
34 Schools

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CHILD CARE CENTERS SERVING LESS THAN 30% FREE AND REDUCED PRICE MEALS
October 1985

	<u>Percentage of Free & Reduced</u>	<u>Average Daily Participation</u>	<u>Number of Sites</u>	<u>Reimbursement FY85</u>
Bayshore (Anchorage)	6	29	1	\$3,210
Bethel Social Service	19	50	2	12,686
Butterfly (Anchorage)	17	32	1,	3,036
Carousel (Anchorage)	23	226	4	38,408
Chugiak	24.5	60	1	7,774
Ft. Richardson	16.5	253	3	25,873
Hillcrest (Anchorage)	5	67	1	4,797
Childrens Community (Juneau)	28	28	1	9,869
Joy (Eagle River)	8	79	1	3,944
Kotzebue	13.5	55	1	4,655
Little Bears (Girdwood)	6.5	16	1	4,590
Little Red Schoolhouse (Anch)	6.5	394	4	32,494
Nome	11.5	30	1	6,560
Parkstrip (Anchorage)	28.5	120	1	40,602
Play & Learn (Anchorage) FAIRBANKS	6.5	128	3	25,851
Ptarmigan (Valdez)	0	28	1	1,040
Naanquag (Dillingham)	28.5	50	1	*
St. Ann's (Juneau)	29.5	80	1	27,936
St. Jude (Juneau)	23	43	1	7,963
Small World (Kodiak)	8	63	2	11,733
Tanaina (Anchorage)	11.5	50	1	12,805
Wee Willie Winkle (Anchorage)	26.5	30	1	15,216
Wesleyan (Anchorage)	18	28	1	5,854
TOTAL		1939	35	\$306,897

TOTALS OF THE ABOVE predicted to drop Child Nutrition Programs

23 Centers
35 Sites
1939 Children

* New in '86

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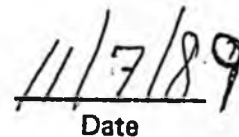


RECORDS CERTIFICATION



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Signature of Camera Operator


Date

HJR

58

Senate Health, Education and Social Services Committee

Legislation Checklist

Bill number: HJR 58

Sponsor: HESS (H)

Date referred to committee: 1/29/56

Synopsis completed:

Fiscal note:

Further referrals:

Passed out 2-4-86.

All 5 do pass

CONTACTS:

Guenberg

Pugh

COMMITTEE REPORT
SENATE

FURTHER:

1/29/86

Date 2-4-86

Mr. President

The Committee on HESS considered CSHJR 58 HESS
urging the United States Department of Health and Human Services to ease
the restrictions on the granting of Medicaid 1915(c) waivers.

and (a majority of the committee) (the committee) reports it back with
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title _____
- same title and recommends _____
- and attached a "LETTER OF INTENT" [] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Joe Josephson

Artis Stupulis

Edna W. Ulin

Carl G. ...

Debra Johnson (Do Pass)

Chairman

Chairman recommendation _____

BILL SHEFFIELD, GOVERNOR

File 147

POUCH H-07
JUNEAU, ALASKA 99811

PHONE: (907)
465-3355

DEPT. OF HEALTH AND SOCIAL SERVICES

DIVISION OF MEDICAL ASSISTANCE

January 23, 1986

The Honorable Max Gruenberg
Alaska State House
P.O. Box V
Juneau, Alaska 99811

Dear Representative Gruenberg:

During HESS hearings held January 22, 1986 on HJR58, you requested a complete list of community services that Medicaid would pay for if our Medicaid waiver was approved. The list is as follows:

- . Adult Residential Care (excluding room and board)
- . Adult Foster Care
- . Home Health Nursing
- . Home Health Aide Services
- . Personal Care Attendant Services
- . Homemaker Services
- . Respite Care
- . Adult Day Care
- . Case Management

I am also enclosing a list of all Medicaid agency heads across the country as you requested.

If I can be of any further help, please let me know.

Sincerely,



Rod Betit
Director

Enclosure

cc: Commissioner John Pugh

file HJR 58

CS HJR 58 (HESS) URGES U.S. DEPT. OF HEALTH AND HUMAN SERVICES TO EASE THE RESTRICTIONS AGAINST GRANTING MEDICAID WAIVERS FOR HOME AND COMMUNITY BASED SERVICES:

**

- | | |
|----------------------------------|--------------------|
| ADULT FOSTER CARE | RESPITE CARE |
| PERSONAL CARE ATTENDANT SERVICES | ADULT DAY CARE |
| HOME HEALTH NURSING | CASE MANAGEMENT |
| HOME HEALTH AIDE | HOMEMAKER SERVICES |
| ADULT RESIDENTIAL CARE | |

THE WAIVER PROVISION WAS INTENDED TO CONTAIN RAPIDLY RISING MEDICAL COSTS BY OFFERING PAYMENT FOR SERVICES WITHIN THE COMMUNITY RATHER THAN IN HIGH COST INSTITUTIONS. LAW REQUIRES "COST NEUTRAL" -- THAT COST OF CARE IN COMMUNITY BE NO GREATER THAN COST OF CARE IN INSTITUTION. HOWEVER, FED. REGS. REQUIRE THAT COST OF CARE IN COMMUNITY BE 75% OF THE COST OF CARE IN AN INSTITUTION.

ALASKA'S DEPT. HEALTH AND SOCIAL SERVICES HAS BEEN APPLYING FOR A WAIVER SINCE 1982 (AT LEGISLATURE'S DIRECTION). THE LATEST APPLICATION WAS RETURNED IN THE LATE SPRING OF 1985 TO BE REWRITTEN ACCRODING TO THE FEDERAL REGULATIONS.

** NOTE: HB 98 WOULD PUT PERSONAL CARE ATTENDANT SERVICES INTO THE MEDICAID PROGRAM. THE WAIVER WOULD ALLOW THE FULL RANGE OF COMMUNITY-BASED SERVICES LISTED ABOVE.

POPULATIONS LIKELY TO BENEFIT: DISABLED, ELDERLY, MENTALLY ILL.

received Senate HESS approval 2-4-86 -
all DO PASS

Introduced: 1/24/86
Referred: Rules

Original sponsor: Health, Education and
Social Services Committee

1 IN THE HOUSE
2 COMMITTEE SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 58 (HESS)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION
5 Urging the United States Department of
6 Health and Human Services to ease the
7 restrictions on the granting of Medicaid
8 1915(c) waivers.
9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 WHEREAS Congress enacted the Medicaid waiver for home and community-
11 based services (42 U.S.C. 1396n(c)), known as the 1915(c) waiver, in sec.
12 2176 of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) to
13 contain rapidly increasing medical costs by offering payment for services
14 within the community to maintain certain patients, including the elderly,
15 the developmentally disabled, and the mentally ill, outside of high-cost
16 institutions; and
17 WHEREAS the 1915(c) waiver allows each state the flexibility necessary
18 to determine the types of alternative services to be offered, the groups to
19 be covered, and the geographical areas of the state to be included; and
20 WHEREAS although the groups usually covered by the 1915(c) waiver,
21 including the elderly, use institutional services extensively, they are
22 also the groups who would benefit the most if Medicaid permitted them to
23 utilize noninstitutional services; and
24 WHEREAS the states have recognized the benefits of the 1915(c) waiver
25 by dramatically increasing waiver applications from 69 requests in 39
26 states in 1983, to 138 requests in 47 states in 1984; and
27 WHEREAS the states have found it increasingly difficult to obtain
28 1915(c) waivers because the new federal regulations covering the waivers
29 are extremely stringent and have been strictly construed by the United

1 States Department of Health and Human Services;

2 BE IT RESOLVED by the Alaska State Legislature that the United States
3 Department of Health and Human Services is requested to ease the restric-
4 tions against granting the 1915(c) waivers by amending the regulations
5 covering the 1915(c) waiver and the official interpretations of the regu-
6 lations to promote, rather than to restrict, the beneficial purposes of
7 sec. 2176 of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).

8 COPIES of this resolution shall be sent to the Honorable Dr. Otis
9 Bowen, Secretary of the U.S. Department of Health and Human Services; to
10 the Honorable Lowell P. Weicker, Jr., Chairman of the Subcommittee on
11 Labor, Health and Human Services, U.S. Senate Committee on Appropriations;
12 to the Honorable Fortney H. Stark, Chairman of the Subcommittee on Health,
13 U.S. House of Representatives Committee on Ways and Means; to the Honorable
14 Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the
15 Honorable Don Young, U.S. Representative, members of the Alaska delegation
16 in Congress; and to the primary committee that deals with matters of health
17 in each legislative house of each state of the United States other than
18 Alaska.



Official Business

Alaska State Legislature

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

DATE: January 28, 1986

TO: Senator Bettye Fahrenkamp, Chairperson
Senate HESS Committee

FROM: Rep. Max Gruenberg, Jr., Co-Chair *Max*
House HESS Committee

SUBJECT: CS HJR 58
Urging the United States Department of Health and
Human Services to ease the restrictions on the
granting of Medicaid 1915(c) waivers.

This resolution is substantially the same as the one
introduced at the Western Legislative Conference.

In CS HJR 58, the Committee added additional committees in
Congress and other states to receive copies of the Resolution.

I would greatly appreciate an early scheduling of this
resolution in your committee.

Thank you very much.

House
HESS
version

MEMORANDUM

TO: MAX GRUENBERG
FROM: NANCY BENNETT
DATE: JUNE 10, 1985
RE: MEDICAID WAIVER

BACKGROUND

The Medicaid waiver for Home and Community Based Services, known as 1915 (c) waivers, was established in 1981 by a federal law known as OBRA, section 2176 (Omnibus Reconciliation Act of 1981).

The original concept of the waiver was to contain rapidly rising medical costs by offering payment for services within the community to maintain the elderly, the mentally retarded and the mentally ill out of high cost institutions. States can apply for Medicaid waivers for a variety of services and eligible groups based on needs of the individual state, although the process is cumbersome and time consuming. The law has allowed states great flexibility in the past in determining what kinds of alternative services may be offered, what groups may be targeted and what geographical areas of the state will be covered. Applicants must be screened, and states must establish a pre-admission screening/case management service for the clients. Applicants must also be eligible for Medicaid if institutionalized, must be in the process of applying for institutionalization and the services provided through the waiver must cost the same or less than institutional services.

Nationally, it has been found that only 7% of the Medicaid clients are elderly but that this group uses over 50% of the funding available, with expenditures for nursing home care taking the major portion. By 1984, there were 138 applications filed by 47 states; one year before, in 1983, there were only 69 requests from 39 states. The increased activity of states in attempting the arduous process of waiver application indicates the perceived need for these services. In many cases, the quality of life of clients maintained in the community by personal care attendants, home health and other services is a major consideration.

Studies have shown that the most cost effective method of service delivery of home and community based services is through strict limitation of the services to targeted groups. Also shown, is that alternative services have not brought about the enormous cost savings which had been predicted, and, in fact, have often proven to be cost neutral. Some states, such as Alaska, "purchase" nursing home beds contractually through Medicaid on a prospective basis. While this method allows the state and providers of services to prepare budgets and plan with assurance, it also commits funding so

that it cannot be diverted for other services without a policy change.

ALASKAN EXPERIENCE

Alaska has higher nursing home costs than are experienced nationally, but as in other states, finds that a small number of Medicaid clients use the major portion of funding through institutional services (nursing homes, API and Harborview and this year Hope Cottages will become Medicaid eligible). Alaska also has a disproportionately high number of people handicapped by serious injuries (no doubt connected with our high accident rate) who cannot qualify for D.D. services and have limited community services available for their use. The chronically mentally ill are another under-served population in the state who could benefit from a range of community services which may eliminate the API "revolving door" syndrome.

The Senate HESS Committee instructed Commissioner Helen Bierne, Department of Health and Services, to apply for a Medicaid Waiver for non-institutional services in 1982, and amended the Medicaid statute at that time to indicate legislative approval for funding these services. Since that time, the state has been in the process of applying for the waiver - each application has been returned for more information or verification of information. The latest request, signed by the Governor in early 1985, was returned to be re-written according to the final Medicaid Waiver regulations just published this spring. Unlike other states, Alaska does not have a full time person working on the Medicaid waiver, and has lost two Medical Assistance Division positions in this year's budget process, so it is unknown when the Division will be able to complete the total re-write of the waiver application.

THE FUTURE OF THE MEDICAID WAIVER

The effect of the new regulations is devastating, and has been interpreted by some to mean that the administration is dumping the program. Some facets of the final regulations include:

1. States must estimate populations and costs of services. If the estimate is exceeded, the federal government will not reimburse but, rather, those costs must be born by the state and the state may not place a cap on services.
2. It is now more difficult to become eligible for waiver services. The draft regulations formerly controlling the program allowed waiver services if the difference between services and institutionalization was cost neutral, now all Medicaid costs (including medical services) must be compared to the cost of the waiver and the waiver must prove to be less expensive.

inst

3. There is a greater emphasis on health and safety standards, which will raise costs to states to verify information.
4. States who have current waivers in place were given only 90 days to comply with new regulations or lose existing waivers.

The only hopeful consideration for the future of the waiver is that the Federal government is considering making non-institutional services an option under the Medicaid program. The effect of this change is that states could include selected services in their State Plan, and it would be absorbed into the normal Medicaid process. Of course, the regulations would need to be examined prior to final comment, but if the code allowed states sufficient flexibility in selecting services offered and eligible groups benefited, this process could well be the one of choice.

Critics claim new HCFA regulations will cripple Medicaid waiver program

By Kathy A. Fackelmann

Regulations issued in March by the Health Care Financing Administration are too restrictive and eliminate the incentives in the Medicaid home and community-based waiver program, state Medicaid officials are saying.

"We feel that the final rules will actually deter states from seeking new waivers," said Barbara D. Matula, director of the North Carolina Division of Medical Assistance in testimony before the House Energy and Commerce health subcommittee.

The Medicaid waiver program lets states apply to HCFA for waivers to provide services for Medicaid recipients at home, thus keeping them out of expensive institutional settings. The proposed regulations would require states to estimate total costs under their waiver programs and limit the number of eligible elderly to the number of long-term care beds in the state.

Under the waiver program, states can offer a range of home and community-based services, such as home-maker, home health and personal care services, to Medicaid patients who are likely to enter a long-term care facility. The program was designed to permit patients to be treated in their homes or in the community rather

Rep. Waxman says states will have to show savings, a step past budget neutrality

than long-term care facilities, where treatment is more costly. In 1983, Medicaid spent \$14 billion for long-term care services provided by nursing homes and institutions. By 1990, that figure is expected to double.

Budget neutrality. By law, states must prove a waiver program is budget neutral, meaning that the cost of the program doesn't exceed the cost of caring for patients if a waiver program wasn't in effect.

The regulations "go well beyond assuring budget neutrality," said subcommittee Chairman Henry A. Waxman (D-CA). "Their overall effect is to require states to show that, each year, they will spend less money than they would have under their regular Medicaid program," Rep. Waxman

contended, saying that under the new regulations, states will have to show actual savings for the government, a step beyond budget neutrality.

That's because HCFA won't allow expansion of the number of persons participating in the program, even if the elderly are moved out of an expensive institutional setting and into



Rep. Waxman

Rep. Tauke

their homes to receive care.

The regulations require states to estimate the total cost of the waiver program, and the federal government won't pay for costs that exceed original estimates. States that exceed the projected cost could lose their waiver.

"This means that Medicaid directors have to become seers," Ms. Matula said, noting that the regulations penalize states that exceed their cost projections even if they provide services that cost less than institutional care.

Limits unfair? The HCFA rules limit the number of Medicaid patients served in a waiver program to the number of long-term beds in operation and under construction in a state. That penalizes states that have attempted to contain Medicaid expenditures by controlling the number of nursing home beds, said Richard C. Ladd, administrator for Oregon's senior services division.

For example, Oregon has reduced the Medicaid nursing home population by 6% through home health services, Mr. Ladd said. "This has caused an extremely low growth rate in nursing home beds, and it has eliminated waiting lists for almost all of our nursing homes," he said. To demonstrate a need for a waiver program under the HCFA rules, Oregon would have to build nursing homes and keep them empty, Mr. Ladd said, calling that "a ridiculous situation."

Conversely, states that have too

many nursing home beds are rewarded under the HCFA regulations, Ms. Matula said. States with a large number of nursing home beds under construction and in use will be able to serve more patients in a home setting.

While critics say the Office of Management and Budget wants to dismantle the waiver program, proponents of the regulations said the administration is committed to providing alternative care to eligible Medicaid patients.

An administration supporter, Rep. Thomas J. Tauke (R-IA), said, "Frankly, I don't think there's a desire on the part of this administration to hamstring the program."

HCFA's concerns. The waiver program was designed to treat patients who are likely to enter a nursing home, saidCarolyn K. Davis, R.N., Ph.D., administrator of HCFA. But HCFA officials fear that if they expand the waiver program, patients will "come out of the woodwork," and the cost to the federal government of providing long-term care through Medicaid will soar, she said.

As an example of a large influx of patients, Dr. Davis cited one state with a waiver approved for 3,500 recipients that actually provided care to 7,000 patients.

State officials reiterated their con-

The rules link the size of a state's waiver program to long-term care beds

cern over ballooning Medicaid outlays. "HCFA and OMB are not alone in their concern for budget neutrality," Ms. Matula said. "As administrators of Medicaid, we would be derelict in our duty if we were not serving the needs of our clients in as cost-effective a manner as possible," she said.

Forty-six states currently operate home and community-based waiver programs. Elderly, disabled and mentally ill Medicaid patients are eligible to participate in the programs.

As many as one out of four nursing home patients could be treated in a home or community setting, many experts say. Many elderly, who may need help with routine chores, enter nursing homes because there is no other alternative. ■

STATE OF ALASKA
THE LEGISLATURE

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907-465-3800

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HESS 2-4-86 1:44 pm