

ALASKA STATE LEGISLATURE
JOINT COMMITTEE
LEGISLATIVE BUDGET AND AUDIT
October 23, 2001
1:10 P.M.

MEMBERS PRESENT

Senator Gene Therriault, Chair
Senator Lyman Hoffman
Senator Randy Phillips
Senator Jerry Ward (teleconferenced)
Senator Gary Wilken (teleconferenced) (alternate)

Representative Hugh Fate, Vice Chair (teleconferenced)
Representative John Davies (teleconferenced) (alternate)
Representative Ken Lancaster

MEMBERS ABSENT

Senator Dave Donley

Representative John Harris
Representative Reggie Joule
Representative Eldon Mulder
Representative Bill Williams (alternate)

COMMITTEE CALENDAR

APPROVAL OF COMMITTEE MINUTES
September 7, 2001

REVISED PROGRAM RECEIPTS (RPL's)
01-02-8037
05-02-0625
08-02-0128CAP
09-02-0022
10-02-4021
11-02-0428
12-02-0075
12-02-0100CAP
25-02-6470
45-02-0007CAP

EXECUTIVE SESSION

AUDIT REPORTS

OTHER COMMITTEE BUSINESS
Division of Family & Youth Services
School District Waivers
University Capital Appropriation

WITNESS REGISTER

HEATHER BRAKES, Legislative Assistant to
Senator Gene Therriault
Alaska State Legislature
Capitol Building, Room 121
Juneau, Alaska 99801-1182
Telephone: (907) 465-6590

DAVID TEAL, Director
Legislative Finance Division
Alaska State Legislature
P.O. Box 113200
Juneau, Alaska 99811-3200
Telephone: (907) 465-3795
POSITION STATEMENT: Addressed the RPL's

PAT DAVIDSON, Director
Legislative Audit Division
Alaska State Legislature
P.O. Box 113300
Juneau, Alaska 99811-3300
Telephone: (907) 465-3830
POSITION STATEMENT: Introduced the audit reports

KAREN REHFLED, Director
(Testified via Teleconference)
Department of Education & Early Development
Education Support Services
801 West 10th Street #200
Juneau, Alaska 99801-1894
Telephone: (907) 465-8650
POSITION STATEMENT: Spoke to RPL 05-2-0625

DR. ARDY SMITH MILLER
(Testified via Teleconference)
Department of Education & Early Development
Teaching and Learning Support Services
801 West 10th Street #200
Juneau, Alaska 99801-1894
Telephone: (907) 465-2971
POSITION STATEMENT: Spoke to RPL 05-2-0625

JAMES MCMILLAN, Deputy Director-Credit
Alaska Energy Authority (AEA) &
Alaska Industrial Development Export Authority (AIDEA)
813 West Northern Lights Boulevard
Anchorage, Alaska 99503
Telephone: (907) 269-3000
POSITION STATEMENT: Spoke to RPL 08-02-0128

NICO BUS, Administrative Services Manager
(Testified via Teleconference)
Department of Military & Veterans Affairs &
Department of Natural Resources

400 Willoughby Avenue, Suite #500
Juneau, Alaska 99801-1724
Telephone: (907) 465-2406
POSITION STATEMENT: Spoke to RPL 09-02-0022

GARY BROWN
Department of Military & Veterans Affairs
Division of Emergency Services
P.O. Box 5750
Fort Richardson, Alaska 99505
Telephone: (907) 428-7036
POSITION STATEMENT: Spoke to RPL 09-02-0022

NANCY SLAGLE, Director
(Testified via Teleconference)
Department of Transportation and Public Facilities
Division of Administrative Services
3132 Channel Drive
Juneau, Alaska 99801-7898
Telephone: (907) 465-3911
POSITION STATEMENT: Spoke to RPL 09-02-0022

JOAN BROWN, Chief Budget Analyst
(Testified via Teleconference)
Office of Management and Budget
Office of the Governor
Court Plaza Building
240 Main Street #802
Juneau, Alaska 99801
Telephone: (907) 465-4681
POSITION STATEMENT: Spoke to RPL 09-02-0022

ROBERT WELLS, Director
Department of Natural Resources
Division of Agriculture
1800 Glenn Highway, Ste. #12
Palmer, Alaska 99645-6736
Telephone: (907) 761-3866
POSITION STATEMENT: Spoke to RPL 10-02-4021

KEVIN BROOKS, Director
(Testified via Teleconference)
Department of Fish & Game
Division of Administrative Services
P.O. Box 25526
1255 West 8th Street
Juneau, Alaska 99811-5526
Telephone: (907) 465-5999
POSITION STATEMENT: Spoke to RPL 11-02-0428

WAYNE REGELIN, Director
(Testified via Teleconference)
Department of Fish & Game
Division of Wildlife Conservation

P.O. Box 25526
1255 West 8th Street
Juneau, Alaska 99811-5526
Telephone: (907) 465-4190
POSITION STATEMENT: Spoke to RPL 11-02-0428

JOEL HARD, COL., Director
Department of Public Safety
Division of Fish & Wildlife Protection
5700 East Tudor Road
Anchorage, Alaska 99507-1225
Telephone: ((907) 269-5509
POSITION STATEMENT: Spoke to RPL 12-02-0075 & 12-02-0100

ACTION NARRATIVE

TAPE LBA 01-10, SIDE A

CHAIR GENE THERRIAULT called the Joint Committee on Legislative Budget and Audit meeting to order at 1:10 P.M. on October 23, 2001. Members present at the call to order were Senators Therriault, Phillips and Hoffman and Representative Lancaster. Members present on teleconferenced line were Senators Ward and Wilken and Representatives Fate and Davies.

APPROVAL OF THE MINUTES

CHAIR THERRIAULT announced that the first order of business would be the approval of the minutes from the September 7, 2001 Legislative Budget and Audit Committee meeting.

SENATOR RANDY PHILLIPS MOVED approval of the minutes and asked for unanimous consent. There being NO OBJECTION, the minutes were approved and adopted.

REVISED PROGRAM RECEIPTS (RPL's)

RPL Number: 01-2-8037

Office of the Governor
Coastal Impact Assistance Program

WITHDRAWN

RPL Number: 05-02-0625

Department of Education & Early Development
Reading Excellence Act Grant

\$3.617 Federal CFDA 84.338A Operating

SENATOR PHILLIPS MOVED to ADOPT RPL #05-02-0625 for the purpose of discussion.

KAREN REHFELD, Director, Education Support Services, Department of Education & Early Development, (Testified via Teleconference), explained that the Department has received a new, federal grant award from the U.S. Department of Education under the Reading Excellence Act (REA). Nearly all of the funds would be granted to Alaska schools that need to improve the reading level of their students. Grant activities include the issuance of grant awards to schools to improve reading levels of students, professional development for teachers, administrators and parents, the establishment of family literacy programs and an evaluation.

Ms. Rehfeld continued that the Department had not anticipated receiving the federal funds when the FY02 budget was prepared. She noted that there was not sufficient authorization in the current budget for the funds.

Ms. Rehfeld pointed out that Alaska was one of thirteen states to receive the REA grant. The funding would be used for eligible schools to improve the reading level of their students. The number and percentage of children living in poverty would determine eligibility for the funds. The federal government has identified thirty-nine schools in eleven districts as being eligible. She noted that a copy of the eligible schools was included in each member's packet. [Copy on File].

The grant contains funding for two new positions. The positions would last for the duration of the grant. The majority of the funds would be used for grants to the school districts and would be available through FY 2004. At that time, the State could expect to receive an additional \$5.1 million dollars for the program. She added that the Department was requesting increased federal authorization in the FY03 budget to allow for receipt and expenditure of the funds.

In response to Senator Phillip's concerns, Ms. Rehfeld pointed out that the grant includes funding for two positions. Those positions would only be funded for the duration of the grant.

SENATOR PHILLIPS asked the total number of positions currently existing in the Department of Education & Early Development.

KAREN REHFELD replied that there are three hundred sixty-five total employees within the Department. This particular component of the budget has a total of twenty-seven positions and that all the positions are located in Juneau.

SENATOR WILKEN questioned why the Department would need a new initiative called Read Alaska. He suggested that the money should be given to the school districts to be used for their current reading programs.

DR. ARDY SMITH-MILLER, Teaching and Learning Support Services, Department of Education & Early Development, (Testified via Teleconference), commented that the grant requires that the Department have a full-time position to administer this grant. In order to meet the requirements, a full time reading coordinator position was included.

SENATOR WILKEN referenced Page 2 of the handout and asked if the \$160 thousand dollars was being removed from the grant for administrating costs.

KAREN REHFELD explained that there was some funding included in the contractual line that would also be used for direct program activities.

SENATOR WILKEN asked what the "new" person would bring to the reading programs that do not currently exist in the State.

DR. MILLER responded that of the two positions, only one would be a professional level position. That person would be tasked with charting reading activities of the participating schools throughout the State. The position would involve working with the local administrators and teachers in order to guarantee that they develop and implement a reading plan that is balanced and comprehensive. Dr. Miller emphasized that those are the requirements of the grant.

SENATOR WILKEN inquired if any of the funding would be used for English as a second language (ESL).

DR. MILLER replied that the money would be used to assist students that are bilingual or ESL with developing reading skills in English.

SENATOR PHILLIPS reiterated why the money could not be distributed to the local school districts.

CHAIR THERRIAULT asked if there was a criterion used to identify the eleven school districts, which the funds would be distributed to.

DR. MILLER responded that there are very specific requirements. She added that that the federal government requires that the State conduct a couple of activities that would require money used at the administrative level. Approximately two percent of the grant is to be set aside for a statewide program evaluation. The Department would

contract with an outside agency as required by the grant for that evaluation. She added that there is a considerable amount of oversight required by the grant and that the Department does not have the time to provide that work. In previous applications for the grant, one reason that the State did not receive the funding was because adequate personnel oversight was not available to administer it.

SENATOR PHILLIPS questioned why the positions could not just be funded and then divide the funding among all school districts.

DR. MILLER emphasized that there are clear guidelines and criteria from the federal agency determining how schools could be eligible. That criteria was focused on the districts and schools within districts that have the highest number of children identified under the Title 1 regulations as being from low-income families. She stressed that criteria has been established. The only schools eligible were any identified under Title 1 as schools in need of improvement through their program criteria. She advised that she had checked with the federal office to determine if there was any leeway in that criteria and she was told that there was none. Dr. Miller reiterated that it is not an option to divide the funding among the districts in an equitable basis.

SENATOR PHILLIPS commented that everything is income driven.

DR. MILLER disagreed. She stated that the criteria include identification of schools in greatest need. That information is based on the student's performance on the standardized examinations. There is a piece of academic need as well as economic need.

CHAIR THERRIAULT asked if that could determine the total amount of money available.

DR. MILLER advised that criteria was used to determine which schools were eligible to receive assistance under this grant.

VICE-CHAIR FATE inquired if any of the funds would be going to non-profit or profit entities in rural Alaska.

DR. MILLER reiterated that the funds could only be granted to school districts. Those districts will then develop a reading improvement plan and are encouraged to involve local non-profit entities and other governmental agencies. There is one component to the grant, the tutorial assistance component, in which the districts can use those funds to contract with private tutorial agencies in order to provide additional assistance to students that need tutoring outside the school day. That piece of the grant, which is 15% of

the total, is set aside specifically for contracting with agencies outside the district.

VICE-CHAIR FATE asked if an outcome could be determined at the end of the project.

DR. MILLER commented that the grant has a clear requirement of program effectiveness and student achievement. That is why the grant contains the provision that approximately 2% of the total funds are to be used for program evaluation. The program effectiveness will be evaluated based on increased student achievement as measured on the standardized examinations, benchmark examinations over time and the State's standardized exam.

REPRESENTATIVE DAVIES asked why some of the schools in Fairbanks did not make the list. He claimed that there are a significant number of students below the Title 1 poverty level in that area. He asked if there had been a district-wide filter applied.

DR. MILLER explained that the criteria used to determine eligibility was first applied to the individual districts. Using the criteria of having the highest, absolute number of children living in poverty, the Anchorage and Mat-Su school districts both had a higher number under the Title 1 definition than did Fairbanks. She recounted that the Fairbanks district had not been included in the initial selection filter.

REPRESENTATIVE DAVIES voiced his concern with the decision and the way in which the filter was applied. He recommended that the decision be re-examined.

DR. MILLER commented that she would look at the criteria again. She did not anticipate that this particular grant would be able to be used to assist the Fairbanks School District, however, noted that she would work closely with that district to identify grants from other areas to assist those students referenced by Representative Davies.

CHAIR THERRIault inquired if the Department had the latitude to investigate the filtering process.

DR. MILLER replied that the criteria are clearly directed from the federal level. The only latitude would be to go back to take a check of the poverty data for the population districts. She did not anticipate there would be a change.

CHAIR THERRIault pointed out that the Department had the previous authorization, which covered initial costs. He noted that this request was for additional authorization.

KAREN REHFELD interjected that the Department had not yet received the second portion of the grant. She noted that it was a timing issue and would be included in the FY03 budget.

SENATOR WILKEN recommended that criteria be revisited. He requested that information referenced in the grant be highlighted and submitted to his office.

SENATOR HOFFMAN pointed out that Hampton School District was the "poorest" in the State and that only one school in that district had been included. He questioned why.

DR. MILLER offered to double-check that information. She reiterated that the criteria used from the federal office were very clear. Part of the results stem from the fact that the very small schools do not qualify under a particular portion of the grant because of their size. However, the selection of schools with the highest and second highest percentage of children living in poverty would be that piece designed to pick up those small schools with high numbers of low income children. She pointed out that six of the Lower Kuskokwim schools would be eligible.

SENATOR PHILLIPS asked if the military installations had been included in the process.

DR. MILLER explained that Metlakatla by their nature as designated as a community would be eligible for the tutorial assistance portion of the grant. They would not be only eligible for the regular reading improvement grants. She added that there was no provision included in the grant for consideration of any entity other than local education agents, which is by definition a school district. Once those were identified, there was no provision for consideration of anything other than a local school.

SENATOR PHILLIPS interjected that Fort Rich has three schools on that military base.

DR. MILLER noted that those schools had been considered. They were considered in the same manner as all other schools in the State.

CHAIR THERRIALT reminded members that there was a MOTION on the table to approve RPL 05-02-0625.

SENATOR PHILLIPS OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Senators Hoffman, Ward, Wilken, Therriault
Representatives Lancaster, Davies, Fate
OPPOSED: Senator Phillips

Senator Donley and Representatives Harris, Joule, Mulder and Williams were not present for the vote.

The MOTION PASSED (7-1).

RPL Number: 08-02-0128

Department of Community & Economic Development
Alaska Energy Authority
Bulk Fuel Revolving Loan Fund

\$5,000,000 Federal Receipts Capital

SENATOR PHILLIPS MOVED to ADOPT RPL #08-02-0128 for discussion purposes.

JAMES McMILLAN, Deputy Director-Credit, Alaska Energy Authority (AEA) & Alaska Industrial Development Export Authority (AIDEA), Department of Community & Economic Development, Anchorage, commented that the RPL would authorize receipt of a \$5 million dollar grant to the Alaska Energy Authority (AEA) to support the existing Bulk Fuel Revolving Loan Fund (BFRLF). The BFRLF provides low interest loans to rural communities to purchase several months worth of bulk fuel supplies. Proceeds from the retail sales provide the borrowers with the resources to repay the loan.

The existing revolving loan fund, over the past few years, has been insufficient to meet all the needs of the communities in supplying their annual fuel. The \$5 million dollars will allow AEA to attempt to meet those needs.

CHAIR THERRIault asked about the fund balance that currently exists.

JAMES McMILLAN responded that the account has never been overdrawn. When the account is low, there is an effort to maintain a "cushion" for emergency needs. Because of the recent demand, AEA has not been able to do that. Often the community's requests are cut in half in order that the fund is not depleted. The State has not yet received the draft agreement. Once the money is received and placed into that fund, as the loans are paid back, both the principle and interest would stay in that fund as permanent capitalization.

SENATOR PHILLIPS reiterated the MOTION to MOVE RPL 08-02-0128. There being NO OBJECTION, the motion passed.

RPL Number: 09-02-0022

Department of Military & Veterans Affairs
Anti-Terrorism Activities

\$1.842 Federal Operating

NICO BUS, Administrative Services Manager, Department of Military & Veterans Affairs, Juneau, (Testified via Teleconference), explained that the request was for \$1.842 million dollars of federal authorization to be made available for potential federal grants associated with anti-terrorism activities. He noted that \$642 thousand dollars of the authorization would be specific to a Department of Justice grant; the remaining \$1.2 million dollars would be a "bridge" for funds expected to be received from the federal government. Those funds would be disbursed quickly when they arrive.

Mr. Bus noted that the \$642 thousand dollars portion would provide for the State's ability to grant communities the purchasing power to buy individual protective equipment for the first responders to a terrorist event. He added that the \$1.2 million dollars would support a variety of anti-terrorism associated activities.

Mr. Bus noted that Gary Brown was present to discuss the U.S. Department of Justice's grant if the Committee had questions.

VICE-CHAIR FATE asked if there was a list of priorities for the equipment uses.

GARY BROWN, Division of Emergency Services, Department of Military & Veterans Affairs, Ft. Richardson, advised that there is a "list in the making" at this time. From the initial \$406 thousand dollars, \$85 thousand of those dollars were determined to develop an assessment of the Alaskan communities and the first responder's capabilities and needs. That assessment must be completed by December 15th.

CHAIR THERRIALT voiced concern that the personnel service costs were not yet determined. He asked what the State was obligated to pay for to address the potential matched costs and if the Department anticipated receiving any of the funds within the next month or two.

NICO BUS acknowledged that the \$1.2 million dollars was an unspecified amount. The understanding is that the money would be available and distributed based on federal criteria. Those funds would be reimbursed between now and December for the out of pocket expenses. He assumed that the Department would be able to provide a more detailed plan at the December meeting.

CHAIR THERRIAULT recommended that there needs to be a list of the agencies, the amount that they spend and why that amount was spent. He inquired if those costs were being tracked at this time.

SENATOR WARD asked if a list existed of the money spent since September 11, 2001.

NICO BUS responded that the Department had received requests from the various agencies including Department of Transportation & Public Facilities and the airport work.

TAPE LBA 01-10, SIDE B

NICO BUS continued that the amount had included many agencies and local police departments. He emphasized that this was a preliminary request.

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities, Juneau, (Testified via Teleconference), advised that the Department was tracking the expenditures and funds specifically related to the increased security needs in the rural airports and the marine highway terminals. Security has been increased. By the next LBA meeting in December, the Department should have numbers available. There are nineteen airports currently under federal requirements and that includes two international airports.

CHAIR THERRIAULT asked if waiting for the accounting would be a problem.

NANCY SLAGLE explained that Department of Transportation & Public Facilities is currently using their existing budget to pay for these expenses. She pointed out that the Department is coming toward the snow season, which could place additional pressure on the budget.

SENATOR WARD asked how much the local communities have spent since September 11th in regard to how much they had requested.

NANCY SLAGLE did not know that figure. She reiterated that the Department has been tracking these amounts and will have them itemized soon.

SENATOR WARD asked if the amount requested had been included in the \$14 million dollars requested by the Governor for terrorist activities in the State.

JOAN BROWN, Chief Budget Analyst, Office of Management and Budget, Office of the Governor, (Testified via

Teleconference), noted that she was not aware of a \$14 million dollar request from the Office of the Governor. She added that the Disaster Policy Council was meeting on a regular basis and charged with evaluating necessary activities in order to secure the State.

SENATOR WARD asked who was evaluating all that was currently being done in the State regarding this issue.

JOAN BROWN understood that the Disaster Policy Council was responsible for that work.

SENATOR WARD asked the amount authorized and who was authorized to spend that money.

JOAN BROWN did not know particulars but did know that Department of Transportation & Public Facilities was providing increased security at the airports, and that the public health labs were incurring additional costs and that the National Guard has been activated at the airports. She did not know the costs.

SENATOR HOFFMAN questioned the level of security required of these additional services.

NANCY SLAGLE responded that the Federal Aviation Agency (FAA) security guidelines are changing on a daily basis. She added that it appears that as time progresses, the FAA continues to add more hoops that passengers have to go through to receive clearance. There is an attempt to distinguish the level of security needed in the rural airports versus major hubs.

SENATOR WARD inquired if it was the FAA who had ruled in parts of the State like Bethel. He asked why there needs to be three armed guards in the small airports.

NANCY SLAGLE did not know if that was an FAA requirement or a National Guard/local police requirement.

SENATOR WARD asked if the requested funding could be used for the three positions in Bethel.

NICO BUS did not know the criteria at this time. The money will be received from the federal government and they will specify the criteria. He apologized for not having the details. He reiterated that the Department will provide the accounting as it occurs.

CHAIR THERRIault questioned if the money was passing through the State offices or the local governmental offices. He stressed that it was not the intent to leave any State agency "dry" during the middle of the fiscal year.

NICO BUS apologized that the details, which the Committee requested, were not available. He reiterated that the federal money would be used for both State and local government.

DAVID TEAL, Director, Legislative Finance Division, reminded the Committee that federal authorization can be used for anything once the authorization is there. This money may not be the actual dollars that are distributed. If there is federal authorization on the books for disaster planning and control, the agency can spend that money with the authorization. He advised that as a result of the terrorist acts, the State has already spent the money and that money needs to be replaced.

Mr. Teal added that the \$642 thousand dollars was an operating RLP. Any of the unspent balance of that money will lapse on June 30th.

CHAIR THERRIault suggested that would include using some of the other federal authorization. He believed that the State would not suffer a crisis.

DAVID TEAL recommended asking Mr. Bus how much federal authorization was on the books at this time in that component. That knowledge would provide an idea of how much it would be adding to.

NICO BUS replied that the money would come to the Division of Planning and Control and that operating budget is limited. The federal funding that is used for disasters is in the disaster relief fund and would require a formal declaration of a disaster. At that time, the State would be able to access unlimited federal funds.

Mr. Bus continued, the Department intends to have an assessment on the use for the \$642 thousand dollars by December 2001. The communities are eager to buy the equipment and begin the work required for the anti-terrorism laws.

GARY BROWN added that the \$642 thousand dollars was very specifically identified for equipment. As soon as the study is completed, that money with the remaining \$321 thousand dollars could be spent on equipment.

CHAIR THERRIault noted that he was not concerned with that amount. His concern rested with the \$1.2 million dollars.

SENATOR PHILLIPS voiced his concern with the accountability of that money. He did not think that the Department knew what they were "going after" and how that money would be spent. He recommended that every two weeks, a total expense budget be given to the Chair of the LBA Committee.

SENATOR WARD echoed support for the thoughts expressed by Senator Phillips. He believed that it was important for the Legislature to know what the Administration is doing on an on-going basis to address the terrorist concerns.

CHAIR THERRIault outlined the options of the Committee. The Committee could provide partial authorization on the proposed amount or they could provide for the full amount. He stated that he could review those amounts and release the funds accordingly. He felt that the Committee needs more information on releasing the entire \$1.2 million dollars to the Department.

DAVID TEAL pointed out that the LBA Committee does not know what might be associated with the authorization of the federal expenditures. He suggested that as part of the reporting requirement, the Committee should consider the intention to reimburse federal activities and/or to spend the authorization on activities that don't require a State match. Such an action would keep from tying up that money. He reiterated that it is important that the Committee respond to the terrorist activities.

CHAIR THERRIault inquired from Mr. Bus if the current mechanism used by the agency of coming to the LBA Chair for authorization has been working for the Department.

NICO BUS responded that the model being used for the gas pipeline is working well. He pointed out that the Department only requests authority on the books for the federal receipt authority. He noted that there would be no general fund match.

SENATOR HOFFMAN asked if any of the money would be used for situations associated with Anthrax.

NICO BUS stated that the terrorism funding would be covering that also. The expenditures would mostly be used for local governments responding to federal requirements for increased security at airports. He reiterated that the specific criteria for the federal funds are forthcoming.

REPRESENTATIVE DAVIES voiced his support with providing the \$1.2 million dollars with the understanding that the reports be submitted to the LBA Chair. He requested that a full report be provided at the December meeting and that it be included in the motion.

SENATOR PHILLIPS MOVED to ADOPT RPL 09-02-0022 with the understanding that the Department report to the LBA Chair every two weeks in order to keep a running total of what is being spent.

CHAIR THERIAULT asked for clarification of the motion and at what point his approval would be executed. He thought it would be preferable that the Department comes to the Chair with a list of proposed expenditures, which he could sign off on. Those items would be tracked when approved. Anything disapproved, would then come forward to the meeting.

NICO BUS agreed that would be acceptable.

SENATOR PHILLIPS acknowledged the proposal.

SENATOR WARD recommended that the motion should be to authorize the \$1.2 million dollars including a reporting procedure to the LBA Chairman every two weeks as well as a sign off procedure.

NICO BUS envisioned that as soon as the Department receives federal approval for funds, then that grant of approval would be given to Senator Therriault itemizing the criteria. He added that it might not be in two-week intervals, but rather depending on when the information was forthcoming delivered from the federal government.

SENATOR WARD voiced support for that concept.

SENATOR PHILLIPS WITHDREW the amended portion of the RPL and requested to add the concept proposed by Mr. Bus.

CHAIR THERIAULT clarified the MOTION and MOVED the \$642 thousand dollar portion of the request. There being NO OBJECTION, that portion of the request was adopted.

CHAIR THERIAULT stated that given the \$1.2 million dollars, the LBA Chair would be able to approve up to \$1.2 million dollars of receipt and expenditure from the federal authorization. As those funds come in, Mr. Bus would provide the back up to the Committee Chair for approval up to that dollar amount. If there is questionable spending, the Chair can decline to authorize the amount and then move it to the full Committee's consideration at the next meeting. There being NO OBJECTION, the motion was adopted.

RPL Number: 10-02-4021

Department of Natural Resources
Promoting Agriculture in Alaska

\$520,000 Federal Operating

SENATOR PHILLIPS MOVED to ADOPT RPL 10-02-4021 for discussion purposes. He observed that the Division of Legislative Finance had recommended that the request be

reduced to \$225,000 dollars and that the agency could request the remaining balance in FY03.

ROBERT WELLS, Director, Division of Agriculture, Department of Natural Resources, Palmer, explained that the Division received the grant from the U.S. Department of Agriculture for the purpose of promoting agriculture in Alaska. The goal is to build a marketing strategy and implement consumer education programs to strengthen markets for Alaska Grown products. Alaska's total allocation is \$520,000 dollars, which will be spent over three years to market Alaska Grown Products and promote direct markets for farmers.

He added that producers in Alaska are finding it increasingly difficult to sell their products due to mergers and consolidation in retail industry, increased costs to enter the market and the lack of a developed marketing infrastructure. However, research shows that consumer support is strong when consumers are reminded of the benefits of Alaskan Grown products and that those products are clearly identified as Alaska Grown.

CHAIR THERRIAULT asked for comments on the Division of Legislative Finance's recommendation.

ROBERT WELLS commented the recommendation would be satisfactory. He added that the Division is diligently working to determine ways to spend the money responsibly. He saw the need for television advertising time. He added that the Division currently has a matching grant program, which requires farm growers to match dollar for dollar up to \$2,500 dollars. It is a modest program but has doubled the amount of advertising that can be done. He believed that some of that funding could help bolster that program.

CHAIR THERRIAULT asked if any of the money would be made available for out-of-state marketing.

ROBERT WELLS replied that there is discussion with the Board of Agriculture regarding exporting of Alaska Grown Products. Three weeks ago, Alaska potatoes were exported to Taiwan. There has been consideration given to what export products Alaska might be able to move into. He noted, however, that nothing is on the table at this time. Mr. Wells pointed out that the preliminary budget does address these concerns and the cooperative marketing program.

CHAIR THERRIAULT advised that at this time, Alaska export is small enough that the station costs cannot be spread to many containers, which could create a barrier for breaking into that market. He saw potential right now to make some advances in the overseas market.

ROBERT WELLS acknowledged comments made by Senator Therriault, pointing out that the Division was open to those possibilities.

SENATOR WILKEN asked if this type of campaign had ever occurred previously in the State. He inquired how the programs success would be determined.

ROBERT WELLS responded that to date, the Division has not had this type of aggressive campaigning in the State of Alaska. Marketing was begun in 1986. He noted that success would be measured on a yearly basis with the reporting of sales of products in the State, depending on crop yields in any given year. He claimed that there are ways to measure the success.

SENATOR WILKEN questioned if there was a component within the RLP, which addresses the measurement of success and/or the market penetration.

ROBERT WELLS replied that the Division could guarantee that would be included.

SENATOR WILKEN acknowledged that was an important component and should be included.

SENATOR PHILLIPS MOVED to ADOPT RPL 10-02-4021 in the amount of \$225,000 dollars. There being NO OBJECTION, the RPL was adopted as adjusted.

RPL Number: 11-02-0428

Department of Fish & Game
Wildlife Conservation & Restoration CARA

\$265,000 Federal Receipts - Operating Budget

SEANTOR PHILLIPS MOVED to ADOPT RPL 11-02-0428 for the purposes of discussion.

TAPE LBA 01-11, SIDE A

KEVIN BROOKS, Director, Division of Administrative Services, Department of Fish & Game, explained that the Department of Fish & Game has applied for additional grants from the U.S. Fish & Wildlife Service for projects under the new federal Wildlife Conservation & Restoration Program (WCRP). The program was previously referred to as the Conservation & Reinvestment Act (CARA). The appropriated level of federal fund authority in the component is less than the amount of

grant funds available to the Department. The Department needs the additional funding.

The Legislature only authorized an expenditure of \$1,510 for FY02 and directed the Department, through the Intent Language to request additional spending authority via the Legislative Budget and Audit (LBA) Committee if Congress authorized funds for the program in FY03.

CHAIR THERRIault pointed out the notation indicated by Legislative Finance that the claim was a "bit dramatic".

KEVIN BROOKS agreed with the characterization that the language was a little dramatic, however, acknowledged that those are projects, which the Department would like to see "up and running". There would be a statewide benefit for implementation of the projects.

Since the RPL was submitted, all correspondence has been forwarded to the Legislative Finance Division. There is approval of \$2.4 million dollars for the current fiscal year from the federal government, with receipt authority of \$1.5 million dollars. The issue is whether or not the Department can expect continuation of the funding.

CHAIR THERRIault remembered that there had been concern in approving these requests. He asked if there would be timing problems in holding off on the proposal. He commented that he would prefer to reschedule the request for the next meeting.

WAYNE REGELIN, Director, Division of Wildlife Conservation, Department of Fish and Game, Juneau, (Testified via Teleconference), commented on the specifics of the timing. He explained that the programs that the Department would like to get started this current year are all ones that need to occur in May and June. If the Division waits for the Legislature, those projects will not be able to be started in a timely fashion. He indicated the projects being proposed:

- Alaska Bird Observatory
- Anchorage Coastal Wildlife Refuge
- Public Service Kiosk
- Wildlife Viewing Guides
- Chilkoot Viewing Program
- Department of Fish & Game Indirect Costs

REPRESENTATIVE JOHN DAVIES MOVED to APPROVE a reduced amount. He recommended specifically:

- The Alaska Bird Observatory in the amount of \$30 thousand dollars,
- The Anchorage Coastal Wildlife Refuge in the amount of \$35 thousand dollars,
- The Chilkoot Viewing Program in the amount of \$20 thousand dollars, and
- Indirect Costs in the amount of \$5 thousand of the \$15 thousand dollars

He MOVED the total amount of \$90 thousand dollars be adopted for RPL 11-02-0428.

SENATOR PHILLIPS asked why those specific items were chosen.

REPRESENTATIVE DAVIES commented that those items are all the ones that need to get into the field by summer. The other two are pilot programs and a lower priority.

REPRESENTATIVE LANCASTER asked if the Committee did not fully funding the component, would that action jeopardize the State's ability to receive the WCRP funding in the future.

KEVIN BROOKS replied that it would not jeopardize that funding. The Division has been given a couple years to spend the total funding dollars.

VICE-CHAIR FATE asked if the funds would go through Fish and Wildlife funds.

KEVIN BROOKS explained that these funds were classified as federal aid dollars, not fish and game funds.

CHAIR THERRIAULT pointed out that there was a motion on the table made by Representative Davies. There being NO OBJECTION, RPL 11-02-0428 was adopted.

RPL Number: 12-02-0075
RPL Number: 12-02-0100CAP

Department of Public Safety
 Marine Fisheries Patrol Improvements
 Marine Fisheries Patrol Enhancements-Two Vessels

\$601,450 Federal Receipts
\$400,000 Federal Receipts

SENATOR PHILLIPS MOVED RPL 12-02-0075 and RPL 12-02-0100CAP for purpose of discussion.

JOEL HARD, COL., Director, Division of Fish & Wildlife Protection, Department of Public Safety, advised that the

two RPL's were intended to receive and expend some federal money that has been made available through the Natural Marine Fisheries Service for enhanced marine fisheries patrol. The funding has never been available before this time. The funding potential is a result of lengthy negotiations with that agency.

Col. Hard noted that the money has not yet been received. It has been given tentative approval through that agency. It represents money that has been passed through the Coastal Stewardship Act for law enforcement intentions. He added that because they do not have the infrastructure to provide that law enforcement, they have chosen the Division to assume that responsibility.

Col. Hard informed members that there are twenty-five coastal states vying for the money.

CHAIR THERRIault voiced concern with the first RPL, which is an operating request. He asked if there were federal monies coming through to help with staffing resulting from the request. He asked if there would be opposition in making the \$601,000 part of a capital request. When that money was gone, the positions would be eliminated.

COL. HARD acknowledged that was the intent. He reiterated that it would make no difference if it were classified as a Capital Improvement Project (CIP) issue.

SENATOR PHILLIPS referenced RPL 12-02-0100CAP noting that all of the vessels were stationed in Southeast Alaska.

COL. HARD clarified that was the way it appears because of the separation of the RPL's. The proposal is to replace aging vessels. The most aged vessels in that class are in Southeast Alaska and represent a broader look at the overall marine patrol requirements of the Division.

REPRESENTATIVE LANCASTER asked if the contractual services listed on RPL 12-02-0075 would be seasonal-type jobs.

COL. HARD replied that the money associated with the first RPL is intended to increase aircraft and marine operating hours. That could involve the personnel services of existing employees. Additionally, there is a component which would increase the seasonal aid man-months that the Division has for current employees. There are two positions called "contract" employees, which would act as police-type help. They would perform certain police functions and would assist with further investigations.

CHAIR THERRIault asked if it was permissible to be working on both the operating and capital budget at the same time.

DAVID TEAL explained that technically there is no difference between the capital and operating budget. The concern can be addressed easily. He provided the option of not approving RPL 12-2-0075 and instead adding the \$601,450 to RPL 12-02-0100CAP to the capital request. That action would provide a single RPL approval.

CHAIR THERRIAULT warned that with turning down one of the RPL's, all the verbiage would also be lost in that action.

DAVID TEAL advised that the verbiage is not really important, as it is just a description. The move would only put receipt authority on the books, allowing the Department to spend it as they wish.

SENATOR HOFFMAN asked how old were the two referenced 25-foot Boston whalers.

COL. HARD guessed that they were over twenty years old. Eventually, the State will end up with only two vessels rather than the current four. He pointed out that the State has sold about seven boats in the last four years. The Division is operating at this time with only five boats.

SENATOR PHILLIPS MOVED that RPL 12-02-0075 be made into a capital request-funding category.

REPRESENTATIVE DAVIES asked if there would be any difference in how long the receipt authority would last if it were authorized as a capital rather than an operating request.

DAVID TEAL responded that there would be a technical difference. If it were a capital request, the money would not lapse on June 30th; if it were an operating request, the funds not spent by June 30th would go away.

CHAIR THERRIAULT commented that he did not have a problem with carrying the federal authority forward into future years.

Chair Therriault referenced the MOTION to ADOPT RPL 12-02-0075 on the table. There being NO OBJECTION, it was adopted.

SEANTOR PHILLIPS MOVED to ADOPT RPL 12-02-0100. There being NO OBJECTION, it was approved.

RPL Number: 25-02-6470

Department of Transportation & Public Facilities
TSAIA Federal Drug Seizure

\$100,000 Federal

U.S. Department of Justice/Federal Forfeiture

SENATOR PHILLIPS MOVED to ADOPT RPL 25-02-6470 for purposes of discussion.

NANCY SLAGLE explained that the federal government would allow the sharing of funds seized during drug law enforcement operations at the Ted Stevens Anchorage International Airport (TSAIA). The federal reimbursement for property and cash recovered in these operations at the airport could be used for safety related items not previously budgeted at TSAIA. The funds would provide additional safety training courses and equipment to airport security officers. The primary purpose of the Department of Justice forfeiture program is to deter crime by depriving criminals of the profits and proceeds of their illegal activities and to weaken criminal enterprises by removing the instrumentalities of crime. An ancillary purpose of the program is to enhance cooperation among federal, state, and local law enforcement agencies through the equitable sharing of federal forfeiture proceeds.

There being NO OBJECTION, RPL 25-02-6470 was adopted.

RPL Number: 45-02-0007CAP

Arctic Region Supercomputer Purchase

\$32,000,000 Capital-University Receipt Authority

SENATOR PHILLIPS MOVED to ADOPT RPL 45-02-0007 for discussion purposes.

CHAIR THERRIAULT asked if there was any opposition from moving the receipt authority from federal receipt to University receipts to be increased by \$2 million dollars. There being NO OBJECTION, RPL 45-02-0007 was approved.

EXECUTIVE SESSION

REPRESENTATIVE LANCASTER made a motion, in accordance with Title 24 and 44, to MOVE into Executive Session for the purpose of discussing audit reports, which are held confidential by law. There being NO OBJECTION, the Committee went into Executive Session at 3:20 P.M.

CHAIR THERRIAULT requested that Pat Davidson (Legislative Auditor), her staff and Committee Staff, Heather Brakes be present for the Executive Session.

The Committee resumed Open Session at 3:45 P.M.

AUDIT REPORTS

REPRESENTATIVE LANCASTER MOVED to release the following preliminary audits to the agencies for response:

- DCED/Board of Chiropractic Examiners
- DCED/Board of Examiners in Optometry
- DCED/Board of Professional Counselors
- DFG/Wildlife Conservation-Hunter Information & Training Program

There being NO OBJECTION, the preliminary audit reports were released for agency response.

REPRESENTATIVE LANCASTER MOVED to release the final audit report as public:

- DOA/AKSAS

There being NO OBJECTION, the audit was released for public response.

REPRESENTATIVE LANCASTER MOVED to release the final audit report as public:

- DLWD/Division of Vocational Rehabilitation

REPRESENTATIVE DAVIES OBJECTED. He asked that issue be held in Committee until the next scheduled meeting.

A roll call vote was taken on the motion.

IN FAVOR: Senator Hoffman, Ward, Wilken, Therriault
Representatives Lancaster, Fate
OPPOSED: Representative Davies

Senators Donley and Phillips and Representatives Harris, Joule, Mulder, and Williams were not present for the vote.

The MOTION PASSED (6-1).

CHAIR THERRIAULT noted that he would get together with Representative Davies to discuss a follow-up meeting on the audit and the material contained in it.

REPRESENTATIVE DAVIES voiced his concern that releasing the audit may preclude some of those concerns.

The audit was released for public response.

OTHER COMMITTEE BUSINESS

Division of Family and Youth Services

CHAIR THERRIault pointed out that there was one audit request proposed for the Committee's consideration.

PAT DAVIDSON, Director, Legislative Audit Division, Alaska State Legislature, advised that an audit request had been submitted by Representative Chenault regarding financial services for the Division of Family and Youth Services (DFYS). The request asks for a detailed audit of the entire Division. She noted that her office was working with his staff to further define the specific objective of the audit.

Ms. Davidson explained that when the objectives are determined, those handled in the up-coming federal review will be excluded and that her office would work with the representative's staff to prioritize the other issues.

CHAIR THERRIault commented that the proposed scope of the audit was "fairly" broad. He pointed out that it falls into the same category as the request made by Representative Fate at an earlier meeting.

PAT DAVIDSON noted that she had been working with Representatives Chenault's aid, Sue Wright, who has been sent copies of the areas of the federal review. Ms. Davidson reiterated that her office would meet with Representative Chenault's office to discuss the audit and to prioritize the issues.

CHAIR THERRIault advised that it was his preference to hold the request until the Division of Legislative Audit staff works with Representatives Chenault's office.

School District Waivers

CHAIR THERRIault mentioned that the Department of Education & Early Development has been requested to submit to the LBA Committee, a listing of the different school districts requesting waivers for funds going into the classrooms. He added that he had requested that those waivers be submitted to the entire Committee so that they could be outlined.

University Capital Appropriation

CHAIR THERRIault referenced work to be done on the University of Alaska-Anchorage (UAA) campus. UAA was issued a capital appropriation with fairly broad language for that type of work. In the course of doing the work on the campus this year, leaking pipes in the hot water distribution system were found in a number of the buildings. The broad language was such that they did have authorization to take some of the capital funds and address the problem. However, when they requested the broad language, they also attached a

list of projects and fixing the leaking pipes was not included.

The University was concerned since they had deviated from the original intent of what the money was issued for. UAA felt compelled to come back and disclose that change to the Legislature.

REPRESENTATIVE DAVIES asked the amount the actual work cost.

CHAIR THERRIALT responded that the work cost about \$1 million dollars.

REPRESENTATIVE DAVIES asked if Senator Therriault believed it was a legitimate emergency.

CHAIR THERRIALT replied it was and suggested that it was cost effective to address it at the time it was discovered.

School District Waivers

SENATOR WILKEN understood that there had been twenty-nine waivers requested of which eleven have been approved. He hoped that when the Legislative session starts, there would be time to spend with the Department of Education & Early Development to better understand why the waivers have been granted. He pointed out that two years ago, the definition was changed to include the administration, which should have the principals and assistants. He claimed that change broadened the seventy percent significantly.

Senator Wilken wanted to find out why the waivers were being granted and what the issues were. He stressed that he would rather see that seventy percent stay in the classroom.

CHAIR THERRIALT voiced his concern of looking at the spreadsheet. He pointed out that there are some school districts, which had achieved a higher percentage for the classroom, and this year it had decreased. He asked why.

Chair Therriault recommended that the LBA Committee needs to have further discussion on the matter regarding what they would like their role to be.

SENATOR WILKEN agreed. He pointed out that the original intent was intended to be corrective and determine the issues so that the seventy percent would get back into the classroom.

SENATOR HOFFMAN agreed that the Committee should establish the public policy and then get the seventy percent back into the classroom. He interjected that determining the administrative functions was not the role of the Committee or the Legislature.

ADJOURMENT

CHAIR THERRIAULT adjourned the Legislative Budget & Audit Committee at 3:55 P.M.