

MINUTES
SENATE FINANCE COMMITTEE
March 04, 2002
9:10 AM

TAPES

SFC-02 # 24, Side A
SFC 02 # 24, Side B

CALL TO ORDER

Co-Chair Pete Kelly convened the meeting at approximately 9:10 AM.

PRESENT

Senator Pete Kelly, Co-Chair
Co-Chair Dave Donley, Co-Chair
Senator Jerry Ward, Vice Chair
Senator Lyda Green
Senator Gary Wilken
Senator Alan Austerman
Senator Lyman Hoffman
Senator Donald Olson
Senator Loren Leman

Also Attending: SENATOR BEN STEVENS; SENATOR RANDY PHILLIPS; PEGGY BROWN, Public Policy Analyst, Alaska Network on Domestic Violence and Sexual Assault; JIM NORDLUND, Director, Division of Public Assistance, Department of Health and Social Services; SUE ASPELUND, Executive Director, Cordova Fisherman United; JERRY MCCUNE, United Fishermen of Alaska; KATHY HANSON, Executive Director, Southeast Alaska Fishermen's Alliance; BARBARA BELKNAP, Executive Director, Alaska Seafood Marketing Institute; JIM NORDLAND, Director, Division of Public Assistance, Department of Health and Social Services;

Attending via Teleconference: From Anchorage: BOB LABBE, Director, Division of Medical Assistance, Department of Health and Social Services; SUSAN SULLIVAN, Division of Child Support Enforcement, Department of Revenue; JOHN MALLONEE, Division of Child Support Enforcement, Department of Revenue; From Kodiak: BRUCE SCHAETLER, Commercial salmon fisherman, At-Large Member, Board of Directors, United Fishermen of Alaska, and President, United Salmon Association

SUMMARY INFORMATION

SB 341-APPROP:STUDY WELFARE /MEDICAID RECIPIENTS

The Committee heard from the Department of Health and Social Services and the Alaska Network on Domestic Violence and Sexual Assault. The bill was held in Committee.

SCR 28-JOINT LEGIS SALMON INDUSTRY TASK FORCE

The Committee heard from the sponsor and representatives of the fishing industry. The bill was held in Committee.

SB 282-ALASKA SEAFOOD MARKETING INSTITUTE/TAX

The Committee heard from the sponsor, the Alaska Seafood Marketing Institute and representatives of the commercial fishing industry. The bill was held in Committee.

SB 340-HOLD HARMLESS PROVISIONS OF PFD PROGRAM

The Committee heard from the sponsor, the Division of Legal and Research Services, the Department of Health and Social Services and the Department of Revenue. The bill was held in Committee.

#SB341

SENATE BILL NO. 341

"An Act making a special appropriation for a study of recipients of welfare and Medicaid; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Kelly spoke to the bill, relaying conversations held during hearings on the FY 03 supplemental budget requests for Medicaid funding, regarding the "root causes" of state welfare dependency. He noted studies have been conducted to determine age, income levels and other factors of welfare recipients. However, he remarked there is no data reflecting, "exactly why it is that they got there in the first place." He spoke to the correlation between recipients and drug abuse, alcoholism, single parenthood and limited education as found in national research, although no such studies have been conducted in Alaska.

Co-Chair Kelly stated this legislation is "designed to find out

what kind of choices people are making in their lives that possibly they have some control over that ultimately leads to being on welfare."

Senator Ward asked if the proposed study would attempt to identify why certain recipients relocated to this state and whether Alaska's benefit programs are a "magnet".

Co-Chair Kelly responded it is his intention such questions would be included in the survey.

BOB LABBE, Director, Division of Medical Assistance, Department of Health and Social Services, testified via teleconference from Anchorage and suggested conducting the study in conjunction with the Division. He listed a cost-benefit of this option would be the ability to receive 50-percent federal matching funds for the project. He referenced a January 1996 Division of Medical Assistance report prepared by the McDowell Group regarding the characteristics of Alaska Medicaid recipients. He recalled this report was undertaken to answer the question of whether people were relocating to Alaska specifically to receive benefits, and more generally, what factors were responsible for the increased caseload at that time.

Co-Chair Kelly commented this is a good suggestion and worth considering.

Co-Chair Kelly shared he had reviewed the 1996 report, which was useful although it must be updated due to changes in demographics in the age of the population. He repeated "consistent" testimony relating to Medicaid indicates, "one of the biggest drivers is the aging population."

PEGGY BROWN, Public Policy Analyst, Alaska Network on Domestic Violence and Sexual Assault testified she was present to monitor the legislation and welfare reform in general.

Senator Hoffman asked if the witness supports the legislation.

Ms. Brown supported the knowledge of why recipients are dependant upon welfare, as it would assist agencies in providing aide. However, she did not think such a study would benefits recipients. She understood the purpose of identifying those recipients from out of state given the increased costs in Medicaid, but her concern is for those who already live in Alaska.

Co-Chair Kelly asked if the Department would be subject to any restrictions on the perimeters of such a study.

Mr. Labbe surmised it would not, so long as the study focused on the factors influencing the cost of the Medicaid program, or had another Medicaid-related purpose.

Co-Chair Kelly asked if such a study could address other public assistance programs as well.

Mr. Labbe answered the study could be "constructed" to include other state public assistance programs as well and still meet federal standards. He explained this is because many participants of other public assistance programs also receive Medicaid benefits.

Co-Chair Kelly asked if there would be restrictions on the kind of information a study could collect if federal funding was involved.

Mr. Labbe was unaware of any restrictions imposed with the use of this federal funding. He noted the Division has undertaken "a number of activities over the years" utilizing federal Medicaid matching funds. "Sometimes the relationships are very direct and some are a little less direct," he stated with regard to the correlation between the projects and the Medicaid program. He suggested the proposed survey questions should be reviewed to determine any conflict with receipt of the federal funding.

Co-Chair Kelly had concern "that we couldn't get the scope of what we need if we're attached to federal dollars and any of the requirements they might have." He appreciated the suggestion and stated the Committee would discuss the option. He encouraged the Division to update the 1996 McDowell study.

JIM NORDLUND, Director, Division of Public Assistance, Department of Health and Social Services, testified in Juneau that he did not foresee any difficulty in utilizing federal funding for the proposed study. He noted, "there is a great deal of overlap between those people" who receive temporary public assistance and Medicaid benefits.

Co-Chair Kelly ordered the bill HELD in Committee.

#SCR28

CS FOR SENATE CONCURRENT RESOLUTION NO. 28(RES)
Establishing the Joint Legislative Salmon Industry Task Force.

This was the first hearing for this bill in the Senate Finance Committee.

Senator Austerman, sponsor, testified this resolution was proposed to address the "evolution" in the salmon industry, which would continue for several years.

Senator Austerman detailed that meetings would be held before the 2001 salmon fishing season begins, and again after the season concludes. The purpose of the task force, he said, would be to identify solutions, including finding methods in which the legislature could assist in "resolving some of the problems that are in this industry". Just as important, he stressed, the task force would identify efforts that could be undertaken within the industry.

SUE ASPELUND, Executive Director, Cordova Fisherman United testified in Juneau in support of the bill on behalf of the fishing fleets in the Copper River and Prince William Sound represented by the organization. She asserted the fishing industry is "in crisis" and there is a need to "comprehensively evaluate where we are and how we can move forward into the future." She emphasized a successful approach to a solution would include three components: the issue must be addressed on a statewide basis, in Alaska and by Alaskans; fishing industry representatives, including fisherman, tenders, and processors, must be involved in the evaluation at the "very basic level and throughout the process" and; a funding method is required because the industry does not have the resources to address all the impacts to stakeholders in the state. She expressed that commercial fishing is the "lifeblood" of many communities in coastal Alaska.

Senator Ward remarked, "Clearly, this is something that needs to be done." However, he questioned the limited panel membership of nine public members, as he identified more than nine user groups.

Ms. Aspelund responded that "the fishing industry in Alaska is extremely complex" and there are many user groups involved. She relayed discussions on the issue, which determined that the task force is the "starting point" to address the problems. She asserted the public members would need to "leave their peer group at the door". She stated the resolution allows "plenty of opportunity" for discussions involving the impacts to all stakeholders and communities. Therefore, she said, it is anticipated the nine public members of the task force would serve as representatives of the balance of the stakeholders in the area they represented and would be responsible for consulting and obtaining input from their respective communities.

Senator Ward clarified the task force would be comprised of a 13-

member panel with subcommittees operating within the group.

Senator Austerman affirmed and detailed the intent to utilize subcommittees to take up "specific issues in specific areas". He stressed the intent to address the salmon industry as a statewide industry, while recognizing there are regions in the state with different problems.

Ms. Aspelund added to her testimony that government involvement is required to enable the seafood processing sector to participate in this effort, to protect them from anti-trust violations. She noted the inability to gather with this group, because of anti-trust issues, has hindered earlier efforts at identifying possible solutions for the fishing industry.

JERRY MCCUNE, United Fishermen of Alaska testified in Juneau in support of the proposed task force. He stated that the organization anticipates the task force would "answer a lot of the questions we haven't been able to answer in the past" due to the inability to gather the harvesters, processors, hatcheries and the public. He expressed the pink salmon fishery is of particular concern given competition with farmed fish.

KATHY HANSON, Executive Director, Southeast Alaska Fishermen's Alliance, testified in Juneau and described the organization that represents salmon, crab, shrimp and long-line fishermen. She stated the organization supports the proposed task force. She further described the anti-trust issue and the need for government involvement to allow meetings between the harvesters and processors.

Ms. Hanson stressed that although salmon is the primary focus of the task force, other fisheries and "gear groups" must be considered as well as they could be impacted either positively or negatively.

BRUCE SCHACTLER, Commercial salmon fisherman, At-Large Member, Board of Directors, United Fishermen of Alaska, and, President, United Salmon Association, testified via teleconference from Kodiak that this resolution is "a wonderful piece of leadership". He approved of the public participation on the taskforce membership, noting it gives latitude to appoint the most qualified people. He stressed the salmon fishery is "tremendously complicated" and is specifically designed to be such.

Co-Chair Kelly commented that his only disagreement with the witness' statement is that this action is "timely" as it should have been addressed sooner.

AT EASE 9:34 AM / 9:37 AM

Senator Ward thanked Senator Austerman for sponsoring this resolution. He referenced US Senator Frank Murkowski's address to the Legislature where he called for a task force consisting of federal and state officials. He asked if Senator Austerman had discussed the matter with the Congressman.

Senator Austerman replied he had not spoken to Senator Murkowski directly about this although he had discussions with Senator Ted Stevens on the matter.

SENATOR BEN STEVENS shared he had conversations with Dave Russell, staff to US Senator Ted Stevens, with regards to coordinating these efforts. Senator Ben Stevens noted Alaska's congressional delegation supports SCR 28. He said the understanding is that most of the changes must be made at the state level, but that federal resources could assist in the process.

Senator Ward pointed out that federal assistance would be necessary, for instance in relation to the Canadian government.

Co-Chair Kelly surmised the task force would not be restricted from addressing matters not specifically listed in this resolution.

Senator Green questioned the change made in the Senate Resources committee substitute with regards to the public membership on the task force. This change stipulated the public members would be representatives of the commercial salmon fishing industry. She did not support the restriction to commercial fishing representatives when decisions made by this body could impact the sport fishing industry.

Senator Austerman explained the change was made to avoid a region sending a representative that is not "in tune" with the situation. He assured the intent to involve people who want to resolve the issue and for the process to be "industry driven" rather than bureaucratic.

Co-Chair Kelly opined the intent of the task force is not to address the relationship between commercial fishing and sport fishing, but rather to identify ways the commercial fishing industry could adapt to a changing world market and technologies.

Senator Austerman agreed, but stressed this discussion must take place as sport fishing activities do impact commercial fishing.

Senator Olson asked for assurances that the proposed task force would not adversely impact other "harvesters of the sea".

Senator Austerman agreed all uses must be considered and stressed the primary intent of the task force is to consider the issues related to salmon.

Senator Austerman mentioned the rising mari-culture industry and the impacts it would have on salmon. He warned that as the aquaculture industry evolves, "it will have some real impacts on the salmon industry."

Co-Chair Kelly requested Senator Austerman work with Senator Green and Senator Ward to address their concerns.

Co-Chair Kelly ordered this bill HELD in Committee.

#SB282

CS FOR SENATE BILL NO. 282(L&C)

"An Act extending the termination dates of certain activities and salmon marketing programs of the Alaska Seafood Marketing Institute and of the salmon marketing tax; expanding the allowable use of that tax for the salmon marketing programs of the Alaska Seafood Marketing Institute; relating to the Alaska Seafood Marketing Institute's salmon marketing committee; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

SENATOR BEN STEVENS, sponsor, testified this legislation extends the termination date of the one-percent salmon tax to the year 2008 and permits the revenue to be used in current Alaska Seafood Marketing Institute (ASMI) programs. He informed this would be the second extension of this tax since its enactment in 1993.

Senator Stevens told how ASMI uses the funds to promote the quality and "superiority" of Alaskan seafood products and to increase world consumption. He emphasized this is the only generic program in Alaska to promote all Alaska's seafood products in the global protein market.

Senator Ward asked if "niche" marketing is necessary to focus on certain fisheries, such as the Copper River sockeye salmon.

Senator Stevens replied the "brand marketing program" debate has

been ongoing in ASMI but that the organization continues to operate as a generic marketing program. He expressed that to allocate funding to regional efforts would dilute the overall efforts.

Senator Ward stated this legislation may not be the entity to begin these efforts, but shared that Cook Inlet fisherman have requested a portion of the salmon tax be utilized to market their catch.

Senator Olson asked about the opinions from within the industry regarding continuation of the one-percent tax.

Senator Stevens relayed the ASMI Board favors the extension and that no testimony heard on this bill in the Senate Labor and Commerce Committee opposed elimination of ASMI. He qualified there are some concerns that have always been present.

Senator Green noted the sponsor statement references the One-Percent Domestic Salmon Marketing Tax and asked if this is the official name.

Senator Stevens affirmed this is the official name although this legislation would change the name to the Salmon Marketing Tax.

BRUCE SCHAETLER, Commercial salmon fisherman, At-Large Member, Board of Directors, United Fishermen of Alaska, and President, United Salmon Association, testified via teleconference from Kodiak about a perceived rush to pass this legislation. He stated he does not oppose using a portion of the tax revenue for foreign marketing efforts; however, the tax originally gained approval in part from a promise that the funds would be expended solely to develop the domestic market and the matter should be discussed before such changes are made. He also encouraged further consideration of expending funds for lobbying efforts in Washington DC to address farmed salmon and foreign competition.

CHRIS BERNS testified via teleconference from Kodiak that he has fished since 1970 and he supported the one-percent industry tax and had lobbied for its implementation in 1993 based on the assumption that it would be used for domestic marketing. He stated that the United States is the primary market for farmed salmon. While he did not oppose "giving flexibility" to the ASMI marketing committee to expend funds for foreign marketing, he asserted, "foreign markets are just a big giant hole" and past efforts have been ineffective. He suggested giving this legislation further consideration as the current extension does not expire until the following year.

SFC 02 # 24, Side B 10:00 AM

Mr. Berns continued that the salmon industry is the only seafood producer in the state to pay a tax for the marketing efforts. He did not see any benefit for himself from this tax.

Co-Chair Kelly asked Senator Stevens to address the comments.

Senator Stevens addressed Mr. Schactler's comments regarding utilizing funds to lobby in the nation's capital. Senator Stevens noted this was discussed but not incorporated in the legislation, as the United Salmon Association was the only organization in support of the plan and because it was determined this was not the best use of the funds given the limited amount available. He also noted this legislation is not being rushed and that most of Mr. Schactler's concerns were addressed at the Senate Labor and Commerce Committee. He stated the extension date is being implemented one year earlier to allow ASMI to make long-term plans.

Senator Ward understood one witness suggested that a subcommittee of the proposed salmon task could address the concerns raised. He asked the sponsor's opinion.

Senator Stevens responded ASMI needs stability to allow it to plan for the future. He expressed there is uncertainty as to the results of the task force and therefore ASMI should not be dependant on its outcome.

Senator Stevens referenced the statement that the salmon industry is the only seafood industry paying a tax. He pointed out that processors pay a .3 percent tax for all seafood products.

Senator Austerman supported reauthorizing ASMI during this legislative session because of the time lapse involved in planning efforts. He suggested the task force could review the issues and if it recommended, the extension could be repealed.

SUE ASPELUND, Executive Director, Cordova Fisherman United, spoke to the knowledge of the organization and the full support of continuation of the one-percent tax. She relayed support for lifting the restrictions against foreign marketing. She stressed the importance of seafood marketing and preferred funding marketing versus lobbying efforts.

BARBARA BELKNAP, Executive Director, Alaska Seafood Marketing Institute, testified in Juneau to respond to witness statements. She told of the history and diversity of representation on the board. She stated that the board of directors supports removal of

the domestic marketing limitation, and that the issue of lobbying was not addressed during the previous board meeting. She stressed ASMI is not a trade organization. She spoke to the disadvantages of lobbying, as any standpoint the agency lobbies in support of would meet opposition from other entities the agency represents. She told of the Salmon Marketing Committee that oversees the expenditure of the marketing funds. She mentioned difficulties incurred the previous time ASMI was due for reauthorization as commitments could not be made until continuance of the program was guaranteed.

JERRY MCCUNE, United Fishermen of Alaska, testified in Juneau, about the 29 groups represented by the organization, which supports the committee substitute and international marketing. He noted the original intent of the tax was to focus marketing on the domestic market, which he stated has occurred. However, he noted new international markets are emerging for generic salmon.

KATHY HANSON, Executive Director, Southeast Alaska Fishermen's Alliance testified in Juneau in support of the renewal of ASMI and the importance of renewing this year rather than waiting until the term expires. She stated that removing the restrictions related to international marketing would be beneficial, noting that most of the funds would continued to be used for domestic marketing although ASMI should have flexibility to take advantage of the international market. She spoke of ASMI successes in using funds to leverage additional funds.

Ms. Hanson addressed changing the number of members on the ASMI board. She stated the organization was unable to reach consensus. She relayed some of the arguments in favor and opposition.

AT EASE 10:17 AM / 10:19 AM

Senator Austerman emphasized this bill must be adopted this year. He informed that the original version of the bill maintained the domestic marketing restrictions and it reduced the number of members on the board. He relayed that productive debate occurred in the Senate Labor and Commerce Committee about these issues as well as the potential for utilizing a portion of the tax revenues for lobbying efforts. He stated his opinion is that the domestic marketing restriction should remain as it weakens the program. He shared that he had made the suggestion to expend some of the tax revenues for lobbying efforts, but withdrew after hearing arguments against the proposal. He expressed he would not offer an amendment to the committee substitute, citing that "the industry has spoken".

Co-Chair Kelly noted Co-Chair Donley had questions regarding the fiscal note and requested he consult with the sponsor.

Co-Chair Kelly ordered the bill HELD in Committee.

AT EASE 10:21 AM / 10:32 AM

#SB340

SENATE BILL NO. 340

"An Act relating to treatment of permanent fund dividends for purposes of determining eligibility for certain benefits; and providing for an effective date."

SENATOR RANDY PHILLIPS, sponsor, testified that the hold harmless clause has been a "spur under the saddle" for some of his constituents. He noted a predicted increase of \$37 million over FY 02 Medicaid expenditures and stated this bill attempts to "alleviate some of that burden." He explained this bill eliminates the hold harmless provision for all but Social Security Insurance (SSI) and Adult Public Assistance (APA) recipients. The remaining recipients of public assistance would decide whether to receive an Alaska permanent fund dividend or public assistance payments.

Senator Phillips noted this bill would generate approximately \$6 million, which he pointed out would offset the state's revenue shortfall.

TAMARA COOK, Director, Division of Legal and Research Services, Legislative Affairs Agency, testified in Juneau that all Alaskans qualify for public assistance, although some programs are based on need. She stated that current statute provides that a person receiving a permanent fund dividend is not disqualified from also receiving public assistance benefits in the event the dividend increases the person's income above that allowed for the program. She noted statute directs state agencies to disregard dividend income when calculating eligibility for state-operated programs. She said in cases involving federal programs that require dividends to be included as income, current state statute provides that the state "make up the difference" so the recipient does not experience a decrease in the amount of aide under these programs.

Ms. Cook explained this bill repeals the broad provision that authorizes the state to hold harmless any program administered by the Department of Health and Social Services. She stated the bill provides that the state would continue to hold harmless only those individuals who receive benefits from two programs: supplemental security income from the federal Social Security Administration and the state-operated APA program. She noted these programs primarily

serve physically disabled, mentally disabled, the blind and certain seniors. With these exceptions, she continued, recipients of public assistance under other eligibility criteria and who do receive a permanent fund dividend would "suffer the consequences" of an increase of their economic ability as a result of the dividend. She stated the recipient could make the choice, and noted the programs provide counseling for recipients regarding the affects of applying for a dividend.

Senator Phillips referenced a chart titled "Hold Harmless" [copy on file] that outlines the \$5,953,800 total estimated savings of this legislation. He suggested this could be applied to the \$37 million Medicaid increase and subsequently for, "the very people who have been benefiting" from the Medicaid program.

Co-Chair Kelly informed the Committee that the "transfer mechanism" necessary for this application is not included in this bill; however an amendment would be drafted to include it.

Senator Olson asked how recipients would know whether they are "borderline" for discontinued benefits if they accept a dividend.

Ms. Cook responded that program administrators would review recipients' finances and provide counseling on the matter. She was unaware of the details of this counseling, but assured that it does occur. She agreed a recipient must make the decision whether to file for a dividend early in the year.

Senator Olson predicted this would be cumbersome.

Ms. Cook responded the Department would have to address this. She reiterated this exercise is already undertaken, although it would have to occur more often and for more programs.

Senator Hoffman requested the witness expand upon the impact this would have for recipients of Temporary Assistance for Needy Families (TANF) services.

Ms. Cook did not know and deferred to the Department of Health and Social Services. She emphasized the hold harmless provision is "drafted with a very broad brush," in that it could be applied to any existing and future program. This bill, she noted, limits the provision to the two aforementioned programs. She suggested other, yet unidentified programs, could be added if desired.

Senator Hoffman referenced the Hold Harmless chart and asked about the Contractual Services program that is indicated would remain covered under the hold harmless provision.

JIM NORDLAND, Director, Division of Public Assistance, Department of Health and Social Services, testified the Division has questions as to what programs would be affected by this legislation. He presumed that the Alaska Temporary Assistance Program (ATAP), food stamps and possibly Medicaid would be affected. He was unsure about the reference to contractual services.

Senator Austerman asked if children's permanent funds would be included in the calculation of a parent's income.

Ms. Cook answered yes; the major programs calculate total household income in determining eligibility.

Senator Olson asked about the \$4.1 million expenditure for ATAP referenced on the chart and asked what specific services would be affected by this legislation.

Mr. Nordland explained ATAP is the "basic cash welfare program" for poor families with children in Alaska.

Senator Ward expressed that this bill would not affect the actual programs. It would not eliminate any services; rather it would require recipients to choose between receiving a dividend or the services.

Mr. Nordland understood that is the intention of the bill.

Mr. Nordland next gave testimony on the bill, which he characterized as seemingly simple, but actually complicated. He stated that currently, the department is not allowed to consider permanent fund dividend income against eligibility for public assistance programs. This bill, he understood, removes this restriction and gives an option, but does not require, the Department to consider the dividend as income.

Mr. Nordland stated the Department would therefore choose to continue to utilize the hold harmless provision; because of this, a fiscal note has not been prepared. He said that because this legislation would no longer allow use of the permanent fund earnings reserve fund to offset the hold harmless provision, the Department would utilize general funds to cover the \$3.1 million cost. He continued that if the bill were amended to require the Department to consider permanent fund dividends as income, the fiscal note would be zero, as those recipients would not receive benefits during the month that the dividend was received. He added that the recipients would regain eligibility the following month and benefits would resume.

Mr. Nordland stated the hold harmless provision was originally implemented so poor families in Alaska would receive the same benefits from the permanent fund dividend as all Alaskans. He informed that the total annual income, including permanent fund dividends, of the average family served by public assistance programs is still below the federal poverty level. He granted that the amount of the dividends are increasing, but stressed these funds are often used for such modest purchases as clothing, educational opportunities, eyeglasses and dental care, and beds for children.

Mr. Nordland reminded that this issue has been considered in the past. He pointed out the provision would not increase the general fund, but rather would withdraw less from the permanent fund dividend program. He calculated this would result in an increase of approximately \$13 to each dividend. He predicted most Alaskans would defer that amount to poor families.

Co-Chair Kelly informed that the intent of the sponsor is to transfer the savings of this legislation from the permanent fund to the general fund.

Mr. Nordland noted a "dramatic decline" in the caseload of public assistance programs and subsequent reduction of the amount taken from the permanent fund to offset the hold harmless provision. At the same time, he pointed out the dividend payments have increased.

Mr. Nordland added that the permanent fund dividends of 37 percent of TANF clients are garnished. He warned that some families would therefore receive neither public assistance benefits for one month nor a dividend. He spoke to "timing", pointing out that public assistance payments are mailed on the first of each month, while permanent fund dividends are issued on the fifteenth; those families would be without any income for two weeks.

Mr. Nordland mentioned the "administrative hassle" of removing a recipient from public assistance programs for one month only to re-enlist them the following month.

Mr. Nordland concluded the Department "stands by" the hold harmless provision and opposes this bill.

Co-Chair Kelly understood that Denali KidCare provides dental and eye care services.

Mr. Nordland affirmed these services are provided for children but not for their parents.

Senator Ward asked how many recipients of public assistance do not qualify for a permanent fund dividend. He also asked what form of counseling the Department provides to recipients to inform them that applying for a dividend would disqualify them from receiving public assistance benefits.

Mr. Nordland was unsure of the answer to the first question. He responded that because of the hold harmless provision, such counseling is unnecessary and therefore not provided.

Senator Ward asked if the Department informs recipients that they are eligible to receive both a dividend and benefits, or if the Department "is silent" on the matter.

Mr. Nordland responded the Department essentially "is silent". He stated if the legislation stipulated the recipient had to make a choice, the Department would have to consider the matter. He expressed it is hard for him to conceive of an instance where the Department would counsel a family to forgo the dividend in favor of continuing to receive public assistance benefits because of the amount of money involved. He qualified this matter has not been determined yet and his answer is unofficial.

Senator Green asked why dividends were subject to a hold harmless provision, as she considered dividends income.

Mr. Nordland replied this issue has been discussed in the context of, "at what time is a poor person not poor any more." He suggested the distinction be made at the point where additional income raises a person's total income above the federal poverty level, or the amount determined to be "what it takes for a family to live".

Co-Chair Kelly referenced a \$50,000 dividend paid to shareholders of the CIRI Native Corporation. He wanted to know how those shareholders who continued receiving public assistance spent those funds. He also wanted to know how other shareholders used that dividend to "improve themselves" to become "productive members of our state."

Mr. Nordland relayed that the Cook Inlet Tribal Council provided counseling to shareholders to help them utilize the dividend in such a way as to remain self-sufficient.

Senator Green asked if this legislation would apply to non-cash benefits available to public assistance recipients, such as work services, food stamps and Medicaid.

Mr. Nordland was unsure. He added childcare support as another work-related benefit and stated the Department supports continuing to provide these services regardless of permanent fund dividend income.

Senator Green referenced other proposed federal legislation and asked if it would allow a dividend recipient to continue receiving work-related services.

Mr. Nordland replied that bill would give the Department "more flexibility in that regard".

SUSAN SULLIVAN, Division of Child Support Enforcement, Department of Revenue, testified via teleconference from Anchorage that during the time a custodial parent receives public assistance, the Division retains any child support collected on behalf of that payment. She stated this amounted to \$1.9 million in October of the previous year. She pointed out that under SB 340, the state would not retain any until the custodial parent has been paid in full for current support in arrears. She informed the average arrear owned to custodial parents is approximately \$15,000.

JOHN MALLONEE, Division of Child Support Enforcement, Department of Revenue, testified via teleconference from Anchorage to reiterate Ms. Sullivan's testimony

Co-Chair Kelly informed that Senator Phillips working with the Division of Legal and Research Services to address the fund transfer issue.

Senator Phillips replied an amendment would be available later in the day.

Senator Ward asked about the \$455,000 Contractual Services program listed on the aforementioned chart.

Senator Phillips explained this is a reimbursable services agreement (RSA) between the Department of Health and Social Services and the Department of Administration for the day-to-day operations of the hold harmless provision.

Senator Ward asked if the amount of this RSA could be reduced given that the workload would decrease.

Senator Phillips deferred to the Departments.

Co-Chair Kelly asked Senator Phillips to research the matter.

Co-Chair Kelly ordered the bill HELD in Committee.

#

ADJOURNMENT

Co-Chair Pete Kelly adjourned the meeting at 11:01 AM