

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

August 18, 2016

11:05 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Chair
Representative Lance Pruitt (via teleconference)
Representative Steve Thompson (via teleconference)
Representative Sam Kito

Senator Anna MacKinnon, Vice Chair
Senator Lyman Hoffman
Senator Click Bishop

MEMBERS ABSENT

Representative Kurt Olson
Representative Mark Neuman (alternate)

Senator Cathy Giessel
Senator Bert Stedman
Senator Pete Kelly (alternate)

COMMITTEE CALENDAR

APPROVAL OF MINUTES
EXECUTIVE SESSION
PRELIMINARY PERFORMANCE REVIEWS
PRELIMINARY AUDIT REPORTS
FINAL AUDIT REPORTS
OTHER COMMITTEE BUSINESS

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

No witnesses to record

ACTION NARRATIVE

[11:05:03 AM](#)

CHAIR MIKE HAWKER called the Legislative Budget and Audit Committee meeting to order at 11:05 a.m. Representatives Kito, Thompson (via teleconference), and Hawker, and Senators Bishop, Hoffman, and MacKinnon were present at the call to order. Representative Pruitt arrived as the meeting was in progress.

Approval of Minutes

[11:06:43 AM](#)

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

[11:06:56 AM](#)

SENATOR MACKINNON moved that the minutes from the Legislative Budget and Audit Committee meetings on April 14, 2016, and May 26, 2016, be approved as presented. There being no objection, the minutes from April 14, 2016, and May 26, 2016, were approved.

Executive Session

[11:07:51 AM](#)

CHAIR HAWKER announced that the next order of business would be to move into executive session.

[11:09:54 AM](#)

SENATOR MACKINNON moved and asked unanimous consent that the Legislative Budget and Audit Committee enter executive session under Uniform Rule 22(b)(3) and AS 24.20.301 for the discussion of confidential audit and performance review reports. There being no objection, the committee entered into executive session at 11:11 a.m.

[11:11:11 AM](#)

The committee took an at-ease from 11:11 a.m. to 4:14 p.m. for the purpose of the executive session.

[4:13:40 PM](#)

CHAIR HAWKER called the Legislative Budget and Audit Committee back to order at 4:14 p.m. Present at the call back to order

were Representatives Kito, Thompson (via teleconference), and Hawker, and Senators Giessel, Hoffman, and MacKinnon.

[4:14:28 PM](#)

The committee took an at-ease from 4:14 p.m. to 4:16 p.m. [Because of technical difficulties the call for an at-ease was barely audible, thus the recorder was not turned off and inquiries made by those participating via teleconference as to the status of the meeting can be heard.]

[4:15:43 PM](#)

CHAIR HAWKER brought the Legislative Budget and Audit Committee back to order. [Further technical difficulties ensued, and Chair Hawker reiterated for the record the names of those making up the quorum at the call back to order.]

Preliminary Performance Reviews

[4:17:22 PM](#)

SENATOR MACKINNON moved that the committee release the Department of Education & Early Development preliminary performance review to the agency for response. There being no objection, it was so ordered.

Preliminary Audit Reports

[4:17:48 PM](#)

SENATOR MACKINNON moved that the following preliminary audits be released to agencies for response: the Department of Commerce, Community & Economic Development Board of Certified Direct Entry Midwives sunset; the Department of Commerce, Community & Economic Development Board of Registration for Architects, Engineers, and Land Surveyors sunset; the Department of Commerce, Community & Economic Development Board of Veterinarian Examiners sunset; the Department of Commerce, Community & Economic Development Regulatory Commission of Alaska FY 15 annual report; the Department of Administration State Travel Office; and the University of Alaska University Travel.

[4:18:43 PM](#)

REPRESENTATIVE KITO objected to relay that he is a registrant of the Board of Architects, Engineers, and Land Surveyors, thus there could be a perceived conflict of interest.

CHAIR HAWKER indicated that Representative Kito would be required to vote.

REPRESENTATIVE KITO withdrew his objection. There being no further objection, all the above-named preliminary audits were ordered to be released.

Final Audit Reports

[4:19:20 PM](#)

SENATOR MACKINNON moved that the following final audit be released to the public: FY 14 statewide single audit reissued. There being no objection, it was so ordered.

Other Committee Business

[4:19:39 PM](#)

CHAIR HAWKER stated for the record that the Legislative Budget and Audit Committee had received a letter, dated July 19, 2016, from the Oil & Gas Competitiveness Review Board, which requests an extension for a statutorily required report to the legislature. The reasons stated are that due to the recent passage of HB 247, which changes the Cook Inlet tax regime, the board felt it required additional time to supply the legislature with a meaningful analysis of the basin's activities and competitiveness. Chair Hawker informed the committee that he responded with a letter, which he would supply to all committee members and leadership, wherein he related that while he, as an individual legislator, understands the board's concern and agrees with its assessment of the challenges in meeting the deadline, the Legislative Budget and Audit Committee has no statutory authority to waive or extend a statutory deadline or due date. Further, he said he relayed to the board that the report itself does not involve the Legislative Budget and Audit Committee; it is neither within the committee's purview nor its scope of responsibility. He said he informed the board that the request should be submitted directly to leadership offices.

[4:21:47 PM](#)

CHAIR HAWKER next related that his staff had been working closely with Senator Giessel's staff in preparing the legislature for upcoming joint meetings of the House Resources Standing Committee and the Senate Resources Standing Committee that may involve the review and consideration of proposals made by the administration to make significant changes to the process going forward for the development of a gas line. He indicated there are changes being proposed that vary considerably from that which has been discussed and evaluated by the legislature. He said he and Senator Giessel have been looking for "some fairly short-notice legal review related to tax matters and tax issues, with regard to the proposals that are being made."

CHAIR HAWKER said two firms were considered. One is Manley & Brautigam, P.C., in Anchorage, which has previously worked with the legislature doing evaluations of the tax status of the Alaska Gasline Development Corporation (AGDC) a couple years ago. He indicated that for specific issues about bonding and debt that might be issued related to a project, [Manley & Brautigam, P.C.] "did not feel the core competency," thus the firm recommended Jermain, Dunnagan & Owens, P.C., in Anchorage, which has "extraordinarily well-respected bond counselors in the state of Alaska."

CHAIR HAWKER stated his intent is to issue the statutorily allowable \$35,000 signature contract to both law firms to provide counsel for the upcoming joint meetings of the House Resources Standing Committee and the Senate Resources Standing Committee. He opined that although the timing is tight, the law firms are qualified and will be able to provide the legislature with good preliminary support.

[4:24:11 PM](#)

CHAIR HAWKER said Manley & Brautigam, P.C., has made the full disclosure that it has done and continues to do work on property taxes for various players in the oil and gas industry. He indicated that the firm has requested that an acknowledgement notice - "a potential waiver of any conflict that might come up with their work regarding property taxes with those entities" - be signed by those entities and by the legislature. Chair Hawker stated his intent is to sign the waiver, because "the work we are requesting done here, which has to do with the structure, organization, [and] taxability of the gas pipeline project absolutely, in no way, conflicts with the property tax work being done by this firm for the various companies." He said if a further conflict arises, everyone involved will be

notified. He said legal procurements are exempted from the long-term procurement process required, and he reiterated that it is an expedited need of the legislature to meet the requirements of the aforementioned joint committees.

[4:26:04 PM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 4:26 p.m.