

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

Anchorage, Alaska

July 9, 2003

3:10 p.m.

MEMBERS PRESENT

Representative Ralph Samuels, Chair

Representative Mike Hawker

Representative Vic Kohring (via teleconference)

Representative Jim Whitaker (via teleconference)

Representative Beth Kerttula (via teleconference)

Senator Gene Therriault, Vice Chair (via teleconference)

Senator Ben Stevens

Senator Gary Wilken

Senator Lyman Hoffman

MEMBERS ABSENT

Representative Reggie Joule, alternate

Representative Bill Williams, alternate

Senator Con Bunde

Senator Lyda Green, alternate

OTHER LEGISLATORS PRESENT

Representative Sharon Cissna

Representative Les Gara

Representative Bob Lynn

COMMITTEE CALENDAR

APPROVAL OF MINUTES

EXECUTIVE SESSION

AUDIT REPORTS

REVISED PROGRAM - LEGISLATIVE (RPLs)

OTHER COMMITTEE BUSINESS

AUDIT REQUESTS

WITNESS REGISTER

CHERYL FRASCA, Director

Office of Management & Budget (OMB)

Office of the Governor

Juneau, Alaska

POSITION STATEMENT: Presented the RPLs to the Joint Committee on Legislative Budget and Audit.

BILL ROLFZEN

State Revenue Sharing

Municipal Assistance, National

Forest Receipts, Fish Tax, PILT

Division of Community & Business Development

Department of Community & Economic Development

Juneau, Alaska

POSITION STATEMENT: Presented information and answered questions pertaining to RPL 08-4-0019, Temporary Tax Relief Payments - DCED.

DAVID TEAL, Legislative Fiscal Analyst

Legislative Finance Division

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Offered comments pertaining to RPL 08-4-0019, Temporary Tax Relief Payments - DCED.

JEFFREY S. GRAHAM, Forester III

Forest Stewardship Coordinator

Division of Forestry

Department of Natural Resources (DNR)

Anchorage, Alaska

POSITION STATEMENT: Provided information pertinent to RLP 10-4-5002, Diamond Creek - Forest Legacy Grant Land Acquisition.

ARLISS STURGELEWSKI

Alaska State Legislature

POSITION STATEMENT: Provided information regarding RLP 10-4-5002, Diamond Creek - Forest Legacy Grant Land Acquisition.

DONNA LOGAN, Senior Manager

McDowell Group

Anchorage, Alaska

POSITION STATEMENT: Presented information on the Alaska State Veterans Home Feasibility Study to the committee.

JOHN VOWELL, Director

Division of Alaska Longevity Programs

Department of Health and Social Services

Juneau, Alaska

POSITION STATEMENT: Provided information relevant to the Alaska State Veterans Home Feasibility Study.

PAT DAVIDSON, Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the special audit requests and the request for approval for lease space to the committee.

SALLY HUNTLEY, Owner and Manager
Frontier Travel, Inc.
Anchorage, Alaska

POSITION STATEMENT: Testified on the special audit request regarding travel procurement process.

ACTION NARRATIVE

TAPE 03-5, SIDE A

[The counter numbers reflect time elapsed.]

CHAIR RALPH SAMUELS called the Joint Committee on Legislative Budget and Audit meeting to order at 3:10 p.m. Members present at the call to order were Representatives Samuels and Hawker and Senators Ben Stevens and Wilken; Representatives Kohring, Whitaker, Kerttula and Senator Therriault were on line via teleconference. Senator Hoffman joined the meeting as it was in progress. Also present were Representatives Cissna, Gara, and Lynn.

APPROVAL OF MINUTES

0.6

REPRESENTATIVE HAWKER made a motion to approve the minutes of April 29, 2003. There being no objection, the minutes from the meeting of April 29, 2003, were approved as read.

EXECUTIVE SESSION

1.2

REPRESENTATIVE HAWKER 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.

CHAIR SAMUELS brought the committee back to regular open session at approximately 3:30 p.m.

AUDIT REPORTS

1.6

REPRESENTATIVE HAWKER made a motion for the preliminary statewide single audit, audit control number 0240003-03, to be released to the appropriate agencies for response. There being no objections, the audit was released for response.

REVISED PROGRAM - LEGISLATIVE (RPLs)

2.0

CHERYL FRASCA, Director, Office of Management & Budget (OMB), Office of the Governor, began her testimony by referring to the first two RPLs, which were a result of Congress's approval of the President's fiscal relief package to the states. In that package, Alaska will receive \$50 million. The state received \$25 million in July, and the remaining \$25 million will be received in October of federal fiscal year (FY) 04. The proposal for the first \$25 million includes the distribution of \$10 million in a General Relief Assistance Program that would provide 10 months of payment, \$120 per month, to those who are eligible, which is estimated to be 7,500 individuals. This relief will be provided for all [qualifying] seniors over the age of 65, not just those who have been receiving the longevity bonus.

4.4

REPRESENTATIVE HAWKER moved that the committee approve RPL 06-4-0028, Temporary Tax Relief Payments, Health and Social Services.

SENATOR HOFFMAN asked what other states are doing with the tax relief dollars that are being received.

MS. FRASCA responded that the information as to how other states are using those dollars wasn't available. However, she noted that the states were given broad latitude regarding how the monies were to be used. Although the governor had to indicate that the monies would be used for an essential state service of a type in the appropriation process, there is very wide latitude. This latitude is unlike most federal funds that are tied to a certain purpose, she said.

CHAIR SAMUELS asked whether there were any objections to the motion. There being none, it was so ordered.

5.6

MS. FRASCA continued with the second RPL, RPL 08-4-0019, which takes \$15 million of the \$25 million and distributes it to local communities based on a formula similar to revenue sharing. The [difference] is that the minimum amount of entitlement to a municipality will be \$40,000, compared with the approximately half of that which has been customarily received through revenue sharing in recent years. Because "we vetoed the money" in the two programs, Safe Communities and the State's Revenue Sharing Program, this will provide transitional finding because FY 05 funding won't include proposals of funding those programs, either. The RPL includes a spreadsheet that shows the amounts to be received by each community.

6.7

SENATOR WILKEN directed attention to page 1 of the [attachment to RPL 08-4-0019], wherein it indicates that of the \$15 million in available federal funding, \$3,500 will be given to each of [73] unincorporated communities, which amounts to [\$255,500] from the \$15 million. Also, [\$13,857] will be given to 21 volunteer fire departments, which leaves [\$14.7] million to allocate among all of the communities. He then referred to the last [column on the attachment] and asked where the amount of \$40,000 came from.

MS. FRASCA replied that \$40,000 was a target amount. Because the Capital Matching Grants Program was also vetoed, the question was asked, "What's a reasonable number if we took what they might have gotten under Revenue Sharing, Safe Communities, and the Capital Matching Grants Entitlement?"

SENATOR WILKEN surmised, "So that's an arbitrary number."

MS. FRASCA replied, "Yes, that's another word for it."

SENATOR WILKEN then referred to last page of the spreadsheet, noting that he didn't understand columns four, five, and six.

BILL ROLFZEN, State Revenue Sharing, Municipal Assistance, National, Forest Receipts, Fish Tax, PILT, Division of Community & Business Development, Department of Community & Economic Development answered that [column four], "Amount Under Minimum,"

[was based on the assumption] that every community would receive \$40,000. [Column three], "Straight Percentage Allocation," specifies what each community would receive based upon what was received in FY 03. When the \$40,000 that every community receives is taken into account, the amount under the minimum amount can be determined, and therefore the amount necessary to total \$40,000 is apparent. Communities under \$40,000 will be given money. In [column five] the "Min. Allocation Make-up Contributor" is the amount that is over the \$40,000. Each municipality that is over \$40,000, based on its [straight allocation] percentage from last year, has to contribute some money, which is then subtracted from the community's total entitlement.

10.4

SENATOR WILKEN referred to column four and asked if the amount of \$2.9 million, contributed by those having more than \$40,000, was then being spread amongst those who would be under \$40,000, in order to bring those communities up to \$40,000.

MR. ROLFZEN confirmed this was correct.

SENATOR WILKEN referred to [the attachment] in which the \$35,853 amount in column one for Adak is about 0.12 percent [of FY 03]. If the 0.12 percent amount was taken, Adak would have a straight percentage allocation of about \$18,000. He related his understanding that Adak would be about \$21,900 under the \$40,000 amount, and therefore would be underfunded, according to this plan.

SENATOR WILKEN then referred to Fairbanks, which received \$1.3 million, or about 4.7 percent [of FY 03], and if a straight allocation was done based on FY 03, Fairbanks would receive [\$659,336]. Since that's over \$40,000, according to column six, Fairbanks is contributing [\$172,240] back into the pot; he asked if this was correct.

12.0

MR. ROLFZEN replied, "Yes." However, he highlighted that it's important to look at the big picture and consider that if revenue sharing were funded, there would be a minimum entitlement, and Adak would then receive \$18,000. The minimum for that program is about \$25,000 times the COLA [Cost of Living Allowance]. Therefore, looking at it as a straight percentage is somewhat misleading because Adak wouldn't have received

\$18,000 this year in revenue sharing. The money would have just been put in that program because that program has a minimum.

SENATOR WILKEN paraphrased his understanding as follows, "Adak, under this '04 scheme, is receiving more than it normally would have gotten under the \$25,000 plan, while Fairbanks is getting less than they would have, [as are] other large communities. Am I reading that right?"

MR. ROLFZEN answered that if the capital matching grants, which were also vetoed, are included, then every community loses money. He explained that if the \$35,853 that [Adak] received in FY 03 under Revenue Sharing and Safe Communities is added to that other \$25,000 received under capital matching grants, that would total about \$70,000, and therefore Adak would be funded at \$40,000.

SENATOR WILKEN asked if a like amount would apply to Fairbanks, beginning with the amount of \$1.39 million.

MR. ROLFZEN clarified, "You would have to add the capital matching grant."

SENATOR WILKEN asked if what was done for Adak would also be done for Fairbanks.

MR. ROLFZEN said the bottom line is that every community would show a reduction.

SENATOR WILKEN asked, "Why are the big communities contributing money in order to make the small communities either whole or greater than whole from '03?"

13.9

MS. FRASCA explained that in allocating this one-time money, the revenue-sharing formula was chosen because it tended to weight distribution of the monies based on services provided. The Safe Communities program, by contrast, is of benefit to larger communities, by population. She said [this proposal] is a hybrid that tries to accommodate some connection to services delivered in using the Revenue Sharing Program. She acknowledged that it is not perfect and noted that larger communities have more of a capacity to make up for some of the lost revenue than do the smaller communities.

CHAIR SAMUELS asked whether in total, every community took a "hit" when taking into consideration the Capital Matching Grants and Safe Communities programs.

MS. FRASCA confirmed that, saying, "Yes, there is a cost."

15.2

MR. ROLFZEN, in response to Senator Wilken, said that under the Capital Matching Grants program, every municipality and unincorporated community receives, at a minimum, a \$25,000 capital-matching grant. For example, the unincorporated communities that are scheduled to receive \$3,500 are also losing their \$25,000 capital-matching grant.

SENATOR WILKEN mentioned this being some arbitrary scheme that asks the big communities to contribute [approximately] \$3 million in order to bring other communities to \$40,000. He said he didn't know why and didn't agree with the arbitrary selected amount of \$40,000. He said he was ok "as long as everybody is being treated equally, but we're not." Smaller communities are benefiting while larger communities are not. He said he didn't understand this rationale and could not support this. He asked that the committee consider \$25,000 or else allocate according to column three so that everybody would be treated equally.

18.0

SENATOR HOFFMAN offered that the smaller communities are very dependent on a program that is going away. He told the committee that he already has one community that is looking at dissolution and in many cases, elimination of this program accounts for 60-80 percent of the funds used to operate the local government. Fairbanks can't similarly say, with the elimination of this program, that 80 percent of its operation dollars are going away. That, he said, is the most significant factor in the elimination of this program, [which he predicted would result in] small communities' disbanding and going with tribal governments. These communities are dependent on the minimal amount of state aid that is received. Governor Murkowski is presenting something that is at least fair, he said.

20.5

CHAIR SAMUELS asked if any community would be considered a "winner," given the \$40,000 minimum and the combination of matching grants.

MS. FRASCA confirmed that if the programs from FY 03 Revenue Sharing, Safe Community, and Capital Matching grants were combined, the amount would have been greater than \$40,000 for any one municipality.

21.3

SENATOR WILKEN moved that the allocations for the appropriations be done according to Straight Percentage Allocation as shown under column three [of the attachment].

SENATOR HOFFMAN objected.

SENATOR THERRIAULT asked if it was possible to allocate according to the methodology used in determining the third column.

MS. FRASCA deferred to Mr. Rolfzen, asking if there is money in addition to the \$14.7 million that gets paid out of the \$15 million, since "this is just municipalities."

MR. ROLFZEN responded that the \$14.7 million pertains only to municipalities and the \$3,500 pertains to unincorporated communities.

MS. FRASCA asked if column three, the Straight Percentage Allocation, could be used to meet the allocations spread among communities, plus the other obligations under similar revenue sharing arrangements, under the \$15 million total.

MR. ROLFZEN said, "Yes, we could because column three also totals \$14.73 million."

SENATOR THERRIAULT then asked about the 21 volunteer fire departments and referred to the Fairbanks Northstar Borough and wondered whether it received money from another part of the formula, since it is an organized borough.

MS. FRASCA replied that Fairbanks's allocation as a municipality includes fire services reimbursement, through a formula.

MR. ROLFZEN said that under the Revenue Sharing program, the Fairbanks fire service areas would receive a portion of the revenue-sharing payment.

SENATOR BEN STEVENS inquired about an anticipated plan to distribute the \$25 million in October.

MS. FRASCA replied that a plan has not as yet been formulated.

24.7

SENATOR BEN STEVENS asked if this chart could be reviewed at a later date using a different methodology of allocation.

MS. FRASCA said there has been no discussion or plan for the second installment, and therefore everything was available for discussion.

SENATOR HOFFMAN told the committee that he thought that both Representatives Morgan and Foster would be displeased with the passage of the motion because [the smaller] communities [in their districts] would be hit the hardest, whereas the larger communities could make it through the transition easier.

26.7

DAVID TEAL, Legislative Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, informed the committee that emergency regulations have been written to distribute this money. If a modification to the formula is suggested, he wondered whether there would be a need for new regulations, or whether there would be a delay.

MR. ROLFZEN responded that the regulations specified a dollar amount, including the minimal entitlement amount of \$40,000. The proposed formula is set out in the regulations, which had been adopted several weeks ago, and therefore are currently in effect.

SENATOR WILKEN said that he hoped that regulations would never prevent equal treatment from occurring.

MR. TEAL said that if regulations were in effect, the Joint Committee on Legislative Budget and Audit could simply place the money in the appropriation in this component, thereby giving the executive branch the right to spend the money any way it so chooses. Furthermore, if regulations currently exist, nothing

prevents starting over with the regulations and saying, "We've got a new formula." However, the latter brings up questions regarding where the executive-and-legislative line is drawn [with regard to] the [method used] to distribute the money, which is a legal question.

MS. FRASCA said if the committee decides on \$25,000, then the legislature's intent would be followed. The goal was for the checks to go out in late July, which is customarily when revenue-sharing checks are [distributed].

29.8

REPRESENTATIVE HAWKER reiterated that the motion before the committee was to approve of a distribution based on column three, the Straight Percentage Allocation. He asked, if that motion was passed, and if the RPL was approved, as amended, whether there would be any legal authority to that, or whether it would fall back to an administrative decision, which could then go back to whatever allocation percentages [the administration] chooses to enact.

MS. FRASCA responded that unless it is precluded by some legal reason, what the legislative committee decides upon is what will be done.

REPRESENTATIVE HAWKER confirmed that his concerns were put to rest because "Ms. Frasca was good to her word," and said that although Senator Wilken's argument is convincing, Senator Hoffman presented an equally valid consideration. He said he wasn't comfortable with the \$40,000 floor and that perhaps a \$25,000 floor would be a more appropriate factor, or perhaps with a straight allocation, some communities would come in under the \$25,000. He stated his interest in splitting the issue and wondered if using the \$25,000 floor ... [tape ends].

TAPE 03-5, SIDE B

0.0

SENATOR WILKEN said the problem is that there's nothing magic about \$25,000 either. He said the governor did his vetoes and said, "Folks, the rules are changing the way we're doing government. And he did what he did. That left everybody hanging. Senator Hoffman is exactly right. I understand that argument." Senator Wilken pointed out that he represents people who will be asked to come up with another \$420,000 either in revenue or in reductions to the budget, and that is really the

question before the committee. He explained that his motion speaks to allocating funds across the board, taking into account what happened previously, all the way back to 1978. He said he suspects that the same allocation discussion will arise this year and next, [even] with the additional monies. He summarized by saying, "Take the gift and allocate it according to what's been ratified by this legislature, year after year, and not by some arbitrary number that takes the people who are paying taxes and subsidizes those who aren't or who may not be. That's why I would speak against the \$25,000."

2.0

SENATOR THERRIAULT referred to the first column, with the FY 03 dollar amount, and asked if that amount took into account the minimum \$25,000 threshold when the FY 03 checks were cut.

MS. FRASCA said she didn't believe there was enough money in the distribution to pay the \$25,000 minimum.

SENATOR THERRIAULT clarified that he was asking about FY 03, when the current distribution statute would have been followed. He asked if this would have included the \$25,000 minimum threshold.

MR. ROLFZEN explained although that was true under revenue sharing, [revenue sharing] was subject to a reduction because it was so underfunded; the average minimal entitlement was more in the neighborhood of \$20,000.

SENATOR THERRIAULT then asked if the FY 03 number includes "a bit of a bump for the smaller communities."

MR. ROLFZEN confirmed that this was correct.

SENATOR THERRIAULT asked, if the calculated percentage was also used for FY 04 funding, whether it would similarly include "a bit of a bump for those communities."

MR. ROLFZEN confirmed this to be correct.

3.5

REPRESENTATIVE WHITAKER commented that it was difficult to argue against an equal allocation based upon a previous allocation. He said he totally supports Senator Wilken's proposal and would argue against altering it.

MR. ROLFZEN, in response to Senator Ben Stevens, specified that what is currently in regulation is the final column, the "Final Allocation column."

SENATOR BEN STEVENS inquired as to how the FY 03 distribution, approved by the legislature, was derived.

MR. ROLFZEN explained that when the legislature appropriated money for FY 03, it put the money into the existing programs, Revenue Sharing and Safe Communities, which incorporate minimal entitlements and so on. He continued, saying that in FY 03, distributing a percentage of an existing amount of money, rather than funneling it through existing program statute ...

SENATOR BEN STEVENS interjected and asked about a hypothetical situation in FY 03 wondering, if the amount at the bottom of column one were changed to \$20 million, whether those percentages in column two would remain the same or would change, based on the formula.

MR. ROLFZEN replied that if more money were added to the formula on the spreadsheet, each community's percentage would remain the same, but the payment would increase as the overall appropriation increased.

SENATOR BEN STEVENS reiterated his question.

MR. ROLFZEN replied that it would depend on where the \$20 million was placed. If it was placed in the Revenue Sharing program, the percentages would go up significantly. Adak, for example, as a smaller community, would be eligible for that \$25,000 minimum, so its payment or allocation would be greater than what is shown in column three. He restated that it depends on "where you put the money."

SENATOR BEN STEVENS said the argument is based on the percentages in column two, as compared with the percentages in column seven. If the money went into the same programs, the State Revenue Sharing and Safe Community programs, he asked whether that would change the percentages.

MR. ROLFZEN said, "Yes, it would."

CHAIR SAMUELS said it depends on the minimum. [The communities' allocations] will all change slightly, depending on the minimum and on what program is being used.

SENATOR BEN STEVENS said he was trying to justify Senator Wilken's position versus Senator Hoffman's position, versus how this would affect his community.

CHAIR SAMUELS clarified that the approach was to consider three separate programs and "eyeball something in the middle."

SENATOR BEN STEVENS asked, if the monies being considered had changed and been reduced, whether it could have been reduced on an equitable basis, or whether the percentages for the larger communities would have fallen.

MS. FRASCA said the problem with the revenue-sharing formula is that "it's not just purely a math equation" because it's weighted according to certain services and consideration is given to smaller communities. She said that the percentage for FY 03 is merely Adak's percentage of the total amount available.

MR. ROLFZEN said that from FY 03 to FY 04 there was a 25 percent reduction approved by the legislature. Anchorage's reduction from FY 03 to FY 04 would have been more in the neighborhood of 29 to 30 percent. The smaller communities, because of the minimal entitlement and so forth, would have a reduction that is less than that - it would have been under 25 percent in many instances.

12.3

SENATOR WILKEN echoed his earlier comments that where the money came from is irrelevant [because it should be shared equitably], which, he said, is his motion.

SENATOR THERRIAULT said it seems from the testimony that's been given that as the pot of money has been reduced, the smaller communities have been treated favorably and have received a premium all the way up to FY 03. Now, if the calculation is just a straight percentage on the FY 03 funding and all those premiums factor into that percentage, then the smaller communities will continue to get the premium that's been built up over the years and it will be applied to the current pot of money. Furthermore, the smaller communities would still receive a premium if the second column percentage were used to come up with a straight allocation. He said, "And if that's not correct, I'd like clarification."

SENATOR HOFFMAN told the committee that he doesn't believe the communities are receiving a premium because there are two separate formulas. The percentages are a hybrid of a dollar amount and two formulas that have been melded together. He said:

If you big communities want to go ahead and steal the money from the small communities, go ahead and do it. But if you want to be fair about it, be fair and equitable, then take the money and distribute it under the Revenue Sharing Program, a portion of it, and take another portion and distribute it under the Safe Communities Program. Those formulas, we know what they are. The legislature has adopted them. And let's take the dollars and distribute the monies equally under those two programs.

SENATOR HOFFMAN stated that the percentage column was a hybrid of something that had not been seen before, and asked if there was any basis to the percentages that existed in column two, according to law.

MS. FRASCA confirmed that the basis wasn't statutory but that it is distributed as per law.

SENATOR HOFFMAN commented that it was distributed according to those two formulas.

17.9

REPRESENTATIVE HAWKER stated that "the issue before us is how to allocate" a gift that is replacing programs that no longer exist. He asked, "What if we went back and took this money and redistributed it under the absolute guidance of those previous programs?" He said that those programs are not funded and do not exist and that this is money coming from the Federal Tax Act - money that "none of us ever expected to have." Representative Hawker said he's come full circle in supporting Senator Wilken's presumption on this. Since the program isn't being reinstated and the committee is looking for a benchmark and a basis to allocate the money received, he suggested that an absolutely ratable allocation in proportion to the prior years' receipts is a fair solution and that, ultimately, Senator Wilken has a very sound point.

19.9

CHAIR SAMUELS commented that these are one-time monies, and whether one likes or dislikes the way the governments are set up in rural Alaska, it will be far more difficult to "ramp them down," although that will ultimately be the case because this is a one-time shot. He noted that there are many ways that the administration could look at this, for example, splitting it into three pots for three programs.

20.8

REPRESENTATIVE KERTTULA acknowledged that dealing with this one-time money was a difficult decision for the administration. She stated that Senator Hoffman is correct. She said that if the desire is to treat communities equally, a lot more would have to be done; the smaller communities don't have water, sewage, electricity, or the infrastructure of the larger communities. With regard to treating everybody equally, she said "we haven't been doing that for a long time." Therefore, she suggested that [the legislature] needs to determine how it's going to treat those communities more equally in the future in order for them to survive.

22.2

A roll call vote was taken. Representatives Hawker, Whitaker, and Kohring and Senators Ben Stevens, Wilken, and Therriault voted in favor of the motion [to use the Straight Percentage Allocation as shown in the attachment to RPL 08-4-0019]. Senator Hoffman and Representatives Kerttula and Samuels voted against it. Therefore, the motion passed by a vote of 6-3.

23.0

REPRESENTATIVE HAWKER moved the approval of RPL 08-4-0019, Temporary Tax Relief Payments - DCED, as amended by the prior motion. There being no objection, the motion carried.

CHAIR SAMUELS announced that the next order of business would be [RPL 10-4-5001] Alpine Satellite Project - ConocoPhillips Alaska, Inc.

MS. FRASCA explained that this project was approved as part of the FY 04 operating budget in terms of statutory designated program receipts in which ConocoPhillips Alaska, Inc., pays the state for work that's being done on the Alpine Satellite Project. In the budget, \$149,700 was approved, which was the best estimate at the time as to what the costs would be. The

Memorandum of Understanding (MOU) with the department and ConocoPhillips Alaska, Inc. has since been finalized and an additional \$76,600 is being requested.

24.5

REPRESENTATIVE HAWKER moved to adopt RPL 10-4-5001, the Alpine-Satellite Project - ConocoPhillips Alaska, Inc. There being no objection, the motion carried.

CHAIR SAMUELS announced that the next order of business would be [RPL 10-4-5002] Diamond Creek - Forest Legacy Grant Land Acquisition.

MS. FRASCA explained that this was a request to receive \$450,000 in federal funds as part of the Forest Legacy Grant Land Acquisition program. She noted that there is a lot of constituent support for the purchase of this land in the Homer area. She said that this was approved in the capital budget, and "we all did veto it" and, upon reflection, are bringing it back to the committee for approval.

25.6

SENATOR WILKEN noted that the property, some 160 acres, would be going out of private ownership, out of the tax base, and into public status, off of the tax base, in order to have a trail through it. The trail, he recognized, was needed for recreation purposes and for the Arctic Winter Games. He asked why a trail easement wouldn't be a preferable approach rather than taking the [land] out of private ownership.

26.8

JEFFREY S. GRAHAM, Forester III, Forest Stewardship Coordinator, Division of Forestry, Department of Natural Resources (DNR), testified that the owner of the land intends to sell it and needs the income from the property. He said he hasn't spoken with the owner directly, but understands that an easement wouldn't be sufficient for the owner.

SENATOR WILKEN asked about the configuration and wondered where the trail was located within the 160 acres.

MR. GRAHAM said he did not have the specific location of the trail on his map. He said the area was adjacent to and surrounded on two sides by a piece of state land called the

Homer Demonstration Forest that has a number of ski and hiking trails, which connect with the trails on this particular parcel.

SENATOR WILKEN expressed concern over taking land out of private ownership and putting it into public ownership. Senator Wilken informed the committee that last week an issue was brought to his attention in Fairbanks regarding the purchasing and procurement methods used by Arctic Winter Games, Inc. He expressed concerns about how Arctic Winter Games, Inc., is spending money, specifically regarding keeping money in the state. He has requested their bid and procurement procedures, in writing, but "they seem not to have any."

29.8

ARLISS STURGELEWSKI, a former Senator with the Alaska State Legislature, testified that she wanted to make it very clear that she does not represent the Arctic Winter Games, Inc. She said that she was the original sponsor of the land trust regulations or legislation. There are some very active trusts, such as Kachemak Bay, Land Heritage Trust, and the Great Land Trust. There is a willing buyer and a willing seller, and these unique properties are of value to community use. For instance, the Fish Creek Estuary in the Anchorage area is located near the Tony Knowles Trail; it's a very special area. The group worked to get private and foundation funding, et cetera, to keep the area, which has a tremendous waterfall and viewing area. She said that this legislation does not allow for eminent domain, so it involves a willing buyer, a willing seller, and there has to be community support or, "it's just not going to go." How the winter games works, is another [question]....

TAPE 03-6, SIDE A

0.0

SENATOR WILKEN said, "They have certainly been put on record that they need to develop and improve their purchasing process, and the legislature will hear more about that."

REPRESENTATIVE KERTTULA commented that her husband, Jim Powell, is on the board of the Arctic Winter Games.

SENATOR BEN STEVENS offered that he had previous experience running a procurement program on a winter games enterprise and said that under state law, recipients need to follow the state procurement code; otherwise, the grant is being violated.

REPRESENTATIVE HAWKER echoed the concern expressed by Senator Wilken regarding the transfer of land from private to public domain; however, he said that the circumstances in this case justify this as a good acquisition for the public trust.

REPRESENTATIVE HAWKER moved to approve RPL 10-4-5002, Diamond Creek - Forest Legacy Grant Land Acquisition.

SENATOR WILKEN objected.

A roll call vote was taken. Senators Ben Stevens, Hoffman and Therriault and Representatives Hawker, Whitaker, Kohring, Kerttula, and Samuels voted in favor of the motion. Senator Wilken voted against it. Therefore, the motion passed by a vote of 8-1.

The committee took a brief at-ease.

OTHER COMMITTEE BUSINESS

CHAIR SAMUELS announced that the next order of business would be the presentation of the Alaska State Veterans Home Feasibility Study.

DONNA LOGAN, Senior Manager, McDowell Group, began her testimony by thanking members of the steering committee involved with the study, and then referred to the 146-page document, the Alaska State Veterans Home Feasibility Study. She noted that in addition to the McDowell Group, assistance was provided by the Health Dimensions Group and the Arctic Slope Consulting Group, Inc. She acknowledged the importance of understanding that within the federal Department of Veterans Affairs (VA), there is interest in moving away from institutionalized care and towards community home-based care; there is a national trend in the long-term care industry of striving towards maximizing one's independence for as long as possible. She reported that a needs assessment and a demands assessment were conducted. Based on the U.S. Census data, a random survey was done in which 450 veterans located throughout the state were contacted; this was a good demographic sampling, she said.

9.4

MS. LOGAN told the committee that standard methodology was applied to determine demand. She referred to what the VA calls "a reliance factor," saying that the VA recognizes that it is unrealistic to serve all veterans for all levels of care, and

therefore recognizes that about 11.5 percent of the veterans needing long-term care would receive it in the state veterans home. Utilization rates within nursing homes and assisted living homes throughout the state was also looked at in order to understand where veterans are with regard to being in community-based nursing homes and assisted living homes.

MS. LOGAN indicated that several different systems and perspectives were used to determine and verify the demands. Also, the most viable options regarding financial implications were considered, which resulted in a range of three options. She said that one option was developing or building a new, freestanding veterans home within the state, whereas another option was to use the Alaska Pioneers' Home System in some way, and also to look at community and home-based care.

12.0

MS. LOGAN outlined the first option as the conversion of the Palmer Pioneers' Home to a 78-bed state veterans home. The necessary renovations, costing approximately \$1.5 million, could be shared by the federal and state governments, and through a grant process, there would be a 65/35 split between federal and state government. She said that because of natural attrition due to illness and death, a conservative estimate is that it would take about three years to convert the non-veteran beds to veteran beds. She emphasized that no one was advocating for moving people out of the home; rather through natural attrition, as non-veterans would leave the facility, those occupants would be replaced by veterans. She noted that the facility is not currently operating at maximum capacity.

14.5

MS. LOGAN continued that regarding operating costs, the current level of service and the way the home operates would remain the same. The VA does not currently have reimbursement for assistant living care, but does for nursing home care, domiciliary care, and for adult daycare. She explained that the beds won't be designated as nursing home beds because nursing home reimbursement won't be available; however, the domiciliary reimbursement will be available for those beds, although currently, there is no per diem available for assistant living care. There will be about \$27 per day of additional revenue coming into the system from the VA to pay for domiciliary care, which is really an assisted living level of care. She clarified that there is no assisted living per diem reimbursement; there

is eligibility only for the domiciliary reimbursement, even though the level of care being offered would be that of assisted living care.

16.5

MS. LOGAN estimated that the state would save about \$250,000 per year once the system was operable, because of additional revenues from the federal government, and there would also be some reduction of overhead costs due to the rise in occupancy level; there would be a net gain to the state, from conversion. Regarding the state's recouping its capital investment, she said of the \$1.5 million in renovations of the Palmer facility, the state's portion of roughly \$400,000 could be recouped in 2.1 years, after the home was operable. She said that regarding pros and cons, ideally the home should be placed in Anchorage because that's where the bulk of veterans live; however, Palmer is within a 50-mile radius of Anchorage and the facility is relatively new and has been recently renovated.

CHAIR SAMUELS asked if there were different parameters for different types of homes.

MS. LOGAN responded that the VA has a lot of regulations regarding common space, room size, and office space. After a preliminary assessment, the Palmer facility has been determined to be in good shape; for example, the rooms are of adequate size. She said that renovations of common space may be necessary, but since it is currently an 82-bed facility, there are extra rooms that can be converted.

19.0

SENATOR THERRIault asked if, similar to contributing to construction costs, the VA would contribute 65 percent if the state were to purchase a facility in the private sector.

MS. LOGAN answered, "Yes, they would."

SENATOR THERRIault asked if, since the facility is already owned, there would be a 65 percent reimbursement for the cost of that facility.

MS. LOGAN answered, "No, only for the renovation costs."

19.8

MS. LOGAN told the committee that because the largest number of veterans are located in the Anchorage and Fairbanks areas, the second option involves renovating two Alaska Pioneers' Homes in those areas of greatest need so that veterans could stay there. Converting all of the Alaska Pioneers' Homes was found to be cost-prohibitive and cumbersome, especially in light of the condition of homes such as the home in Sitka, and also given that the number of veterans in some of those areas would be quite small. The second option designates 60 beds in the Anchorage Pioneers' Home and 19 beds in the Fairbanks Pioneers' Home. Currently, there are 17 veteran beds in Fairbanks, so the demand is met in that community. In Anchorage, through natural attrition, a conservative estimate is that it would take about one and one-half years for the non-veteran beds to be filled with veterans.

MS. LOGAN testified that all of specific VA regulations would need to be met in both facilities, and the construction costs are estimated at \$5.3 million. Ultimately, after the facilities are operable, there would be a net gain of \$250,000 to the state due to VA financing from the per diem, and also due to increased efficiency because occupancy would be increasing in the Anchorage facility and possibly the Fairbanks facility as well. She said that an obvious advantage to this option is that "you're where the vets are." However, because the Fairbanks Pioneers' Home is popular, there is a concern that the facility won't be as accessible to non-veterans. She said that option two is similar to option one, but the homes would be a mixture of Pioneers' and veterans homes.

23.7

SENATOR WILKEN asked about the placing of the two populations together, which was had been looked into several years ago.

MS. LOGAN replied that no one is advocating for segregating the veterans throughout the homes. She said that according to the survey, veterans, like other people, don't want to be segregated, but would rather mix with others. She pointed out that even if a wing were designated as a veteran wing, the other portions of the facility would still need to meet the VA requirements for a state veterans home.

CHAIR SAMUELS noted that the \$5.3 million in conversion costs would not result in there being a designated wing for veterans.

MS. LOGAN confirmed this to be correct, saying that this would involve offering the level and breadth of care available in the Alaska Pioneers' Home System, which is pretty high.

25.0

REPRESENTATIVE GARA said that the last thing desired was to pit one group of seniors against each other, in competition for scarce monies. The original concept of funding a veterans home was to make more beds available for senior veterans and therefore to leave at least the same number, if not more, beds available for non-veteran seniors. He asked if an analysis had been done on the impacts of taking beds away from the non-veteran population.

MS. LOGAN said that occupancy impacts have been [studied] for nursing homes, Pioneers' Homes, and assisted living homes.

REPRESENTATIVE GARA asked if an assessment had been done regarding the costs involved with adding spaces for veterans while leaving the same number of non-veteran rooms available for non-veterans.

MS. LOGAN replied that this had been factored into the overall demand, knowing that there is currently excess capacity in the Alaska Pioneers' Home System and the nursing home system within the state. She mentioned that since the state already provides care for veterans in the Alaska Pioneers' Home System, the discussion pertains to increasing the number of veterans designated within a certain facility. She said that perhaps there would be a cost savings because the excess capacity in the Pioneers' or nursing homes could be filled.

REPRESENTATIVE GARA referred to option two and asked if the \$250,000 in savings could be used to hold the non-veterans' population number of beds harmless, and also add new spaces for veteran seniors.

MS. LOGAN said that although the exact number is not known, because of there being excess capacity, the answer is "yes" to the question of whether the non-veteran population would still have access if the number of beds in the Alaska Pioneers' Home System was not increased, but 60 or 79 beds were designated for veterans. She then explained that there is a complicating factor due to there being several levels of care available in the Alaska Pioneers' Home System. She said that there is a lot of demand for beds that have a nursing home level of care, while

occupancy is available at the lower level of care, the basic level.

28.0

REPRESENTATIVE GARA referred to page 36 [Alaska State Veterans Home Feasibility Study], which reads in part, "the non-veteran population [in the Pioneers' Home is] largely unaffected," and commented that he hoped that the non-veteran population could be completely rather than "largely" unaffected by the changes proposed in the second option.

MS. LOGAN said the degree to which that population would be affected is relatively nominal because of there being excess capacity currently available, and also because of the level of care that's needed within the Alaska Pioneers' Home System itself.

28.5

JOHN VOWELL, Director, Division of Alaska Longevity Programs, Department of Health and Social Services, testified that veterans are on the waiting list "just like anyone else" and come into the system based upon the home they have chosen and upon the level of care needed. Currently, the available beds within the system are what is considered by the VA, [domiciliary] care, partially because of the development of assistant living and other alternatives within the community. He said that he didn't think that the demand for those beds by non-veterans would be changing, so using those beds, designated for veterans, should not affect a non-veteran's ability to get into the home.

30.2

REPRESENTATIVE KERTTULA commented that of the veterans included in the poll, their number-one wish was to stay in their own community.

MS. LOGAN confirmed this was correct.

REPRESENTATIVE KERTTULA asked about the financial breakdown of a program that was more community oriented, and about the national PACE [Programs of All-Inclusive Care for the Elderly] program. She questioned whether, instead of centralizing, if it would be preferable to keep veterans in their own communities. She said her concern pertained to people on the waiting list for the

Palmer Pioneers' Home as well as for those seniors wanting to go into that home, should it become a veterans home. She commented that she thought the three-year approximation to be inaccurate because of seniors who have already been living there for quite a while, in addition to others who might be coming in.

MS. LOGAN said that if the Palmer Pioneers' Home were converted to a veterans home, the only non-veterans able to live there would be spouses or relatives of veterans. She confirmed that there would be a displacement of others wanting to go to that home, but said that there would be space and occupancy available in Anchorage. She said that community-based programs have been looked into, noting that the VA currently operates within the state by providing care for veterans through community-based private providers. She emphasized that these [three] options are not in lieu of current VA programs, but rather make additional services and options available to veterans.

32.3

REPRESENTATIVE KERTTULA asked if the home-based and community services would be continued.

MS. LOGAN replied, "Absolutely." She referred to a section in the report reflecting the desire of the federal Department of Veterans Affairs to keep services in community-based programs through private providers and home care, when possible. She confirmed that non-veterans who were not relatives of veterans but who wanted to live at the Palmer Pioneers' Home would need to go elsewhere. She clarified that up to 25 percent of the beds could be occupied by non-veterans but those people would need to meet the regulation of being related to a veteran.

33.5

MS. LOGAN told the committee that the number of beds required by the VA to receive grants is determined according to regulation, and is not an arbitrary number; Alaska has been allocated 79 beds. If more beds are desired, the state would need to come up with additional funding or with a good argument as to why the federal government should fund more than that amount. She opined that the amount of 79 was close to the demand estimate, so it appeared to be a good number.

SENATOR THERRIAULT commented that the survey helped to gauge what kind of care was wanted and how it was to be delivered, as desired by the veterans. He noted that in response to some

pressure from the [legislative] minority to "build a home," the study points to the concern of meeting veteran demands in a way that is affordable by the state.

35.6

MS. LOGAN said that the third option involves the establishment of a freestanding facility. She said that there is sufficient demand within the Anchorage market to sustain a home; however, it needs to be understood that when the demand is being talked about, there is a "bubble" pertaining to aging veterans, which will peak around the year 2015 to 2020. The concept behind the third option is to build a 60-bed facility to service the veteran community, with the recommendation that 30 beds would be nursing home and 30 (indisc.). An attractive element to this option would be having a new facility for veterans, a central location, and for that location to be in the community with the largest veteran population. A disadvantage, she said, is that the facility would have about a 40-year lifespan, but the "bubble" would have already passed, possibly leaving the question of how to fill those beds. She stated that the construction costs to build a new facility were estimated at \$9.4 million and that there would be no payback for the state's investment due to additional operating expenses of about \$2.8 million per year because of adding beds to the state system, at a nursing home level of care.

CHAIR SAMUELS asked if the VA precludes the state from filling those beds with other people once the bubble passes.

MS. LOGAN responded, "Who knows what happens with the regulations in the years to come." She noted that the regulations allow for 25 percent of the beds to go to non-veterans, but specify that the population needs to be related to veterans.

REPRESENTATIVE GARA asked if that 25 percent going to non-veterans would not receive VA funding.

MS. LOGAN said this was correct. She reiterated that those beds could only go to relatives of veterans, such as spouses, and that there might be federal funding available, but it wouldn't be VA funding.

REPRESENTATIVE GARA asked about the idea of upgrading 60 rooms in the Anchorage Pioneers' Home to meet VA standards, and asked,

if those were considered as veteran rooms under federal law, whether those rooms couldn't be given to non-veterans.

MS. LOGAN confirmed that this was correct.

40.4

REPRESENTATIVE GARA suggested that a comparison be made among the three proposed options, addressing the number of veteran and non-veteran beds currently being filled, and also indicating how many veteran and non-veteran beds will be filled.

TAPE 03-6, SIDE B

0.0

SENATOR BEN STEVENS commented that nursing home occupancy by region is 85 percent, whereas Pioneers' Home occupancy is 80 percent, so the assumption is that "you'll be higher than you already are."

MS. LOGAN said that was correct "because the veterans would fill those beds."

SENATOR BEN STEVENS mentioned that the given statistics include veteran occupancy, which is 15 percent in the nursing homes and 16 percent in the Pioneers' Homes, so vacancy exists in both categories.

MS. LOGAN said that the demand assessment showed that a 90 percent occupancy for options one and two was a reasonable expectation, with the recognition that things would change after the year 2020.

REPRESENTATIVE LYNN told the committee that although he was not a member of the [legislative] minority, his message was, "Build a home, build a home, build a home." He said the needs of the non-veterans need to be considered as well as those of veterans. He stated that he was speaking as the chairman of the [House Special Committee on Military and Veterans' Affairs], as someone who has retired from the United States Air Force, as a Vietnam veteran, and as an older person; he said he wanted to point out that the privilege of today's debate was possible because of what veterans have fought for and have been wounded for, and therefore a great debt of honor is owed to the veterans. Factors other than dollars and cents need to be considered, he said.

CHAIR SAMUELS said that in the interest of time, questions should be focused towards the survey rather than addressing the broader policy issues at this time.

4.4

SENATOR BEN STEVENS referred to Tables 7, 8, 9, 10, and 12 on pages 20-26 [Alaska State Veterans Home Feasibility Study], specifically to page 20, "Nursing Home Occupancy Trends by Region" and asked if these nursing homes were privately managed.

MS. LOGAN responded that these 15 nursing homes were currently in Alaska, and some of which were associated with community hospitals.

SENATOR BEN STEVENS referred to an amount of \$550,000 and asked why there was such a dramatic jump from "'01 to '02."

MS. LOGAN replied that she didn't know the specific answer.

SENATOR BEN STEVENS asked for an answer to that question at a later time, and then confirmed that Table 12 was a summary. He referred to Appendix IV, page 8, a spreadsheet of private assisted living facilities indicating an additional [952] beds and asked if this was in addition to the numbers already seen.

MS. LOGAN said this amount was factored into the demand, but was not factored into the Pioneers' demand because there was no way to measure the number of veterans that were currently in the 200 facilities.

6.8

SENATOR BEN STEVENS asked if VA payments qualify in those homes.

MS. LOGAN responded that there is a pilot program in which, from this long list, nine assisted living facilities participate in the program. She said that there is no policy with the VA and there is not an assisted living reimbursement in the United States.

SENATOR BEN STEVENS asked if there was any table coinciding with Appendix IV regarding the occupancy rate of the 952 beds.

MS. LOGAN said she didn't believe so, saying that the focus was on the Pioneers' Homes' assisted-living occupancy. She noted that assisted living isn't regulated in the same way as the

nursing home beds, and her understanding is that even the Division of Senior Services doesn't know the answer to the question, "Of your four beds, are three filled?"

SENATOR BEN STEVENS referred to page 23, "Levels of Care - Basic Assistant Living," and asked if this was provided for by the VA.

MS. LOGAN said that it wasn't and explained that this referred to levels of care currently available within the Alaska Pioneers' Home System.

SENATOR BEN STEVENS asked whether, if he were a veteran living under basic assistant living classification then he wouldn't qualify.

MS. LOGAN said this was correct unless this was a state veterans home, which currently it is not. She mentioned survey results indicating that a core of about 15 percent of veterans voted, regardless of cost or need, to "build a home." She reported that generally, what was heard was the veterans' desire to stay within their community; they want choices, they don't want to be forced into a state veterans home, and they expressed interest in community-based programs. She said that veterans are aware of fiscal constraints and are interested in low-cost alternatives to a state veterans home.

REPRESENTATIVE LYNN commented that nobody, whether veteran or non-veteran, wants to go to a nursing home, and that he was not surprised by the survey.

MS. LOGAN offered that the survey provided insight into how veterans are thinking about these issues.

REPRESENTATIVE GARA asked if the following question had been incorporated: "Would you support this if it resulted in a decrease in the number of beds available for non-veteran seniors?"

MS. LOGAN replied that this question had not been asked.

12.5

REPRESENTATIVE KERTTULA asked if people on the waiting list for the Pioneers' Home or if people in Pioneers' Homes had been surveyed.

MS. LOGAN replied that surveying veterans in Pioneers' Homes was complicated because a number of those residents are under guardian care, or have dementia, and so forth. Administrators of those facilities, rather than residents, had been contacted.

REPRESENTATIVE KERTTULA asked whether non-veterans within the Pioneers' Homes were surveyed.

MS. LOGAN replied that non-veterans within those facilities had not been contacted.

CHAIR SAMUELS thanked Ms. Logan for her work, and suggested that she return to a future [Joint Committee on Legislative Budget and Audit] meeting after the committee had time to formulate additional questions.

REPRESENTATIVE HAWKER moved that the Alaska State Veterans Home Feasibility Study, prepared for the Alaska State Legislature, Joint Committee on Legislative Budget and Audit, be made available to the public at this time.

CHAIR SAMUELS asked if there were any objections. There being none, it was so ordered.

The committee took a brief at-ease.

AUDIT REQUESTS

14.9

PAT DAVIDSON, Legislative Auditor, Division of Legislative Audit Alaska State Legislature, referred to the second audit request on the agenda, a review of Alaska's sunset process, requested by Chair Samuels. She said this was a request to review Alaska's "sunset laws," which currently require a periodic review of various boards and commissions to determine if the entity should remain in existence.

REPRESENTATIVE HAWKER moved that the committee approve the authorization for the [review of Alaska's sunset process].

CHAIR SAMUELS asked whether there were any objections. There being none, it was so ordered.

16.5

MS. DAVIDSON continued that the next audit request, from Senator Guess, was a review of state residency requirements. She said

this involved several issues such as exemptions, whether educational, medical, or military.

REPRESENTATIVE HAWKER moved that the committee approve this request for the [review of state residency requirements].

CHAIR SAMUELS asked whether there were any objections. There being none, it was so ordered.

CHAIR SAMUELS passed the gavel to Representative Hawker due to a conflict relating to the next item of business.

REPRESENTATIVE HAWKER recognized Chair Samuels' declaration of a conflict of interest and took the gavel.

18.2

MS. DAVIDSON explained that Senator Wilken's request was to evaluate the travel procurement process.

SENATOR WILKEN explained that the state buys about \$50 million in travel each year, or at least did so in FY 2000, and the notion is that a central travel office will be established and state government will become its own travel agent, thereby essentially dealing private travel agencies out of their ability to book state travel. Senator Wilken said he wanted to find out why this was being done, what the business plan was, and why public government was replacing the private sector. He distributed a memorandum dated June 20, 2003, from Kim Garnero, Division of Finance, to Ray Matiashowski, Deputy Commissioner, Department of Administration. He referred to pages 3 and 4 wherein there is mention of "underemployed" travel agents, and he said this was a euphemism for people in the industry who are in danger of losing their jobs.

23.5

SALLY HUNTLEY, Owner and Manager, Frontier Travel Inc., said her agency has been a provider of travel arrangements for the state since 1982, and has designed systems based on the state's requirements for travel. She said that when agents are used, the competition has kept the rates down for state travel and that a problem with using an online product such as "EasyBiz" is that it doesn't allow for competitive information. In a market such as Fairbanks, for example, a small provider such as Frontier Flying Service averages \$100 reductions per ticket, but that provider won't be available to state employees because it,

like PenAir or Era Aviation, Inc., is not available on EasyBiz. Also, the travel agency can book hotel, car, and air reservations more quickly than others who are not familiar with the systems.

26.5

SENATOR HOFFMAN said he had owned a travel agency for 15 years, and inquired about the amount of the current fees.

MS. HUNTLEY replied that every agency establishes its own fees, and an agency can charge up to \$33 for a state fee.

CHAIR SAMUELS commented that perhaps that question pertained to the amount of the commission paid by the airlines, which is zero.

SENATOR WILKEN said his concern was that a regular audit would take 6 to 12 months, during which time travel agents would lose their jobs. He wondered if there was some way to address this issue without doing a full audit.

27.8

MS. DAVIDSON responded that additional information could be provided but it wouldn't produce the recommendations provided by a full audit. She said that the use of EasyBiz is a separate question from that of the establishment of a central travel office. She said another question is the efficient use of staff resources, vis-à-vis a travel agent's fee, and that an additional question is whether EasyBiz directs state agencies to particular vendors over other vendors. Ms. Davidson said she could gather preliminary information regarding where the bulk of state travel dollars are being spent and then share that information with the [Joint Committee on Legislative Budget and Audit]. She added that she suspects that decisions are still being made regarding the establishment of the central travel office.

31.3

SENATOR WILKEN said he hoped the brakes would be applied until a business plan and further analysis were done and that he would like to find an answer to the question, "What is the benefit of a central travel office?"

MS. DAVIDSON said she would draft a letter to the administration so that the expected benefits could be put in writing.

REPRESENTATIVE HAWKER mentioned that ultimately this issue would become a budget request, saying that one approach would be to address it through a subcommittee of one of the finance committees.

SENATOR WILKEN moved that the committee authorize the auditor to write a letter to the governor and to the administration, asking questions pertaining to the travel procurement process, and to have the letter be approved by [Vice Chair Therriault's office]. There being no objection, it was so ordered.

SENATOR BEN STEVENS asked if Ms. Davidson had seen the letter [memorandum dated June 20, 2003] that had been referenced during the meeting.

MS. DAVIDSON confirmed that she had [seen the memorandum].

SENATOR BEN STEVENS asked if the State Finance Officer Association's work group had the authority to implement or create procurement procedures.

MS. DAVIDSON said no. She stated that the association is responsible for instituting internal controls that are procedure-oriented but is not typically empowered to set regulation or to make any key decisions.

REPRESENTATIVE HAWKER turned the gavel back to Chair Samuels.

36.5

MS. DAVIDSON asked if the committee was going to take up approval of the lease space for the [Division of Legislative Audit] office in Anchorage at this meeting.

CHAIR SAMUELS responded that this would be added to the agenda.

The committee took a brief at-ease.

MS. DAVIDSON testified that the current lease for the Anchorage office of the Division of Legislative Audit expires on November 30, 2003. The request is for the approval of the solicitation and award of a contract for lease space. She told the committee that the process falls under limited competitive procurement; a space between 1,400 to 1,800 square feet costing under \$50,000

is desired. She explained that their current space has been occupied for more than 10 years and they would like to continue in that space, but the costs have gone up. She said that the desire is for an RFP [request for proposals] to be distributed to brokers, and noted that the division is looking for Class B space, and will therefore not be competing with the Legislative Affairs Agency's desire for space, either in size or in class.

SENATOR BEN STEVENS asked if there were seven or five, or how many classifications were being included in the evaluation criteria.

MS. DAVIDSON said this hadn't quite been yet decided, but she thought it would be closer to five. She said the desire was to be centrally located, in mid-town, and also to be in a well-secured building because 90 percent of the documents are working papers that are confidential, by law.

REPRESENTATIVE HAWKER moved to approve the request by the legislative auditor to issue an RFP for the space as outlined in the memorandum of July 7, 2003.

CHAIR SAMUELS asked if there was any objection. There being none, it was so ordered.

CHAIR SAMUELS announced that the agenda item, "Yuri Morgan - Denali Commission update," would be moved to the next meeting.

40.7

ADJOURNMENT

There being no further business before the committee, the Joint Committee on Legislative Budget and Audit meeting was adjourned at approximately 6:00 p.m.