

**ALASKA STATE LEGISLATURE
JOINT COMMITTEE ON LEGISLATIVE BUDGET & AUDIT**

June 25, 2002

12:40 p.m.

HOUSE MEMBERS PRESENT

Representative Ken Lancaster

HOUSE MEMBERS ABSENT

Representative Hugh Fate, Vice Chair

Representative Eldon Mulder

Representative John Harris

Representative Reggie Joule

Representative Johnny Davies, alternate

Representative William Williams, alternate

SENATE MEMBERS PRESENT

Senator Gene Therriault, Chair

Senator Randy Phillips

Senator Lyman Hoffman

Senator Gary Wilken, alternate

SENATE MEMBERS ABSENT

Senator Jerry Ward

Senator Dave Donley

COMMITTEE CALENDAR

REVISED PROGRAMS (RPLs)

EXECUTIVE SESSION

AUDIT REPORTS

AUDIT REQUESTS

OTHER COMMITTEE BUSINESS

PREVIOUS ACTION

No previous action to record

WITNESS REGISTER

KAREN REHFELD, Director

Education Support Services

Department of Education and Early Development
801 W 10th Street, Suite 200
Juneau, Alaska 99801-1894
POSITION STATEMENT: Discussed RPL Number 05-02-0845.

SUSAN SCUDDER, Executive Director
Council on Domestic Violence & Sexual Assault
Department of Public Safety
PO Box 111200
Juneau, Alaska 99811-1200
POSITION STATEMENT: Discussed RPL Number 12-03-0001.

PAT DAVIDSON, Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
333 Willoughby Avenue
P.O. Box 113300
Juneau, Alaska 99811-3300
POSITION STATEMENT: Spoke on behalf of the Division of
Legislative Audit.

HEATHER BRAKES, Staff
to Senator Therriault
Joint Committee on Legislative Budget & Audit
Alaska State Legislature
Capitol Building, Room 121
Juneau, Alaska 99801
POSITION STATEMENT: Testified with regard to the education
study.

NANCY SLAGLE, Director
Division of Administrative Services
Department of Transportation & Public Facilities
3132 Channel Drive
Juneau, Alaska 99801-7898
POSITION STATEMENT: Explained the need to change the title of
four projects.

DAVID TEAL, Legislative Fiscal Analyst
Legislative Finance Division
Alaska State Legislature
PO BOX 113200
Juneau, Alaska 99811
POSITION STATEMENT: Spoke on behalf of the Legislative Finance
Division.

ACTION NARRATIVE

TAPE 02-5, SIDE A
Number 001

CHAIR GENE THERRIAULT called the Joint Committee on Legislative Budget & Audit to order at 12:40 p.m. Senators Therriault, Phillips, Hoffman, and Wilken (alternate) and Representative Lancaster were present at the call to order.

REVISED PROGRAMS (RPLs)

RPL Number: 05-02-0845

CHAIR THERRIAULT announced that the first order of business would be the RPL for the Department of Education and Early Development (EED) federal school renovation, IDEA [Individuals with Disabilities Education Act] and technology grants.

KAREN REHFELD, Director, Education Support Services, Department of Education and Early Development, explained that the request before the committee is related to the department's 2002 fiscal year supplemental request that the legislature approved for \$5.4 million for one-time federal school renovation funds. The department failed to bring to [the legislature] the actual grant award amount, which was \$5,483,750. In order for the department to actually record the entire grant amount, it is necessary to request [the legislature's] authorization of an additional \$83,750 in federal capital authorization.

CHAIR THERRIAULT asked if during the approval of the supplemental [budget], the department didn't know the final amount or the initial amount specified was an estimate that was never recorded as the actual amount through the process.

MS. REHFELD answered that the [department] did have a placeholder, an estimate of \$5.4 million, at the beginning of the session. The grant award was received in January and there would've been time to submit an amendment for the entire dollar amount. Ms. Rehfield said that not submitting an amendment for the entire dollar amount was her oversight.

Number 0155

REPRESENTATIVE FATE moved that the committee approve RPL 05-02-0845. There being no objection, RPL 05-02-0845 was approved.

RPL Number: 12-03-0001

CHAIR THERRIAULT announced that the next order of business would be the RPL for the Department of Public Safety (DPS) for capital improvements to domestic violence shelters statewide.

Number 0224

SUSAN SCUDDER, Executive Director, Council on Domestic Violence & Sexual Assault, Department of Public Safety, explained that the RPL would allow authorization for the receipt and expenditure of funds that have been received from the Rasmussen Foundation as well as for matching funds that are anticipated from both federal and private sources. Although the [department] knew this grant was coming, the grant was contingent upon receipt of state money through the capital budget.

CHAIR THERRIAULT inquired as to why the amount wasn't submitted during the regular session.

MS. SCUDDER specified that the amount that the Rasmussen Foundation would approve wasn't known. Furthermore, [the department] didn't know the amount that the legislature would grant. The amount that the Rasmussen Foundation would give [the department] was contingent upon the amount the legislature would give.

SENATOR PHILLIPS inquired as to what the Rasmussen Foundation is.

MS. SCUDDER clarified that this is a foundation that provides monies to nonprofits. Recently, the Rasmussen Foundation granted \$9 million that will go to a variety of sources throughout Alaska. The Rasmussen Foundation has been invaluable in providing expertise regarding this particular grant.

Number 0455

REPRESENTATIVE FATE moved that the committee approve RPL 12-03-0001. There being no objection, RPL 12-03-0001 was approved.

EXECUTIVE SESSION

REPRESENTATIVE FATE made a motion to move to executive session for the purpose of discussing confidential audit reports under AS 24.20.301. There being no objection, the committee went into

executive session at 12:45 p.m. The committee subsequently returned to regular, open session.

AUDIT REPORTS

REPRESENTATIVE FATE moved that the committee release the preliminary reports to the agencies for response. [Those preliminary audit reports were the Department of Transportation & Public Facilities/Southeast Region Selected Issues and the State of Alaska Single Audit FY 01.] There being no objection, the two preliminary audits were released for agency response.

REPRESENTATIVE FATE moved that the committee release the two final audit reports to the public. [Those final audits were the Department of Transportation & Public Facilities/Ted Stevens Anchorage International Airport Terminal Improvements and the Department of Transportation & Public Facilities/Ted Stevens Anchorage International Airport Seismic Design Dispute.] There being no objection, the two final audits were released.

AUDIT REQUESTS

CHAIR THERRIAULT turned to the next order of business, Representative Joe Green's audit request.

REPRESENTATIVE FATE moved that the committee approve Representative Green's audit request.

CHAIR THERRIAULT asked if Ms. Davidson had worked with Representative Green regarding whether this could be done through a diversion process.

PAT DAVIDSON, Legislative Auditor, Division of Legislative Audit, Alaska State Legislature, confirmed that she has spoken with Representative Green's staff who have made attempts to resolve this with the department. However, there has been no resolution and thus she felt that an audit is necessary at this juncture.

CHAIR THERRIAULT asked what the PC7 planes are.

SENATOR WILKEN clarified that those are two-passenger tandem Pilatus aircraft. These are high-speed, high-performance fire spotting aircraft.

CHAIR THERRIAULT informed the committee that members should have a memo that outlines where the committee is with respect to the

audits yet to be scheduled. He asked if there was objection to adding this to the list of audits. There being no objection, the audit was added to the list of those to schedule.

OTHER COMMITTEE BUSINESS

CHAIR THERRIAULT announced that he would now like to turn to the Regulatory Commission of Alaska (RCA) audit. The committee received copies of the audit.

Number 0728

MS. DAVIDSON explained that in this type of audit the process identifies effected agencies that were under regulation. Page 2 of the report includes the list of agencies that [the auditor] spoke with. As one reviews this list it's evident that a wide variety of [entities] were contacted. Ms. Davidson said, "When you're looking at a sunset audit, what you're looking at is ... less about any particular issue as opposed to an overall assessment of whether this agency is meeting its public purpose." Therefore, the report is more of a consensus opinion. On page 11, the report specifies that the dominate perception is that, in comparison to the Alaska Public Utilities Commission (APUC), the RCA is substantially improving its service. Ms. Davidson said that [what the auditors] saw was an agency that was progressing. She clarified that she didn't want to leave everyone with the impression that everyone had positive comments. She explained that people spoke at two levels, one being an overall view of the RCA and the other being in regard to the [entity's] individual docket. She specified that the driving force behind a sunset review is whether the organization could continue or not.

MS. DAVIDSON informed the committee that [there were enough comments] regarding the public advocacy section that she determined that its role wasn't sufficiently defined. The section was new to RCA and needed some care; that is, when utilities came in, the utilities needed to know how the public advocacy section would work. Furthermore, there was disappointment with the new Management Information System (MIS). Ms. Davidson reiterated that in a sunset review, [auditors] review the consensus which builds the conclusion rather than following any particular case.

Number 1107

CHAIR THERRIAULT, drawing from the testimony on the RCA in the Senate Judiciary Standing Committee, related that most of the witnesses testified that although the RCA has some problems, it should be extended. He noted that the findings of the audit report specify some necessary changes. He asked if there was anything that didn't rise to the level of the auditor making a finding or recommendation.

MS. DAVIDSON clarified that this review [considered] the utility standpoint as well as the public standpoint. With regard to how the RCA is responding to complaints, Ms. Davidson said that she wished other departments handled complaints as well as the RCA. To the extent that there were concerns regarding individual cases, those are areas that the audit probably wouldn't review. Therefore, any concerns with regard to individual cases wouldn't have come to the auditor's attention. Ms. Davidson pointed out that those who do receive a ruling from the RCA can appeal it. Whenever there are complaints about decision-making, one of the areas reviewed is whether there is a process in place in statute that allows appeal and whether that process is being utilized. When reviewing the appeals that had gone to court, the court upheld the RCA's decision three out of four times.

Number 1509

REPRESENTATIVE LANCASTER asked if the conversations that Ms. Davidson had with those [entities] listed on page 2 of the audit report would be available if requested.

MS. DAVIDSON specified that the work papers are, by law, confidential. However, the [entities contacted] are free to do what they like.

CHAIR THERRIAULT asked if, during the appointments with these entities, it was explained to the entities that they were free to say what they wanted and that it would only be between the entity and the auditor. Furthermore, were these entities informed that their statements wouldn't be conveyed to the RCA or the legislature.

MS. DAVIDSON answered that she wasn't sure that would've been explained. "To the degree that ... either they asked or we could see that there was a concern about that, it would be discussed," she explained.

Number 1646

SENATOR HOFFMAN asked if any consideration was given to how the majority of other states with regulatory commissions operate. For example, there has been the suggestion that the commissioner [of the RCA] should have a four-year seat rather than a six-year seat.

MS. DAVIDSON replied no, and specified that the focus was on existing statutes.

SENATOR PHILLIPS inquired as to who selects the chair of the RCA.

SENATOR WILKEN related his belief that the committee elects the chair.

REPRESENTATIVE LANCASTER returned to the issue of the confidential conversations between the auditor and the listed entities. He related his understanding that the committee would have to assume that the auditor used the information obtained during the confidential conversations internally to produce the results. Therefore, he surmised that requests for specifics of conversations wouldn't be filled.

MS. DAVIDSON replied yes. She indicated that she could specify that so many entities were positive on a certain matter and so many were negative. She reiterated the report's finding that the dominate perspective was that the current RCA is doing a better job than the APUC.

SENATOR WILKEN noted that he listened to the [recent] four days of testimony [in the Senate Judiciary Standing Committee]. One of the points he gleaned from that testimony was the need for the RCA to have a manager to manage the business of the RCA without being responsible for cases at the same time. He asked if that came to light during the audit.

MS. DAVIDSON said that although there were concerns with regard to [the lack of a manager for the RCA], there was no [expression] that it was an eminent need. Usually if there is a real problem with such an organizational structure, it will show up relatively early.

CHAIR THERRIAULT related that Senator Taylor didn't want any of his comments to be construed to mean that the audit had been done in a poor fashion.

Number 2014

CHAIR THERRIAULT turned attention to the report of the current status of the Federal Child and Family Youth Services audit.

MS. DAVIDSON explained that with regard to the state's self assessment meeting federal standards, the state isn't doing very well. [The report] includes a description of the elements and the actual thresholds at which the federal programs specify versus what Alaska is experiencing. She informed the committee that this week a team is speaking with various stakeholders around the state. A total of 50 cases are being reviewed in depth. At the end of the review, the team expects to issue a report later this summer. That report and the evaluation will be provided to committee members.

CHAIR THERRIAULT requested that Ms. Brakes update the committee with regard to the contractor on the education study.

Number 2229

HEATHER BRAKES, Staff to Senator Therriault, Joint Committee on Legislative Budget & Audit, Alaska State Legislature, informed the committee that the oversight committee held a teleconference with the contractors right before the regular session adjourned. The contractors were having some trouble receiving responses to their surveys from some of the school districts. Therefore, BUD was working with some of the Senators from those districts in order to help contact the school districts and encourage them to respond. There was also a working group that was trying to get the surveys returned. She recalled that the working group's effort resulted in about 80 percent [response rate].

CHAIR THERRIAULT asked if that [response rate increased] after he gave Senators information regarding the importance of the school districts' response to the survey.

MS. BRAKES replied yes, and specified that the timeframe was about the third week of May. All the surveys needed to be returned by the end of May. The hope is that [the oversight] committee will be able to meet with BUD in mid to late summer.

CHAIR THERRIAULT pointed out that this year there was an appropriation for the veterans study. Therefore, when the legislation is signed into law that RFP process will begin.

Number 2426

SENATOR WILKEN asked if there is any indication that there will be school districts that won't respond.

MS. BRAKES answered yes. She said that she would be in contact with the [oversight committee] this week and provide the committee with information as to whether there are still school districts that haven't responded.

CHAIR THERRIAULT suggested that now that school is over perhaps the lists should be distributed to Representatives and Senators again in an effort to garner responses.

CHAIR THERRIAULT informed the committee that there were a couple of appropriations that have problems. He related his belief that perhaps the best path would be to meet with the Co-Chairs of the House Finance Committee and the Senate Finance Committee, the President of the Senate, and Speaker of the House of Representatives in order to find a way in which to [resolve this].

Number 2532

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation & Public Facilities, explained that in the governor's capital budget [the division] submitted an amendment that changed the dollar amount and title of four projects. What actually was placed in the system was the change in dollar amounts, but not the change in titles. Therefore, it creates some problems because some of the titles are more restrictive than necessary. The first of these projects will be put out for bid in November and thus this has to be taken care before the next legislative session. In an attempt to find a resolution to this problem, Ms. Slagle found a couple of old appropriations that may allow the addition of federal authority such that the two most critical issues can be addressed. The other two projects could probably be resolved the next legislative session, she said.

CHAIR THERRIAULT noted that he is working with [the Division of Legal and Research Services] in regard to the authority the [committee] has. He related his understanding that [the committee] can add to an appropriation. However, he viewed some of these as basically changing the line item.

DAVID TEAL, Legislative Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, specified that two of the budget requests can be fixed by going back to past projects.

MS. SLAGLE informed the committee that there were four projects, of which two were airport projects, and two were highway projects.

CHAIR THERRIAULT related his understanding that the line item in the budget isn't correct. That is, the miles with respect to the location of the project isn't correct, although the dollar amount is correct.

MR. TEAL expressed his belief that the Nondalton and Scammon Bay projects can be attached to existing capital projects.

MS. SLAGLE specified that the Nondalton and Hatcher Pass projects are projects that require sooner correction than the other matters.

MR. TEAL explained that both will be handled with existing projects. However, he imagined that there would be two RPLs at the next BUD meeting. The other two can wait, per the agencies.

CHAIR THERRIAULT noted his reluctance to merely change line items because he wasn't sure the committee has that power.

Number 2943

SENATOR HOFFMAN inquired as to the problem with the Nondalton language.

MS. SLAGLE clarified that the current language says the appropriation is for resurfacing, but the money is actually necessary for work on the snow removal equipment building and the airport layout plan, which is quite different. She explained that it seems that this matter will be resolved by coming forward with an RPL that would be added to a statewide minor airport improvement appropriation.

ADJOURNMENT

There being no further business before the committee, the Joint Committee on Legislative Budget and Audit meeting was adjourned at 1:51 p.m.