

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

Anchorage, Alaska
October 29, 2010
8:35 a.m.

MEMBERS PRESENT

Senator Kevin Meyer, Chair
Senator Charlie Huggins (via teleconference)
Senator Linda Menard
Senator Bert Stedman
Representative Mark Neuman
Representative Bill Stoltze (via teleconference)
Representative Mike Doogan
Senator Donald Olson (alternate)

MEMBERS ABSENT

Representative Mike Hawker, Vice Chair
Senator Lyman Hoffman
Representative Bill Thomas
Representative Nancy Dahlstrom (alternate) (Resigned 5/31/10)
Representative Chris Tuck (alternate)

OTHER LEGISLATORS PRESENT

Representative David Guttenberg

COMMITTEE CALENDAR

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

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DAVID TEAL, Legislative Fiscal Analyst
Legislative Finance Division
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information regarding the RPLs.

SUE SHERIF, Head
Library Development
Historical Library
State Library
Department of Education and Early Development (EED)
Anchorage, Alaska

POSITION STATEMENT: Provided information during discussion of RPL 05-1-0186.

RHONDA BILES, Budget Analyst
Administrative Services
Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: Provided information during discussion of RPL 05-1-0186.

LINDA THIBODEAU, Director
Libraries, Archives & Museums
Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: Provided information during discussion of RPL 05-1-0186.

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

POSITION STATEMENT: Provided information during discussion of other committee business.

ACTION NARRATIVE

[8:35:04 AM](#)

CHAIR KEVIN MEYER called the Legislative Budget and Audit Committee meeting to order at 8:35 a.m. Representatives Doogan, Neuman, and Stoltze (via teleconference), and Senators Meyer, Stedman, and Huggins (via teleconference) were present at the call to order. Senators Menard and Olson (alternate) arrived as the meeting was in progress. Representative Guttenberg was also in attendance.

[8:36:05 AM](#)

Approval of Minutes

[8:36:13 AM](#)

CHAIR MEYER announced that the first order of business would be the approval of the minutes.

[8:36:43 AM](#)

SENATOR STEDMAN made a motion to approve the minutes of September 17, 2010. There being no objection, the minutes from the meeting of September 17, 2010, were approved.

Revised Program - Legislative (RPLs)

[8:37:07 AM](#)

CHAIR MEYER announced that the next order of business would be consideration of RPL 02-11-0070, Commercial Driver's License Information System Modernization and Program Improvement Grants, Division of Motor Vehicles (DMV), Department of Administration (DOA); RPL 02-11-0071, Court Appointed Special Advocate (CASA) Program, DOA; RPL 05-1-0186, Broadband Technologies Opportunities Program (BTOP), Department of Education and Early Development (EED); RPL 10-1-5031, continuation of Cadastral Survey Grant, Department of Natural Resources (DNR); and RPL 45-1-1102, combined request for American Recovery and Reinvestment Act of 2009 (ARRA) funding, University of Alaska.

[8:37:52 AM](#)

DAVID TEAL, Legislative Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, with regard to RPL 02-11-0070, explained that the DOA, on behalf of the DMV, is requesting additional federal receipt authority of \$412,450 for expenditures under two operating grants - one for \$647,490 for the commercial driver's license improvement program, and one for \$264,960 to improve data quality regarding commercial driver's licenses. Because the DMV's fiscal year 2011 (FY 11) budget already contains \$500,000 of federal receipt authority, in anticipation of grant awards, the DMV now only needs the additional federal receipt authority of \$412,450. The work covered by the grants must be completed by the end of FY 11 or future grants could be jeopardized; the "State match" and maintenance-of-effort requirements can be met via the existing general fund (GF) budget; there are no new positions required; and the RPL contains no technical problems, he concluded.

CHAIR MEYER [although no motion had been made] ascertained that there were no objections to approving RPL 02-11-0070.

8:39:42 AM

MR. TEAL, with regard to RPL 02-11-0071, explained that the DOA, on behalf of the Office of Public Advocacy (OPA), is requesting federal receipt authority of \$40,200 for the OPA's Court Appointed Special Advocate (casa) Program; this authority would allow expenditures under two operating grants - one the current authority for which is \$200 short, and one for \$40,000. No new positions would be created, and the RPL contains no technical problems, he concluded.

CHAIR MEYER [although no motion had been made] ascertained that there were no objections to approving RPL 02-11-0071, and announced that it was approved.

8:41:01 AM

MR. TEAL, with regard to RPL 05-1-0186, explained that the Department of Education and Early Development (EED), on behalf of its Libraries, Archives & Museums division, is requesting \$5,351,378 in federal ARRA receipt authority, and \$709,000 in statutory designated program receipt authority, for a total receipt authority of \$6,060,378, which would allow expenditures - under an operating grant rather than under a more appropriate capital grant - to create a network of public computers located in libraries throughout Alaska, a network that would allow video- and web-conferencing in addition to normal Internet access. Indicating that RPL 05-1-0186 is somewhat related to another RPL the committee would also be considering, he relayed that although RPL 05-1-0186's requested authority addresses operating funds that would be received over a three-year period, the Legislative Finance Division would prefer that the request only reflect anticipated spending during FY 11. The EED could then more properly address the remaining amounts - for FY 12 and FY 13 - via a capital request. Essentially, for purposes of meeting [the Broadband Technologies Opportunities Program's (BTOP's)] FY-11 needs, RPL 05-1-0186 is requesting excess authority, but it is not yet known just how much in excess the current request is.

CHAIR MEYER relayed that the committee would address RPL 05-1-0186 further, later on in the meeting.

[8:43:55 AM](#)

MR. TEAL, referring to RPL 10-1-5031, explained that the Department of Natural Resources (DNR), on behalf of its Information Resource Management (IRM) section, is requesting \$300,000 in federal receipt authority for the continuation of the Cadastral Survey Grant. No GF monies would be required, no new positions would be created, the work is expected to continue on into FY 13, and the RPL contains no technical problems, he concluded.

CHAIR MEYER [although no motion had been made] ascertained that there were no objections to approving RPL 10-1-5031, and announced that it was approved.

[8:44:45 AM](#)

MR. TEAL, with regard to RPL 45-1-1102, explained that the University of Alaska is requesting \$4,842,399 in federal ARRA receipt authority. This request addresses capital funds, and would allow the university to make expenditures for two grants: one in the amount of \$297,853 for equipment to enhance training for healthcare professionals - nurses; and one in the amount of \$4,544,546 for [increasing] broadband capacity. The latter grant is somewhat related to the EED's RPL, he indicated, adding that the purpose of both RPLs is to create a network of public computers located in libraries throughout Alaska, a network that would address the needs of those who currently don't have access to a computer. He concluded by noting that the RPL contains no technical problems.

MR. TEAL, in response to a question, clarified that under the university's RPL, both of the grants address capital funds, and indicated that the legislature has approved ARRA funds for capital grants in the past.

CHAIR MEYER CHAIR MEYER [although no motion had been made] ascertained that there were no objections to approving RPL 45-1-1102, and announced that it was approved.

[8:47:55 AM](#)

CHAIR MEYER directed the committee to return its attention to RPL 05-1-0186.

[8:48:41 AM](#)

SUE SHERIF, Head, Library Development, Historical Library, State Library, Department of Education and Early Development (EED), explained that the EED's School Finance and Facilities Section had suggested that the RPL request funding authority for all three years, and that roughly 55 percent of the RPL's requested amount would be used in the first year to cover startup costs and necessary equipment purchases.

8:50:00 AM

RHONDA BILES, Budget Analyst, Administrative Services, Department of Education and Early Development (EED), added that 55 percent of the requested amount related to ARRA funding would be about \$2.9 million for use in FY 11.

REPRESENTATIVE NEUMAN expressed concern about the financial impact that complying with the federal requirements regarding filters would have on small libraries.

MS. SHERIF acknowledged that under the federal Children's Internet Protection Act, filtering is a requirement when accepting federal monies. She went on to point out, however, that contingent upon the acceptance of "this money," the EED would be granted [an additional \$1,650,000] - over the course of two years - from the Bill & Melinda Gates Foundation that's specifically intended to support "E-Rate" efforts, which address sustainable funding by drawing on the "Universal Services Fund"; that within that Bill & Melinda Gates Foundation grant, there is money to set up a model of filtering that would satisfy the federal requirements while still being less burdensome on small libraries; and that part of the BTOP involves helping those smaller libraries comply with the federal requirements.

REPRESENTATIVE NEUMAN argued that the financial burden on small libraries would still be too severe regardless.

MS. SHERIF assured him that the EED, too, is quite concerned about the financial impact on small libraries; that the thrust of the project the RPL would address is to provide increased bandwidth to those libraries while also minimizing the financial impact of complying with federal regulations; and that sufficient technical assistance/training would be provided to those libraries. In response to a question, she indicated that in order to receive the aforementioned Bill & Melinda Gates Foundation grant, the EED must also receive [approval for the ARRA-funded portion of the RPL], and that that grant would address the concern raised.

REPRESENTATIVE NEUMAN indicated that he was not comfortable with approving RPL 05-1-0186.

8:58:01 AM

MS. SHERIF, in response to a further question, clarified that the terms of the BTOP grants don't include any provisions for a partial acceptance or acceptance of just the first year's funding authority. The BTOP would be instituted in a staged manner such that 25-27 of Alaska's 65 technically-substandard libraries would be addressed the first year, with the remainder being addressed in the following years; because of technical issues, the EED would be unable to address all of Alaska's public libraries in just one year.

REPRESENTATIVE DOOGAN expressed disfavor with appropriating three years' worth of operating funds.

MS. SHERIF, in response to comments and a question, said she did not think that the funding would be lost as long as the EED [expressed and maintained] the intent to address all the state's public libraries. Again, she relayed, in requesting authority for all three years, her section was acting on the advice of others. She added, "I think initially we were ... just going to ... ask for a ... federal cap to be set for the first year." Expressing interest in working with the legislature on this issue further, she said that in the near term, the EED has to accept the "first-year" grant money or lose both the federal money and the matching grants; in addition to the grant from the Bill & Melinda Gates Foundation, the Rasmuson Foundation is offering a grant of \$250,000 over the course of [three] years. "We have to have some kind of acceptance ... so that we can proceed," she concluded.

REPRESENTATIVE DOOGAN said he doesn't have a problem with the BTOP itself, but is not sure about appropriating three years' worth of operating funds.

9:02:06 AM

LINDA THIBODEAU, Director, Libraries, Archives & Museums, Department of Education and Early Development (EED), on the issue of sustainability, clarified that the grant from the Bill & Melinda Gates Foundation is specifically targeted towards helping [the EED] put together a consortium to apply for E-rate funds, which would help the libraries continue paying for the

Internet - the cost of which is high, particularly in rural Alaska - after the initial three years is up.

SENATOR STEDMAN, expressing disfavor with the ARRA funding process, indicated that he wasn't comfortable with appropriating three years' worth of operating funds either.

MS. SHERIF explained that the match from the State is part of an ongoing item in the operating budget, is relatively small compared with the total amount of the aforementioned grants, and is normally spent on similar library development projects; the EED, therefore, wouldn't be requesting any additional appropriations to address the RPL or the BTOP's staffing requirements. Approval of the RPL - and thus the BTOP - would allow for more robust library training programs, and do so for a relatively small expenditure compared to the total BTOP costs - whether for just one year or for all three years.

MS. THIBODEAU concurred, but noted that the State match is predicated on the continuation of the same level of appropriation for the second year of the project.

MS. SHERIF, in response to a question, clarified that although the BTOP requires the creation of four new, long-term, non-permanent positions, the EED would not be requesting additional funding for staff because those positions would be funded by the aforementioned grant, and would cease to exist after the three-year timeframe is up. Furthermore, the hope is that once the BTOP is set up, the libraries themselves jointly would be able to submit a bid for bandwidth, purchase equipment, and, again, establish an E-rate consortium.

9:10:56 AM

SENATOR STEDMAN expressed disbelief that those four new positions would ever be done away with once they are created.

MS. SHERIF, in response to a question, said that if no action is taken on RPL 05-1-0186 until June, 2011, the EED would essentially lose three-quarters of the project's first-year [financing] - if not all of the grants entirely - and she doesn't think that an extension would be possible under the terms of the BTOP grants.

SENATOR STEDMAN asked her to provide something in writing to that effect.

MS. SHARIF agreed to do so.

CHAIR MEYER suggested that the committee delay action on RPL 05-1-0186 until the next meeting in order to give the EED the opportunity to provide the committee with more information.

MS. SHERIF, in response to comments, reiterated that the Bill & Melinda Gates Foundation grant would address the concerns expressed by small libraries about the cost of meeting federal filtering requirements. Furthermore, no library would be mandated to take part in the BTOP. The goal in seeking approval of the RPL is to make the Internet services commonly available in libraries in the Lower 48 and in urban areas of Alaska also available in libraries in rural areas of the state.

REPRESENTATIVE DOOGAN asked Ms. Sharif to also research what impact approving only the funding authority necessary for FY 11 would have.

MS. SHERIF agreed to do so. In response to a comment, she noted that the Alaska State Library [and the Alaska Library Association (AkLA)] have created a web site, called the "Alaska Internet Circle of Safety", that addresses the issues of Internet filtering, access, and safety as they relate to children's use of the Internet.

[9:18:47 AM](#)

REPRESENTATIVE STOLTZE asked that the AkLA's written policy on filtering also be provided.

MS. SHERIF, in response to a question, relayed that the aforementioned web site also has links to training videos produced by other organizations regarding Internet safety for children.

SENATOR MENARD expressed favor with approving the aforementioned \$2.9 million in ARRA funding for FY 11.

MR. TEAL, in response to a question, explained that there is a difference between accepting a three-year grant and authorizing [three years' worth of] associated expenditures. Specifically, the Legislative Budget and Audit Committee cannot authorize three years' worth of expenditures, and because RPL 05-1-0186 pertains to operating grants - rather than to capital grants - the authorization for expenditures would be restricted to only the amount sought for FY 11. One solution would be for the EED

to revise the RPL such that it only seeks authorization for the aforementioned \$2.9 million in federal funds for FY 11, and then come back before the legislature for the FY 12 funding. That would be the better approach to take, he surmised, since any federal authority in excess of what's needed in FY 11 would simply lapse and thus not be available anyway. Another solution would be for the EED to instead submit a supplemental budget request for the FY 11 funding.

MS. SHERIF, in response to a comment, indicated that she would provide the committee with the AkLA's written policy on filtering.

MR. TEAL suggested that the EED also provide the committee with a breakdown of both the federal ARRA receipt authority and the statutory designated program receipt authority that would be required for FY 11 only. Again, any authority in excess of what's needed for FY 11 expenditures would simply lapse anyway.

MS. SHERIF indicated that she would strive to provide the requested information at the committee's next meeting.

CHAIR MEYER mentioned that that would be sometime in December 2010.

[9:26:37 AM](#)

CHAIR MEYER [although no motion had been made] announced that the committee would postpone action on RPL 05-1-0186, and that all the other RPLs were approved.

Executive Session

[9:26:47 AM](#)

CHAIR MEYER announced that the committee would next go into executive session.

[9:27:12 AM](#)

SENATOR STEDMAN 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 9:27 a.m.

CHAIR MEYER brought the committee back to order at 11:06 a.m.

Release of Audits

[11:06:53 AM](#)

REPRESENTATIVE NEUMAN made a motion for the following preliminary audits to be released to the appropriate agency for response: Department of Commerce, Community, & Economic Development - special report, Regulatory Commission of Alaska, FY 09 annual report; Department of Commerce, Community, & Economic Development - sunset review, Board of Dental Examiners; Department of Commerce, Community, & Economic Development - sunset review, Board of Barbers and Hairdressers; Department of Commerce, Community, & Economic Development - sunset review, Board of Nursing; and Department of Revenue - special report, Alaska Natural Gas Development Authority. There being no objection, the motion passed.

Other Committee Business

[11:07:55 AM](#)

CHAIR MEYER, under other committee business, announced that the committee would next consider recommended changes to the Legislative Budget and Audit Committee's formal policies and procedures.

[11:08:11 AM](#)

PAT DAVIDSON, Legislative Auditor, Division of Legislative Audit, Alaska State Legislature, explained that after reviewing the committee's formal policies and procedures, she recommends two changes to the provisions pertaining to the committee's travel and per diem policy. The first change would be to insert language reflecting that the committee utilizes the federal per diem rates; it has been the committee's longstanding practice to use the federal per diem rates, so this proposed change would merely reflect that practice. The second change would be to delete the references to, and provisions regarding, [short-term and] long-term per diem; when the recommendations of the State Officers Compensation Commission were implemented, the concept of long-term per diem went away, so this proposed change reflects that those references/provisions are no longer relevant.

MS. DAVIDSON, in response to questions and comments, explained that there has never been an effort to keep the Legislative Budget and Audit Committee's policies and procedures in line

with those of the Legislative Affairs Agency; that her second recommended change would still allow for same-day travel - specifically, committee members would be entitled to a meal allowance at the federal rate for travel away from home for the day - though under the new Internal Revenue Service (IRS) rules, such meal allowances would be taxable; and that the amount of a meal allowance would be dependent upon the amount of time spent away from home.

[11:12:39 AM](#)

REPRESENTATIVE NEUMAN, on the issue of same-day travel, offered his understanding that because he shares an office in Anchorage with another legislator during the interim, he isn't entitled to a meal allowance or travel per diem even though he [doesn't live in Anchorage and so has to drive 60 miles each way in order to attend legislative meetings held in Anchorage]. He then expressed disfavor with always using the federal per diem rates, and suggested instead that the committee only use the federal per diem rates if they don't decrease [from their current levels].

REPRESENTATIVE STOLTZE, on the latter point, offered his understanding that adoption of the federal per diem rates, regardless of whether they decrease or increase from their current levels, was intended to eliminate the need for constant debate on the issue of what the legislature's per diem rates should be.

MS. DAVIDSON, in response to a question, ventured that perhaps Representative Neuman's understanding that he isn't entitled to reimbursement of travel expenses because he has an office in Anchorage comes as a result of a Legislative Affairs Agency policy, which might have been fashioned from the perspective that generally, employees aren't compensated for traveling between their home and their office. She offered to research that issue further.

SENATOR MENARD surmised, then, that reimbursement for travel and meals would be available when legislative business takes place in a city/town other than where the legislator has his/her home or office.

MS. DAVIDSON concurred. In response to another question, she relayed that if a member of the Legislative Budget and Audit Committee travels to attend a Legislative Budget and Audit Committee meeting, the associated expenses would be eligible for

reimbursement by the Legislative Budget and Audit Committee, whereas travel expenses associated with other legislative business would be eligible for reimbursement by the Legislative Affairs Agency. Therefore, if a committee member travels in order to both attend a Legislative Budget and Audit Committee meeting and conduct other legislative business, the associated travel expenses could be eligible for [partial] reimbursement by both the Legislative Affairs Agency and the Legislative Budget and Audit Committee. She acknowledged that the Legislative Budget and Audit Committee's formal policies and procedures don't currently address the issue of reimbursement of gasoline expenses incurred while traveling to Legislative Budget and Audit Committee meetings, and offered to research that issue further as well.

REPRESENTATIVE DOOGAN noted that in contrast, if Representative Neuman were to instead fly into Anchorage and rent a car or hire a cab in order to attend a Legislative Budget and Audit Committee, he would be eligible for reimbursement of the associated expenses.

MS. DAVIDSON, in response to a question, relayed that generally she deals with reimbursement issues only when they are associated with the Legislative Budget and Audit Committee, rather than when they are associated with other forms of legislative business. She surmised that the Legislative Affairs Agency could better address the latter.

[11:20:25 AM](#)

REPRESENTATIVE NEUMAN made a motion that the committee approve the recommended changes to the Legislative Budget and Audit Committee's formal policies and procedures. There being no objection, the motion passed.

[11:20:42 AM](#)

MS. DAVIDSON, addressing another item under other committee business, relayed that the Division of Legislative Audit underwent a peer review at the end of September and now has what she called a "clean opinion" stating that the division does conduct its audits in accordance with professional standards. Such peer reviews occur every three years, and are conducted by individuals from federal agencies and other states' audit offices.

CHAIR MEYER, in conclusion, reiterated that the committee's next meeting would be in December.

11:22:48 AM

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 11:22 a.m.