

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

Anchorage, Alaska

October 16, 2012

10:33 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Chair
Representative Mark Neuman (via teleconference)
Representative Kurt Olson
Representative Bill Thomas (via teleconference)
Representative Mike Doogan
Senator Lyman Hoffman
Senator Linda Menard
Representative Bill Stoltze (alternate)
Senator Kevin Meyer (alternate) (via teleconference)

MEMBERS ABSENT

Senator Bert Stedman, Vice Chair
Senator Hollis French
Senator Thomas Wagoner
Representative Scott Kawasaki (alternate)

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: Presented RPL 06-3-0192 and RPL 07-3-1043.

ACTION NARRATIVE

[10:33:26 AM](#)

CHAIR MIKE HAWKER called the Legislative Budget and Audit Committee meeting to order at 10:33 a.m. Representatives Hawker, Neuman (via teleconference), Olson, Thomas (via teleconference), and Doogan, and Senators Hoffman, Menard, and Meyer (alternate) (via teleconference) were present at the call to order. Representative Stoltze (alternate) arrived as the meeting was in progress.

Approval of Minutes

[10:35:25 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 September 5, 2012. There being no objection, the minutes from the meeting of September 5, 2012, were approved.

Revised Program - Legislative (RPLs)

[10:36:11 AM](#)

CHAIR HAWKER announced that the next order of business would be consideration of RPL 06-3-0192, Eligibility Information System replacement, Department of Health and Social Services (DHSS).

[10:37:07 AM](#)

DAVID TEAL, Legislative Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, explained that via RPL 06-3-0192, the Department of Health and Social Services (DHSS) is seeking the authority to spend \$65,826,669 in federal funds to replace the Division of Public Assistance's Eligibility Information System, and all related components, used to determine Medicaid eligibility. A general fund (GF) match of \$8,738,478 has already been appropriated for this capital project, and is expected to be sufficient to complete the project's Medicaid component by October 2013 and all other components by the end of calendar year 2015. If all goes as anticipated, the DHSS will be able to take advantage of enhanced match rates that will reduce the state's share of costs by over \$8 million. Additionally, a study commissioned by DHSS indicates potential operating-cost savings of 30 percent or more. Although there is no guarantee that a project of this

magnitude will come in on time, on budget, and produce the hoped-for results, it is pretty safe to say that the aforementioned \$8 million in potential savings under the enhanced match rate will not occur unless RPL 06-3-0192 is approved.

[10:38:52 AM](#)

CHAIR HAWKER announced that the next order of business would be consideration of RPL 07-3-1043, State Energy Sector Partnership grant, Department of Labor & Workforce Development (DLWD).

MR. TEAL explained that via RPL 07-3-1043, the Department of Labor & Workforce Development (DLWD) is seeking the authority to expend \$820,810 in now-available federal American Recovery and Reinvestment Act of 2009 (ARRA) funds for the State Energy Sector Partnership grant, which would apply to "green" jobs - environmentally-friendly jobs - and is aimed at upgrading necessary skills via education and job training. Although the operating budget for fiscal year 2013 (FY 13) contained language allowing the DLWD to carry forward money from FY 12, it was not anticipated that this additional ARRA funding would be available, and only the timely approval of RPL 07-3-1043 would allow the DLWD to take advantage of it. The DLWD has indicated that the training program will impact approximately 350 people, that there will be no ARRA funding in FY 14, and that no GF monies will be requested to replace the ARRA funding.

[10:40:25 AM](#)

REPRESENTATIVE OLSON made a motion to approve RPL 06-3-0192, Department of Health and Social Services, \$65,826,669 federal capital receipt authorization; and RPL 07-3-1043, Department of Labor & Workforce Development, \$820,810 federal ARRA receipt authorization. There being no objection, RPL 06-3-0192 and RPL 07-3-1043 were so approved.

Executive Session

[10:41:29 AM](#)

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

REPRESENTATIVE OLSON 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 10:42 a.m.

CHAIR HAWKER brought the committee back to order at 11:12 a.m. Upon reconvening, Representatives Hawker, Olson, Doogan, and Stoltze (alternate), and Senators Hoffman, Menard, and Meyer (alternate) (via teleconference) were present.

Release of Audits

[11:13:47 AM](#)

CHAIR HAWKER announced that the next order of business would be the release of audits.

[11:14:01 AM](#)

REPRESENTATIVE OLSON made a motion for the preliminary audits for the Board of Public Accountancy sunset review, and the State Medical Board sunset review to be released to the appropriate agencies for response. There being no objection, it was so ordered.

REPRESENTATIVE OLSON made a motion for the final audits for the Board of Governors of the Alaska Bar Association sunset review, the Special Education Service Agency sunset review, and the Alaska Film Production Incentive Program select performance issues [review] to be released to the public.

[11:15:00 AM](#)

REPRESENTATIVE DOOGAN objected for the purpose of discussion; expressed disapproval of the Alaska Film Production Incentive Program; and then removed his objection to the motion to release the aforementioned final audits to the public.

REPRESENTATIVE STOLTZE concurred with the comments on the Film Tax Incentive Program, and expressed concern with and disapproval of the length of the sunset extension [recommended in the audit] for the Board of Governors of the Alaska Bar Association.

CHAIR HAWKER concurred, characterizing it as too long an extension.

CHAIR HAWKER, after ascertaining that there were no further objections, announced that the motion to release the aforementioned final audits was approved.

Other Committee Business

[11:21:45 AM](#)

CHAIR HAWKER announced that the final order of business, under other committee business, would be consideration of an amendment to the contract with PFC Energy, a professional consulting firm specializing in the oil and gas industry. The proposed amendment would extend the current contract with PFC Energy for another year, to January 31, 2014; would modify the purpose of that contract to also include professional fiscal analysis and consulting related to Alaska's upstream oil and gas sector, Alaska's oil and gas fiscal systems, and proposals for monetizing North Slope gas; and would increase the amount of the contract by \$750,000. He emphasized that approval of the proposed contract amendment would not obligate the next legislature to avail itself of PFC Energy's consulting services, but would preclude the administration from contracting with PFC energy for those same services during that timeframe. In conclusion, he characterized PFC Energy's credentials as impeccable; remarked on the importance of having professional consultants on retainer to provide the legislature with information about Alaska's oil and gas; mentioned that PFC Energy's chief competitor in Alaska is already under contract with the administration; and noted that Senator Stedman has expressed to him his strong support for the proposed contract amendment.

REPRESENTATIVE STOLTZE expressed support for the proposed contract amendment, and remarked on the importance of having independent consultants available to provide the legislature with necessary information.

[11:28:33 AM](#)

REPRESENTATIVE OLSON made a motion that the chair of the Legislative Budget and Audit Committee be authorized to increase the PFC Energy contract by \$750,000, to an amount not to exceed \$1,650,000; to extend the term of the contract one year - through January 31, 2014; and to modify the purpose of the contract to include professional fiscal analysis and consulting related to Alaska's upstream oil and gas sector, to Alaska's oil and gas fiscal systems, and to proposals for monetizing North

Slope gas. This proposed contract amendment reflects a sole source procurement as determined to be in the committee's best interest. There being no objection, the motion passed.

11:29:40 AM

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 11:29 a.m.