

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

Anchorage, Alaska

June 5, 2009

1:34 p.m.

MEMBERS PRESENT

Senator Kevin Meyer, Chair
Representative Nancy Dahlstrom, Vice Chair
Senator Lyman Hoffman
Senator Charlie Huggins
Senator Linda Menard
Senator Bert Stedman
Representative Mike Hawker
Representative Mark Neuman
Representative Bill Thomas
Representative Mike Doogan
Senator Donald Olson (alternate)
Representative Bill Stoltze (alternate)
Representative Chris Tuck (alternate)

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

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

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

KERRY HENNINGS, Acting Director
Division of Motor Vehicles (DMV)
Department of Administration (DOA)
Anchorage, Alaska

POSITION STATEMENT: Presented RPL 02-9-0111.

STEVE WILLIAMS, Trust Program Officer
Alaska Mental Health Trust Authority (AMHTA)
Anchorage, Alaska
POSITION STATEMENT: Presented RPL 06-10-0010.

FRANK RICHARDS, Deputy Commissioner of Highways & Public
Facilities
Office of the Commissioner
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska
POSITION STATEMENT: Presented RPLs 01-9-8052, 01-9-8053, 01-9-
8054, 01-9-8055, 01-9-8056, and 25-9-7447.

GINO GRAZIANO, Invasive Species Coordinator
Division of Agriculture
Department of Natural Resources (DNR)
Palmer, Alaska
POSITION STATEMENT: Presented RPL 01-9-8057.

JOHN "CHRIS" MAISCH, State Forester
Division of Forestry
Department of Natural Resources (DNR)
Fairbanks, Alaska
POSITION STATEMENT: Presented RPL 10-9-5174.

MICHELLE RIZK, Associate Vice President
Budget
Statewide Planning & Budget
University of Alaska
Fairbanks, Alaska
POSITION STATEMENT: Responded to a question regarding RPL 45-9-
1100 and RPL 45-9-1101.

PAT DAVIDSON
Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Provided information under other committee
business.

ACTION NARRATIVE

[1:34:10 PM](#)

CHAIR KEVIN MEYER called the Legislative Budget and Audit
Committee meeting to order at 1:34 p.m. Representatives

Dahlstrom, Hawker, Thomas, Neuman, Doogan, Stoltze (alternate), and Tuck (alternate), and Senators Meyer, Stedman, Hoffman, and Menard were present at the call to order. Senators Huggins and Olson (alternate) arrived as the meeting was in progress.

APPROVAL OF MINUTES

[1:35:25 PM](#)

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

REPRESENTATIVE DAHLSTROM made a motion to approve the minutes of March 30, 2009. There being no objection, the minutes from the meeting of March 30, 2009, were approved.

CONTRACTS

[1:35:42 PM](#)

CHAIR MEYER announced that the next order of business would be consideration of two items pertaining to contracts. The first item involves an amendment to Steven Porter's contract regarding the American Recovery and Reinvestment Act of 2009 (ARRA).

[1:36:40 PM](#)

REPRESENTATIVE DAHLSTROM made a motion that the committee amend the March 4, 2009, contract with Steven Porter to cover the performance period between February 20, 2009, and February 29, 2009.

CHAIR MEYER objected for the purpose of discussion. He explained that the proposed contract amendment would clarify that the work Mr. Porter did between February 20 and 29 should be charged to Mr. Porter's ARRA contract rather than to his Alaska Gasline Inducement Act (AGIA) contract.

REPRESENTATIVE HAWKER asked for a copy of the documents [associated with those contracts].

The committee took an at-ease from 1:38 p.m. to 1:39 p.m.

[The motion to amend Mr. Porter's contract was left pending until later in the meeting.]

CHAIR MEYER said the second item pertaining to contracts involves a request for proposals (RFP) titled "Economic Analysis and Modeling for Alaska Natural Gas Taxation". He noted that at present, the legislature doesn't have a contract with anyone capable of producing economic modeling/analysis data for review by legislators should the administration propose changes to the State's natural gas tax regime.

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REPRESENTATIVE DAHLSTROM made a motion that the committee move forward with the RFP process [so that the committee could be presented with] a list of the most qualified candidates to consider for approval.

CHAIR MEYER objected for the purpose of discussion. He clarified that the RFP would simply be getting the process started, and that the goal is to find and hire people with a similar level of expertise as those hired by the administration.

CHAIR MEYER then removed his objection to the motion, and ascertained that there were no further objections. [The motion was treated as having passed.]

REVISED PROGRAM - LEGISLATIVE (RPLs)

[1:41:27 PM](#)

CHAIR MEYER announced that the next order of business would be consideration of RPL 02-9-0111 - commercial driver's license improvements and efficiencies, Division of Motor Vehicles (DMV), Department of Administration (DOA) - for the amount of \$702,880 in federal funds.

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REPRESENTATIVE DAHLSTROM made a motion to approve RPL 02-9-0111 - commercial driver's license improvements and efficiencies - for the amount of \$702,880.

CHAIR MEYER objected [for the purpose of discussion].

[1:43:33 PM](#)

KERRY HENNINGS, Acting Director, Division of Motor Vehicles (DMV), Department of Administration (DOA), explained that this funding would be provided by the Federal Motor Carrier Safety

Administration (FMCSA), and would be used to upgrade Alaska's commercial driver's license (CDL) program so as to remain in compliance with federal regulations. The DMV's CDL program is directly tied to the federal highway dollars that fund many of the state's road improvement projects. She emphasized that the funding authorized by the RPL is in no way related to the federal REAL ID Act of 2005. She asked that RPL 02-9-0111 be approved so as not to jeopardize Alaska's compliance with the FMCSA or the state's federal highway funding. In response to questions, she explained that federal regulations require the state to notify drivers endorsed for hazardous materials (HAZMAT) 60 days before their license expires, but the DMV has no way to do that at this time, and so the funding authorized by the RPL will be used for "an electronic fix" and for tracking the medical certifications of such drivers; once established, the new system will generate a letter notifying drivers of what they need to do to keep their license current.

CHAIR MEYER removed his objection, ascertained that there were no further objections, and announced that RPL 02-9-0111 was approved.

[1:46:07 PM](#)

CHAIR MEYER announced that the next order of business would be consideration of RPL 06-10-0010 - Alaska Mental Health Trust Authority (AMHTA) detoxification and treatment capacity alternatives, Division of Behavioral Health, Department of Health and Social Services (DHSS) - for the amount of \$50,000 in Mental Health Trust Authority authorized receipts (MHTAAR).

[1:46:24 PM](#)

STEVE WILLIAMS, Trust Program Officer, Alaska Mental Health Trust Authority (AMHTA), explained that the \$50,000 MHTAAR funding authorized by RPL 06-10-0010 would contribute to an ongoing project involving the City of Bethel, the Yukon-Kuskokwim Health Corporation (YKHC), and the DHSS; this funding would be used to improve the continuum of treatment services in Bethel, which a few years ago began experiencing a number substance abuse issues that are now being addressed by the aforementioned groups and other community stakeholders.

SENATOR HOFFMAN, in response to a question, expressed his belief that those efforts have made a great improvement in the substance abuse problems in Bethel.

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REPRESENTATIVE DAHLSTROM made a motion to approve RPL 06-10-0010 - Alaska Mental Health Trust Authority (AMHTA) detoxification and treatment capacity alternatives - for the amount of \$50,000. There being no objection, RPL 06-10-0010 was approved.

CONTRACTS

[1:49:50 PM](#)

CHAIR MEYER turned the committee's attention back to the motion to amend Steven Porter's contract, and indicated that the contract would be amended to account for \$6,125 for 24.5 hours of work. He removed his objection to the motion, ascertained that there were no further objections, and announced that the motion passed.

REVISED PROGRAM - LEGISLATIVE (RPLs)

[1:51:39 PM](#)

CHAIR MEYER turned the committee's attention to [RPLs 01-9-8052, 01-9-8053, 01-9-8054, 01-9-8055, 01-9-8056, and 25-9-7447] from the Department of Transportation & Public Facilities (DOT&PF) regarding various [highway] projects. Speaking to the DOT&PF's representative, he offered his understanding that "we have some extra money because ... [some] projects, apparently, are coming in [at] less than was anticipated, and ... now you want to use that money on other projects." This raises concern, however, because these other projects have not been vetted before the legislative finance committees, and neither has the Legislative Budget and Audit Committee had sufficient time to review the department's proposed RPLs.

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FRANK RICHARDS, Deputy Commissioner of Highways & Public Facilities, Office of the Commissioner, Department of Transportation & Public Facilities (DOT&PF), explained that a new paradigm in the construction bidding environment has resulted in substantially lower construction costs - 25-50 percent lower - for the projects that were brought before the legislature last session; this left the department with "under-appropriated" funding to spend on other [highway] projects that would still meet the ARRA's deadline of June 29, 2009, though the state's federal highway counterparts require all project

paperwork to be submitted by June 17, 2009. The amount that must be obligated by June 17 is about \$61.5 million, but the department currently expects only being able to obligate about \$52 million, leaving approximately \$9 million in jeopardy. It is somewhat critical, therefore, that the RPL's get approved so as to allow the department to be able to capture that \$9 million.

MR. RICHARDS relayed that a spreadsheet in members' packets titled "ARRA Obligations to Date - 6/1/2009 (Subject to 50% by 6/17 deadline)" illustrates that the department is expecting to have an available cash reserve of about \$32.9 million. In contrast, the DOT&PF's proposed RPLs with the ARRA as a fund source total about [\$34.77 million], and the hope is that those funds can be captured. All of the RPLs' projects except for one - that being [a new] Glenn Highway resurfacing project, RPL 01-9-8054 - have previously been presented to the legislature via the governor's budget. With regard to [RPL 01-9-8054], he indicated that the department hopes to be able to use ARRA funding to expand the existing Glenn Highway projects that have already been approved by the legislature.

The committee took an at-ease from 2:02 p.m. to 2:08 p.m.

2:08:06 PM

CHAIR MEYER indicated that members want additional time to investigate whether there might be other projects that they would prefer the department to pursue instead of those listed in the department's RPLs, and suggested that the committee put off the question of whether to approve those RPLs until June 15, 2009.

MR. RICHARDS explained that on a daily basis, the state's federal highway counterparts have been pressuring the department to obligate ARRA funds as soon as possible, and expressed concern that if the state doesn't act quickly enough, the federal government might instead decide to sweep away the aforementioned \$9 million that's in jeopardy. He asked the committee to at least consider approving [RPL 01-9-8054] since the [previously approved Glenn Highway projects] came in significantly under what was anticipated; approving [RPL 01-9-8054] would allow the department to "capture ... that project, proceed with it, and then meet our 50 percent obligation." He added, "This is truly the target deadline, and the great guillotine over our collective necks." In response to a question, he acknowledged that delaying approval of the

department's RPLs until June 15 would still allow the department to meet the aforementioned June 17 deadline. In response to comments, Mr. Richards agreed to provide members and their staff with whatever information and assistance is necessary so as not to miss the federal deadline.

REPRESENTATIVE HAWKER offered his understanding that the "original capital allocation" incorporated careful regional balancing, whereas the projects proposed by the department's RPLs have not undergone such a balancing, and this causes him concern.

MR. RICHARDS indicated that the ARRA funding process has not and will not allow for such.

CHAIR MEYER relayed that the committee would postpone taking action on the [DOT&PF's] RPLs [until the committee's next meeting].

CHAIR MEYER turned the committee's attention to RPL 01-9-8057 - eradication of spotted knapweed from known locations in Alaska, Department of Natural Resources (DNR) - for the amount of \$100,000 in ARRA funding.

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GINO GRAZIANO, Invasive Species Coordinator, Division of Agriculture, Department of Natural Resources (DNR), in response to a question, offered his understanding that a delay in approving RPL 01-9-8057 would probably not compromise the DNR's ability to secure the ARRA funding but it would probably compromise the DNR's ability to implement the project because the DNR is attempting to coordinate the project with several different entities around the state. Approval of the RPL at this time would therefore be preferable because the biology of the plant is such that hiring personnel for the project and making travel arrangements ought to begin by mid-June, early July; in other words, the sooner the RPL is approved, the better.

SENATOR STEDMAN pointed out that the information on this RPL was not provided to the committee in a timely matter.

CHAIR MEYER concurred.

CHAIR MEYER then turned the committee's attention to [RPL 10-9-5174 - forestry and fire economic stimulus, fire fuels and

forest management, Department of Natural Resources (DNR) - for the amount of \$4,530,000 in ARRA funding and statutory designated program receipts].

2:23:06 PM

JOHN "CHRIS" MAISCH, State Forester, Division of Forestry, Department of Natural Resources (DNR), explained that all the projects RPL 10-9-5174 pertains to are competitive projects that the U.S. Forest Service is releasing in stages, and that there is a lot of pressure from both the federal government and other states for Alaska to move promptly on those projects or risk having the funding swept away. The projects are for the mitigation of hazard fuels in various communities around the state, so the sooner these projects can get underway, the better, and the department is ready to move forward with them once it receives legislative authority to do so.

CHAIR MEYER questioned what would happen with the federal funding if the committee delays approving the RPL until June 15.

MR. MAISCH said that's difficult to answer because the federal government has been ambiguous with regard to when it might sweep funding away from projects if it's not seeing sufficient progress by the state. He ventured his belief that the state wouldn't lose the funding [before] June 15, but declined to guarantee it.

CHAIR MEYER remarked that the committee hasn't been given sufficient time to review this RPL.

MR. MAISCH, in response to questions, explained that for the most part, when the department submitted its projects for funding, it used community wildfire protection plans; that none of the funding for the projects that have been awarded can be used for the Federal Excess Personal Property (FEPP) program; that no general fund (GF) monies have been dedicated to these projects; and that Alaska is one of only 24 states that will be receiving this type of funding.

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REPRESENTATIVE STOLTZE turned the committee's attention back to RPL 01-9-8057 regarding the DNR's spotted knapweed eradication project, and expressed a preference for approving that RPL as soon as possible so as not to jeopardize the project's success - better not to wait until the plant has gone to seed.

SENATOR HUGGINS concurred, and opined that regardless of how little time the committee has had to review the DNR's RPLs, neither of them ought to be delayed - both pertain to time-sensitive projects, one addressing an invasive plant species and the other addressing fire hazards and public safety.

2:30:16 PM

MR. MAISCH, in response to questions, explained that all of the projects pertaining to the mitigation of hazard fuels were proposed by the communities themselves and thus have public support, and that the Alaska Interagency Fire Management Plan addresses issues affecting the entire state whereas community wildfire protection plans address issues at the local level.

REPRESENTATIVE HAWKER opined that the committee should only approve the RPLs that Governor Palin has taken the time to explain to members personally prior to the meeting.

2:33:04 PM

CHAIR MEYER turned the committee's attention to RPL 45-9-1100 - thermal state of permafrost, University of Alaska - for the amount of \$859,861 in ARRA funding; and RPL 45-9-1101 - University of Alaska Fairbanks (UAF) Alaska Region Research Vessel, University of Alaska - for the amount of \$32.07 million in ARRA funding. He asked what impact delaying action on these two RPLs would have on the university.

MICHELLE RIZK, Associate Vice President, Budget, Statewide Planning & Budget, University of Alaska, said a delay wouldn't have any impact on the university because RPL 45-9-1100 and RPL 45-9-1101 would just increase the level of stimulus funding for the aforementioned projects, which already have some funding in place.

The committee took an at-ease from 2:35 p.m. to 2:41 p.m.

CHAIR MEYER relayed that the committee would delay taking action on the DOT&PF's RPLs and the University of Alaska's RPLs until the committee's next meeting on June 9, 2009. He then recommended that the committee take action on the DNR's RPLs.

SENATOR HUGGINS suggested that the committee send a letter to the DNR advising it that in the future the committee would

appreciate being presented with RPL information at the earliest opportunity.

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REPRESENTATIVE DAHLSTROM made a motion to approve RPL 01-9-8057 - eradication of spotted knapweed from known locations in Alaska, [Department of Natural Resources (DNR)] - for the amount of \$100,000; and RPL 10-9-5174 - forestry and fire economic stimulus, fire fuels and forest management, [Department of Natural Resources (DNR) - for the amount of \$4,530,000]. There being no objection, RPL 01-9-8057 and RPL 10-9-5174 were approved.

EXECUTIVE SESSION

[2:45:56 PM](#)

REPRESENTATIVE DAHLSTROM made a motion to move to executive session for the purpose of discussing confidential audit reports under AS 24.20.301, and for the purpose of discussing issues related to staff pay and status. There being no objection, the committee went into executive session at 2:46 p.m.

CHAIR MEYER brought the committee back to order at 4:22 p.m.

RELEASE OF AUDITS

[4:22:41 PM](#)

REPRESENTATIVE HAWKER made a motion for the final audit of the Department of Administration (DOA) and Department of Transportation & Public Facilities (DOT&PF), Select Information system Security Controls, dated 3/9/2009, to be released to the public, and for [that release] to follow the precedent set by "part one of the audit." There being no objection, the motion passed.

[4:23:43 PM](#)

REPRESENTATIVE HAWKER made a motion that the special report on the University of Alaska, unit cost analysis, part 3, distance education, be released to the appropriate agency for response. There being no objection, the motion passed.

OTHER COMMITTEE BUSINESS

[4:24:15 PM](#)

CHAIR MEYER, under other committee business, relayed that no action - other than discussion - was taken with regard to the personnel issue discussed during the executive session.

REPRESENTATIVE NEUMAN, under other committee business, referred to a past request for an audit of the Alaska Natural Gas Development Authority (ANGDA), mentioned some apparent discrepancies within that organization, noted that the legislative auditor has provided the committee with some preliminary information, and suggested that the committee take this issue up at its next meeting.

CHAIR MEYER indicated that the committee would do so at its meeting on August 14, 2009.

SENATOR HUGGINS offered his understanding that the ANGDA "is under a spending moratorium."

[4:27:52 PM](#)

PAT DAVIDSON, Legislative Auditor, Division of Legislative Audit, Alaska State Legislature, said she is not sure about that, adding that thus far she has only reviewed the ANGDA's past three financial audits.

SENATOR HUGGINS indicated that he, too, is questioning some of the actions of the ANGDA.

[4:28:48 PM](#)

REPRESENTATIVE THOMAS, under other committee business, said he'd like to be able to have someone other than himself or his own staff sign for his audit reports. He spoke of an instance wherein he'd attempted to have the chair's committee aide sign for his reports but division staff was unwilling to accept such an arrangement. He questioned whether a motion to change the current procedure would be in order.

MS. DAVIDSON explained that the committee's current procedure regarding the distribution of confidential reports is intended to protect legislators from violating the State's confidentiality requirements. She relayed that had it been she who'd been attempting to deliver the reports, she might have accepted such an arrangement as long as both the chair's committee aide was willing to sign for receipt of the reports

from division staff and Representative Thomas or his own staff was willing to sign for receipt of the reports from the chair's committee staff. In this way, all parties would have been taking personal responsibility for the receipt of the reports and could then be held accountable for maintaining their confidentiality. She indicated that a motion to formally change the current procedure is probably not necessary as long as the chair's committee aide would be willing to take on the aforementioned responsibility on behalf of other legislators; the division can accommodate such an arrangement as long as, whenever a confidential report passes from one set of hands to another, paperwork is signed so that the question of who is responsible for maintaining confidentiality at any given time can be tracked.

REPRESENTATIVE THOMAS questioned whether the chair's committee aide could simply be considered one of his staff too since he is a member of the committee.

CHAIR MEYER, after ascertaining that his committee aide would be willing to sign for confidential audit reports on behalf of other members, cautioned him to be certain of the identity of the people to whom he then delivers the reports.

[4:32:09 PM](#)

CHAIR MEYER, under other committee business, noted that AS 24.20.206(5) says in part that the Legislative Budget and Audit Committee shall "provide for an annual post audit and annual operational and performance evaluation of the Alaska Permanent Fund Corporation investments and investment programs". He relayed that it recently come to his attention - via a newspaper article - that the Alaska Permanent Fund Corporation (APFC) has adopted a new investment strategy, and opined that the committee ought to have been informed of such a change by the APFC directly rather than via the press. The APFC, therefore, will be requested to come before the committee at its August 14 meeting to discuss this new investment strategy.

SENATOR STEDMAN suggested that a recent article in Pension & Investments on this topic ought to be distributed to members.

CHAIR MEYER agreed to do so.

[4:35:12 PM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 4:35 p.m.