

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

Anchorage, Alaska
November 14, 2006
5:08 p.m.

MEMBERS PRESENT

Senator Gene Therriault, Chair
Senator Burt Stedman
Senator Lyda Green
Senator Gary Wilken (alternate)

Representative Ralph Samuels, Vice Chair (via teleconference)
Representative Mike Hawker
Representative Pete Kott
Representative Beth Kerttula

MEMBERS ABSENT

Senator Ben Stevens
Senator Lyman Hoffman

Representative Mike Chenault
Representative Reggie Joule (alternate)
Representative Kevin Meyer (alternate)

COMMITTEE CALENDAR

REVISED PROGRAM - LEGISLATIVE (RPLs)
EXECUTIVE SESSION
RELEASE OF AUDITS
OTHER COMMITTEE BUSINESS

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

Daniel (Dan) Fauske, Chief Executive Officer (CEO)/Executive
Director
Alaska Housing Finance Corporation
Anchorage, Alaska
POSITION STATEMENT: Presented RPL 04-07-1031.

ANNA KIM, Fiscal Analyst

Legislative Finance Division
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding RPL 06-07-0041.

LAURA BAKER, Budget Chief
Finance and Management Services
Department of Health & Social Services (DHSS)
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding RPL 06-07-0041.

STACEY TONER, Acting Deputy Director
Division of Behavioral Health
Department of Health & Social Services (DHSS)
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding RPL 06-07-0041.

JEFF JESSE, Chief Executive Officer (CEO)
Alaska Mental Health Trust Authority (AMHTA)
Anchorage, Alaska

POSITION STATEMENT: Answered questions and offered background information regarding RPL 06-07-0041.

RANDY BATES, Acting Director,
Office of Project Management & Permitting
Department of Natural Resources (DNR)
Juneau, Alaska

POSITION STATEMENT: Presented RPL 10-07-5027.

CHRISTINE JOHNSON, Deputy Admin Director
Office of the Administrative Director
Alaska Court System
Anchorage, Alaska

POSITION STATEMENT: Presented RPL 41-07-9013.

DICK MYLIUS, Acting Director
Division of Mining, Land & Water
Department of Natural Resources (DNR)
Anchorage, Alaska

POSITION STATEMENT: Presented amendments to the Navigable Waters and R.S. 2477 RSAs.

PAT DAVIDSON, Legislative Auditor
Legislative Audit Division

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding amendments to the existing Navigable Waters and R.S. 2477 RSAs.

JOHN WESTLUND, Wildlife Biologist
Alaska Department of Fish & Game (ADF&G)
Anchorage, Alaska

POSITION STATEMENT: Offered background information on the Navigable Waters and R.S. 2477 RSAs.

ACTION NARRATIVE

CHAIR GENE THERRIAULT called the Legislative Budget and Audit Committee meeting to order at [5:08:18 PM](#). Senators Stedman, Green, Wilken (alternate), and Therriault and Representatives Samuels (via teleconference), Hawker, and Kott were present at the call to order. Representative Kerttula arrived as the meeting was in progress.

[5:10:07 PM](#)

REVISED PROGRAMS - LEGISLATIVE

04-07-1031

SENATOR WILKEN made a motion to approve RPL 04-07-1031, Department of Revenue, Alaska Housing Finance Corporation (AHFC).

CHAIR THERRIAULT objected for discussion purposes.

[5:11:10 PM](#)

Daniel (Dan) Fauske, Chief Executive Officer and Executive Director, Alaska Housing Finance Corporation (AHFC) gave a brief history of AHFC's involvement with the project in question. He explained that the RPL would allow the AHFC to extend funds to the Matanuska-Susitna (Mat-Su) Borough in order to defray planning design costs. These funds would not exceed \$500,000 and would later be reimbursed by the Mat-Su Borough.

[5:13:16 PM](#)

CHAIR THERRIAULT removed his objection. There being no further objection, the RPL was approved.

[5:13:46 PM](#)

06-07-0041

SENATOR WILKEN made a motion to approve RPL 06-07-0041, Department of Health & Social Services, Additional Mental Health Trust Authority Authorized Receipts Funding Approved by the Mental Health Trust Authority.

CHAIR THERRIAULT objected for discussion purposes. He noted that this RPL was previously discussed, adding that Representative Hawker had worked with the Department of Health & Social Services following the last committee meeting to draft this additional request.

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REPRESENTATIVE HAWKER asked for clarification on the actual amount requested by the RPL.

[5:15:02 PM](#)

ANNA KIM, Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, explained that the total amount of the RPL should be \$445,000. She then gave a breakdown of this amount.

CHAIR THERRIAULT clarified that the \$35,600 for behavioral health was previously approved, and the total amount should now be \$445,000.

MS. KIM agreed that this is correct.

[5:16:35 PM](#)

LAURA BAKER, Budget Chief, Finance and Management Services, Department of Health & Social Services, brought attention to a memo in members' packets. She explained the various Alaska Mental Health Trust Authority (AMHTA) authorized receipts, noting that program staff was available to answer questions.

SENATOR WILKEN inquired as to the meaning of "implement licenses for a level of care assessment tool."

[5:18:24 PM](#)

STACEY TONER, Acting Deputy Director, Division of Behavioral Health, Department of Health & Social Services explained that these are licenses needed to utilize the required software.

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JEFF JESSE, Chief Executive Officer (CEO), Alaska Mental Health Trust Authority (AMHTA), in response to a question from Representative Hawker, explained that the request would enable the AMHTA to provide 8 additional beds for youth in crisis. He went on to explain that once the beds are in place, AMHTA would be able to assess what additional capacity is needed. In regard to the level of care assessment, he stated that so far, there has not been a consistent process used to evaluate the level of care that is needed for a particular child. This not only causes problems with individual cases, but also affects the accuracy of the data used to make program policy decisions.

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REPRESENTATIVE HAWKER noted that the 8 beds would be billed to the Medicaid budget. He questioned whether adding these beds would result in a supplemental request for the fiscal year 2007 budget.

[5:24:53 PM](#)

MS. BAKER replied no, adding that this is not an incremental request. She noted that the 8 beds are already covered in out-of-state Medicaid costs, therefore would not be an additional cost to the state.

[5:25:39 PM](#)

SENATOR GREEN inquired as to whether the level of care assessment tools would augment or replace the individuals appointed to assess the best level of care.

[5:26:13 PM](#)

MR. JESSE offered his understanding that consistency is needed both within the program and also in the state's review process. He explained that this would implement a uniform assessment tool in order to properly place and assess youth. In addition, he said, if out-of-community care is needed, the utilization review group can review the assessment done by the local provider and

be sure that the same criteria was used to assess the level of care.

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CHAIR THERRIAULT removed his objection. There being no further objection, the RPL was approved.

[5:27:45 PM](#)

[10-07-5027](#)

SENATOR WILKEN made a motion to approve RPL 10-07-5027, Department of Natural Resources, Resource Development/Large Project Permitting.

CHAIR THERRIAULT objected for discussion purposes.

[5:28:19 PM](#)

RANDY BATES, Acting Director, Office of Project Management & Permitting, Department of Natural Resources, explained that this RPL requests additional program receipts authority in order to accommodate an increase in workload. This would allow the state to review additional large development projects, "in a coordinated and comprehensive fashion." He pointed out that the request was recently revised, resulting in the new request of \$270,000.

CHAIR THERRIAULT asked if a particular project caused the increase.

MR. BATES replied that an oil company in the state requesting services will require a "more involved" review. He then gave a breakdown of the requested amount.

[5:32:00 PM](#)

REPRESENTATIVE HAWKER made a motion to amend RPL 10-07-5027, Department of Natural Resources, Resource Development/Large Project Permitting from the original request of \$225,000 to \$270,000. There being no objection, the RPL was amended.

[5:32:58 PM](#)

[41-07-9013](#)

SENATOR WILKEN made a motion to approve RPL 41-07-9013, Alaska Court System, Alaska Court System/Trial Courts.

[CHAIR THERRIAULT objected for discussion purposes.]

[5:33:35 PM](#)

CHRISTINE JOHNSON, Deputy Admin Director, Office of the Administrative Director, Alaska Court System, explained that this RPL requests additional authority to spend Mental Health Trust Authority Authorized Receipts (MHTAAR) in order to supplement existing therapeutic court programs. Specifically, she said, the Palmer Mental Health Court project manager position would be increased from part-time to full-time. This program is at capacity and needs a full-time project manager. In addition, this would cover costs for a new project in Barrow, Alaska. This request would also allow the Alaska Court System to accept funding from the [AMHTA] to pay for neuropsychiatric evaluations.

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CHAIR THERRIAULT removed his objection. There being no further objection, the RPL was approved.

[5:35:53 PM](#)

EXECUTIVE SESSION

SENATOR WILKEN made a motion to move to executive session for the purpose of discussing confidential audit reports under AS 24.20.301. There being no objection, the committee went into executive session at 5:35 pm.

[6:23:46 PM](#)

CHAIR THERRIAULT brought the committee back to order at 6:23 pm.

[6:23:56 PM](#)

RELEASE OF AUDITS

SENATOR WILKEN made a motion for the following preliminary audits to be released to the appropriate agency for response: A Sunset Review of the Regulatory Commission of Alaska; A Sunset Review of the Alcohol Beverage Control Board; A Sunset Review of the Board of Marine Pilots; A Sunset Review of the State Medical

Board; A Review of the Kenai Peninsula Community Care Center; A Review of the Department of Administration, Procurement. There being no objection, the aforementioned preliminary audits were released.

SENATOR WILKEN made a motion for the following final audits to be released to the public: A Sunset Review of the Board of Direct Entry Midwives; A Sunset Follow-up of the Board of Governors of the Alaska Bar Association; Department of Transportation and Public Facilities - Benchmarking; A Review of Residency Requirements for Various State Benefit Programs; Fiscal Year 2005 (FY05), Statewide Single Audit. There being no objection, the aforementioned final audits were released.

[6:24:37 PM](#)

OTHER COMMITTEE BUSINESS

[6:25:42 PM](#)

CHAIR THERRIAULT announced that the next order of business would be the Department of Natural Resources and Alaska Department of Fish & Game Navigable Waters and R.S. 2477 reimbursable services agreements (RSA).

DICK MYLIUS, Acting Director, Division of Mining, Land & Water, Department of Natural Resources (DNR), explained that for several years, DNR and the Alaska Department of Fish & Game (ADF&G) have received funding for work on R.S. 2477 and [Recordable Disclaimers of Interest for Navigable Waters] from the Legislative Budget & Audit (LBA) Committee. These funds have primarily been used for contractual items. He stated that in fiscal year 2007 (FY07), DNR requested \$100,000 in general funds to replace the funds previously received through the LBA Committee; however, during the budget process, the funds were appropriated to the LBA Committee. He explained that DNR is requesting an RSA for the aforementioned funds, in addition to funds left over from previous years. He then gave a detailed explanation of how the funds would be used, pointing out that RSA funds cannot be used to pay the federal government.

[6:28:36 PM](#)

CHAIR THERRIAULT asked for further detail on the prohibition against using RSA funds to pay the federal government.

MR. MYLIUS offered his understanding that this is a LBA rule, and not a DNR rule.

[6:29:09 PM](#)

PAT DAVIDSON, Legislative Auditor, Legislative Audit Division, Alaska State Legislature, explained that because the money is appropriated to the legislature, it can only be used for a legislative function. She said:

To the extent that [the legislature is] checking claims or doing ... research, it's allowable as a legislative function. However, when you start paying [the federal government] for fees and so on, it seemed like you were moving past a legislative function. So, trying to draw a line that people could recognize about what's allowable, what's not allowable ... that's one of the lines that were drawn.

CHAIR THERRIAULT, in regard to the RSAs before the committee, pointed out that the legislature has appropriated the funds to itself in order to ensure the work is done.

[6:30:51 PM](#)

JOHN WESTLUND, Wildlife Biologist, Alaska Department of Fish & Game (ADF&G), explained that the ADF&G would use the funds for salary positions within the department, in addition to R.S. 2477 review, along with other projects.

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CHAIR THERRIAULT clarified that the RSA would include remaining funds from previous appropriations, in addition to the current \$70,000 appropriation. In response to a question from Representative Hawker, he explained that this request simply "increases the cap on the existing contract."

REPRESENTATIVE HAWKER offered his understanding that the original authorization was done within the "latitude and scope of ... executive decision by the committee chairs," and additional authorization requires approval of the committee.

CHAIR THERRIAULT replied that this is correct.

[6:33:54 PM](#)

SENATOR WILKEN made a motion to authorize the Legislative Budget and Audit Committee chairman to amend the existing Navigable Waters and R.S. 2477 RSAs with the Department of Natural Resources for a total RSA amount not to exceed \$96,252.64 and with the Department of Fish & Game for a total RSA amount not to exceed \$97,992.29. There being no objection, the RSAs were approved.

[6:34:31 PM](#)

CHAIR THERRIAULT announced that the final order of business would be a request from Senator Wilken regarding the production profits tax (PPT).

[6:35:07 PM](#)

SENATOR WILKEN explained that Section 25 of [HB 3001] requested that the Department of Revenue (DOR) show the legislature and the State of Alaska the effects of the PPT, starting in the year 2011. He stated that this information may be of interest before this date, therefore he is requesting that DOR begin researching the effects in 2007. While he is not sure of the additional workload, this will begin the process of determining the proper date. He opined that the legislature would be more comfortable seeing the changes prior to 2011.

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CHAIR THERRIAULT clarified that this is simply requesting that the Legislative Budget and Audit Committee consider asking the DOR to submit quarterly draft reports to the legislature, beginning March 31, 2007.

REPRESENTATIVE SAMUELS agreed that the request is appropriate, and surmised that this "shouldn't be a ... burden...."

CHAIR THERRIAULT said he would work with Representative Samuels to get a letter to DOR, if the committee wishes.

REPRESENTATIVE SAMUELS asked if the Legislative Budget and Audit Committee would meet again in December.

CHAIR THERRIAULT replied yes, adding that this would accommodate specific audits.

REPRESENTATIVE SAMUELS suggested that DOR give a brief overview at that meeting.

CHAIR THERRIAULT opined that it might be appropriate to work with DOR before the next meeting, in order to work out the request.

SENATOR WILKEN said "maybe it's not March, maybe it's - instead of the first quarter, it's the third quarter of next year. We just want to work with them."

[6:39:31 PM](#)

CHAIR THERRIAULT agreed.

REPRESENTATIVE HAWKER also agreed, adding that, as the Chairman of House Special Committee on Ways and Means, he intends to conduct hearings to gather preliminary information on the implementation of the PPT. He opined that the wording of the request is important.

CHAIR THERRIAULT said "I'm hearing that there's general agreement that it's good data that we should be collecting, to answer questions that are coming from the constituency."

[6:41:42 PM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at [6:41:52 PM](#).