

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

Anchorage, Alaska

October 14, 2011

10:03 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Chair
Senator Bert Stedman, Vice Chair (via teleconference)
Representative Mark Neuman (via teleconference)
Representative Kurt Olson
Representative Bill Thomas (via teleconference)
Representative Mike Doogan
Senator Hollis French
Senator Linda Menard
Senator Thomas Wagoner
Representative Scott Kawasaki (alternate)

MEMBERS ABSENT

Senator Lyman Hoffman
Representative Bill Stoltze (alternate)
Senator Kevin Meyer (alternate)

OTHER LEGISLATORS PRESENT

Senator Cathy Giessel

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 Revised Program - Legislative (RPLs).

JEAN DAVIS, Director
Division of Support Services
Department of Natural Resources (DNR)
Juneau, Alaska

POSITION STATEMENT: Provided information regarding RPL 10-2-5045.

ACTION NARRATIVE

[10:03:45 AM](#)

CHAIR MIKE HAWKER called the Legislative Budget and Audit Committee meeting to order at 10:03 a.m. Representatives Hawker, Neuman (via teleconference), Olson, Thomas (via teleconference), Doogan, and Kawasaki (alternate), and Senators Stedman (via teleconference) and French were present at the call to order. Senators Menard and Wagoner arrived as the meeting was in progress. Senator Giessel was also in attendance.

Approval of Minutes

[10:06:44 AM](#)

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

REPRESENTATIVE OLSON made a motion to approve the minutes of August 19, 2011. There being no objection, the minutes from the meeting of August 19, 2011, were approved.

Revised Program - Legislative (RPLs)

[10:07:21 AM](#)

CHAIR HAWKER announced that the next order of business would be consideration of several Revised Program - Legislative (RPLs).

[10:08:02 AM](#)

DAVID TEAL, Legislative Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, with regard to RPL 05-2-0070 - Harper Arts Touring program, Department of Education and Early Development (EED) - authorizing \$65,000 in statutory designated program receipts (SDPR), explained that the Rasmuson Foundation

wants the Alaska State Council on the Arts (ASCA) to administer the Harper Arts Touring program, which provides access to performing arts and cultural exhibits to communities throughout Alaska. Approval of this RPL would provide the EED's ASCA with the necessary SDPR authority required to spend the grant from the Rasmuson Foundation, \$50,000 of which involves "pass through grants" and the remaining \$15,000 covers the EED's administrative costs. There are no technical problems with the RPL, no general funds (GF) would be required, and it wasn't budgeted for simply because the grant wasn't anticipated.

[10:09:26 AM](#)

MR. TEAL, with regard to RPL 06-2-0212 - Strategic Prevention Framework State Incentive Grant (SPF SIG), Department of Health and Social Services (DHSS) - authorizing \$1,007,322 in federal receipts, explained that the DHSS's Division of Behavioral Health (DBH) is requesting this authority; \$250,000 involves a new fiscal year 2012 (FY 12) grant, and the remaining \$757,322 involves unspent FY 11 grant money being carried forward. The DHSS anticipates being able to spend the entire \$3.1 million that would then be available to it in FY 12 for purposes of reducing alcohol use/abuse. There are no technical problems with the RPL, and no GF would be required. In response to a question, he explained that the DHSS has indicated to him that the reason the carry-over amount from FY 11 is so substantial is because the DHSS was slow to implement this new grant.

[10:11:23 AM](#)

MR. TEAL, with regard to RPL 08-2-0104 - State Trade and Export Promotion (STEP) grant program, Department of Commerce, Community & Economic Development (DCCED) - authorizing \$156,700 in federal receipts, explained that the DCCED received a grant of \$330,000 from the U.S. Small Business Administration (SBA), and has \$173,300 of unspoken-for federal receipts, thereby enabling it to limit the authority requested via this RPL to just the smaller amount of \$156,700. These funds would be used to increase exports to China, with a focus on seafood, wood products, and minerals, and there would also be a focus on small, Native-owned and disadvantaged businesses. There is a 25 percent match requirement, which can be met with existing staff time and expenditures, and so no additional GF would be required. He mentioned that the RPL paperwork contains a small technical error, but surmised that because there isn't any confusion regarding where the money would be going, this error won't constitute a problem.

[10:13:17 AM](#)

MR. TEAL, with regard to RPL 10-2-5045 - permitting coordination applications, Department of Natural Resources (DNR) - authorizing \$950,000 in SDPR, explained that the DNR's Office of Project Management & Permitting is requesting this additional authority for use in the review and permitting processes [related to large mines]. The funding would come from permit applicants and operators of large mines and mining projects. There are no technical problems with the RPL. In response to questions, he mentioned that none of the projects outlined in the RPL paperwork are new to the DNR, and said he presumes, therefore, that the recent rise in mineral prices is what has resulted in the initial SDPR authority requested being insufficient, since now companies want to move more quickly on their projects.

[10:15:36 AM](#)

JEAN DAVIS, Director, Division of Support Services, Department of Natural Resources (DNR), concurred. Although the DNR does its best to estimate the SDPR authority it's going to need, changes in projects' timelines can result in the DNR needing to request additional authority. She mentioned that in next year's budget, the DNR would be asking for more SDPR authority initially in order to accommodate such projects. In response to further questions, she offered her belief that the correct amount of authority is being requested via RPL 10-2-5045; that more mining companies are now requesting health impact assessments (HIAs) for their projects up front; that the DHSS would be under contract to manage those HIAs; that HIAs for projects already started at the end of FY 11 would be reflected in the FY 13 budget as a line item; and that when hired by companies to coordinate permits, the DNR bills those companies for the cost of that coordination.

[10:19:47 AM](#)

MR. TEAL, with regard to RPL 25-2-7760 - Alaska Construction Career Day events, Department of Transportation & Public Facilities (DOT&PF) - authorizing \$30,000 in SDPR, explained that the DOT&PF, though its [Civil Rights Office], is requesting this authority, which will then allow it to accept money from private vendors and contractors in order to pay for construction career day events. He mentioned that no GF would be required, that the DOT&PF would be requesting SDPR authority in the FY 13

budget, and that the RPL paperwork contains a corrected statutory citation.

[10:21:50 AM](#)

REPRESENTATIVE OLSON made a motion to approve RPL 05-2-0070, Department of Education and Early Development (EED), \$65,000 statutory designated program receipts (SDPR); RPL 06-2-0212, Department of Health and Social Services (DHSS), \$1,007,322 federal receipts; RPL 08-2-0104, Department of Commerce, Community & Economic Development (DCCED), \$156,700 federal receipts; RPL 10-2-5045, Department of Natural Resources (DNR), \$950,000 SDPR; and RPL 25-2-7760, Department of Transportation & Public Facilities (DOT&PF), \$30,000 SDPR. There being no objection, those RPLs were approved.

Executive Session

[10:23:20 AM](#)

CHAIR HAWKER, at 10:23 a.m., announced that the committee would next go into executive session under AS 24.20.301 for the purpose of discussing confidential audit reports.

CHAIR HAWKER brought the committee back to order at 11:32 a.m.

Release of Audits

[11:33:45 AM](#)

REPRESENTATIVE OLSON made a motion for the following final audit to be released to the public: Department of Commerce, Community & Economic Development, Division of Corporations, Business, and Professional Licensing, State Medical Board. There being no objection, it was so ordered.

[11:34:05 AM](#)

REPRESENTATIVE OLSON made a motion for the following preliminary audits to be released to the appropriate agency for response: Department of Commerce, Community & Economic Development, Division of Corporations, Business, and Professional Licensing, Big Game Commercial Services Board, sunset review; and Office of the Governor, Alaska State Human Rights Commission, selected operational issues. There being no objection, it was so ordered.

Other Committee Business

[11:34:50 AM](#)

CHAIR HAWKER announced that as the last order of business - under other committee business - the committee would consider extending [the existing but expired] consulting contracts with David Wood and Roger Marks. Both of these consulting contracts were established via competitive procurement by the last legislature, and both now involve unspent funds. The forthcoming motions to extend these contracts would be for those unspent amounts. He mentioned that both he and Senator Stedman, the vice chair of the committee, agree that extending these contracts - rather than starting over - would be in the best interest of the legislature. Both contracts, if extended, would then expire January 31, 2013. In response to a question, he explained that as a matter of contractual convenience, requests for services from the consultants are required to come through either the chair of the Legislative Budget and Audit Committee or the contract administrator.

[11:41:22 AM](#)

REPRESENTATIVE OLSON made a motion that the chairman of the Legislative Budget and Audit Committee be authorized to enter into a contract with Roger Marks for professional economic analysis and financial modeling services pertaining to proposed changes to the oil and gas fiscal regime of the State of Alaska, at a cost not to exceed \$150,750; this is intended to be a sole source contract as it has been determined it is in the committee's best interest. There being no objection, the chairman was so authorized.

[11:42:10 AM](#)

REPRESENTATIVE OLSON made a motion that the chairman of the Legislative Budget and Audit Committee be authorized to enter into a sole source contract with David Wood of DWA Energy Limited for professional analysis with respect to natural gas fiscal designs and the evaluation of multi-year development scenarios for Alaska's natural gas reserves, at a cost not to exceed \$178,766; this is intended to be a sole source contract as it has been determined it is in the committee's best interest. There being no objection, the chairman was so authorized.

CHAIR HAWKER, in response to questions, outlined the anticipated agenda for the next Legislative Budget and Audit Committee meeting.

[11:44:32 AM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 11:44 a.m.