

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

January 20, 2011

3:33 p.m.

MEMBERS PRESENT

Representative Mike Hawker, Chair
Representative Mark Neuman
Representative Kurt Olson
Representative Bill Thomas
Representative Mike Doogan

Senator Bert Stedman, Vice Chair
Senator Hollis French
Senator Lyman Hoffman
Senator Linda Menard
Senator Thomas Wagoner

Representative Scott Kawasaki (alternate)
Senator Kevin Meyer (alternate)

MEMBERS ABSENT

Representative Bill Stoltze (alternate)

COMMITTEE CALENDAR

ORGANIZATIONAL MEETING

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

PAT DAVIDSON
Legislative Auditor
Legislative Audit Division
Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Provided information on the policy procedures for legislative audits.

ACTION NARRATIVE

[3:33:51 PM](#)

CHAIR MEYER called the Legislative Budget and Audit Committee meeting to order at 3:33 p.m. Representatives Neuman, Olson, Thomas, Doogan, Kawasaki, and Hawker, and Senators French, Hoffman, Menard, Meyer, and Wagoner were present at the call to order. Senator Stedman arrived as the meeting was in progress.

Organizational Meeting

CHAIR MEYER announced that the first order of business would be the election of a new Chairman for this Legislature. He asked for nominations for Chair of the Legislative Budget and Audit Committee.

[3:34:14 PM](#)

SENATOR STEDMAN moved to nominate Representative Mike Hawker as the Chairman of the Legislative Budget and Audit Committee for the 27th Alaska State Legislature. He moved and asked unanimous consent that nominations be closed. There being no objection, it was so ordered.

[Chair Meyer passed the gavel to newly elected Chair Hawker.]

[3:34:36 PM](#)

CHAIR HAWKER moved to nominate Senator Bert Stedman as Vice Chair of the Legislative Budget and Audit Committee for the 27th Alaska State Legislature. He moved and asked unanimous consent that nominations be closed. There being no objection, it was so ordered.

[3:35:25 PM](#)

CHAIR HAWKER announced that this first meeting was an organizational meeting, and that the election of the Chair and Vice Chair concluded the necessary business. He observed that this was a good opportunity for Ms. Davidson to explain the policy procedures for audit reports and to update the "inventory of items that are outstanding and on our plate that we'll continue to address this session."

[3:35:59 PM](#)

PAT DAVIDSON, Legislative Auditor, Legislative Audit Division, Alaska State Legislature, explained that much of the legislative audit work would be conducted in Executive Session. She emphasized that audit reports, until released by the committee, are confidential. She outlined the policy procedures for audits, which include the red cover preliminary audit reports, prior to its release to the named agency for a response, and the blue cover final audit reports which, upon approval, are released to the public.

[3:39:35 PM](#)

CHAIR HAWKER introduced David Teal, Legislative Fiscal Analyst, and quickly outlined the role of the Legislative Finance Division. He briefly reviewed the outstanding sunset reviews of audits.

[3:41:43 PM](#)

CHAIR HAWKER briefly discussed the Sunset Review of the Alcohol Beverage Control (ABC) Board, and the unanimous suggestion by the ABC Audit Review Subcommittee to transfer the administrative management of the ABC Board to the Department of Commerce, Community & Economic Development (DCCED). He mentioned that he would introduce legislation on behalf of the Legislative Budget and Audit Committee to accomplish this, as well as legislation to include the recommended appointment extension dates for the Boards of Nursing, Dental Examiners, Barbers and Hairdressers,

Alcohol Beverage Control, and Regulatory Commission of Alaska into an Omnibus bill.

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CHAIR HAWKER reflected on the responsibility of the Legislative Budget and Audit Committee for issues of navigability in federal waters. He directed attention to the Reimbursable Services Agreements (RSA) with Department of Natural Resources (DNR) and Alaska Department of Fish & Game (ADFG). He suggested that the Legislative Budget and Audit Committee revisit these agreements and consider a transfer of the funds for administration of these agreements from the Legislative Budget and Audit Committee budget to the budgets of DNR and ADFG. He inventoried the audit requests by Senator Davis, Senator Meyer, Senator Hoffman, and Representative Austerman, as well as the sunset reviews for Big Game Commercial Services, AS 08.03.01(c)(22), and the Alaska Seismic Hazards Safety Commission, AS 44.66.010(a)(9). He confirmed the need for resolution on the carryover of an old audit from the Matanuska Maid Dairy.

[3:47:43 PM](#)

SENATOR STEDMAN suggested that committee members have the opportunity for input to any bills introduced by the Legislative Budget and Audit Committee.

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CHAIR HAWKER acknowledged Senator Stedman's suggestion. He pointed out that the Legislative Budget and Audit Committee was also responsible for the hiring of consultants to evaluate oil and gas related financial issues. He listed the three current consultant contracts: Charles Logsdon and Associates, Dan Dickinson Contracts, and DWA Energy Limited. He observed that the committee would establish policy and procedures for management of these contracts.

[3:50:45 PM](#)

SENATOR STEDMAN agreed that there was a need for a control process, but he emphasized that it was not structured to restrict access to technical information.

[3:51:47 PM](#)

REPRESENTATIVE NEUMAN requested an updated tax issues spread sheet.

[3:52:15 PM](#)

SENATOR STEDMAN replied that the "model is still under construction."

[3:52:41 PM](#)

CHAIR HAWKER reported that he would meet with the consultants during the next week. He noted that, at the end of the prior legislative session, the Legislative Budget and Audit Committee had authorized the procurement of two oil and gas tax reports for comparison with other taxing sovereigns. One report, with a strict confidentiality agreement, was from Wood Mackenzie, and the other report was from Pedro VanMeurs.

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SENATOR STEDMAN affirmed that Wood Mackenzie had offered to show a presentation of Outside oil basins comparative to those in Alaska. He suggested that this may be open to the public. He pointed out that this would also allow that the raw data from these Outside oil basins would be available to members of the Legislature.

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CHAIR HAWKER recounted a recent conversation with Wood Mackenzie who had agreed for early training and technical support to legislators for its product, with the possibility of a public presentation at a later date.

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SENATOR MEYER asked who would be the oil tax consultant for the administration.

[3:58:13 PM](#)

CHAIR HAWKER offered his belief that procurement had been proffered to Econ One.

[3:58:19 PM](#)

SENATOR MEYER opined that the Wood Mackenzie report had also been offered to the administration, but that it was declined.

[3:58:31 PM](#)

CHAIR HAWKER confirmed that the Wood Mackenzie report was only for use by the legislators.

[4:00:45 PM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 4:00 p.m.