

(LIMITED RUN SHOWING ALL ADDITIONAL SPONSORSHIPS)

CS FOR HOUSE BILL NO. 30(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 2/13/13

Referred: Rules

Sponsor(s): REPRESENTATIVES CHENAULT, OLSON, FEIGE, LYNN, THOMPSON, MILLETT, TAMMIE WILSON, PRUITT, KELLER, STOLTZE, JOHNSON, HAWKER, EDGMON, SEATON, NAGEAK, HERRON, LEDOUX, MUÑOZ, AUSTERMAN, COSTELLO, PEGGY WILSON, SADDLER, REINBOLD, GATTIS, HUGHES, FOSTER, AND ISAACSON, Gruenberg, Holmes, Tuck, Tarr

SENATORS McGuire, Bishop, Gardner, Fairclough, Giessel, Egan, Stedman, Meyer, Wielechowski, Micciche, Dunleavy, Kelly, Dyson, Ellis

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to performance reviews, audits, and termination of executive and
2 legislative branch agencies, the University of Alaska, and the Alaska Court System; and
3 providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** AS 24.20.231 is amended to read:

6 **Sec. 24.20.231. Duties.** The legislative finance division shall

7 (1) analyze the budget and appropriation requests of each department,
8 institution, bureau, board, commission, or other agency of state government;

9 (2) analyze the revenue requirements of the state;

10 (3) provide the finance committees of the legislature with
11 comprehensive budget review and fiscal analysis services;

12 (4) cooperate with the office of management and budget in establishing
13 a comprehensive system for state budgeting and financial management as set out in
14 AS 37.07 (Executive Budget Act);

1 (5) complete studies and prepare reports, memoranda, or other
2 materials as directed by the Legislative Budget and Audit Committee;

3 (6) with the governor's permission, designate the legislative fiscal
4 analyst to serve ex officio on the governor's budget review committee; **and**

5 **(7) identify the actual reduction in state expenditures in the first**
6 **fiscal year following a review under AS 44.66.040 resulting from that review, and**
7 **inform the Legislative Budget and Audit Committee of the amount of the**
8 **reduction.**

9 * **Sec. 2.** AS 24.20.271 is amended to read:

10 **Sec. 24.20.271. Powers and duties.** The legislative audit division shall

11 (1) conduct a performance post-audit of boards and commissions
12 designated in AS 44.66.010 [AND OF THOSE PROGRAMS AND ACTIVITIES OF
13 AGENCIES SUBJECT TO TERMINATION AS DETERMINED IN THE MANNER
14 SET OUT IN AS 44.66.020 AND 44.66.030,] and make the audit, together with a
15 written report, available to the legislature not later than the first day of the regular
16 session of the legislature convening in each year set out with reference to boards **and**
17 [,] commissions [, OR AGENCY PROGRAMS] whose activities are subject to
18 termination as prescribed in AS 44.66; the division shall notify the legislature that the
19 audit and report are available;

20 (2) **conduct a performance review of the agencies listed in**
21 **AS 44.66.020(a) and make the final review report available to the legislature not**
22 **later than the first day of the regular session convening in the year after the year**
23 **designated for each agency performance review in AS 44.66.020(a);**

24 (3) audit at least once every three years the books and accounts of all
25 custodians of public funds and all disbursing officers of the state;

26 (4) [(3)] at the direction of the Legislative Budget and Audit
27 Committee, conduct performance post-audits on any agency of state government;

28 (5) [(4)] cooperate with state agencies by offering advice and
29 assistance as requested in establishing or improving the accounting systems used by
30 state agencies;

31 (6) [(5)] require the assistance and cooperation of all state officials and

1 other state employees in the inspection, examination, and audit of state agency books
2 and accounts;

3 (7) [(6)] have access at all times to the books, accounts, reports, or
4 other records, whether confidential or not, of every state agency;

5 (8) [(7)] ascertain, as necessary for audit verification, the amount of
6 agency funds on deposit in any bank as shown on the books of the bank; no bank may
7 be held liable for making information required under this paragraph available to the
8 legislative audit division;

9 (9) [(8)] complete studies and prepare reports, memoranda, or other
10 materials as directed by the Legislative Budget and Audit Committee;

11 (10) [(9)] have direct access to any information related to the
12 management of the University of Alaska and have the same right of access as exists
13 with respect to every other state agency;

14 (11) [(10)] conduct an audit every two years of information found in
15 the annual reports required under AS 42.05.211 and AS 42.06.220 regarding
16 compliance by the Regulatory Commission of Alaska with the requirements of
17 AS 42.05.175(a) - (e) and of the timeline extensions made by the commission under
18 AS 42.05.175(f), and of other performance measures adopted by the commission;

19 (12) [(11)] conduct audits of the Alaska film production incentive
20 program (AS 44.25.100 - 44.25.190) and make the audits available to the legislature
21 on the first day of the regular session of the legislature in 2015, 2017, and 2021.

22 * **Sec. 3.** AS 24.20.301(a) is amended to read:

23 (a) The legislative audit division shall keep a complete file of all audit reports
24 and other reports or releases issued by the division, and a complete file of audit work
25 papers and other related supportive material. The division shall also keep a complete
26 and accurate record of all fiscal transactions involving the division. Audit records are
27 confidential and audit reports and performance review reports are confidential
28 unless the report has been approved for release under AS 24.20.311.

29 * **Sec. 4.** AS 24.20.311 is amended by adding a new subsection to read:

30 (b) The annual report must include the actual and projected reductions in state
31 expenditures resulting from reviews conducted under AS 44.66.040.

1 * **Sec. 5.** AS 44.66.020 is repealed and reenacted to read:

2 **Sec. 44.66.020. Agency programs.** (a) Every year, the legislative audit
3 division shall ensure that the review team conducts a performance review of the
4 appropriate programs of the agencies listed in this subsection. Programs that are
5 administered by more than one agency shall be reviewed with the agency that the
6 Legislative Budget and Audit Committee designates. Reviews may be conducted
7 before the dates set out in this subsection at the discretion of the Legislative Budget
8 and Audit Committee. The first review shall occur in the calendar year set out after
9 each agency's name, as follows, and subsequent reviews of each agency, or part of an
10 agency, shall occur every 10 years:

- 11 (1) Department of Corrections, 2014;
- 12 (2) Department of Health and Social Services, 2015;
- 13 (3) Department of Education and Early Development, including the
14 foundation formula, 2016;
- 15 (4) Office of the Governor, 2017;
- 16 (5) agencies of the legislative branch, 2017;
- 17 (6) Alaska Court System, 2017;
- 18 (7) University of Alaska, 2018;
- 19 (8) Department of Transportation and Public Facilities, 2019;
- 20 (9) Department of Administration, 2020;
- 21 (10) Department of Commerce, Community, and Economic
22 Development, 2020;
- 23 (11) Department of Fish and Game, 2021;
- 24 (12) Department of Environmental Conservation, 2021;
- 25 (13) Department of Natural Resources, 2021;
- 26 (14) Department of Revenue, 2022;
- 27 (15) Department of Law, 2022;
- 28 (16) Department of Public Safety, 2022;
- 29 (17) Department of Military and Veterans' Affairs, 2023;
- 30 (18) Department of Labor and Workforce Development, 2023.

31 (b) Subject to appropriation, the legislative audit division shall hire individuals

1 and contract with individuals or firms to form a review team or teams to complete the
2 reviews under this section.

3 (c) In the year before the year designated as the year for review in (a) of this
4 section, the agency shall provide to the review team, before November 1,

5 (1) citations to the agency's authority under the Constitution of the
6 State of Alaska or the Alaska Statutes to administer its programs;

7 (2) a list of programs or elements of programs that compose at least 10
8 percent of the general funds in the agency's budget appropriated from the general fund
9 that could be reduced or eliminated; the agency shall consider first those programs or
10 elements of programs that

11 (A) do not serve a current need;

12 (B) are not authorized by the Constitution of the State of
13 Alaska or the Alaska Statutes; or

14 (C) are not essential to the agency mission or delivery of the
15 agency's core services;

16 (3) a list of active encumbrances and an explanation of the continuing
17 need for any encumbrance unsatisfied more than one year after it was incurred;

18 (4) all information submitted to the legislature in the agency's most
19 recent submission under AS 37.07.050, including agency mission, results-based
20 measures, prioritization of core services, and all programs within the core services
21 from the most important to the least important.

22 * **Sec. 6.** AS 44.66 is amended by adding a new section to read:

23 **Sec. 44.66.040. Duties of the review team.** (a) During a review year set out in
24 AS 44.66.020(a), the legislative audit division shall determine the scope of the
25 performance review subject to approval by the Legislative Budget and Audit
26 Committee, and the review team shall

27 (1) collaborate with the legislative audit division and the legislative
28 finance division to identify any earlier audit findings or budgetary issues for the
29 agency;

30 (2) through the Legislative Budget and Audit committee or the senate
31 or house finance committees of the state legislature, schedule public hearings in

1 Juneau, Anchorage, Fairbanks, and other locations as determined by the committees to
2 review agency activities and identify problems or concerns;

3 (3) consult with other states and appropriate public policy
4 organizations to establish best practices for the agency;

5 (4) analyze the agency priorities reported to the legislature under
6 AS 37.07.050(a)(13); and

7 (5) evaluate the agency process for development of capital projects.

8 (b) The review team shall analyze materials relevant to the performance of the
9 agency, including

10 (1) all material provided under AS 44.66.020(c)(4);

11 (2) a 10-year growth history and a 10-year projection of agency
12 expenses by funding source, prepared by the office of management and budget;

13 (3) organizational charts, personnel charts by location that show the
14 number of positions and the functions of each position, and a list of transfers of
15 personal services funding to or from other line items within the agency during the
16 preceding 10 years, prepared by the office of management and budget;

17 (4) audit information, including a list of agency audit
18 recommendations, prepared by the legislative audit division;

19 (5) a list of any financial issues relating to the agency's operating or
20 capital expenditures, prepared by the legislative finance division;

21 (6) an explanation of the function and procedure for dedicated funds or
22 any other special funds in the agency, prepared by the legislative finance division;

23 (7) a 10-year history of any budget ratifications or supplemental
24 budget requests, prepared by the legislative finance division; and

25 (8) analysis and summary of confidential information that the review
26 team may request, through the Legislative Budget and Audit Committee, from the
27 legislative audit division, if necessary to complete the team's review.

28 (c) Before December 16 of the review year set out in AS 44.66.020(a), the
29 review team shall provide a confidential preliminary report to the Legislative Budget
30 and Audit Committee.

31 (d) One week before the first day of the regular session of the legislature in the

1 year following the review year set out in AS 44.66.020(a), the review team shall
2 provide to the chairs or cochairs of the senate and house finance committees a final
3 report. In the report, the review team may

4 (1) evaluate the success of the agency in achieving its mission, through
5 the effective and efficient delivery of its core services, goals, programs, and
6 objectives;

7 (2) determine whether the agency's results-based measures
8 demonstrate the effectiveness and efficiency of the agency's core services, goals,
9 programs, and objectives and recommend changes if necessary;

10 (3) determine whether the results-based measures were useful in
11 conducting the review and recommend changes if necessary;

12 (4) evaluate the appropriateness of the budget reductions proposed
13 under AS 44.66.020(c);

14 (5) determine whether the agency acted in good faith to correct
15 problems identified in any previous audit or review;

16 (6) list agency programs or actions not authorized by statute and
17 identify other authority for those actions;

18 (7) identify agency authority to collect fees, conduct inspections,
19 enforce state law, or impose penalties;

20 (8) recommend improvements to agency practices and procedures,
21 including means to decrease regulatory burdens or restrictions without decreasing
22 public service and safety;

23 (9) identify areas in which programs and jurisdiction of agencies
24 overlap and assess the quality of interagency cooperation in those areas;

25 (10) evaluate whether the agency promptly and effectively addresses
26 complaints;

27 (11) evaluate to what extent the agency encourages and uses public
28 participation in rulemaking and other decision making;

29 (12) evaluate the agency's process for implementing technology and
30 recommend new types or uses of technology to improve agency efficiency and
31 effectiveness;

1 (13) identify services provided by programs and functions duplicated
2 by another government agency or private entity and recommend the most effective and
3 efficient way to perform those services;

4 (14) evaluate whether the agency priorities reported to the legislature
5 under AS 37.07.050(a)(13), and the list of programs or elements of programs provided
6 under AS 44.66.020(c)(2) are consistent with the results of the performance review;

7 (15) identify agencies that could be terminated or consolidated,
8 reductions in costs, and potential program or cost reductions based on policy changes;

9 (16) identify reductions and efficiencies recommended as a result of a
10 review conducted under this section;

11 (17) identify the extent to which statutory, regulatory, budgetary, or
12 other changes are necessary to enable the agency to better serve the interests of the
13 public and to correct problems identified during the review;

14 (18) analyze how the review team's recommendation to terminate the
15 agency or to terminate any program within the agency would affect federal funding or
16 instigate federal intervention;

17 (19) include draft legislation to correct problems identified in the
18 report that shall be introduced by the senate and house finance committees of the state
19 legislature during the current legislative session;

20 (20) identify areas that need in-depth review in order to provide
21 complete information to the Legislative Budget and Audit Committee for
22 consideration in the audit process; and

23 (21) identify any other elements appropriate to a performance
24 management review.

25 (e) The Legislative Budget and Audit Committee shall, based on the amount
26 of the actual reduction in state expenditures reported by the legislative finance division
27 under AS 24.20.231(7) increased by an appropriate inflationary factor to be
28 determined by the Legislative Budget and Audit Committee, estimate the anticipated
29 savings for the second through fifth fiscal years following the review. The Legislative
30 Budget and Audit Committee shall include the amount of the actual reduction and the
31 anticipated future savings in its annual report under AS 24.20.311 for the second fiscal

1 year following the review and each of the subsequent four reports.

2 (f) The senate and house finance committee chairs, cochairs, and
3 subcommittees may incorporate the recommendations of a report submitted under (d)
4 of this section into the budget for the fiscal year following the report.

5 * **Sec. 7.** AS 44.66.050 is amended to read:

6 **Sec. 44.66.050. Legislative oversight.** (a) Before the termination, dissolution,
7 continuation, or reestablishment of a board or commission under AS 08.03.010 or
8 AS 44.66.010, [OR OF AN AGENCY PROGRAM UNDER AS 44.66.020 AND
9 44.66.030,] a committee of reference of each house, which shall be the standing
10 committee of legislative jurisdiction as provided in the Uniform Rules of the
11 Legislature, shall hold one or more hearings to receive testimony from the public, the
12 commissioner of the department having administrative responsibility for each named
13 board or [,] commission, [OR AGENCY PROGRAM,] and the members of the board
14 or commission involved. The hearings may be joint hearings. The committee shall also
15 consider the proposed budget of the board or [,] commission [, OR AGENCY
16 PROGRAM,] prepared in accordance with AS 37.07.050(f) [,] and the performance
17 audit of the activities of the board or [,] commission [, OR AGENCY PROGRAM,]
18 prepared by the legislative audit division as prescribed in AS 24.20.271(1). The
19 committee may consider any other report of the activities of the board or [,]
20 commission [OR PROGRAM], including [BUT NOT LIMITED TO] annual reports,
21 summaries prepared by the Legislative Affairs Agency, and any evaluation or general
22 report of the manner of conduct of activities of the board or [,] commission [, OR
23 AGENCY PROGRAM] prepared by the office of the ombudsman.

24 (b) During a public hearing, the board or [,] commission [OR AGENCY] shall
25 have the burden of demonstrating a public need for its continued existence or the
26 continuation of the program, and the extent to which any change in the manner of
27 exercise of its functions or activities may increase efficiency of administration or
28 operation consistent with the public interest.

29 (c) A determination as to whether a board or commission [OR AGENCY
30 PROGRAM] has demonstrated a public need for its continued existence must take into
31 consideration the following factors:

1 (1) the extent to which the board or [,] commission [, OR PROGRAM]
2 has operated in the public interest;

3 (2) the extent to which the operation of the board or [,] commission [,
4 OR AGENCY PROGRAM] has been impeded or enhanced by existing statutes,
5 procedures, and practices that it has adopted, and any other matter, including
6 budgetary, resource, and personnel matters;

7 (3) the extent to which the board or [,] commission [, OR AGENCY]
8 has recommended statutory changes that are generally of benefit to the public interest;

9 (4) the extent to which the board or [,] commission [, OR AGENCY]
10 has encouraged interested persons to report to it concerning the effect of its regulations
11 and decisions on the effectiveness of service, economy of service, and availability of
12 service that it has provided;

13 (5) the extent to which the board or [,] commission [, OR AGENCY]
14 has encouraged public participation in the making of its regulations and decisions;

15 (6) the efficiency with which public inquiries or complaints regarding
16 the activities of the board or [,] commission [, OR AGENCY] filed with it, with the
17 department to which a board or commission is administratively assigned, or with the
18 office of victims' rights or the office of the ombudsman have been processed and
19 resolved;

20 (7) the extent to which a board or commission that regulates entry into
21 an occupation or profession has presented qualified applicants to serve the public;

22 (8) the extent to which state personnel practices, including affirmative
23 action requirements, have been complied with by the board or [,] commission in [, OR
24 AGENCY TO] its own activities and in the area of activity or interest;

25 (9) the extent to which statutory, regulatory, **budgetary**
26 [BUDGETING], or other changes are necessary to enable the [AGENCY,] board [,] or
27 commission to better serve the interests of the public and to comply with the factors
28 enumerated in this subsection;

29 (10) the extent to which the board or [,] commission [, OR AGENCY]
30 has effectively attained its objectives and purposes and the efficiency with which the
31 board or [,] commission [, OR AGENCY] has operated; and

1 (11) the extent to which the board or [,] commission [, OR AGENCY]
2 duplicates the activities of another governmental agency or the private sector.

3 (d) As to each board or [,] commission [, OR AGENCY PROGRAM]
4 assigned to it for purposes of review, the committee of reference shall, not later than
5 the 60th day of the legislative session, submit a report to the presiding officer of the
6 house. The report must contain a summary of the findings of the committee as to the
7 compliance of the board or [,] commission [, OR PROGRAM] with the factors
8 enumerated in (c) of this section, together with a summary or recommendations of the
9 committee as to each of the following:

10 (1) an identification of the problems or the needs that the programs and
11 activities of the board or [,] commission [, OR AGENCY] are intended to address;

12 (2) a statement, to the extent practicable, of the objectives of the
13 program of the board or [,] commission [, OR AGENCY PROGRAM,] and its
14 anticipated accomplishments;

15 (3) an identification of any other programs having similar, conflicting,
16 or duplicate objectives;

17 (4) an assessment of alternative methods of achieving the purposes of
18 the program;

19 (5) an assessment of the consequences of eliminating the board or [,]
20 commission [, OR PROGRAM] and consolidating its activities with another program,
21 or of funding it at a lower level;

22 (6) a justification for the recommended continuation or extension of
23 the board or [,] commission [, OR PROGRAM,] and an explanation of the manner in
24 which it avoids duplication of or conflict with other efforts; and

25 (7) any other information that, in the opinion of the committee, would
26 improve the performance of the board or [,] commission [, OR AGENCY] with
27 respect to its representation of and responsiveness to the public interest.

28 (e) The committee of reference may introduce a bill providing for the
29 reorganization or continuation of the board or [,] commission. Not [, OR AGENCY
30 PROGRAM. NO] more than one board or [,] commission [, OR AGENCY
31 PROGRAM] may be continued or reestablished in any legislative bill, and the board

1 or [,] commission [, OR AGENCY PROGRAM] must be mentioned in the title of the
2 bill.

3 * **Sec. 8.** AS 44.66.060 is amended to read:

4 **Sec. 44.66.060. Existing claims.** This chapter does not cause the termination
5 or dismissal of a claim or right of a citizen against a board, commission, or program of
6 an agency terminated **by legislative action or** under this chapter that is subject to
7 litigation. Claims and rights shall be assumed by the department to which the board or
8 commission terminated under this chapter was attached for administrative purposes.

9 * **Sec. 9.** AS 44.66 is amended by adding a new section to read:

10 **Sec. 44.66.070. Definitions.** In this chapter,

11 (1) "agency" means a state department or agency, whether in the
12 legislative, judicial, or executive branch, and includes the University of Alaska;

13 (2) "review team" means appropriate professionals hired by or under
14 contract with the legislative audit division to complete a performance review under
15 AS 44.66.020 - 44.66.040.

16 * **Sec. 10.** AS 44.66.030 is repealed.

17 * **Sec. 11.** AS 24.20.231(7), 24.20.271(2), 24.20.311(b); AS 44.66.020, and 44.66.040 are
18 repealed July 1, 2023.

19 * **Sec. 12.** This Act takes effect July 1, 2013.