

HB

338

SFIN

FILE

SENATE COMMITTEE REPORT SENATE FINANCE COMMITTEE REPORT

DATE: 3/19/08

FURTHER:

DATE TURNED
IN TO OFFICE: 3/31/08

Finance Committee considered CS FOR HOUSE BILL NO. 338(FIN)

HB 338 POWER PROJECT FUND/BULK FUEL LOAN FUND

"An Act relating to the bulk fuel bridge loan fund and program, power project fund, and the bulk fuel revolving loan fund; authorizing the Alaska Energy Authority to borrow money from the power project fund for the bulk fuel revolving loan fund and to repay money borrowed; and providing for an effective date."

and recommends:

- be replaced with SCS or CS CSHB 338 (FIN)
- adopt previous SCS or CS _____
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:

- Same Title
 New Title

HOUSE BILL:

- Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

| Department | Date | Fiscal | Indet. | Zero | FN# |
|------------|------|--------|--------|------|-----|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

PREVIOUS FISCAL NOTE(S):

| Department | Date | Fiscal | Indet. | Zero | FN# |
|------------|---------|--------|--------|------|-----|
| DCCED | 3/12/08 | ✓ | | | 2 |
| DCCED | 3/26/08 | | | ✓ | 1 |
| | | | | | |
| | | | | | |
| | | | | | |

APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | PRINTED LAST NAME | DO PASS | DO NOT PASS | NO REC | AMEND |
|---------------------------------|-------------------|---------|-------------|--------|-------|
| | Elton | ✓ | | | |
| | Thomas | ✓ | | | |
| | Nugent | ✓ | | | |
| | Olson | ✓ | | | |
| CO-CHAIR: | HOFFMAN | ✓ | | | |
| CO-CHAIR: | STEEDEMAN | ✓ | | | |

FISCAL NOTE

2008 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 338(FIN)
 (H) Publish Date: 3/13/08

Identifier (file name): HB338CS(FIN)-CED-CRA-03-11-08 Dept. Affected: DCCED
 Title Power Project Fund/Bulk Fuel Loan Fund RDU Comm Asst & Ec Dev (405)
 Component Community & Regional Affairs
 Sponsor Nelson et al
 Requester House Finance Component Number 2879

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| | Appropriation Required | Information | | | | | | |
|-------------------------------|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | FY 2009 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
| OPERATING EXPENDITURES | | | | | | | | |
| Personal Services | | | | | | | | |
| Travel | | | | | | | | |
| Contractual | 0.0 | 108.0 | 108.0 | 108.0 | 108.0 | 108.0 | 108.0 | 108.0 |
| Supplies | | | | | | | | |
| Equipment | | | | | | | | |
| Land & Structures | | | | | | | | |
| Grants & Claims | | | | | | | | |
| Miscellaneous | | | | | | | | |
| TOTAL OPERATING | 0.0 | 108.0 | 108.0 | 108.0 | 108.0 | 108.0 | 108.0 | 108.0 |

| | | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|--|

| | | | | | | | | |
|-------------------------------|--|--|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | | | |
|-------------------------------|--|--|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | | | |
|--------------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts | | | | | | | | |
| 1003 GF Match | | | | | | | | |
| 1004 GF | | | | | | | | |
| 1005 GF/Program Receipts | | | | | | | | |
| 1037 GF/Mental Health | | | | | | | | |
| New Bulk Fuel Bridge Loan Fund | 0.0 | 108.0 | 108.0 | 108.0 | 108.0 | 108.0 | 108.0 | 108.0 |
| TOTAL | 0.0 | 108.0 | 108.0 | 108.0 | 108.0 | 108.0 | 108.0 | 108.0 |

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

| | | | | | | | | |
|-----------|--|--|--|--|--|--|--|--|
| Full-time | | | | | | | | |
| Part-time | | | | | | | | |
| Temporary | | | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

Section 1 of this legislation would establish the bulk fuel bridge revolving loan fund and provide the legal authority for the department to administer and develop regulations for the bulk fuel bridge loan program. Need for this authority was identified in the Statewide Single Audit prepared by the Division of Legislative Audit. This legislation would provide the department authority to continue making loans to communities unable to qualify for credit under conventional financing or under the Alaska Energy Authority Revolving Fuel Loan Program. Loans from this fund would not exceed \$500.0 and must be repaid within one year after the date of the award. Interest may not be charged and repayments of the principal must be paid into the fund. Amounts in the fund may be appropriated for expenses directly related to fund administration. (continued)

Prepared by: Tara Jollie, Director
 Division: Community and Regional Affairs
 Approved by: Emil R. Notti, Commissioner
 Agency: Commerce, Community, and Economic Development

Phone 907-269-7959
 Date/Time 3/12/08 1:34 PM
 Date 3/12/2008

FISCAL NOTE #2

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSHB 338(FIN)

ANALYSIS CONTINUATION

The fund has been previously capitalized with \$2.2 million. It is the intent of the department to continue to contract for the administration of the program and delivery of fuel. The annual contractual fees estimated to be \$108.0 will be drawn from the fund and subsidized in part by interest income generated by the fund resulting in the gradual decrease in the fund balance.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 338(FIN)
(H) Publish Date: 3/13/08

Identifier (file name): HB338-CED-AEA-02-26-08 Dept. Affected: DCCED
Title: Power Project Fund/Bulk Fuel Loan Fund RDU: AEA (453)
Component: AEA Rural Enrgy Operations
Sponsor: Nelson et al
Requester: House Finance Component Number: 2600

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| | Appropriation Required | Information | | | | | | |
|-------------------------------|---------------------------|-------------|------------|------------|------------|------------|------------|------------|
| | | FY 2009 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
| OPERATING EXPENDITURES | | | | | | | | |
| Personal Services | | | | | | | | |
| Travel | | | | | | | | |
| Contractual | | | | | | | | |
| Supplies | | | | | | | | |
| Equipment | | | | | | | | |
| Land & Structures | | | | | | | | |
| Grants & Claims | | | | | | | | |
| Miscellaneous | | | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|--|

| | | | | | | | | |
|-------------------------------|--|--|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | | | |
|-------------------------------|--|--|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | | | |
|----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | | | |
| 1003 GF Match | | | | | | | | |
| 1004 GF | | | | | | | | |
| 1005 GF/Program Receipts | | | | | | | | |
| 1037 GF/Mental Health | | | | | | | | |
| Other Interagency Receipts | | | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2008) cost: 00

POSITIONS

| | | | | | | | | |
|-----------|--|--|--|--|--|--|--|--|
| Full-time | | | | | | | | |
| Part-time | | | | | | | | |
| Temporary | | | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This legislation authorizes the Alaska Energy Authority (AEA) to loan money from the Power Project Fund (PPF) to the Bulk Fuel Revolving Loan Fund (BFRLF) at terms that AEA determines are appropriate to maintain the viability of both funds. Currently, AEA is able to commit funds for a bulk fuel loan only if there is sufficient cash available in the BFRLF. This results in a potential underutilization of the BFRLF and increases the likelihood of declining loan requests until payments on receivables replenish the fund.

This bill also makes minor technical changes to the PPF and deletes unnecessary provisions. This bill has no fiscal impact on AEA operations.

Prepared by: Sara Fisher-Goad, Acting Executive Director
Division: Alaska Energy Authority
Approved by: Emil R. Notti, Commissioner
Agency: Commerce, Community, and Economic Development

Phone: (907) 771-3012
Date/Time: 2/26/08 4:29 PM
Date: 2/26/2008

Representative Mary Sattler Nelson

State Capitol • Juneau, Alaska 99801-1182
Phone: (907) 465-4942 • Fax: (907) 465-4589
Rep.Mary.Nelson@legis.state.ak.us



House District 38
Yukon Kuskokwim Delta

Aktachuk
Akiak
Atmautluak
Bethel
Chefornak
Eek
Goodnews Bay
Kasigluk
Kipnuk
Kongiganak
Kwethluk
Kwigillingok
Lower Kalskag
Mekoryuk
Mertarvik
Napakiak
Napaskiak
Newtok
Nightmute
Nunapitluk
Ohogamiut
Oscarville
Platinum
Qunhagak
Toksook Bay
Tuluksak
Tununak
Tuntutillak
Unkumiute
Upper Kalskag

Sponsor Statement House Bill 338

House Bill 338 makes changes in statute regarding two very important fuel loan programs. One establishes the bulk fuel bridge loan fund and program within the Department of Community and Economic Development. This loan fund is for communities who are unable to qualify for fuel loans from any other source and is extremely important in times of crisis. In the past 4 years this program has helped 26 communities through loans of nearly \$6.5 million with a payback rate of nearly 100%. Although the bridge loan program has been functioning well since 2004, House Bill 338 is necessary to clarify in statute the authorization of this vital program.

This bill also relates to the Power Project Fund (PPF) and authorizes the Alaska Energy Authority (AEA) to borrow money from the PPF for the Bulk Fuel Revolving Loan Fund (BFRLF) and to repay money borrowed. The PPF and BFRLF are both administered by AEA at terms AEA determines are appropriate to maintain the viability of both funds.

Due to the ever increasing cost of energy throughout Alaska, the ability of AEA to offer loans to communities has been greatly hindered. This is because larger loans are needed to buy the same quantity of fuel.

Currently, AEA is able to commit funds for a bulk fuel loan only if there is sufficient cash available in the BFRLF. This results in potential underutilization of the BFRLF and increases the likelihood of having to decline loan requests until payments on receivables replenish the fund, which may be too late to meet borrowers' needs to purchase fuel.

The bill would limit the amount that AEA can borrow from the PPF for the BFRLF to the lesser of \$2 million or ten percent of the PPF cash balance on June 30 of the preceding fiscal year. The bill also provides that AEA cannot borrow from the PPF for this purpose if the cash balance of the PPF is less than \$5 million.

In addition to the loan provisions, HB 338 deletes unnecessary provisions to AS 42.45.010(b). The bill deletes references to nonprofit marketing cooperatives as potential borrowers because AEA has not had any PPF loan requests from these entities. The bill also deletes PPF loan provisions for potable water supply projects because such requests have rarely, if ever, occurred.

HB 338 makes additional housekeeping changes deleting outdated limitations on PPF loans and provides that PPF loans for purposes other than power projects are subject to the same limitations on interest and other restrictions as are loans for power projects.

Finally, HB 338 would amend the BFRLF statute, adding a new subsection authorizing AEA to borrow money from the PPF when necessary to meet bulk fuel loan commitments and authorizing AEA to repay these loans from the BFRLF.

If you have any questions or concerns please do not hesitate to call our office.

Representative Mary Sattler Nelson

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Phone: (907) 465-4942 • Fax: (907) 465-4589

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House District 38
Yukon Kuskokwim Delta

Aktachak
Aktak
Atmaulluak
Bethel
Cheforak
Eck
Goodnews Bay
Kastgluk
Kipruk
Kongiganak
Kwethluk
Kwigillingok
Lower Kalskag
Mekoryuk
Mertarvik
Napaktak
Napaskiak
Newtok
Nighthute
Nunapitchuk
Ohogamiut
Oscarville
Platinum
Quinhagak
Toksook Bay
Tuluksak
Timunak
Tuntutuliak
Umkumtute
Upper Kalskag

CS For HB 338 Sectional Analysis

Section 1 amends AS 29.60, establishing the bulk fuel bridge loan fund in the Department of Community and Economic Development to assist communities, utilities, and fuel retailers in purchasing bulk fuel when no other funding is available. The fuel purchaser must have endorsement from a community's governing body, and have been denied a loan from any and all funding sources the Department determines are available in the community. Loans must not exceed \$500,000 and must be repaid within a year. Interest may not be charged on these loans.

Section 2 amends AS 42.45.010(b), authorizing Alaska Energy Authority (AEA) to make loans from the Power Project Fund to the Bulk Fuel Revolving Loan Fund which is also administered by AEA at terms AEA determines are appropriate to maintain the viability of both funds.

The bill limits the amount that AEA can borrow from the PPF for the BFRLF to the lesser of \$2 million or ten percent of the PPF cash balance on June 30 of the preceding fiscal year. The bill also provides that AEA cannot borrow from the PPF for this purpose if the cash balance of the PPF is less than \$5 million.

Section 2 also deletes references to nonprofit marketing cooperatives as potential borrowers while also deleting PPF loan provisions for potable water supply projects.

Section 3 makes additional housekeeping changes to AS 42.45.010 to delete outdated provisions regarding limitations on PPF loans and to provide that PPF loans for purposes other than power projects are subject to the same limitations on interest and other restrictions as are loans for power projects.

Section 4 amends AS 42.45.250 to reflect the name change of the publication The Weekly Bond Buyer to The Bond Buyer in relation to average weekly yield of municipal bonds and BFRLF interest charges.

Section 5 would amend the BFRLF statute, AS 42.45.250, to add a new subsection authorizing AEA to borrow money from the PPF when necessary to meet bulk fuel loan commitments and authorizing AEA to repay these loans from the BFRLF.

Section 6 provides for an immediate effective date.

BULK FUEL BRIDGE LOAN
PROGRAM HISTORY (\$000)

| Community | 2004 | 2005 | 2006 | 2007 | 2008 | Total | Current Balance |
|----------------|---------------|-----------------|-----------------|-----------------|---------------|-----------------|-----------------|
| Alakanuk | \$ 39 | | | | | \$ 39 | |
| Arctic Village | | \$ 71 | | | | \$ 71 | \$ 5 |
| Atmautluak | | | \$ 88 | \$ 47 | | \$ 135 | \$ 37 |
| Beaver | \$ 12 | | | | | \$ 12 | |
| Buckland | | | | \$ 535 | | \$ 535 | \$ 297 |
| Chalkiytsik | \$ 14 | \$ 16 | \$ 17 | \$ 25 | | \$ 72 | |
| Chauthbaluk | | | \$ 51 | \$ 13 | | \$ 64 | \$ 6 |
| Chignik | | | \$ 97 | \$ 176 | | \$ 273 | \$ 43 |
| Chignik Lake | \$ 51 | \$ 53 | \$ 75 | | | \$ 179 | \$ 20 |
| Clarks Point | | | \$ 8 | \$ 321 | | \$ 329 | \$ 71 |
| Crooked Creek | \$ 13 | | | | | \$ 13 | |
| Egegik | | | \$ 54 | \$ 15 | \$ 65 | \$ 134 | \$ 58 |
| Emmonak | | \$ 113 | \$ 88 | \$ 115 | | \$ 316 | \$ 77 |
| Ivanof Bay | \$ 18 | | | | | \$ 18 | |
| Kotlik | \$ 322 | \$ 527 | \$ 499 | | | \$ 1,348 | \$ 140 |
| Koyukuk | \$ 56 | \$ 56 | \$ 126 | \$ 113 | | \$ 351 | |
| Larsen Bay | | | \$ 127 | \$ 130 | | \$ 257 | \$ 87 |
| St. Michael | | | | \$ 39 | | \$ 39 | |
| Nelson Lagoon | | | \$ 80 | | | \$ 80 | |
| Pilot Point | | | \$ 171 | \$ 264 | \$ 44 | \$ 479 | \$ 118 |
| Port Heiden | | \$ 232 | \$ 283 | \$ 345 | | \$ 860 | \$ 268 |
| St. George | \$ 112 | | | | | \$ 112 | |
| Newtok | | | | \$ 70 | | \$ 70 | \$ 23 |
| Tuluksak | | \$ 85 | \$ 289 | | | \$ 374 | |
| Tuntutuliak | \$ 4 | \$ 88 | \$ 53 | \$ 81 | | \$ 226 | \$ 54 |
| Twin Hills | | | \$ 65 | \$ 101 | | \$ 166 | \$ 79 |
| Total | \$ 641 | \$ 1,241 | \$ 2,171 | \$ 2,390 | \$ 109 | \$ 6,552 | \$ 1,383 |

** Balance Due from AVEC on Completion of Purchase of Electric Utility

#2.61M Fund

Adopted 3/29/08
AMENDMENT #1

IN SENATE FINANCE COMMITTEE

By Olson

To: CS HB 338 (FIN), Bulk Fuel Loan Fund

Insert new section 4 that amends AS 42.45.250 (e)(1) to read:

"(1) may not exceed \$500,000 [\$400,000], or, if the borrower is a cooperative corporation organized under AS 10.15 or an electric cooperative organized under AS 10.25 and uses the loan to purchase bulk fuel on behalf of more than one community, may not exceed the lesser of \$500,000 [\$400,000] multiplied by the number of communities on whose behalf the bulk fuel is to be purchased, \$1,800,000 [\$1,500,000].

This amendment increases
the loan limits for the
Bulk Fuel Loan Fund. to
better match the increased
cost of fuel.

Adopted

AMENDMENT

IN SENATE FINANCE COMMITTEE

By Olson

To: CS HB 338 (FIN), Bulk Fuel Loan Fund

Insert new section 4 that amends AS 42.45.250 (c)(1) to read:

"(1) may not exceed \$500,000 [\$400,000], or, if the borrower is a cooperative corporation organized under AS 10.15 or an electric cooperative organized under AS 10.25 and uses the loan to purchase bulk fuel on behalf of more than one community, may not exceed the lesser of \$500,000 [\$400,000] multiplied by the number of communities on whose behalf the bulk fuel is to be purchased, \$1,800,000 [\$1,500,000].

This amendment increases the loan limits for the Bulk Fuel Loan Fund. to better match the increased cost of fuel.

Audit Report

STATE OF ALASKA

SINGLE AUDIT

For the Fiscal Year
Ended June 30, 2007



Audit Control Number:

02-40008-08

Division of Legislative Audit
P.O. Box 113300, Juneau, Alaska 99811-3300

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

One recommendation was made to the Department of Commerce, Community, and Economic Development (DCCED) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2006*. The prior year recommendation has been resolved.

One new recommendation has been made during the FY 07 statewide single audit and is included as Recommendation No. 15.

Recommendation No. 15

The Department of Commerce, Community, and Economic Development (DCCED), Director of Administrative Services, should improve internal controls over the bulk fuel revolving loan program and should seek legal clarification regarding the department's authority to administer the program.

DCCED does not have adequate controls for monitoring its bulk fuel loan program nor has the department properly reported the financial activity in the State's comprehensive annual financial report (CAFR). Further, DCCED may lack statutory authority to operate this program as a revolving loan fund.

Rural Alaska communities that do not qualify for the Alaska Energy Authority's bulk fuel loan program, may apply for a no interest loan to purchase heating fuel under DCCED's bulk fuel revolving loan program. Since DCCED's program began in FY 05, the State has paid over \$2.2 million to capitalize the activity in a loan fund (\$1.4 million of the funding was federal). The cash and loan activities are managed by a contractor who is responsible for making new loans and receiving the repayments. The cash is maintained in a separately identified bank account by the contractor. DCCED has not required the contractor to either routinely report on the loan activities or provide bank statements on the cash balance. Not adequately monitoring the loan program puts the activity at a greater risk for fraud and/or errors in reporting.

The department has operated its bulk fuel revolving loan fund as a grant program and considers the expenditures to be grant payments. Because it considered the loan fund to be a grant program, DCCED does not report the cash or loans receivable associated with the loan program in the CAFR. This program should not be considered grant activity, since the State still maintains control over the cash and is entitled to the future loan repayments. Generally accepted accounting principles require this activity be reported as cash or receivable rather than expenditures since the payments are to capitalize the loan fund over which the State maintains control.

We recommend DCCED's administrative services director improve internal controls over its bulk fuel revolving loan fund. Annually, the program's financial activity, including cash and receivable balances, should be included in the CAFR. Further, since the program is not a grant program, we recommend the department seek legal clarification regarding its statutory authority to administer the revolving loan fund.

Agency Response – Department of Community, Commerce, and Economic Development

I have reviewed the preliminary audit regarding the FY07 Statewide Single Audit and appreciate the opportunity to respond. The one recommendation states that the Director of Administrative should improve internal controls over the bulk fuel revolving loan program

and should seek legal clarification regarding the department's authority to administer the program. The Management Letter discusses three factors as follows:

DCCED does not have adequate controls for monitoring the program... and has not required the contractor to routinely report on the loan activity... DCCED disagrees. The program began in FY05 and throughout that period a detailed accounting was maintained of each community receiving a loan. Prior to the program being transferred to a new Grantee in September 2005 an in depth reconciliation was completed that identified by community, the amount(s) loaned, paid back, and outstanding; amount paid to the grantee for its administrative fees and travel; interest earned; amount held in the bank, and the amount "transferred to the new Grantee.

Since then, the Grantee has periodically prepared various statements reflecting loan amounts, amounts outstanding and cash held. Additionally, DCCED has maintained a summary analysis reflecting the amounts paid to the Grantee for loans, administrative fees, and travel.

DCCED has not properly reflected the financial activity in the State's comprehensive annual financial report. DCCED agrees. This program should be recognized as a revolving loan program and reflected as such in the State's comprehensive annual financial report.

DCCED may lack statutory authority to operate this program as a revolving loan fund. DCCED also believes it lacked statutory authority to implement this revolving loan program. In fiscal year 2005 DCCED presented its concerns to the administration. It was determined that the program could be implemented by DCCED entering into a Grant Agreement with a Grantee whom would then implement and provide the day-to-day administration of the revolving loan program.

It was also supposed to have been a one-year program. It has since evolved into a continuing program.

DCCED believes that if the program is to continue, it should be established in statute as a revolving loan program and administered by DCCED in the same manner as DCCED's other revolving loan programs. And, if the program is not established in statute it should be discontinued. The determination has been made that this program should continue. Legislation has been introduced to establish the loan program in statute.

Contact Person: Philiciann (Phil) Bennett, Finance Officer
Division of Administrative Services
Telephone: (907) 465-5545

Legislative Audit's Additional Comments:

We have reviewed DCCED's response and nothing contained in the response provided sufficient information to persuade us to revise this recommendation.

Since the bulk fuel revolving loan program was transferred to a new contractor in 2005, DCCED has not required bank statements or quarterly financial reports. Generally, the contractor provided loan information to DCCED as part of the annual grant application process. Given the large amount of cash maintained by the contractor, we believe more aggressive monitoring of the program is warranted. We affirm our recommendation.