

HOUSE FINANCE COMMITTEE  
March 01, 2004  
1:49 PM

TAPE HFC 04 - 34, Side A  
TAPE HFC 04 - 34, Side B  
TAPE HFC 04 - 35, Side A

CALL TO ORDER

Co-Chair Harris called the House Finance Committee meeting to order at 1:49 PM.

MEMBERS PRESENT

Representative John Harris, Co-Chair  
Representative Bill Williams, Co-Chair  
Representative Kevin Meyer, Vice-Chair  
Representative Eric Croft  
Representative Hugh Fate  
Representative Richard Foster  
Representative Mike Hawker  
Representative Reggie Joule  
Representative Carl Moses  
Representative Bill Stoltze

MEMBERS ABSENT

Representative Mike Chenault

ALSO PRESENT

Kurt Fredriksson, Deputy Commissioner, Department of Environmental Conservation; Mike Maher, Director, Division of Administrative Services, Department of Revenue; Joel Gilbertson, Commissioner, Department of Health & Social Services; Janet Clarke, Director, Division of Administrative Services, Department of Health and Social Services; Ed Fisher, Deputy Commissioner, Department of Labor and Workforce Development; Kevin Brooks, Director, Division of Administrative Services, Department of Fish and Game; Jim Derringer, Staff, Representative Fate.

PRESENT VIA TELECONFERENCE

#hb375

GENERAL SUBJECT(S):

Department Responses to HFC FY05 Budget Recommendations:

Environmental Conservation  
Fish and Game

Health & Social Services  
Labor

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 23rd Legislative Session, contact 465-2156. After the 23rd Legislative Session they will be available through the Legislative Library at 465-3808.

LOG	SPEAKER	DISCUSSION
	<b>TAPE HFC 04 - 34 SIDE A</b>	<b>DEPARTMENT OF ENVIRONMENTAL CONSERVATION</b>
051	KURT FREDRIKSSON, DEPUTY COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION,	Reviewed the impact of subcommittee recommendation to eliminate \$539.7 thousand: \$11.4 in general funds and the elimination of two positions.
223	Mr. Fredriksson	Noted that an increment to strengthen water quality protection for \$300 GF was reduced to \$200 thousand. This would impact the underground injection program.
311	Mr. Fredriksson	Discussed the drinking water section reduction of \$45.9 thousand. There are 1,700 Class C systems (smaller water systems that serve 25 or more). The program would be cut in half and phased out.
416	Mr. Fredriksson	Reviewed reductions for Class C solid waste management for communities of 1,000 or less, 163 communities would be phased out. An internet-based system would be substituted.
525	Mr. Fredriksson	Noted that there was a \$56 thousand switch to the Seafood Inspection Fund from GF to receipts.
611	Representative Croft	Clarified that the receipts would be from seafood industry fees paid the state to provide inspection services.
635	Co-Chair Harris	Noted that the savings would go to the General Fund.
657	Mr. Fredriksson	Observed that there was an \$18.8 general fund reduction in travel.
737	Mr. Fredriksson	Noted that the Subcommittee did not accept the Governor's request for \$80.5 GF for homeland security issues. The Commissioner's office would have to provide the support.
843	Mr. Fredriksson	Observed that the worst impact would be to the water quality programs. He expressed concern that water protection programs need to be strengthened. The

		underground injection program would not go forward.
917	Mr. Fredriksson	Clarified, in response to a question by Co-Chair Harris, that the full request was for \$300 thousand and three positions: \$100 thousand and one position were denied.
1019	Representative Croft	Asked for more information on the Raindrops to Ocean Initiative.
1053	Mr. Fredriksson	Explained that the initiative looks at how water resources are managed. Water quality, environmental health wastewater, facilities construction and operation (village safe water and sewage loans) would be consolidated in a new water section. He provided further information regarding on the reorganization.
1145	Co-Chair Harris	Spoke to the Governor's proposed amendments and asked how many of the amendments were taken care of by the Subcommittee.
1219	Mr. Fredriksson	All the Governor's amendments were dealt with in the Subcommittee except the Homeland Security position, which would operate at Fort Rich with the Department of Military and Veterans Affairs for security and response. The position would provide preparedness planning as well as response. The cost includes their entire salary.
1356	Representative Croft	Questioned why the Subcommittee decided that the increment for vehicle inspection and maintenance was not appropriate.
1456	Mr. Fredriksson	Explained that there was a vote in Fairbanks regarding the continuation of the IMN program, which lead the Department to the conclusion that the program should be reviewed.
1600	Co-Chair Harris	Asked how closely the Department works with the Joint Pipeline Office.
1616	Mr. Fredriksson	The Department works closely with the Joint Pipeline Office.
1649	Co-Chair Harris	Questioned if he knew if Alyeska was paying for any joint positions in the Pipeline Office.
1731	MIKE MAHER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE	Observed that Alyeska pays the state for functions, not specific positions.
1752	Mr. Fredriksson	A number of these positions would be eliminated. The attention is to focus on

		permitting and oversight. Coordination would come from senior management. Staff in water and other programs is dedicated to oversight and the pipeline.
1855	Co-Chair Harris	Expressed concern that the state of Alaska not become complacent in regards to spill prevention. He observed the quality of Alaska's system and the potential problems associated with oil production.
2033	Representative Croft	Questioned if the homeland security position was a new position.
2044	Mr. Fredriksson	Noted that the position is currently in the FY 04 budget, it was recommended for elimination but was restored.
		<b>DEPARTMENT OF HEALTH AND SOCIAL SERVICES</b>
2128	JOEL GILBERTSON, COMMISSIONER, DEPARTMENT OF HEALTH & SOCIAL SERVICES,	Noted that the FY05 budget was reduced by \$35.6 million, which corresponds to the increment request for Medicaid. There is a commitment on the part of the Department to reducing costs to the Medicaid budget. He observed that the Department's proposed FY05 budget for Medicaid included \$91.3 million in GF savings through cost containment, efficiencies and refinancing.
2403	Representative Hawker	Clarified that an increment was not fully funded. The program was not cut from the previous fiscal year.
2469	Mr. Gilbertson	Pointed out that the Medicaid budget is driven by caseload. In response to a question by Co-Chair Harris, Mr. Gilbertson stated that the growth is not a result of [coverage] expansion. The caseload has increased. Denali Kid Care is more effective in signing up clients. The eligibility has not changed drastically. Assumptions and changing demographics account for most of the growth, which is a national trend. Seniors and disabled are driving the program's cost, which is a national trend.
2728	Representative Joule	Questioned if the client growth applies for Medicaid of services.
2801	Mr. Gilbertson	Noted that Medicaid is a separate application, but many are signed up through Native health corporations. The Department signs some individuals through Adult Public Assistance.
2936	Mr. Gilbertson	Stressed that the Department is working to contain costs, but that grow is continuing. The reduction would be very

		challenging for the Department to implement. Many savings require statutory and regulatory change, and public comment. The Department would be forced to achieve the bulk of the savings in the last 6 months of the year because of the implementation time.
3137	Representative Hawker	Questioned if it would be helpful to begin the work in FY04.
3223	Mr. Gilbertson	Agreed that it would be helpful to start looking at optional service reductions. Adult dental service would be one of the earlier items to be eliminated, seniors would lose speech, hearing and vision care, and waivers would be eliminated, along with personal care. The Department would also have to look at rates. There would be reductions of physician reimbursement by 10 percent. Municipally supported programs would be affected.
3438	Representative Stoltze	Questioned if legislation was needed to pro rate physician rates.
3455	Mr. Gilbertson	Explained that reductions would occur by regulations, but they would still require a lengthy process.
3518	Representative Hawker	Questioned if elimination of entire programs are necessary.
3719	Mr. Gilbertson	Fundamental changes need to occur through statute. Maintained it would be appropriate to have the public discourse: what are the impacts to the individuals?
3857	Mr. Gilbertson	Some of the growth has occurred through Fair Share and has grown as a conscious decision.
3937	Representative Hawker	What is the proportion of optional services versus mandatory services?
4001	JANET CLARKE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES	Observed that the Division is: 60 percent optional and 40 percent mandatory.
4022	Mr. Gilbertson	Emphasized that Medicaid doesn't distinguish between optional and mandatory services the same way the Department does. Under the Medicaid structure prescription drugs are optional, but the state recognizes that they are still part of a core service.
4123	Representative Hawker	Acknowledged that prescription drugs are a critical part of the anticipated growth. Referred to the Legislative

		Budget and Audit Committee audit on the Medicaid Program. The report felt that there were unnecessary inefficiencies.
4245	Mr. Gilbertson	Noted that the audit indicated that there are number of programs that could be improve. The Department has worked to improve program integrity and strengthen their own audit process. Did not know if SB 41 would achieve the reductions.
4514	Representative Hawker	Referred to the growth in personal care attendants: from \$8 to \$56 million in three years.
4641	Mr. Gilbertson	Observed that the Personal Care Attendance program has grown due to regulations from the previous administration.
		<b>TAPE HFC 04 - 34, Side B</b>
4621	Mr. Gilbertson	Pointed out that personal care can keep clients out of long term nursing beds, but acknowledged the need to assure the use. He agreed that there is room for savings. The Department has tried to manage the Medicaid program as one budget. There are grants for behavior health, which will do no good without vibrant Medicaid services, since the clients are the same. There are common clients across programs that need to be considered.
4249	Mr. Gilbertson	In response to a question by Representative Croft, Mr. Gilbertson noted that the Department proposed to handle growth within the Department and came forward with a number of savings through efficiencies, refinancing and cost containment, some of which were not accepted. The Department proposed to use the efficiencies to fund the growth of Medicaid. The state of Alaska lost federal financing in FY05.
3987	Representative Croft	All but 5.6 of the efficiencies were taken, but they were not applied to the Medicaid growth. Additional \$35.6 was reduced in the Medicaid program. Referred to reductions to family planning.
3909	Mr. Gilbertson	Observed that federal funding was reduced in the Subcommittee.
3899	Co-Chair Harris	Questioned what services were reduced.
3852	Mr. Gilbertson	Explained that family planning, not abortion, was reduced. Counseling services and contraceptive services were reduced.

3844	Co-Chair Harris	Questioned the need for the permanent fund dividend hold harmless provision.
3823	Mr. Gilbertson	There are a number of services that provide assistance on a cash basis such as TANF. The state by statute is required to discount income earned by the permanent fund dividend in the distribution of these services. Money from the Permanent Fund is used to supplement for any loss benefits that result in ineligibility for these services. The cost comes from the Permanent Fund.
3601	Ms. Clark	Observed that the benefits are maintained for one month in October.
3538	Representative Hawker	Asked the Commissioner to discuss items that were added back by the Subcommittee.
3445	Mr. Gilbertson	Discussed transactions made by the Subcommittee. He observed that the Department would further examine reductions for FY05.
3227	Mr. Gilbertson	Referred to the reinstatement of \$500 thousand in funds for Pioneer Homes. There was a seven-year rate increase to keep up with the cost of the homes. There have been two years without a rate increase. The proposal would continue the effort to keep the rates up. This would general fund return would replace the savings that the Department would have realized from a rate increase of pioneer home residents.
3152	Mr. Gilbertson	The second item is a reinstatement of \$500 thousand in GFMH; the reduction was taken as part of the governor's budget submission to eliminate the Alaska Youth Initiative (AYI). The Department believes the funds can better serve kids through other programs. The reinstatement of \$500 thousand was made at the Subcommittee with language encouraging the Department to use the funds toward support of the Bring the Kids Home Initiative. This would bring the 400 plus kids that are currently out of state placements for psychiatric treatment centers. There was a decrement to the Alcohol Safety Program for adults, with a desire to move toward an offender finance system. The Administration believes individuals must take responsibility for their actions. The Department feels it can work with the Courts to ensure DWI offenders are

		accountable. The proposal acknowledges that it will take time for the offender finance system to be implemented and therefore the Subcommittee reinstated 6 months.
2950	Representative Croft	Put all back or only \$408.0 to the Pioneer Homes. Ms. Clarke replied that the full amount was put back. The rate increase will happen, but there is recognition that the Department may not receive all the funds due to nonpayment.
2903	Mr. Gilbertson	Explained, in response to a question by Representative Croft, that the Department is not currently operating the AYI program. The funds are being used for other out patient services for troubled youth. The AYI program served an alarmingly small number of kids for the amount of dollars invested. The Department feels it can serve a much larger number of kids through other programs. The Department's objective is to bring kids home from out of state and provide residential services or outpatient and direct kids toward lower cost alternatives.
2744	Ms. Clarke	Explained that the Department is trying to change the nature of the funds, not eliminate but refocus.
2719	Representative Croft	Questioned what would happen if someone offends but can't pay for alcohol treatment. He questioned if there should be some GF component left to fund those who can't pay. Mr. Gilbertson replied that it is in the Department's interest to assure that whatever reimbursement structure is used is able to finance the system. The courts can hold individuals accountable; they must attend treatment and report back to court. An offender payment structure would represent the true costs. The Department believes in individual accountability and that an offender-financed system can be successful. It is ultimately a transaction between the court system and offender. Treatment would not be paid for; the funds go toward monitoring.
2523	Mr. Gilbertson	Discussed alcohol treatment residential beds. The Department has moved toward outpatient services, taken a reduction of \$600 thousand GF savings from treatment residential alcohol beds. The Governor's

		budget proposed a \$300 thousand reduction GF in reducing the least effective alcohol grants. This was restored in Subcommittee.
2348	Representative Hawker	Clarified this reinstatement of funds; there was concern by rural members of the subcommittee. There are \$65 million of program reductions.
2235	Ms. Clarke	Explained that the Department had cut \$50 thousand and the Subcommittee restored \$150 thousand for psychiatric emergency services due to concern by the Alaska Mental Health Trust Authority.
2207	Mr. Gilbertson	Emphasized that the Department doesn't believe the reductions are risky or aggressive. The seventh item, which moves toward utilization of targeting case management, will be more difficult to achieve. Legislation was proposed to allow the Department to engage in targeted case management. This would allow the refinancing of approximately \$270 thousand GF. The Subcommittee did not believe that the reduction could be realized and restored the reduction.
2189	Mr. Gilbertson	Noted that \$220 thousand GF for day treatment program in Kodiak. This was a reduction in FY04.
2102	Representative Hawker	Explained that there was an effort in the prior budget to provide services through identifying school districts as Medicaid recipients. School district was not qualified as Medicaid recipient.
2034	Mr. Gilbertson	Discussed a GF decrement in the Governor's budget regarding educational costs for youths in out of state placement. The Governor's budget pushed for a \$375 thousand cost savings, which was reinstated by the Subcommittee.
1992	Mr. Gilbertson	Noted that federal Title 10 grant money for family planning was eliminated: \$400 thousand for family services
1924	Representative Hawker	Observed that a subcommittee member with concerns brought the item forward. The Subcommittee decided that the item needed to be reassessed.
1857	Representative Croft	Questioned what were the concerns. Representative Hawker replied that the concerned was that the money was not being used as represented in Fairbanks.
1839	Mr. Gilbertson	Pointed out that the Governor's budget contained authorization for the receipt

		of these funds for family planning services.
1832	Mr. Gilbertson	Observed that there was an increment of \$200 thousand for Youth Court funding, which was the result of a change in federal funding.
1713	Representative Hawker	Clarified that the item was Subcommittee initiative. He observed that funding for youth courts has declined and stressed the support for the program. Youth courts were segregated and given an increment of \$200, which brings the aggregate to \$500 thousand statewide. (\$479 GF and \$29 matching federal.) He noted that Representative Ogg (who introduced legislation to fund youth courts) is happy with the appropriation. He emphasized that money invested in the front end of an issue saves downstream in social costs.
1538	Vice-Chair Meyer	Clarified that, under Representative Ogg's legislation, money collected through fines would go into the General Fund.
1444	Mr. Gilbertson	Reviewed an effort to align operations and restructure administration, management and some operations of the public health nursing program. The intent is to utilize other resources in communities. The Department looked at urban areas with other federally funded provider services available. He noted that there is an effort to work with health care partners. The section chief is working with communities to identify some services that can be transitioned to other providers and assure that the transition is seamless transition. The Department identified a 4-year savings, which was reduced to a six-month savings. There was reinstatement of \$ 535 thousand in GF and \$370 in IA.
1234	Mr. Gilbertson	Discussed the provision for exceptional relief, which the Commissioner can grant to health care facilities for additional reimbursement. This allows continue operations when there are deficits. The Department believes that they must continue to push on sustainability of the infrastructure and eliminate redundant infrastructure. The Department had notified the State Hospital and Nursing Home Association that they would no

		longer grant exceptional relief requests. This has always been discretionary item. There are two or three facilities that utilize the provision: Sitka, Wrangell and Wesley.
1055	Mr. Gilbertson	He noted that most of the facilities in question have long-term and acute care. The state has attempted to support infrastructure by overpaying the long-term care side. The State has paid \$640 per day for long-term beds.
840	Mr. Gilbertson	Observed that there is decreased demand in some communities and that the state is trying to identify what services can be used for underutilized space. Local governments own most facilities. He emphasized that \$700 a day (for long-term beds) is not sustainable over the long term.
713	Representative Croft	Concluded that the state is overpaying for some long-term care to keep hospitals open.
620	Mr. Gilbertson	Stressed that it is not the intention to keep the costs from going out to smaller communities. Cordova asked to be identified as an underserved area. Smaller facilities have more volatility and higher costs. The designation allows them more flexibility for operations.
454	Representative Hawker	Observed that the intent is to facilitate on going transitions.
407	Mr. Gilbertson	The Department's assumptions were based on historical data.
337	Ms. Clark	Noted that the Subcommittee met with the Alaska Mental Health Trust Authority and agreed that general funds should be expended to match their programs. Care coordination and respite services were increased by request of the Alaska Mental Health Trust Authority.
246	Ms. Clark	Continued that the cost containment package included an aggressive containment in the Medicaid program for senior & disability. The Alaska Mental Health Trust Authority asked for restorations in this component. The proposal does not match with the overall reduction to Medicaid by the Subcommittee.
144	Ms. Clark	Observed that the Subcommittee recognized a need for the capacity to address problems if cost containment in the Medicaid program is not realized.

126	Ms. Clark	Pointed out that there was a request by Alaska Mental Health Trust Authority to add back \$100 thousand in GFMH to restore a grant for sexual offenders and victims, which was a reduction in FY04.
054	Mr. Gilbertson	Discussed the \$250 thousand increment and \$250 thousand federal match for assessment and planning with in the Department to look at the Medicaid program for long-term cost containment and growth is at a responsible level.
		<b>TAPE HFC 04 - 35, Side A</b>
054	Mr. Gilbertson	Noted that Medicaid program is optional and stressed the importance of finding ways to make the program sustainable over time. The Governor's proposal included no reduction to the Human Service Community matching grant. The first committee substitute included a reduction to this component. The final amendment would restore the reduction to the FY04 level.
118	Mr. Gilbertson	There is a total of \$5.6 million in new and restored increments. The Administration feels that these amendments are part of the prudent effort to continue to control costs, refinance and find efficiencies. It would be impossible of achieving these savings on July 1, 2004. The Department will need to be aggressive in containing costs during the second half of the fiscal year.
215	Representative Hawker	Noted that all the proposed amendments were incorporated into the Subcommittee report, with the exception of items 61, 62 and 75, which pertain to the Tobacco Cessation program.
389	Mr. Gilbertson	Observed that the Governor's budget, in error, did not include the restoration of funding from the Tobacco Cessation program. The amendment would realign the FY05 budget proposal with FY04, which would include the commitment of 20 percent of the funds from the settlement to cessation efforts. In FY04, legislative action redirected \$1 million of the tobacco funds toward the Medicaid match. The FY05 budget, mistakenly included the FY04 budget as passed, not as requested by the Governor. The amendment would direct the full amount to tobacco control efforts, not toward the Medicaid match.
527	Representative	Clarified that there were three

	Hawker	adjustments. There is an increase and decrease in tobacco cessation funds and other funds of \$1.61 million, which nets out to general fund increase of \$1.61 million.
643	Co-Chair Harris	With the transactions the full 20 percent is included.
703	Mr. Gilbertson	Explained that the new general fund amount would be required to replace the \$1 million of tobacco settlement funds that were used for the Medicaid match. The transactions restores the full 20 percent, but requires general funds for funds used for Medicaid. The original FY04 budget substitution occurred in the Senate. The amendment fully restores the commitment of 20 percent, which is supported by the Administration.
		<b>DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT</b>
952	ED FISHER, DEPUTY COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT	Provided a quick introduction to the Department of Labor and Workforce Development. He noted that their general fund budget is 11 million, which is one half of one percent of the entire Governor's budget. The majority of their funding comes from federal and other state funds. General funds are concentrated in four programs, three that require a state match. Observed that the Subcommittee eliminated two positions: one in the Alaska Labor Relations Agency and one in Labor Standards and Safety. The Subcommittee also reduced client services in the Division of Occupational Rehabilitation.
1129	Mr. Fisher	The Alaska Labor Relations Agency is facing a reduction of \$42.6 thousand of \$362 thousand total budget. This would require the layoff of a clerical person (1 out of 4) in the Alaska Labor Relations Agency. He stressed the importance of the position.
1227	Mr. Fisher	Observed that one of the two requested positions in Wage & Hour technician would be reduced. He noted that auditing and the effort of Alaska hire would be reduced by half. He observed that a reduction by one position would result in no auditing in either Anchorage or Juneau. Each position audits 20 - 25 percent of certified payrolls. The reduction would result in a waiting list.

1446	Mr. Fisher	Noted that the Senior community services employment program would be funded with interagency receipts from the state employment and training program. The Department is proposing a reduction of \$100 thousand in GF, which would be replaced with technical vocational and educational program funds.
1547	Mr. Fisher	Clarified that the Department does not support the staffing reductions.
1622	Vice-Chair Meyer	Referred to the Alaska hire program. He noted that one-person was transferred to the Governor's Office to market Alaska hire. He felt that auditing could be done on an as needed basis, as opposed to auditing all of the payrolls.
1717	Co-Chair Harris	Questioned how audits for out of state hires are completed.
1734	Mr. Fisher	Explained that the Department attempts to match payrolls against permanent fund dividend applications. If a person does not apply for a permanent fund dividend they would not be credited as an Alaska resident. The permanent fund application and dividend are evidence of a one-year Alaska residence. The intent is to enforce the Alaska hire provision.
1837	Mr. Fisher	Noted that many commissioners have declared the entire state to be underemployed. If employers are not meeting 90 percent Alaska hire, under statute, there are enforcement penalties. This only applies to state funded jobs.
2003	Vice-Chair Meyer	Noted that the Independent Living component was fully funded. The target reduction was reached in the Department.
2042	Mr. Fisher	Noted that there are two small amendments that were not dealt with in the Subcommittee: lease funds for Worker's compensation and the Fish Fund (79, 81 and 83 in the Governor's operating amendments).
2226	Co-Chair Harris	Clarified that the leases are for facilities. He maintained that the function should be with the Department of Administration.
2256	Vice-Chair Meyer	Noted that the Department of Health and Social Services also has an independent living program.
2316	Mr. Fisher	Observed that the programs are different. The Department of Labor and Workforce Development component is a federal requirement. The focus is to help those

		that are about to be institutionalized or are institutionalized to remain in their home. There is a savings in the long run.
2437	Representative Croft	Doesn't support the elimination of the wage and hour position, but did not propose an amendment at that time.
		<b>DEPARTMENT OF FISH AND GAME</b>
2612	KEVIN BROOKS, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF FISH AND GAME	Discussed impacts of the Subcommittee's work on the Department's budget. Observed that the departments overall budget proposed by the Governor were just over \$138 million. The GF portion is 20 percent or \$26 million. Discussions on GF reductions centered on the Commercial Fisheries Revolving Loan Fund (CFRLF). There was an attempt to restore items in the Governor's budget and move Commercial Fisheries Revolving Loan Fund monies into other areas. There was a transfer of CFRLF funds to Commercial Fisheries.
2955	Mr. Brooks	Observed that an additional \$1.377.9 million was transferred into the Commercial Fisheries Revolving Loan Funds (CFRLF) component. A transfer was made from subsistence and replaced with general funds. There was a reduction for test fish receipt authority of \$350 thousand.
3006	Co-Chair Harris	Asked for an explanation how the CFRLF has been developed.
3030	Mr. Brooks	Explained that the Division of Investments in the Department of Community and Economic Development manages the CFRLF program. The earnings are being used; the Fund is stable. Testimony of fishers indicates that they support the use of the funds in the Division of Commercial Fisheries.
3133	Representative Croft	Questioned if the viability of the loan Fund would be affected.
3148	Representative Fate	Noted that there are surplus funds.
3197	Mr. Brooks	Observed that the use of \$2.2 million would not jeopardize the corpus of fund.
3228	JIM DERRINGER, STAFF, REPRESENTATIVE FATE	Explained that the CFRLF has a cash balance of \$20 million. The Funds receives \$13 - \$14 million in payback. Each year \$3 million is used to fund the Division of Investments. Any excess earnings are available for other budgets. He observed that \$184 thousand was going to Department of Community and Economic Development and \$180 thousand was going to Department of Environmental

		Conservation. The intent was to consolidate these funds. The amount that can be used without affecting the Fund is \$2.5 million. The Subcommittee decided that \$2.2 million could be used.
3402	Co-Chair Harris	Referred to the Agricultural Revolving Loan Fund, which is being depleted. He expressed concern that the uses of funds for Commercial Fisheries not adversely affect the CFRLF.
3443	Mr. Derringer	Noted that the Agricultural Revolving Loan Fund does not earn as much in interest. Only earnings are being used from the CFRLF.
3520	Mr. Brooks	Noted that the interagency receipts of \$200 thousand were added in each of the Commercial Fisheries and Sport Fish components. The feeling was that there are projects that would benefit both recreation and commercial fisherman.
3622	Co-Chair Harris	Asked what occurred in the Subsistence component.
3630	Representative Fate	Explained that the revolving fund was moved to commercial fisheries and asserted back general funds. There was discussion regarding the need for subsistence funding at that level. The Department stated that without state funding and co-management that the state would not have input in regulation development. The state would lose its voice in co-management with out the funding. Observed that the Division of Subsistence was funded with general funds.
3756	Mr. Brooks	Explained that three years ago the Division of Subsistence general fund support was zeroed (\$1 million) and replaced with Alaska Industrial Development and Export Authority dividend receipts. Last year \$800 thousand of the million was replaced by the CFRLF, which had the effect of a 20 percent reduction. Now that money is being switched for general funds and the CFRLF dollars are being placed into the Division of Commercial Fisheries. The result is an increase of \$1.4 million.
3928	Mr. Brooks	Observed that there were a number of technical amendments. Funding is based on an assessment of interagency receipts from all departments. The mail clerk position had to be created before it

		could be transferred, since it was deleted in their original submission.
4119	Mr. Brooks	Continued to review technical amendments. He observed that there was a million dollar transfer for leasing to assess reductions.
4214	<u>ADJOURNMENT</u>	The meeting was adjourned at 4:10 PM

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