

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

Anchorage, Alaska

October 16, 2013

9:04 a.m.

MEMBERS PRESENT

Senator Anna Fairclough, Chair
Representative Mike Hawker, Vice Chair
Senator Kevin Meyer (via teleconference)
Senator Click Bishop
Senator Cathy Giessel
Senator Donald Olson

MEMBERS ABSENT

Representative Alan Austerman
Representative Bob Herron
Representative Kurt Olson
Representative Andy Josephson
Senator Mike Dunleavy
Representative Scott Kawasaki
Representative Bill Stoltze

OTHER LEGISLATORS PRESENT

Representative Mike Chenault
Representative Eric Feige

COMMITTEE CALENDAR

APPROVAL OF MINUTES
REVISED PROGRAM - LEGISLATIVE (RPLS)
EXECUTIVE SESSION
OTHER COMMITTEE BUSINESS

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

LACEY SANDERS, Fiscal Analyst
Legislative Finance Division
Legislative Affairs Agency
Juneau, Alaska

POSITION STATEMENT: Reviewed RPL 18-4-0380, Department of Environmental Conservation, Contaminated Sites Program and RPL 06-4-0241, Department of Health and Social Services, Alaska Partnership Project.

KRISTIN RYAN, Director
Division of Spill Prevention and Response
Department of Environmental Conservation
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to RPL 18-4-0380.

KRISTIN CURTIS
Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information on the performance review audit request.

ACTION NARRATIVE

[9:04:27 AM](#)

CHAIR ANNA FAIRCLOUGH called the Legislative Budget and Audit Committee meeting to order at 9:04 a.m. Senators Giessel, Bishop, Olson, Meyer (via teleconference), and Fairclough and Representative Hawker were present at the call to order.

Approval of Minutes

[9:05:09 AM](#)

REPRESENTATIVE HAWKER made a motion to approve the minutes of August 22, 2013. There being no objection, the minutes from the meeting of August 22, 2013, were approved.

Revised Program - Legislative (RPLs)

[9:05:40 AM](#)

CHAIR FAIRCLOUGH announced that the committee would now discuss the two RPLs before it.

[9:05:59 AM](#)

LACEY SANDERS, Fiscal Analyst, Legislative Finance Division, Legislative Affairs Agency, began with the Department of Environmental Conservation (DEC) RPL 18-4-0380, which is a request for \$959,500 in federal receipt authority to issue contracts for cleanup and oversight of cleanup activity of military facilities, formerly used defense sites, and other federally contaminated sites. The state must exercise regulatory oversight over cleanup activities in order to ensure compliance with state standards. The funds will come primarily from the U.S. Department of Defense, U.S. Coast Guard, Federal Aviation Administration, and the Bureau of Land Management (BLM). She informed the committee that the military has cleanup plans for Galena, Eielson Air Force Base, Fort Wainwright, and the Joint Base Elmendorf-Richardson. This work requires no general funds or response funds, but corresponding federal receipt authority may be requested in the 2015 budget. Furthermore, no new positions are required at this time. Ms. Sanders reported that there are no technical issues with this RPL, federal funds have already been awarded, and availability of federal funds is not impacted by sequestration or the federal shutdown.

[9:07:35 AM](#)

SENATOR GIESSEL requested confirmation that the funds were appropriated prior to sequestration.

MS. SANDERS confirmed that is the understanding and noted the DEC representative in attendance agrees with that understanding as well.

[9:07:59 AM](#)

REPRESENTATIVE HAWKER inquired as to why funds that are largely coming from U.S. Department of Defense agencies to cleanup U.S. Department of Defense sites is passing through Alaska's DEC rather than the U.S. Department of Defense dealing with the [cleanup] directly.

[9:08:34 AM](#)

KRISTIN RYAN, Director, Division of Spill Prevention and Response, Department of Environmental Conservation, explained the funds are primarily used to hire contractors to perform oversight of the cleanup. The federal agencies are performing the cleanup.

[9:09:03 AM](#)

REPRESENTATIVE HAWKER asked whether the state has jurisdiction and oversight over federal property.

MS. RYAN replied yes, and added that the federal government has to comply with the state's cleanup rules and regulations. She emphasized the importance of working with the federal government in these cleanup projects because sometimes the state's standards differ from those of the federal government.

[9:09:48 AM](#)

SENATOR BISHOP remarked that the state's 402 primacy might be part of the equation in this situation.

[9:10:03 AM](#)

REPRESENTATIVE HAWKER inquired as to whether the BLM funds involved in this cleanup are part of the funds the state hopes will address the legacy fields on the North Slope.

MS. RYAN clarified that the funds are not those that the federal government will use to clean up the sites on the North Slope but rather are funds that provide the state the ability to oversee that cleanup and pay contractors to review the plans to ensure they are adequate.

[9:10:41 AM](#)

REPRESENTATIVE HAWKER moved to report RPL 18-4-0380 for the Department of Environmental Conservation to receive \$959,500 of federal receipt authority. There being no objection, RPL 18-4-0380 was approved.

[9:11:07 AM](#)

MS. SANDERS then turned to the Department of Health and Social Services (DHSS), Division of Behavioral Health, RPL 06-4-0241, Alaska Partnership, which requests \$949,912 in federal authorization for a multi-year grant with the Substance Abuse and Mental Health Services Administration Center for Substance Abuse Treatment (SAMHSA). These funds will be used to expand the Parenting with Love and Limits (PLL) and the Transition to Independence Process (TIP). The project will deliver treatment, family therapy, and in-home services to adolescents and their families. The target population is rural and Alaska Native

youth as well as youth at-risk of moving into treatment that is more restrictive or out of their homes and communities. Ms. Sanders informed the committee that about \$950,000 of the federal funds per year, with no match requirement, will be available for four fiscal years, fiscal year (FY) 2014-FY 2017. Behavioral Health Administration's component FY14 budget of \$11 million includes \$2.9 million in federal authorization. The services for severely emotionally disturbed youth component budget of \$15.8 million has no federal authorization. Therefore, this new multi-year federal award can't be absorbed with an existing authorization. Ms. Sanders pointed out that the RPL does have a minor technical issue since it addresses two allocations rather than one. However, the issue should be resolved because the language clearly specifies that the Legislative Finance Division will create the following two transactions: \$904,000 in the Severely and Emotionally Disturbed Youth allocation, \$45,900 in the Behavioral Health Administration allocation.

[9:13:52 AM](#)

REPRESENTATIVE HAWKER moved to report RPL 06-4-0241 for the Department of Health and Social Services in the amount of \$959,912 in federal receipt authority. There being no objection, RPL 06-4-0241 was approved.

Executive Session

[9:14:28 AM](#)

CHAIR FAIRCLOUGH announced the committee would now proceed to executive session in order to discuss confidential audit reports.

[9:14:31 AM](#)

REPRESENTATIVE HAWKER made a motion that the committee under Uniform Rule 22 go into executive session for the purpose of discussing confidential audit reports under AS 24.20.301 and for discussion of a confidential request for proposal.

The committee took a brief at-ease.

[9:15:03 AM](#)

REPRESENTATIVE HAWKER withdrew his prior motion. Representative Hawker then made a motion for the committee under Uniform Rule

22 to move into executive session for the purpose of discussing confidential audit reports under AS 24.20.301, a confidential request for proposal, and the HB 30 performance review audit scope of work. There being no objection, the committee went into executive session at 9:16 a.m.

11:20:32 AM

CHAIR FAIRCLOUGH called the Legislative Budget and Audit Committee back to order at 11:20 a.m. She noted that Representatives Feige and Chenault joined the committee during the executive session. She also noted that Senators Bishop, Olson, Giessel, Meyer (via teleconference), and Fairclough and Representative Hawker were in attendance.

11:21:05 AM

REPRESENTATIVE HAWKER made a motion for the following final audits to be released to the public for response:

- a) Department of Commerce, Community & Economic Development, Regulatory Commission of Alaska, Sunset Review;
- b) Department of Commerce, Community & Economic Development, Board of Chiropractic Examiners, Sunset Review;
- c) Department of Commerce, Community & Economic Development, Board of Marital and Family Therapy, Sunset Review;
- d) Department of Commerce, Community & Economic Development, Board of Optometry, Sunset Review;
- e) Department of Commerce, Community & Economic Development, State Physical Therapy and Occupational Therapy Board, Sunset Review;
- f) Department of Commerce, Community & Economic Development, Board of Certified Real Estate Appraisers, Sunset Review;
- g) Department of Public Safety, Council on Domestic Violence and Sexual Assault, Sunset Review;
- h) Department of Health and Social Services, Alaska Health Care Commission, Sunset Review;
- i) Department of Natural Resources, Agriculture Revolving Loan Fund, Select Issues.

There being no objection, the above-listed final audits were released to the public for response.

REPRESENTATIVE HAWKER made a motion for the following preliminary audits to be released to the appropriate agency for response: Department of Administration, Alaska Land Mobile Radio System; Department of Commerce, Community & Economic Development, Alaska Seismic Hazards Safety Commission, Sunset Review. There being no objection, the aforementioned preliminary audits were released to the appropriate agency for response.

Other Committee Business

[11:22:58 AM](#)

[Contains discussion of HB 30.]

CHAIR FAIRCLOUGH announced that the committee would now discuss the consideration of the Performance Review Contract. She reminded the committee that she had previously appointed a subcommittee consisting of herself, Senator Bishop and Representatives Hawker, Herron, and Kawasaki to work on the scope of work for the contract. The subcommittee held a lengthy meeting on October 1, 2013, to discuss the scope of work for the contract; Representatives Olson and Josephson were also in attendance at the subcommittee meeting. Chair Fairclough opined that the subcommittee settled on a thorough and balanced work product, which Ms. Curtis will explain.

[11:23:35 AM](#)

KRISTIN CURTIS, Legislative Auditor, Division of Legislative Audit, Alaska State Legislature, explained the division intends to request approval to solicit and award a contract not to exceed \$300,000 to conduct the Department of Corrections performance review. The contractor will lead the performance review team, which will also be made up of Division of Legislative Audit employees. She reminded the committee that performance reviews of state departments were authorized this past session and will begin with the Department of Corrections. During the course of the review, the department will be required to provide a list of programs or elements of programs supported by general funds that can be cut without impacting the ability of the department to fulfill its mission or reduce required services to the public. A review team lead by a contractor will conduct a systematic assessment of the appropriateness, effectiveness, and efficiency of the department and its programs. The review, she related, is meant to provide information that can improve the entity's performance and assist

legislators in evaluating the department and its budget. One of the first steps in the performance review process is the Legislative Budget and Audit Committee's consideration and approval of the performance review scope. She explained that a scope describes the nature and expense of the work that needs to be done in order to complete the review. The scope this committee approves will serve as the basis for the request for proposal for the contractor. Once the contractor completes the review a report is prepared and submitted to the Division of Legislative Audit and then the Legislative Budget and Audit Committee. The Department of Corrections' performance review report must be sent to this committee by December 16, 2014, and is required to be confidential until finalized and released by the committee. Statutes require that copies of the report be sent to the chairs and co-chairs of the House and Senate Finance Committees one week prior to the legislative session beginning.

[11:25:49 AM](#)

REPRESENTATIVE HAWKER moved that the committee approve the performance review scope of work as presented. There being no objection, it was approved.

[11:26:11 AM](#)

REPRESENTATIVE HAWKER moved that the committee authorize the legislative auditor to solicit and award a contract for performance review services in an amount not to exceed \$300,000. There being no objection, it was so ordered.

[11:26:31 AM](#)

CHAIR FAIRCLOUGH announced that the committee would now consider the revised committee handbook procedure.

[11:26:36 AM](#)

MS. CURTIS informed the committee that the changes in the committee handbook were necessitated by the performance reviews of HB 30. The new statutes created by HB 30 were inserted in the committee handbook. The revised committee handbook also includes revised procedures, which were modeled after the audit procedures. The bulk of the new procedures begin on page 41 of the committee handbook.

[11:29:22 AM](#)

CHAIR FAIRCLOUGH mentioned her appreciation of the proactive approach the division has taken in terms of revising the committee handbook.

[11:29:44 AM](#)

SENATOR OLSON asked from where the bulk of these changes come.

MS. CURTIS explained that she contracted with the previous legislative auditor to draft the changes, which originate from HB 30. The new procedures were modeled in terms of how the audits work, which she recalled was the intent of HB 30. Therefore, there are specifications relating to the release of the audit, the number of days in which the agency can respond, the number of times it comes before the committee, and the confidentiality of the work papers.

[11:30:36 AM](#)

SENATOR MEYER said he had no concerns with Ms. Curtis' recommendations. However, he mentioned the backlog of the Division of Legislative Audit and inquired as to the current size of it.

MS. CURTIS answered that the division's current backlog consists of three special audits and four sunset audits coming next year.

SENATOR MEYER then inquired as to how long it would take a newly requested audit to be completed.

MS. CURTIS opined that no new audits would be considered next year but rather they would be considered the year after.

CHAIR FAIRCLOUGH related her understanding that completion dates would be a full year out.

[11:33:02 AM](#)

REPRESENTATIVE HAWKER moved that the updated and revised Legislative Budget and Audit Committee handbook as provided to the committee today be adopted as the currently effective committee handbook. There being no objection, the updated and revised Legislative Budget and Audit Committee handbook was adopted.

[11:33:34 AM](#)

CHAIR FAIRCLOUGH announced the appointment of a subcommittee on occupational licensing and boards, which would hold a meeting in January for the full committee to attend. She appointed to the subcommittee the following members: Senators Fairclough, chair, Giessel and Representatives Hawker, Austerman, and Josephson. There being no objection, the subcommittee was formed.

[11:35:18 AM](#)

CHAIR FAIRCLOUGH thanked Laura Pierre, Staff, Legislative Budget and Audit Committee, for her work in bringing the committee together and keeping the meeting organized. She also thanked Ms. Curtis and her staff for their work as auditing is not an easy job, particularly when working in less than ideal surroundings during their office renovation.

MS. CURTIS highlighted the dedication of her staff, noting that performing nine sunsets in one year is an incredible amount of work along with two special audits.

[11:37:24 AM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 11:37 a.m.