

ALASKA STATE LEGISLATURE
JOINT COMMITTEE
LEGISLATIVE BUDGET AND AUDIT
September 7, 2001
1:10 P.M.

MEMBERS PRESENT

Senator Gene Therriault, Chair
Senator Lyman Hoffman
Senator Jerry Ward

Senator Gary Wilken (alternate)

Representative Hugh Fate, Vice Chair (teleconferenced)
Representative John Harris
Representative Reggie Joule (teleconferenced)
Representative Ken Lancaster (teleconferenced)
Representative Eldon Mulder

Representative John Davies (alternate)

MEMBERS ABSENT

Senator Dave Donley
Senator Randy Phillips

Representative Bill Williams, (alternate)

COMMITTEE CALENDAR

APPROVAL OF COMMITTEE MINUTES
July 17, 2001

EXECUTIVE SESSION

Preliminary Audit Reports
Final Audit Reports

AUDIT REPORTS

Release of final Audits to Public
Release of Preliminary Audits for Agency Response

OTHER COMMITTEE BUSINESS

Legislative Audit - Foster Care Audit Update
Senator Taylor's Audit Request
Redistricting Concerns
District Cost Factor Study
Reclassification of Audit Analysts Positions
Travel & Per Diem Claim Form
DNR-Pipeline Issue

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
(Testified via Teleconference)
Legislative Finance Division
Alaska State Legislature
P.O. Box 113200
Juneau, Alaska 99811-3200
Telephone: (907) 465-3795
POSITION STATEMENT: Spoke on behalf of the Legislative
Finance Division.

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.

NICO BUS, Administrative Services Manager
(Testified via Teleconference)
Department of Natural Resources
400 Willoughby Ave, Suite 500
Juneau, Alaska 99801-1724
Telephone: (907) 465-2406
POSITION STATEMENT: Testified on RPL #10-2-4013

GARY PROKOSCH, Chief
Water Resources Section
Department of Natural Resources
550 West 7th Avenue, Ste. #650
Anchorage, Alaska 99501-3576
Telephone: (907) 269-8645
POSITION STATEMENT: Testified on RPL #10-2-4013

PATRICK GALVIN, Director
Office of the Governor
Division of Governmental Coordination
P.O. Box 110030
240 Main Street, Ste. #500
Juneau, Alaska 99811-0030
Telephone: (907) 465-3562
POSITION STATEMENT: Testified on RPL #01-2-8022

LISA WEISSLER, Project Analyst
Coastal Impact Assistance Program
Office of the Governor
Division of Governmental Coordination

P.O. Box 110030
240 Main Street, Ste 500
Juneau, Alaska 99811-0030
Telephone: (907) 465-8789
POSITION STATEMENT: Testified on RPL #01-2-8022

ELLEN FRITTS, Deputy Director
(Testified via Teleconference)
Division of Habitat and Restoration
Department of Fish & Game
P.O. Box 25526
1255 West 8th Street
Juneau, Alaska 99802-5526
Telephone: (907) 465-4105
POSITION STATEMENT: Testified on RPL #01-2-8022

JAMES BALDWIN, Assistant Attorney General
(Testified via Teleconference)
State of Alaska
Governmental Affairs Section
Civil Division
Department of Law
P.O. Box 110300
Juneau, Alaska 99811-0300
Telephone: (907) 465-2520
POSITION STATEMENT: Testified on the Redistricting Issue

ACTION NARRATIVE

TAPE LBA 01-8, SIDE A

CHAIR GENE THERRIAULT called the Joint Committee on Legislative Budget and Audit meeting to order at 1:10 P.M. on September 7, 2001. Members present at the call to order were Senators Therriault, Hoffman, Wilken and Ward and with Representatives Fate, Harris, Joule and Lancaster.

APPROVAL OF THE MINUTES

CHAIR THERRIAULT announced that the first order of business would be approval of the minutes from the July 17th, 2001 Legislative Budget and Audit Committee meeting.

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

OTHER COMMITTEE BUSINESS

Foster Care Audit Update

CHAIR THERRIAULT indicated that due to a time consideration for Representative Fate, the Committee would address the pending federal review of Alaska's foster care system.

PAT DAVIDSON, Legislative Auditor, referenced the memorandum requesting the audit. [Copy on File]. She noted that since the last Legislative Budget & Audit (LBA) meeting, the Division of Family and Youth Services (DFYS) is in the initial stages of a Performance Audit required by the federal agency. The time line for that audit will last eight months.

Ms. Davidson recommended that the Committee withdraw the audit request submitted by Representative Fate. She commented that would allow DFYS to spend their resources focusing on the federal review. She added that she had spoken with Commissioner Perdue from the Department of Health & Social Services and that she had agreed to support two of the Legislative auditors be included as part of that federal review team. The Legislative Audit staff would participate in the training for the reviewers as well as in the case-by-case review process. She stressed that it was the intent of the Division to guarantee that the issues voiced by Representative Fate and Senator Hoffman were officially addressed.

Ms. Davidson understood that Representative Fate requested that the audit be WITHDRAWN until the next noticed meeting. She noted that it was her intent that the concerns be researched.

REPRESENTATIVE FATE MOVED to WITHDRAW his original request for the audit at this time.

CHAIR THERRIAULT asked if the intent was to resubmit the request at a latter date.

REPRESENTATIVE FATE replied that the request would be submitted only if the federal study does not meet the State's expectations.

REPRESENTATIVE LANCASTER inquired if the federal audit could be done more quickly.

PAT DAVIDSON replied that it was a federal timetable and would run on that schedule. The entire process that the Division needs to go through includes an assessment phase in which they will be required to submit case data to the federal agencies for review and evaluation and then a selection process, coordinating the reviewers coming in from the other states. She added that June 2002 was the target date for the on-site review. Ms. Davidson reiterated that the timetable has been established.

REPRESENTATIVE DAVIES clarified that two audit staff from the Division of Legislative Audit would be included on the team.

There being NO OBJECTION, the audit request was WITHDRAWN.

REPRESENTATIVE FATE voiced his appreciation to the Division of Legislative Audit and the LBA Committee members. He noted that he would be going "off-line" at this time.

REVISED PROGRAMS (RPLs)

NICO BUS, Administrative Services Manager, (Testified via Teleconference), stated that Gary Prokosch, Water Resources Section Chief for the Department, was accompanying him to address RPL #10-2-4013.

RPL Number: 10-2-4013

Department of Natural Resources
Minerals, Land and Water Development
Water Development

\$280.0 Statutory Designated Program Receipts (SDPR)

NICO BUS pointed out that the request was for \$280.0 thousand dollars, funds which had not been budgeted. The money comes from industry, local government, and/or Native Corporations to ask and pay for the United States Geological Survey (USGS) to install and operate stream gauges. That information is necessary for resource development, hydroelectric projects and water supply projects. If these entities pay the USGS directly, USGS cannot provide matching funds. But if the funding is passed through a State agency to the USGS, the funds can be matched at 100% by the federal government.

Mr. Bus continued that the USGS estimates that \$280.0 thousand dollars in project requests in FY02, were based on prior year requests and proposed new hydroelectric projects. The anticipated projects in that program are:

- Cooper Creek, Kenai Peninsula
- Dorothy Creek, Southeast Alaska
- Greens Creek, Southeast Alaska
- Falls Creek, Gustavus
- Indian River, Sitka
- Four Dam Pool hydroelectric project

Mr. Bus pointed out that the program had been funded through the Department of Community & Economic Development's, Alaska Energy Authority (AEA), for several years. USGS requested that the Department of Natural Resources, Division of Minerals, Land and Water consider taking over the program. He added that the continuation of the program would benefit the State, local governments, and the private sector by

allowing them the benefits received from the 100% matching funds provided by the cooperative program.

CHAIR THERRIAULT asked if funds had been budgeted through the Department of Community & Economic Development in the FY02 budget for the program.

NICO BUS indicated that he had spoken to the Department of Community & Economic Development and that the Alaska Energy Authority had included the project in the Capital Budget. It had been included in the capital projects that were either old or exhausted and the funding was no longer appropriate because it was program receipts instead of statutory designated program receipts. He reiterated that it had not been included in that Department's operating budget, but had been included in a very old capital budget request.

CHAIR THERRIAULT asked under what system had the Department of Community & Economic Development been requesting that funding.

NICO BUS reiterated that it was an "old" capital project and had not been included in the current operating budget.

REPRESENTATIVE LANCASTER asked if the funding would provide any benefit to the Four Dam Pool project.

GARY PROKOSCH, Chief, Water Resources Section, explained that the Four Dam Pool was using matching funds for some of the projects. However, if they did become privately owned, they would qualify under the proposed program and would benefit.

REPRESENTATIVE DAVIES asked about the chosen sites.

GARY PROKOSCH replied that many of the sites had already been established and have a number of years of data acquired. The program allows for new gauges for new programs, which will benefit the State's lack of current data. He added that the data would be placed on the USGS website.

REPRESENTATIVE DAVIES indicated his support for the increment, commenting that it would move the State in the "right" direction for maintaining these stations.

SENATOR WILKEN MOVED to approve RPL #10-2-4013. There being NO OBJECTION, the motion passed.

RPL Number: 01-2-0822

Office of the Governor
Division of Governmental Coordination

Governmental Coordination

\$7,835.7 Federal Receipts

PATRICK GALVIN, Director, Governmental Coordination, commented that the Division of Governmental Coordination (DGC) was requesting \$7,835.7 million dollars in federal authority to implement the Coastal Impact Assistance Program (CIAP) to help mitigate effects of the outer continental shelf oil and gas exploration and development activities. Uses of the CIAP funds would include:

- Conservation
- Restoration
- Enhancement or protection of coastal or marine habitat, wetlands, watersheds and water quality
- Education and training
- Mapping and research
- Implementation of federal conservation management plans

Mr. Galvin continued, under the CIAP, Alaska would receive a one-time allocation of \$12.2 million dollars. Based on the CIAP legislation, 35% of the total, or \$4.27 million dollars, would be divided among 18 coastal boroughs and Coastal Resource Service Areas (CRSA). The community funds would be disbursed directly from the federal government to the communities. The remaining \$7.9 million dollars would be allocated to the State of Alaska. He pointed out that the Division of Governmental Coordination (DGC), FY02 operating budget does contain \$100.0 of the CIAP funds. Consequently, the RPL addresses only the \$7.8 million dollars allocated to the State.

Mr. Galvin discussed the designation of the monies:

Competitive Grants Program	\$3,100,000
Ocean, Coastal and Watershed Info. System	\$1,700,000
Cataloging Anadromous Fish Streams	\$1,000,000
Coastal Resource Inventory Project	\$ 800,000
Regional Coastal Program Planning	\$ 750,000
Implementation & Administrating of Plan	\$ 235,670
Grant Funds for AK. Coastal Resource Dis.	\$ 200,000
Ocean, Cstl & Watershed Symp & St. Oceans	\$ 150,000
TOTAL	\$7,935,670

Mr. Galvin noted that the Grant Program would establish the grant criteria, solicit project proposals and select projects to receive the funds. The grant program would be open to applications from coastal resource districts, State and local government agencies, tribal organizations, non-

profit organizations, individuals, private industry and other interested parties.

Mr. Galvin further noted that the Coastal Impact Assistance Program was a one-time appropriation that was part of the compromise reached in the closing negotiations last year in the Congress of the Conservation and Reinvestment Act (CARA). The Coastal Impact Assistance Program is part of what is now commonly referred to as the CARA-lite package.

REPRESENTATIVE MULDER asked how the members of the Coastal Policy Council (CPC) would be selected.

PATRICK GALVIN replied that the Council already exists and oversees the Alaska Coastal Management Program. He advised that there are six State agencies represented and nine locally elected officials from coastal communities within the State. These people make up the Coastal Policy Council and that they make the policy decisions for the coastal management program. He emphasized that it was important to establish a mechanism for administration of the potential coastal impact grants without creating a new group specifically for that one-time concern.

REPRESENTATIVE MULDER responded that two categories had been established, education & conservation and restoration & enhancement. He questioned the need to include "education".

LISA WEISSLER, Project Analyst, Coastal Impact Assistance Program, explained that the Division has solicited public input for ideas and that education had been one of the proposed criteria to be included.

REPRESENTATIVE MULDER understood that during the 30-day public comment period, the Division received only thirty to forty responses. He commented that those people providing services in those areas were sure to give "feedback" to the Division. He stated that he did not support that aspect of the program.

LISA WEISSLER responded that there were two public comment periods. The first one lasted for fifteen days and following that, the Division put the plan out for the public for a thirty-day comment review period.

REPRESENTATIVE MULDER interjected that the plan states that the funds could be used for conservation, restoration, or enhancement of coastal marine habitat. He stressed that was all encompassing considering that 25% of Alaska is wetlands. He added that there are a number of capital projects each year which the State has not been able to fund. He believed that this funding could help with those projects. Representative Mulder reiterated his opposition to including the educational projects.

PATRICK GALVIN explained that included in the federal legislation, no more than 23% of the funds could be used for infrastructure, and only infrastructure, which is directly related to mitigating the impact of offshore oil and gas development. The only oil and gas qualifying for that would be off the North Slope.

REPRESENTATIVE MULDER asked if the Cook Inlet would be included in that section.

PATRICK GALVIN responded that the definition of offshore oil and gas excludes anything that is within the area between three and six miles from the shore. He stated that would significantly limit the ability of DGC to look at the infrastructure project.

Mr. Galvin continued, a large portion of the Coastal Impact Assistance Program that go directly to local governments would be directly to the North Slope Borough. He commented that it would be inappropriate to look for other infrastructure projects within the borough using the State's portion of the fund.

REPRESENTATIVE MULDER advised that he had not heard of that portion of the offshore impact reference. He pointed out that he had spoken directly with the U.S. Secretary of the Interior and the Governor's Chief of Staff and that point had not been brought up. He requested a reference for that.

LISA WEISSLER read from Authorization Section of that U.S. Legislation: [Copy on File].

"(6) Mitigating impacts of Outer continental Shelf activities through funding of (A) onshore infrastructure projects and (B) other public service needs intended to mitigate the environmental effects of Outer Continental Shelf activities: *Provided*, that funds made available under this paragraph shall not exceed 23 percent of the funds provided under this section."

REPRESENTATIVE MULDER asked if that amount would apply to the entire appropriation.

LISA WEISSLER responded that it would.

CHAIR THERRIault inquired if it would be ongoing funding.

PATRICK GALVIN replied it would not.

CHAIR THERRIault voiced his concern if it would turn into ongoing funding through the operations of CARA, then the Committee would want to be careful how to set up the

expending mechanism. He believed that there should be a "sensible" way to break the costs down for the development.

Chair Therriault questioned the amount requested for the implementation and administration of the plan.

LISA WEISSLER pointed out that only four months had been allocated to develop the plan. For the past several months, the Division has been working on a detailed implementation plan. She added that there would be continuing work associated with the competitive grant program.

CHAIR THERRIAULT asked if there would be a problem performing development of that plan before the grant money had been received.

LISA WEISSLER responded that the Division would be uncomfortable with the solicitation of proposals if the funds were not available.

SENATOR HOFFMAN questioned how fish stock rebuilding and the cataloging of fish streams would be accomplished. He questioned who would be contracted to do the work and why there was a need for two new positions.

PATRICK GALVIN explained that the Department of Fish & Game would do the contractual work as they provided the work plan.

CHAIR THERRIAULT interjected that contractual services would not be issued to a non-State entity. All contracting must be from one State agency to another.

SENATOR HOFFMAN reiterated his query of how the fish stocks would be rebuilt.

ELLEN FRITTS, Deputy Director, Division of Habitat and Restoration, Department of Fish & Game, (Testified via Teleconference), explained that the intent of the cataloging would be so that the Department could provide additional information to the current catalogue of the anadromous waters. That action would place those waters under the protection of Title 16, Section .870, which requires permitting. The point of the increment would improve protection of the spawning and rearing areas and all of the critical places which need to be rebuilt because of current problems.

SENATOR HOFFMAN referenced Page 4, "rebuilding" of fish stocks.

ELLEN FRITTS explained that money had not been designated for rebuilding of fish stocks. She believed that statement indicates the State's need to do a "better job" of

protecting fish stocks and the habitat that those stocks need.

SENATOR HOFFMAN pointed out that the State already has a cataloguing of 15,209 water bodies, including documented evidence of anadromous fish use. He asked why an additional million dollars was necessary.

ELLEN FRITTS acknowledged that a catalogue currently does exist; however, the Division estimates that Alaska has less than 60% of its anadromous fish habitat catalogued. She emphasized that 40% of the fish habitat is not protected by a permit program.

REPRESENTATIVE MULDER referenced the statement read by Ms. Weissler, which specifically refers to the mitigating of the outer continental shelf activities. He did not believe that percentage was applicable to the projects for conservation and protection of the wetlands and the comprehensive management plans. He questioned if they would be subject to the 23% limitation.

PATRICK GALVIN agreed that they were not and added that was why they had been included in the grant description.

REPRESENTATIVE MULDER stressed that these were one-time funds and that he would like to see those funds used more beneficially for the State as opposed to looking at this as an ongoing revenue stream.

PATRICK GALVIN inquired if it was the will of the Committee to receive the applications for review in order to understand the actual projects proposed.

CHAIR THERRIAULT recommended that should be a policy call of the Coastal Policy Council determining the percentages used for each category.

SENATOR WILKEN referenced Page 7 of the handout. He asked about the nine new proposed positions and what would happen with them next year when the funding was gone.

LISA WEISSLER advised that this was to be a three-year project and when the money goes away, the positions would go away.

CHAIR THERRIAULT commented that in order for it to become a three-year project, the Division will need to request a funding source shift.

SENATOR WILKEN referenced Page 9 of the handout, warning that the full impact on the general fund will not be known, until the CIAP projects are completed.

PATRICK GALVIN addressed the "positive" impact of the project on the State's budget. He projected that there could possibly be a decrease from requested amounts.

SENATOR WILKEN referenced Page 15 of the handout, Section 6-Coastal Political Subdivisions, Paragraph A.

"In Alaska, a coastal political subdivision Equivalent is an organized borough or coastal resource service area (CRSA)."

Senator Wilken asked where that designation had occurred.

PATRICK GALVIN replied that there is not a designation in State law that a CRSA is a political subdivision. However, the intent of the Division was to comply with the intent of the federal statute that makes "county-equivalents" eligible for that "other" portion of the fund. It refers back to the previous sentence:

"A coastal political subdivision is defined as a 'county, parish, or any equivalent subdivision' (~31(a)(1))."

Mr. Galvin acknowledged how that would apply to Alaska is debatable. He stated that the Division felt that the intent was to have the money available for as much of the State's coastal communities as possible, and that the regional coastal management entities in those service areas should also receive the funding. A new definition of coastal political subdivision has been included in the current CARA bill going through Congress, and it would allow coastal cities not within a regional entity to share in the local portion of the funding.

SEANTOR WILKEN voiced his concern that the CRSA's not be eliminated.

PATRICK GALVIN acknowledged that CRSA's would be included.

CHAIR THERRIault referenced the spreadsheet listed on Page 3 of the handout, pointing out that regional coastal planning was one of the components. He advised that the definition was listed on Page 5:

"Three regions of the state are not currently covered by local coastal management plans; Prince William Sound, Northern Southeast Alaska, and Southern Southeast Alaska."

TAPE LBA 01-8, SIDE B

REPRESENTATIVE DAVIES asked if the areas were exclusive boroughs or if they would include coastal cities.

PATRICK GALVIN explained that within the definition of eligibility, a municipality within a borough could not be included and that there would be no overlap.

REPRESENTATIVE DAVIES addressed the education project, recommending that it be a separate category.

PATRICK GALVIN agreed that was a good idea.

REPRESENTATIVE MULDER referenced the computer based information system. He commented that once a computer system is established, someone needs to be available to maintain and operate it.

LISA WEISSLER stated that the data would be centralized within the agencies that collect and maintain it. She added that there is potential for future federal grants for that type of system. In response to Representative Mulder, Ms. Weessler added that there is much information currently collected by the State. The computer system would network all the inter-agency information and make it available at one site.

PATRICK GALVIN added that the computer system would provide an "entry point" that would indicate where permittees and applicants would need to go to gather the information that they need to complete the process.

LISA WEISSLER responded to concerns voiced by Representative Mulder, explaining that the federal government would be willing to help with that funding in the future. The feds are interested in the State's proposal and they are building Alaska into their budget. The State does not want to lose the momentum they have achieved to date.

CHAIR THERIAULT pointed out that the funds would become available in the federal fiscal year.

PATRICK GALVIN commented that the proposed funds are available in the current federal fiscal year and will be available in October 2001, if there is approval of the State plan by the National Oceanic and Atmospheric Administration (NOAA).

CHAIR THERIAULT asked if the Committee provided partial approval, would a delay jeopardize the remaining money.

PATRICK GALVIN replied that if the projects proposed were accepted, the funding would not be jeopardized.

SENATOR WARD asked if the funds could lapse.

PATRICK GALVIN replied they would not.

LISA WEISSLER explained that NOAA has indicated that they may establish a three-year limit.

PATRICK GALVIN stressed that the plan needs Committee approval.

REPRESENTATIVE DAVIES inquired if the three-year limit was on the total expenditure for that project.

LISA WEISSLER replied that she did not know for sure, however, believed that it would be funded for the time spent on the total project.

CHAIR THERRIAULT asked about the language referencing establishing of a "trust fund".

PATRICK GALVIN explained that the word "trust" was used in the description of the authorized use of the funds. In discussing that option with NOAA and the agencies that have experience with trusts, there were two primary issues. The first was if the State administrative burden would be eased and second, if there would be interest accumulated on that part, which the State could spend in the future. Absent other federal language, NOAA lawyers have indicated that the State would not accumulate the interest. Based on this, it is unlikely that the State will pursue a trust structure.

CHAIR THERRIAULT referenced the breakdown for the competitive grant program. He asked if the competitive grants portion was not approved, could the Division still move forward with the program.

PATRICK GALVIN advised that the \$16 thousand dollars for travel would be needed for the scheduled meetings of the Coastal Policy Council to review the grants for approval; however, he believed that amount could be merged into the CPC's current budget for the time being.

LISA WEISSLER explained that the contractual amount of \$168.1 thousand dollars would be used for the grant administrator position within the Department of Community & Economic Development. She indicated that amount was not essential until there are grants to manage.

PATRICK GALVIN explained how that program would work.

REPRESENTATIVE MULDER asked for a description of the coastal resource inventory project request in the amount of \$800.0 thousand dollars.

LISA WEISSLER explained that during the public comment period, people understood that there was a lot of information available but they did not know what it was or where it was located. She indicated that the project has two components. The first would be to determine what is available, leading to the information system. The remaining portion would be to create an information identification system and determine information needs.

PATRICK GALVIN interjected that the component is critical, as relevant and important information exists for making decisions but it is not currently accessible. He reiterated that there is no mechanism currently available in the State system, which makes that information readily available.

SENATOR WARD referenced the competitive grant fund component. He asked if there was a reason that fund did not extract funding from one of the other components.

PATRICK GALVIN clarified that NOAA is currently reviewing the plan for approval. To amend the plan, the State would have to go back to NOAA. The proposed plan includes described categories and the projects associated with each.

SENATOR WARD asked what the process would be to go back to NOAA and change the current agreement.

PATRICK GALVIN understood that would mean going back out for public comment. That is an obligation under federal law.

SENATOR WARD inquired if the local communities had recommended that amount be allocated for the resource inventory project.

PATRICK GALVIN stated that the local communities indicated that they would like information available and a place to access that information. He added that the proposed project summary was the one agreed to by the local communities.

SENATOR WARD asked if a list of projects proposed by the local communities was available.

PATRICK GALVIN responded that there are two different lists. One is part of the proposed State plan and the other is a list of "other" projects.

LISA WEISSLER listed some of the cementers who provided input during the comment period:

- University
- Alaska University Fisheries Center
- Gulf of Alaska Coastal Community Coalition
- Joseph Bader

- National Wildlife Refuge
- Regional Guide Fisheries Association
- Cook Inlet Aquaculture Association

Ms. Weissler noted that there was no criteria or application available to select projects proposed by those that commented. In order to deal with them and recommend specific projects, funding for the competitive grant fund needed to be set aside. She added that there had been \$14 million dollars worth of projects proposed.

CHAIR THERRIault recommended deferring projects for the full Legislature to consider. He added that there will be another two LBA Committee meetings scheduled over the next few months.

REPRESENTATIVE MULDER MOVED to DELETE the request of \$3,100.0 thousand dollars for the Competitive Grant Fund until actual projects are determined. He added to delete the Symposium & Report project in the amount of \$150.0 thousand dollars.

Representative Mulder MOVED to ADOPT the request for the Information System in the amount of \$1,700.0 thousand dollars; \$1,000.0 dollars for Cataloguing the Streams; \$800.0 thousand dollars for the Resource Inventory; \$750.0 thousand dollars for the Regional Coastal Planning; and \$200.0 thousand dollars for the Coastal District Grants.

Representative Mulder MOVED to REDUCE the Plan Implementation to \$50.0 thousand dollars.

REPRESENTATIVE JOULE asked if the full Legislature would be addressing the two projects being recommended for deletion.

CHAIR THERRIault responded that perhaps they would if the Program had proposals for the full Legislature to consider.

DAVID TEAL, Director, Division of Legislative Finance, [Testified via Teleconference], interjected that all the projects are likely to be before the full Legislature in FY03. He pointed out that the proposal is an operating RPL and that the timeline is for three years. He noted that it was the intent of the Office of Management and Budget (OMB) to come back before the full Legislature and have the operating money converted into a capitol project.

Mr. Teal added that because this is an operating RPL, it does not matter what the LBA Committee specifies the money can be technically used for. It is just an operating appropriation and they can use it for anything they want.

The MOTION as MOVED:

DELETE:

Competitive Grant Fund	\$3,100.0
Symposium & Report Pro.	\$ 150.0

REDUCE:

Plan Implementation to:	\$ 50.0
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ADOPT:

Information System	\$1,700.0
Cataloguing Streams	\$1,000.0
Resource Inventory	\$ 800.0
Regional Coastal Planning	\$ 750.0
Coastal District Grants	\$ 200.0

There being NO OBJECTION, the MOTION as made by Representative Mulder was adopted.

EXECUTIVE SESSION

SENATOR WILKEN 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 2:30 P.M.

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

The Committee resumed Open Session at 3:00 P.M.

AUDIT REPORTS

SENATOR WILKEN MOVED to release the preliminary audits to the agencies:

- DOA/Data Systems
- DOA/Division of Senior Svc.- Asst. Living Program
- DLWD/Vocational Rehabilitation

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

SENATOR WILKEN MOVED to release the final audit reports as public:

- FY00 State of Alaska Single Audit
- AIDEA/Rural Energy Programs

There being NO OBJECTION, the final audit reports were released for public response.

OTHER COMMITTEE BUSINESS

Special Audit Request

CHAIR THERRIAULT noted that there was an audit request submitted by Senator Taylor to review certain activities of the Department of Transportation & Public Facilities Southeast Director, Construction, maintenance and operations (M&O). The areas requested for review should include the necessity of business related travel and authorization of the use of the State equipment by non-state personnel.

SENATOR WARD MOVED Committee approval of the audit request.

PAT DAVIDSON explained that her office had been working with Senator Taylor to address the purpose of the audit request. She noted that an agreement with Senator Taylor to create a broader identification category would allow the Division to look at a fuller range of activities.

There being NO OBJECTION, the special audit request was submitted for approval.

Redistricting Issue

CHAIR THERRIAULT commented that he had spoken with the Attorney General due to a number of members' concern that the Department of Law was weighing in on the redistricting issue. He noted that with the Constitutional change, the Redistricting Board does have its own office, budget and legal counsel. He noted that he had submitted a letter to the Attorney General's Office and that Mr. Baldwin was on-line to address questions of the Committee.

CHAIR THERRIAULT voiced concern with the overall amount of hours spent on the issue by the Department of Law.

JAMES BALDWIN, Assistant Attorney General, [Testified via Teleconference], explained that those were the hours spent between April 19th, 2001 and June 19th, 2001, during the period in which the plan was being prepared.

CHAIR THERRIAULT asked about the hours since the plan has been submitted.

JAMES BALDWIN added that the 114 hours included an assessment of the nine cases, which had been consolidated into a single case. The Department was required to prepare answers to all of those nine cases and then filed a motion to intervene, following up by doing the typical work to prepare the case.

CHAIR THERRIAULT pointed out that not all of the cases had named the State, specifically. He understood now that all cases that had named the State have since moved to drop the State as the name.

JAMES BALDWIN advised that there were four or five of the cases which expressly named the State and asked for injunctions against the Division of Elections. In all of those cases, they filed a voluntary dismissal of the State as a party. However, they did not subsequently amend their complaints, which ask that the Division of Elections be joined in a certain way. The Department of Law believes that even though that maneuver was taken, there still remains a strong State interest in being protected. Mr. Baldwin stressed that is why the Department intervened.

CHAIR THERRIAULT asked if the Department had filed opposition to dropping the State as a name on behalf of the State of Alaska.

JAMES BALDWIN explained that this was not a procedure where that occurred. Rather, it is a procedure where if someone is dismissed, but nothing has been done on the case, it would not just happen. That is why the Department moved to intervene. The Department wanted to see the case advance but did not want to take the full 40-days to see that happen. Then the voluntary dismissal was filed and then the efforts were switched to a motion to intervene because the Department was still technically and legally in the case.

CHAIR THERRIAULT commented on a reference that existing RSA's or existing funding would be adequate. He asked if the Department was intending to come back to the Legislature through the supplemental process. He added, he heard that the Department of Law was running out of money and would be submitting an RPL to cover those costs. He asked if anything had been budgeted to the Department to cover the costs associated with the redistricting concerns.

Senator Therriault stressed that the Redistricting Board has their own budget and their own legal counsel. He asked how much of the Department of Law's money was being used for those concerns which would short other work within the Department.

JAMES BALDWIN did not know about the need for a supplemental budget request. At this point, he noted that only he had been involved with the case. He added that the Department has been involved with the situation since the beginning and that the principle focus has been the voting right aspects of the plan. Now that there is a compressed legal proceeding, the Department is concerned with the effect it might have on the ability to conduct elections in 2002. It is in everyone's interest that the litigation be conducted

in a way that the State can carry off successfully the primary and general elections for 2002.

CHAIR THERRIAULT interjected that when the Constitution was amended, the accelerated legal procedure was established. He believed that the State was "ahead" from the last time the issue surfaced. He asked if there was anything that made the Department seriously doubt that the standard election cycle would be in jeopardy.

JAMES BALDWIN voiced concern that a trial has been scheduled for the middle of January 2002. The Department urged counsel for the Redistricting Board to schedule trial for earlier than that under the theory that there must be sufficient time allowed for the appeal of the Alaska Supreme Court and then time for the Court to decide. Unlike earlier years in the redistricting cycle, if there is an error found in the present plan, it will have to go back to the Board for correction. In the prior procedure, the Court usually appointed a master or determined the establishment of an interim plan or made corrections to the final plan. These are the steps that have to occur. Having the trial set for January 2002, will press on the election calendar. He acknowledged that it could not be worse than it was in 1990, when the trial did not finish until May. He warned that the State does not want to fall into the problems experienced in 1990.

CHAIR THERRIAULT observed that the Court would start a plan from "scratch". With a new scenario, the Court could remand it back to the Redistricting Board, with some direction on how to remedy the problems that it potentially found. He believed that would be a more streamline method.

JAMES BALDWIN replied that it could be, depending on what the Court does with the finding of error.

CHAIR THERRIAULT voiced his appreciation for the quick response provided by the Department of Law. He noted that he would follow-up with some additional questions at a latter date.

JAMES BALDWIN replied that the Department would attempt to provide as much information as they can.

District Cost Factor Study

CHAIR THERRIAULT mentioned the district cost factor study. He noted that the evaluation team consisted of five members: Representative Fate, Eddy Jeans from the Department of Education & Early Development, Pat Davidson-Legislative Auditor, David Teal-Legislative Finance Director, and himself. The team did meet to address the three proposals and did award an out-of-state company, who had done work in

the State of Alaska in the 1980's. Senator Therriault explained that the way in which the decision was made was through the use of grading sheets disbursed to each member independently on the team and then discussed. The final process was close. The company that won the bid is the American Institute for Research from California. He added that the Notice of Award had been sent out and that there is a ten-day appeal process.

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CHAIR THERRIAULT noted that the bid price came back at \$348,000 dollars. The amount, which had been budgeted, was \$350,000 dollars. He reiterated that the notices to proceed with the award have been sent.

Reclassification of Auditors Positions

CHAIR THERRIAULT advised that Pat Davidson had issued a memorandum regarding the reclassification of some of the auditor's positions within the Division of Legislative Audit to give some analysts an increase in pay range. Ms. Davidson indicated that the Division was having difficulty being competitive with some of the other State agencies. Senator Therriault stated that the decision would not take formal Committee action.

PAT DAVIDSON mentioned that the Legislative Audit Division has experienced turnover in the last few years. She noted that she found that employees were leaving the Audit Division and often going on to the Executive Branch, receiving a two-range increase.

The Legislative Audit Division operates like a public accounting firm. They are able to get applicants because the work experience in the Division qualifies that person to become a Certified Public Account (CPA). Once they receive a little experience in the Audit Division, they are then hired out as Finance Officers and/or other audit positions. She commented that the turnover makes the audit process less efficient.

Since it is within the Division of Audit's budgetary constraints, the Division is looking at moving some positions up one range. Currently, those positions are at Ranges 20, 21 and 23. Finance Officers in the State generally are Ranges 21 and 22. Assistant Directors are at Range 24. She added that when checking with states with a similar population base, Alaska does pay less to its audit employees.

Ms. Davidson added that in the past, there was a ten to fifteen year experience rate in the Division, however, that has decreased to five to eight years. Ms. Davidson suggested that change shows in the efficiency of the audits.

CHAIR THERRIault reminded members how difficult the turnover rate within the Division of Legislative Finance has been on that Division. He indicated that unless there were objections from the Committee, it was his intent to give Ms. Davidson the authority to make those change. There were no objections voiced.

Travel & Per Diem Claim Form

PAT DAVIDSON advised that member's packets contained a copy of a Travel and Per Diem Claim Form. [Copy on File]. She pointed out the changes which had been made to that form, should make it easier for everyone to get paid more timely.

Department of Natural Resources - Pipeline Issue

CHAIR THERRIault noted that at the last LBA meeting, he had been given authority to release money to the Department of Natural Resources for the pipeline issue. He reported that so far, there have been no billings. The work has not yet "gotten off the ground" as quickly as expected. He noted his concern with what he had heard to expect for a billing from the Foothill producers group. He advised that Mr. Britt would be meeting with him, following the adjournment of the LBA meeting and invited any members interested in participating in that meeting to attend.

ADJOURNMENT

CHAIR THERRIault adjourned the Legislative Budget and Audit Committee at 3:25 P.M.