

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

October 3, 2002

1:15 p.m.

**SENATE MEMBERS PRESENT**

Senator Gene Therriault, Chair  
Senator Lyman Hoffman  
Senator Gary Wilken, alternate

**SENATE MEMBERS ABSENT**

Senator Jerry Ward  
Senator Randy Phillips  
Senator Dave Donley

**HOUSE MEMBERS PRESENT**

Representative Hugh Fate  
Representative Ken Lancaster  
Representative Bill Williams, alternate

**HOUSE MEMBERS ABSENT**

Representative Eldon Mulder  
Representative Reggie Joule  
Representative John Harris  
Representative John Davies, alternate

**COMMITTEE CALENDAR**

REVISED PROGRAMS (RPLs)  
AUDIT REPORTS  
AUDIT REQUESTS  
VETERANS' HOME STUDY  
FINAL REPORT ON FEDERAL REVIEW OF THE DIVISION OF FAMILY & YOUTH SERVICES

**PREVIOUS ACTION**

No previous action to record

**WITNESS REGISTER**

LARRY MEYERS, Deputy Director  
Division of Tax  
Department of Revenue

NICO BUS, Administrative Services Manager  
Department of Natural Resources

JOHANNA MUNSON, Special Assistant  
Department of Natural Resources

MARK MYERS, Director  
Division of Oil & Gas  
Department of Natural Resources

MICHAEL SHIFFER, Program Coordinator  
Alaska Workforce Investment Office  
Department of Labor & Workforce Development

PAT POLAND, Director  
Division of Business & Community Development  
Department of Community & Economic Development  
P.O. Box 110800  
Juneau, Alaska 99811-0800

TOM LAWSON, Director  
Division of Administrative Services  
Department of Community & Economic Development  
P.O. Box 110800  
Juneau, Alaska 99811-0800

PETE HALLGREN, City Administrator  
Delta Junction  
City of Delta Junction  
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Delta Junction, Alaska 99737-0229  
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NAN THOMPSON, Chair-Commissioner  
Regulatory Commissioner of Alaska  
701 West Eighth Avenue, Suite 300  
Anchorage, Alaska 99501

BOB STALNAKER, Information Systems  
Administrative Services  
Department of Environmental Conservation  
410 Willoughby, Suite 303

Juneau, Alaska 99801-1795

YURI MORGAN, Legislative Staff  
Denali Commission  
510 L Street, Suite 410  
Anchorage, Alaska 99501

**TAPE 02-08, SIDE A**

CHAIR GENE THERRIAULT called the Joint Committee on Legislative Budget & Audit to order at 1:15 p.m. on Thursday, October 3, 2002. Senators Therriault, Hoffman, Wilken, Representatives Lancaster, Williams, and Representative Fate were all present at the roll call.

**REVISED PROGRAMS (RPLs)**

**RPL Number: 04-03-1005**

CHAIR THERRIAULT announced that the first order of business would be the RPLs. They were split into two groups and the committee would move on those twelve RPLs with no technical problems. Subcommittee staff were consulted on the RPLs. He asked if any RPLs needed to be moved down to the full discussion agenda.

SENATOR HOFFMAN stated he did not want to move the first RPL down to the full discussion agenda but did have some questions on the Motor Fuel Tax Compliance RPL number 04-03-1005.

CHAIR THERRIAULT asked who was available to discuss RPL number 04-03-1005, Department of Revenue Motor Fuel Tax Compliance.

LARRY MEYERS, Deputy Director, Division of Tax, Department of Revenue, was available.

SENATOR HOFFMAN asked if the request for the RPL was due to companies not being in compliance with the motor fuel tax and if so, how much money was anticipated by performing the compliance audits.

MR. MEYERS stated that the \$8,000 for travel was primarily for an auditor and wasn't really designated for a particular function.

SENATOR HOFFMAN asked if through the audit the division envisioned finding people out of compliance and, if so, how much

was anticipated in collections. He inquired as to whether it be more than the \$8,000 to be spent on the audits.

MR. MEYERS stated that he couldn't guarantee that the money received from the federal program would be more than what would be expended.

SENATOR HOFFMAN asked if it was anticipated that audit would look at the portion of motor fuel tax that the state levies, the 5 percent for boats, 8 percent for highways, and for aviation.

MR. MEYERS replied yes, that is what it would be used for.

CHAIR THERRIAULT asked if there were further questions on that RPL. Next, he brought up RPL number 10-03-4042, Department of Natural Resources, Western North Slope Satellite Development Project. He mentioned that the write-up from the administration indicated that an agreement would be in place by October 3, 2002, and that had not taken place. He didn't see a problem giving the authorization for the SDPR at this time. He was concerned that it be made clear that the authorization for this and any other RPLs with SDPR that the authorizations given were for the specific projects named. If a particular project did not happen then the department was not free to just accept SDPR for something else.

SENATOR HOFFMAN had a question on RPL number 12-03-0101, Department of Public Safety, Alaska Rural Village Fire Suppression Capabilities. He wanted to request a copy of 29 villages that would be receiving critically needed fire training.

REPRESENTATIVE FATE had a question on the 10-03-4044, Department of Natural Resources, Point Thomson Project Coordinator.

NICO BUS, Administrative Services Manager, was on line to discuss the RPL.

REPRESENTATIVE FATE asked how long it was envisioned that the position would be around. He was interested in the duties of the coordinator position.

MR. BUS stated the agreement would go through December 2003. The position would be around as long as the services were needed by the companies.

CHAIR THERRIAULT stated that subcommittee staff had told the committee staff that the state had already hired Dick LeFebvre.

MR. BUS answered that yes, Mr. LeFebvre had been appointed and after a favorable decision from the committee today, then he would start charging his time to the Point Thomson project.

CHAIR THERRIAULT asked if he had been hired before the department had the funds to pay for the position.

MR. BUS stated that if the RPL was not authorized, the department would have to absorb the costs in another area because Exxon was told that the department would expedite it.

CHAIR THERRIAULT asked how long he had been on board.

JOHANNA MUNSON, Special Assistant to the Commissioner, Department of Natural Resources, stated that Mr. LeFebvre was appointed on July 24.

MARK MYERS, Director, Division of Oil & Gas, Department of Natural Resources, addressed the chair's concerns. He stated that one of the main reasons the coordinator position was needed was to give input to the EPA [Environmental Protection Agency] on the environmental impact statement. The initial development would consist of about 75,000 barrels a day of gas cycling liquids production. He went on to describe the unit expansion requirements as being pretty aggressive. There are significant penalties if the requirements are not met about \$27.5 million. The division did not want to be a roadblock and was working to ensure the project went forward. It is a huge project for the state. It was very important to get the coordinator up to speed in working with EPA. He agreed the division may have jumped the gun a little, but said it was all with good intentions.

SENATOR THERRIAULT asked if there were further questions with the consent agenda. Seeing none, he asked for the motion.

REPRESENTATIVE FATE moved that the committee approve the RPLs listed as a block under consent agenda [those RPLs were 04-03-1005, Department of Revenue Motor Fuel Tax Compliance; RPL 06-03-0124, Department of Health & Social Services, Far North Family Support Project & Workforce Coordination Project; 09-03-0020, Department of Military & Veterans' Affairs, CIP-Anti-Terrorism Activities; 10-03-4038, Department of Natural Resources BLM/NPR-A Coordination; 10-03-4039, Department of Natural Resources, Alaska Oil & Gas Exploration, Development & Permitting Project; 10-03-

4040, Department of Natural Resources, Alaska Cadastral Project; 10-03-4041, Department of Natural Resources, BLM/Ring of Fire Resource Management Plan; 10-03-4042, Department of Natural Resources, Western North Slope Satellite Development Project; 10-03-4044, Department of Natural Resources, Point Thomson Project Coordinator - Revised; 11-03-1066, Department of Fish & Game, Increase SDPR for Harbor Seal Work; 12-03-0101, Department of Public Safety, Alaska Rural Village Fire Suppression Capabilities; 18-03-0359(CIP), Department of Environmental Conservation, Public Drinking Water System Security]. There being no objection, the consent portion of the RPLs agenda was approved. He next moved to the full discussion portion of the agenda.

**RPL Number: 07-03-1036**

MICHAEL SHIFFER, Program Coordinator, Alaska Workforce Investment Office, Department of Labor & Workforce Development, was present to discuss RPL 07-03-1036 on the Workforce Investment Act & Denali Commission Grants.

DAVID TEAL, Director, Division of Legislative Finance, discussed his findings on the RPL. He explained that the precise amount and purpose of the authorization needed by the department was unclear to his division. It appeared that the department used existing authorization to put some of the money on the street and this RPL would replace that federal authorization in anticipation of future need. He explained that this was not a major objection to the RPL they just wanted the committee to understand the specific purposes of the money. APIC, the Industry & Careers Consortium, has already been granted through the Alaska Department of Labor [and Workforce Development] and is related to another RPL later on the agenda. He wanted to clarify that the money was not being used for what the RPL states.

CHAIR THERRIAULT asked the department to explain how the funding had been switched around.

MR. SHIFFER, explained that there was a grant that came in from the U.S. Department of Labor. The department chose to use some existing authority knowing that they needed to spend that money later in the year. As the year progressed along the department found itself needing to spend the funds. He referenced the carry forward money for the workforce investment grants that were about to come due. The department was trying to be responsive to get the funds out to the private nonprofit.

SENATOR HOFFMAN asked which private nonprofit that was.

MR. SHIFFER responded that it was the Alaska Process Industry Career Consortium. It is a collection of agencies that focus on jobs in the oil & gas industries.

CHAIR THERRIAULT asked if this RPL had any new positions associated with it.

REPRESENTATIVE FATE moved that the committee approve RPL number 07-03-1036. There being no objections, the RPL was approved.

**RPL Number: 08-03-0103**

CHAIR THERRIAULT moved next to RPL number 08-03-0103, Department of Community & Economic Development, Delta Junction Missile Defense Test Bed Facilities Impact, and asked if anyone was present to explain the request.

MR. TEAL explained the Division of Legislative Finance's position that the RPL would leave the department with about \$270,000 of authorization that appears to be surplus. Secondly, as the original grant was about to be signed \$9.7 million another \$9 million became available. There doesn't seem to be a precise description of the projects.

PAT POLAND, Director, Division of Business & Community Development, Department of Community & Economic Development, spoke to the RPL. He explained that there is a long-term plan between the Department of Missile Defense and the community of Delta Junction. He had a list of projects from the community and was prepared to share them with the meeting. The first three years of funding was contained in the list.

SENATOR THERRIAULT explained the list would be faxed to the members on teleconference. The community had been expecting to get \$9 million, and that list was shared with the legislature during the budget cycle.

REPRESENTATIVE FATE clarified that those were pass-through funds to be administered by Delta Junction.

MR. POLAND confirmed that.

CHAIR THERRIAULT asked about the surplus of \$270,000.

TOM LAWSON, Director, Division of Administrative Services, Department of Community & Economic Development explained that federal dollars will come in and then be passed on through to the community. He figured there would be little if any interest generated.

CHAIR THERRIAULT asked if any interest generated on the funds would be counted as federal funds.

MR. LAWSON replied that was correct.

CHAIR THERRIAULT asked whether, of things were passed through quickly to the community and held in an account, any interest would be accounted for separately and not on the state's books.

MR. LAWSON confirmed that was correct.

CHAIR THERRIAULT asked about the \$270,000 surplus funds, then, and if the RPL couldn't just be approved for \$270,000 less.

MR. LAWSON explained that the capital request was for \$10 million, and then the grant came in a little less than that. As far as the department was concerned, it would be fine to approve it for less.

PETE HALLGREN, City Administrator, Delta Junction was on line and testified that the full amount to be considered was \$18 million. He offered to go through the projects being considered by the Department of Transportation & Public Facilities (DOT&PF). He asked if the committee had a signed copy of the Memorandum of Agreement (MOA). He said he had received it yesterday for a total of \$18.3 million.

CHAIR THERRIAULT stated that if the department received authorization for \$10 million during the budget process and this RPL was for \$9 million, that didn't add up to \$18.3 million.

SENATOR WILKEN asked if there was a list of the projects that the funds would be spent on. He stated he saw where the \$18.3 million would be spent.

MR. POLAND replied that there is a list of approved projects that had been identified and studied and approved by the U.S. Department of Defense (USDOD).

CHAIR THERRIAULT clarified that the list was the same that had gone through the regular legislative budgetary projects.

MR. POLAND clarified that a number of the projects are fairly large and were just now starting the design and engineering; thus the costs may vary some and there might be some moving around of the funds between the projects.

CHAIR THERRIAULT asked if there was the possibility of new projects to be added.

MR. POLAND replied not without the approval of the Department of Defense.

SENATOR HOFFMAN stated there seemed to be a lot of figures running around. He asked about combining the FY 02 & FY 03 lists of projects. That added up to \$23 million worth of projects but didn't match the back up given the committee. He said there was a need for reconciliation. He was concerned about the commissioner signing the MOA without approval of the Legislative Budget & Audit Committee.

MR. POLAND expected it was because DOD told the department that there had to be a signed agreement in place before the deal could be completed. Because it was FY 03 money the funds would lapse. Because the department is simply a pass-through agency they were trying to be helpful to USDOD and helpful to the community.

CHAIR THERRIAULT clarified that signing the MOA did not obligate the state. It simply states that if the funds materialize then this agreement would already be in place.

SENATOR HOFFMAN said that if the committee does not take action then the money does not pass through. He pointed out the previous unsigned agreement had certain projects listed but the signed agreement did not have the projects delineated.

MR. POLAND said the project were outlined in the backup.

MR. TEAL said there should be a list in the backup.

MR. HALLGREN said that the latest USDOD version of the list had a complete break down of the \$18.3 million. There were approximately nine pages, with one major change in shifting from one project to another. He explained that pool assistance was \$3.5 million, fire station addition was \$3.2 million, ambulance and fire truck were \$.9 million, community landfill was \$5.5 million, recreation center and library-city hall were \$1.2

million, communications-TV tower was \$480,000, postal service programs were \$270,000, education programs were \$750,000, and business loans were changed from \$5 million to \$2.5 million. Basically, \$2.5 million was switched from business loans to school assistance. These are for FY 02 and 03. The higher number referenced earlier was for FY 04, in addition.

CHAIR THERRIAULT confirmed that the funds totaled \$18.3 million.

MR. HALLGREN confirmed that.

SENATOR HOFFMAN stated that the FY 02 - 04 document of funds totaled closer to \$30 million.

MR. POLAND stated that the study submitted to USDOD and the community of Delta Junction have been working on the projects, and the department simply viewed itself as the pass-through agency.

MR. TEAL stated that it appeared that the list of capital projects were what Delta Junction expects to pay for the entire list of projects. So the totals would be larger because it also includes the federal funds.

CHAIR THERRIAULT said he wanted to make sure that the committee not approve more than the total for the projects.

MR. POLAND stated that department does not object to the authorization being lowered.

MR. TEAL suggested that if the committee were going to reduce the authorization, it consider doing so at the level of \$18,350,000 because there is a \$50.0 administrative fee.

MR. POLAND said the department would need that authorization.

SEN. DONLEY asked if Senator Wilken were on line. He pointed to the school construction figure of \$11 million for two fiscal years.

MR. POLAND said he didn't think that the school project had been approved.

CHAIR THERRIAULT stated that the School District has a school in Greely now being maintained in a warm status. He wasn't sure if that school would be utilized.

SENATOR DONLEY wanted to know if this school district was paying anything locally toward the school foundation formula costs.

SENATOR THERRIAULT stated that it was not an organized borough.

SENATOR DONLEY wanted to know how any of this money could be utilized to offset some of those costs to the state since they aren't paying any local taxes. He also wanted some guarantee that the schools would be properly maintained. He thought some of this money should go towards those costs instead of the community relying on the people in the rest of the state.

SENATOR THERRIAULT said he wasn't sure that the federal government was looking to step in and help with that. The federal funds were being used to mitigate the negative impacts of the federal projects.

SENATOR DONLEY said that the impacts from the base closure was one of the reasons that the community didn't want to pay local taxes to support their schools.

SENATOR WILKEN said that it seemed that there was \$4.25 million that was going toward education. He would like to know from the Delta Greely school district where that money was going to be applied. He also wanted to know if the \$4.25 million was simply a grant or if there was any local match money going towards it as well.

MR. HALLGREN said he didn't speak for the school district but it was 100 percent grant money and it was in the amount of \$3.5 million to the school district. The other portion was \$750,000 for education programs which will go to the city. He stated that they were a second-class city and precluded by law from having their own school district. There is a \$30,000 grant to study potential borough formation. None of the basis for the money had to do with a desire not to pay for schools.

SENATOR WILKEN stated he understood and he looked forward to Mr. Hallgren's support while working with the Delta-Greely Borough to form their own government so they can pay for their education. He also asked again for the list of projects. He wanted to have a discussion about building a new school whether or not the people would sign on to maintain it in the future. He said he would not object to the request because it is time sensitive.

CHAIR THERRIAULT said that the discussion will continue in the future.

SENATOR WILKEN was concerned about where the \$4.5 million would be applied so that he could track it over the next two years to assure it's being spent wisely. He also agreed with Senator Donley that some of that money should be given to the state to help replace the four mills requirement that the rest of the people in the state are responsible for.

REPRESENTATIVE DAVIES was present on teleconference.

CHAIR THERRIAULT stated that the RPL did need to be reduced down to \$8,350 million.

REPRESENTATIVE FATE moved that the committee approve RPL 08-03-0103 with the revised amount of \$8,350 million. There being no objection, the request was approved.

[There is no recording on Side B of Tape LBA 02-8.]

**TAPE LBA 9, SIDE A**

**RPL Number: 08-03-0104**

CHAIR THERRIAULT next moved to RPL number 08-03-0104 Department of Community & Economic Development, Rural Alaska Internet Access Grant Program.

MR. TEAL commented that the Division of Legislative Finance found that it appeared that USDA would require some state or local match. It was felt that the RCA's staff time would meet the in-kind match. He was concerned that it might be appropriate that the grant be administered in a different division other than RCA.

NAN THOMPSON, Chair-Commissioner, Regulatory Commissioner of Alaska, explained the RPL. The amount is variable in regard to which community it is serving. These funds are directed towards communities with a high rate of "not employed" and lower populations. The amount of match is unknown because the federal government was still reviewing the list of eligible communities. She stated that it may go down. The community that is selected as the beneficiary will be the one that puts up the match. Use of community facilities may be considered as a match. The RCA would not be hiring anyone new to be administering the grant moneys.

CHAIR THERRIAULT asked Tom Lawson about match funds and whether the department was planning to supply some of that.

MR. LAWSON said it was his understanding that the money would come from the local communities. It was still being worked out which division in the department would be administering the grants.

SENATOR THERRIAULT asked if it would be handled by an unbudgeted RSA.

MR. LAWSON replied that would be a likely means.

MS. THOMPSON said that staff time could be used as a match and that was acceptable to USDOD.

CHAIR THERRIAULT asked about a percentage for match from the communities.

MS. THOMPSON replied that twenty percent would be the high end under the federal guidelines and can be reduced based on a showing of economic distress on the community. She said that they were in the process of defining which communities will be eligible to receive the funds.

CHAIR THERRIAULT asked if this was just half the money needed for the projects.

MS. THOMPSON said only part of the money was put out at this time and the other would be cycled through next fiscal year.

REPRESENTATIVE FATE asked whether the future funds would come in under the same requirements as they are now.

MS. THOMPSON stated that is USDA's choice and it would be her intent that the match requirements remain the same.

SENATOR WILKEN had to leave the meeting.

REPRESENTATIVE DAVIES asked about funds would be available in the future would they be additional communities served. He wanted to know if the projects would be self-contained.

MS. THOMPSON said that was something that was looked at closely. They needed to be self-supporting.

REPRESENTATIVE FATE moved that the committee approve RPL number 08-03-0104.

SENATOR THERRIAULT asked for a roll call vote.

YEAS: Senators Donley, Hoffman, Therriault, Representative Joule, Lancaster, Williams, Davies, and Fate.

NAYS: 0

The motion passed 8-0.

**RPL number: 08-03-0108**

CHAIR THERRIAULT moved to RPL number 08-03-0108, Department of Community & Economic Development, Alaska Process Industry Partnership.

MR. TEAL explained that the comments from the Division of Legislative Finance are related to the previous RPL number 07-03-1036. This money flowed from US Department of Labor to APIC and now back to the Department Community & Economic Development (DCED). It is related and is now coming back into the state as SDPR which is the correct classification.

CHAIR THERRIAULT clarified that the position that was vacant was now being filled.

MR. LAWSON explained that when this funding surfaced the department chose to leave this position on the books and it is being reclassified as an exempt position.

REPRESENTATIVE FATE moved that the committee approve RPL 08-03-0108. There being no objection, the request was approved.

CHAIR THERRIAULT stated that Mr. Teal had disclosed that his wife was working on this project and may be the one to fill the position in the future.

**RPL number 18-03-0358**

CHAIR THERRIAULT moved next to RPL number 18-03-0358, Department of Environmental Conservation.

MR. TEAL explained that this RPL was a request for capital funds and there is no existing capital project to which money could be added and believed that this was an incorrect classification.

If it were "reclassified" as an operating request it should be revised to reflect only the FY 03 amount and drop the FY 04 amount. That would revise it from \$715,707 down to \$361,500.

BOB STALNAKER, Administrative Services, Department of Environmental Conservation, explained that there was no objection from the department. He clarified that it was two grants from EPA that help to get all the data integrated from different programs. One was an internal and one was external integration.

REPRESENTATIVE FATE moved that the committee approve RPL number 18-03-0358, revised to an operating request and down to \$361,500. There being no object to the motion, the RPL was approved.

REPRESENTATIVE FATE moved that the committee move into executive session for the purpose of discussing confidential audit reports under AS 24.20.301.

#### **AUDIT REPORTS**

REPRESENTATIVE FATE moved that committee return to regular session following the executive session at 2:55 p.m. No objection was made.

REPRESENTATIVE FATE moved that the following final audits be released to the agencies for response. Those audit reports were [Department of Revenue, Treasury Revenue Management System, Department of Community & Economic Development, State Medical Board, Department of Community & Economic Development, Board of Nursing, Department of Community & Economic Development, Board of Certified Direct-Entry Midwives]. There were no objections to the motions to release the preliminary audits.

#### **AUDIT REQUEST**

REPRESENTATIVE FATE moved that the committee approve an audit request by Senator Donley on the Department of Transportation & Public Facilities.

SENATOR DONLEY spoke about the efficiency of the department due to the some 70 layoffs. He asked that the construction of road projects in the state be compared with that of other states.

MS. DAVIDSON, Legislative Auditor spoke to the request. She thought the audit would not be started until April or May and a

specialist would have to be hired to help them. She stated she may need to come back to the committee for approval of a contract to do so. It would provide a very interesting look of the inner workings of DOT&PF to the legislature.

SENATOR THERRIAULT said he had spoken with Ms. Davidson about the budget aspect of this request.

REPRESENTATIVE FATE said this would provide a model for studying the efficiencies of a program and would be helpful in looking at other departments.

SENATOR HOFFMAN asked about the timing of preliminary response.

MS. DAVIDSON said she had spoken with Senator Donley's staff about that issue and they were agreeable.

REPRESENTATIVE DAVIES encouraged Ms. Davidson to hire the independent engineer for that expertise.

SENATOR THERRIAULT spoke again about the budget issues.

REPRESENTATIVE JOULE asked about the quality control aspect of the project.

SENATOR DONLEY said that the quality control would be part of the process of making sure there was a decent project in the planning and construction phase. He is interested in how our quality control compares with other states.

MS. DAVIDSON stated that it would be addressed in a micro and macro levels. DOT&PF has a couple of groups that already do that. As the benchmarks are set, those things will be looked at overall.

REPRESENTATIVE DAVIES asked about the scope of the audit, and whether or not it would include aviation as well.

SENATOR DONLEY stated that his interest was in the road construction projects and did not reference the airport issues.

REPRESENTATIVE FATE moved that the committee approve the audit request of DOT&PF benchmarks. There being no objection, the request was approved.

#### **VETERANS' HOME STUDY**

SENATOR THERRIAULT spoke about the veterans' home study and informed the committee that the RFP was in the process of being written. Staff was looking at an Oregon study to sort of model after it. A draft had been prepared.

MS. DAVIDSON spoke about the draft RFP. As a result of discussions taking place, she recommended that the committee phase the study. The veterans' groups were looking for a study to be completed to support an application to the Department of Veterans' Affairs for the acquisition of a housing grant. They were very helpful in providing information. She referenced an earlier discussion of the committee that several options be looked at, rather than just a stand-alone home.

MS. DAVIDSON stated that there needed to be a needs assessment, an economic feasibility study, and then look at what approach should be taken. The first phase would be the identification of the needs assessment and then the feasibility of the options. Then, from there the legislature can evaluate the results of that and recommend which direction to take. The RFP should be let for \$150,000 for this first phase.

MS. DAVIDSON explained that the first phase should be done towards the end of FY 03, and then the rest of the money would need to be reappropriated for further study to be done by the beginning of the next session.

SENATOR THERRIAULT spoke about making application to the federal government. It made sense that the legislature not make the actual application; that would be more appropriate coming from the administration. He agreed there would be quite a bit of work to be done in determining what the needs of veterans were. He wanted to make sure that phasing the project was acceptable to the committee.

REPRESENTATIVE DAVIES agreed that the phasing made a lot of sense.

[There is no recording on Side B of Tape LBA 02-9.]

**TAPE LBA 02-10, SIDE A**

**FINAL REPORT ON THE FEDERAL REVIEW OF DIVISION OF FAMILY & YOUTH SERVICES REPORT**

MS. DAVIDSON next spoke about the Final Report on the Federal Child & Family Services. The report was different from a

Legislative Audit report. This report gives a broad based view of how well DFYS is doing. Representative Fate's original audit request was primarily on the welfare of children in state custody. She gave an overview of the findings of the federal review report.

SENATOR HOFFMAN asked if there was an overall rating for the Department.

MS. DAVIDSON stated that the department showed non-compliance on 7 of the 10 main issues. There was no overall rating.

REPRESENTATIVE FATE stated he didn't feel that this was adequate to address his concerns. Several things have not been looked at one of which was the medical conditions of the children going into the foster homes. His concerns were mainly focused on what the medical condition is or was at the time the child went into the home or whether or not the condition was contracted while in the home. The concerns came about after several deaths occurred in the foster homes. He felt disappointed with the federal review and felt as though the committee didn't have the answers he was looking for.

MS. DAVIDSON stated that the review was run strictly on federal guidelines and she knew that the state audit staff was not going to be involved in that aspect. After getting into the review substantially the state audit staff did not know what aspects of medical conditions would be looked at. She proposed that the committee expand the scope of an on-going audit. She stated that there are two on going audits of DFYS and they are not really related, but with the committee's approval she could identify those specific areas that needed to be looked at and bring those into one of the existing audits. She felt this would result in a more timely answer to the committee.

REPRESENTATIVE FATE stated that would be fine. He explained he had been a foster parent and would like to see those answers.

SENATOR THERRIAULT pointed out that the federal report did touch on the medical condition of the children in cases that were reviewed. He thought the auditors could use some of the information of the federal review and expand on it.

MS. DAVIDSON agreed that DFYS does not do adequate work and with additional audit review they could identify better to the extent that the division is not doing an adequate job. She explained that they would look further into regional issues, a statewide

deficiency, a particular medical or mental health type issues that are not being done. She felt a better evaluation would result.

CHAIR THERRIAULT asked if there should be an actual motion to expand one of those audits.

MS. DAVIDSON explained that her recommendation would be that she be given the opportunity to talk to Representative Fate to get a clear understanding of what should be done and then take it up at the next meeting.

REPRESENTATIVE LANCASTER asked who would be coming up with the program improvement plan.

MS. DAVIDSON said she would not be involved in developing the program improvement plan. She would monitor it and get it out to the committee. It would be DFYS and the commission on Child Protection called together by Governor Knowles to look at adoption issues and other issues may result with comments from the Alaska Court System.

REPRESENTATIVE DAVIES asked what Ms. Davidson's sense of how DFYS views the findings of the report. He wanted to know if they were on track to producing the plan.

MS. DAVIDSON stated she believed the department was in agreement with the review. There was an issue with the training of the social workers and DFYS had asked the federal reviewers to take another look at that finding. It was changed to "in compliance" and identified the improvements that DFYS had made in that area. DFYS has bought into the process and committed substantial resources to the review and taking the program improvement plan seriously.

REPRESENTATIVE DAVIES asked, in the case of lower-priority reports of harm, whether or not DFYS was going to specifically deal with that issue.

MS. DAVIDSON stated that her understanding was that they would have to address it. She stated she hadn't seen the plan but thought they had 30-60 days to respond.

REPRESENTATIVE DAVIES said that was one area he would like addressed.

CHAIR THERRIAULT moved on to the school district budget waivers. He stated he had received them and the department and board would be holding a teleconference later in the week. He stated he had scanned a number of them and noticed there were some districts that are taking further steps to come into compliance. Others were claiming that the cost of insurance was rising and that was causing them from moving closer to compliance this year. He would be going through them. Next, he gave a brief update on the school cost study. He stated that the oversight committee would be meeting with the contractor and a couple of the representatives from ALASBO to participate at that meeting.

SENATOR THERRIAULT stated that the next meeting would be tentatively set for November 13. He introduced Yuri Morgan as the new committee staff person at the Denali Commission.

YURI MORGAN, Legislative Staff, Denali Commission, gave a brief overview of his position, stating his primary job was to be a resource to the committee. He would be working on energy and on health and safety, the two primary issues being worked on.

SENATOR THERRIAULT stated that Mr. Morgan was the contact for any information that might be needed by committee members.

#### **ADJOURNMENT**

There being no further business before the committee, the meeting was adjourned at 4:25 p.m.