

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

March 30, 2020

9:05 a.m.

MEMBERS PRESENT

Representative Chris Tuck, Chair
Representative Neal Foster
Representative Andy Josephson
Representative Ivy Spohnholz
Representative Jennifer Johnston (alternate) (via teleconference)

Senator Click Bishop, Vice Chair (via teleconference)
Senator Bert Stedman
Senator Cathy Giessel
Senator Natasha von Imhof (via teleconference)
Senator Bill Wielechowski (alternate)

MEMBERS ABSENT

Representative Mark Neuman
Senator Lyman Hoffman

OTHER LEGISLATORS PRESENT

Representative Bryce Edgmon

COMMITTEE CALENDAR

APPROVAL OF MINUTES
EXECUTIVE SESSION
SPECIAL AUDIT REQUESTS
OTHER COMMITTEE BUSINESS

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

AURORA HAUKE, Staff
Representative Chris Tuck
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced the audit request for a follow up to the 2018 Alaska Mental Health Trust Authority on behalf of Representative Tuck.

KRIS CURTIS, Legislative Auditor
Legislative Audit Division
Legislative Agencies and Offices
Juneau, Alaska

POSITION STATEMENT: Answered questions during discussion of the audit requests.

TOM WRIGHT, Staff
Senator Mia Costello
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the audit request of the Alaska State Commission for Human Rights on behalf of Senator Costello.

ACTION NARRATIVE

[9:05:22 AM](#)

CHAIR CHRIS TUCK called the Legislative Budget and Audit Committee meeting to order at [9:05] a.m. Representatives Tuck, Spohnholz, Foster, and Josephson and Senators Stedman, Giessel, Wielechowski (alternate), Bishop (via teleconference), and von Imhof (via teleconference) were present at the call to order. Representative Johnston (alternate) (via teleconference) arrived as the meeting was in progress.

Approval of Minutes

[9:06:13 AM](#)

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

[9:06:18 AM](#)

SENATOR BISHOP made a motion to approve the minutes of the Legislative Budget and Audit Committee of February 28, 2020. There being no objection, the minutes from the meeting of February 28, 2020 were approved.

Executive Session

[9:07:20 AM](#)

CHAIR TUCK announced that the next order of business would be executive session.

[9:08:44 AM](#)

SENATOR BISHOP made a motion to move to executive session under Uniform Rule 22(b)(3), discussion of matters that may, by law, be required to be confidential, for the purpose of discussing confidential audit reports under AS 24.20.301. There being no objection, the committee went into executive session at 9:09 a.m.

[9:09:21 AM](#)

The committee took an at-ease from 9:09 a.m. to 10:07 a.m. for the purpose of executive session.

[10:07:20 AM](#)

CHAIR TUCK brought the committee back to order at 10:07 a.m. Representatives Tuck, Spohnholz, Foster, Josephson, and Johnston (alternate) (via teleconference) and Senators Stedman, Giessel, Wielechowski (alternate), Bishop (via teleconference), and von Imhof (via teleconference) were present at the call to order. Also in attendance was Representative Edgmon (via teleconference).

[10:08:23 AM](#)

SENATOR BISHOP made a motion that the State of Alaska Single Audit for the Fiscal Year ended June 30, 2019, be released as a final public report. There being no objection, the State of Alaska Single Audit for the Fiscal Year ended June 30, 2019, was released to the agencies for response.

Special Audit Requests

[10:08:57 AM](#)

CHAIR TUCK announced that the next order of business would be requests for special audits. He pointed out that the executive summary from the 2018 audit and the final report from the Alaska Mental Health Trust Authority were also included in members' packets.

[10:09:41 AM](#)

AURORA HAUKE, Staff, Representative Chris Tuck, Alaska State Legislature, explained that this special audit request was a follow-up request for the 2018 Alaska Mental Health Trust Authority special audit which found that the Trust Authority was not transferring funds meant to be transferred to the Mental Health Trust fund managed by the Alaska Permanent Fund Corporation. She reported that the money had, instead, been used to purchase real estate, which was in violation of statute and the Weiss v. State settlement. She added that there were four recommendations on the 2018 audit, and there was intent language in the fiscal year 2020 (FY 20) Operating Budget which requested a final report in November. She directed attention to this report [included in members' packets] in which the Alaska Mental Health Trust Authority claimed to have dealt with all the recommendations. She explained that this current request for a special audit was a follow up to ensure that these actions were taken in a manner that complied with law. She added that the special audit would also review whether any of the policies and procedures in place allowing these actions had been updated.

[10:11:19 AM](#)

SENATOR STEDMAN offered his agreement with this follow up. He paraphrased line item 4 as addressing other issues concerning or identified by the Legislative Audit Division during the audit. He asked for [a new line item] to include an update on the real estate holdings that were in question. He offered his belief that it should be made clear for the expressed interest of bringing this to a final resolution.

CHAIR TUCK expressed his agreement for a list of the assets and purchases.

[10:12:58 AM](#)

KRIS CURTIS, Legislative Auditor, Legislative Audit Division, Legislative Agencies and Offices, referencing the proposed addendum to the special audit request, asked whether "provide a current status of the real estate holdings" was sufficient.

[CHAIR TUCK indicated his agreement.]

SENATOR STEDMAN asked whether this could also include a request for the intent of the assets still held by the Alaska Mental Health Trust Authority.

CHAIR TUCK clarified that [the proposed line item] would include an update to the current status of the real estate holdings and for the Alaska Mental Health Trust Authority Board to report the intent for the use of these holdings.

[10:14:18 AM](#)

SENATOR BISHOP made a motion that the Legislative Budget and Audit Committee approve the request for an audit of the Alaska Mental Health Trust Authority. There being no objection, it was so ordered.

[10:14:42 AM](#)

CHAIR TUCK announced that the next special audit request for consideration was an audit of the Alaska State Commission for Human Rights.

[10:14:53 AM](#)

TOM WRIGHT, Staff, Senator Mia Costello, Alaska State Legislature, reported that this audit request asked to determine whether the Alaska State Commission for Human Rights was investigating complaints in a timely manner, to determine how many and what type of complaints were investigated, to determine how many days it takes to resolve complaints, and to determine the reason for delayed resolutions. This audit would determine whether the commission was investigating complaints in accordance with the internal policy for promptness, as outlined in state law, which required informal investigation of a filed complaint promptly and impartially; this audit would gain an understanding and report on the work sharing agreement by the Commission with the federal Equal Employment Opportunity Commission; this audit would identify and report the steps taken by the Commission to seek and eradicate discrimination; and, finally, this audit would determine the current status of prior audit recommendations.

MS. CURTIS, in response to Senator Giessel, explained that there had been two previous, fairly comprehensive audits of the Alaska State Commission for Human Rights with similar objectives. One had been completed in 2000 and the other completed in 2011.

CHAIR TUCK asked whether these audits were for the same scope or whether this was a special audit request asking for additional information.

MS. CURTIS replied that this was a similar request.

REPRESENTATIVE SPOHNHOLZ asked about the findings in those two audit reports.

MS. CURTIS replied that there were findings, which had to do with certain actions to help with the timeliness of the cases. She added that, as the commission had been too busy trying to get cases caught up, they were not doing many actions.

CHAIR TUCK asked for the length of time to close complaints.

MS. CURTIS said that she did not remember, although there were sometimes years of delay.

REPRESENTATIVE JOSEPHSON shared that his office had a proposed bill to expand the jurisdiction of the Alaska State Commission for Human Rights to include non-profit organizations. He reported that currently there were about 40,000 Alaskans who would have to take any claims for discrimination to the federal Equal Employment Opportunity Commission.

[10:18:43 AM](#)

SENATOR BISHOP made a motion to approve the special audit request for an audit of the Alaska State Commission for Human Rights. There being no objection, it was so ordered.

Other Committee Business

[10:19:12 AM](#)

SENATOR GIESSEL directed attention to a letter, dated March 26, 2020, related to a contract entered into by the Legislative Budget and Audit Committee on March 19, 2020. She explained that the purpose of the contract as stated was to evaluate the sale of British Petroleum [BP plc] assets to Hilcorp [Energy Company]. She acknowledged that, although the chair of the Legislative Budget and Audit Committee had signature authority to enter into contracts without notification to the committee members, she had concern with the contract based on the individual chosen and the jurisdiction of the Alaska State Legislature over private sector financial exchanges.

CHAIR TUCK relayed that there had been discussion for determining the role of the Alaska State Legislature during a House Resources Standing Committee meeting. He opined that the

contract referenced the role of the legislature for making any decisions on behalf of the State of Alaska. He questioned the function of the dismantlement, removal, and restoration book entry, its relationship to tariffs through the Trans-Alaska Pipeline System, and whether this was deductible. He added that not only did he have questions, but the House Resources Standing Committee also had questions.

[10:21:49 AM](#)

SENATOR STEDMAN acknowledged that "this was a new issue to me, too." He asked why someone from the outside had been contracted, and why the Legislative Budget and Audit Committee and the Legislative Legal Services staff were not asked to figure this out. He questioned whether the Alaska State Legislature had any role in the review of private party commercial transactions. He offered his belief that this question was "rudimentary and, quite frankly, not very complex as far as our role."

CHAIR TUCK shared that he had thought to ask an existing consultant; however, the rates being paid to those consultants were higher and he had preferred to have a consultant here in Juneau. He reported that the consultant had worked with the Department of Law and was "very knowledgeable on oil and tax issues."

[10:23:47 AM](#)

SENATOR VON IMHOF directed attention to Clause 1, Section 3, of the contract, which stated identification of the state statutes that may be amended or added to help protect the state's interest in future transfers of Alaska oil and gas assets. She offered her belief that this was "a little bit more granular than what's the state's role." She opined that this allowed for manipulation or change to the statutes to increase or decrease the cash coming to the state. She offered her belief that this was beyond the originally described scope. She declared that she had concern for that statement.

CHAIR TUCK opined that these were recommendations for any possible legislation to protect the best interests of Alaska. He offered his belief that this was not the intent, and he reported that his intent was to ensure that Alaska's interests were protected.

[10:25:13 AM](#)

SENATOR VON IMHOF directed attention to the passage that state statutes may be amended or added to help protect the states interests in future transfers and declared that this seemed "a little pointed." She asked whether the state's interests were monetary, and how that was defined. She asked why statutes would be changed and expressed her concern that this was being reactive to a specific sale. She said, "this just seems a little odd to me."

CHAIR TUCK agreed that the contract was "pretty general, it's pretty open" and it was not very specific. He reiterated that his desire was to protect the best interests of Alaska.

[10:26:31 AM](#)

REPRESENTATIVE SPOHNHOLZ acknowledged that the contract had been awarded to a person with a unique background which allowed for a quick, substantive analysis. She expressed her understanding for the concerns of Senator von Imhof for the contract being reactive to a specific field and company. However, given the importance of the North Slope to the "state's balance book, it's important that we have a very clear understanding of what sort of the risks are to the State of Alaska." She noted that any additional information and analysis for the Alaska State Legislature could be useful.

[10:27:35 AM](#)

SENATOR BISHOP explained that this contract was prospective and did not concern the immediate sale.

CHAIR TUCK added that this was a learning opportunity.

SENATOR BISHOP shared that during a meeting in October, it was apparent that the Department of Natural Resources "would scrub this from a to z," and he offered his belief that the Department of Revenue would also have as much say regarding this proposed sale.

[10:28:40 AM](#)

SENATOR STEDMAN reflected on the demolition and restoration of the oil fields area, not including the Trans-Alaska Pipeline System, and how that would be structured and viewed in the future. He pointed out that, as the infrastructure would need to be removed and the gravel pads and the roads would need to be

picked up, it would be good to have an understanding. He recommended that the Chairs of Legislative Budget and Audit Committee and Legislative Council exercise their authority for entering into contractual arrangements for studies and work and share that action with their vice chairs to ensure good communication between the bodies as these were joint committees. He shared an anecdote of issues created by a prior chairman of Legislative Budget and Audit Committee.

[10:31:36 AM](#)

SENATOR GIESSEL moved attention back to the contract. She reflected on a long joint House Resources Standing Committee and Senate Resources Standing Committee meeting on this subject in February. She reported that the Department of Natural Resources and the Department of Environmental Conservation had testified. She pointed out that the contract did not "call out" dismantlement, removal, and restoration even as it was extensively discussed in that hearing. She declared that the contract was very vague and was not specific to dismantlement, removal, and restoration. She expressed her concern for impartiality, noting that the individual selected for the contract had published many opinion pieces, printed documents, and testified publicly with a negative perspective toward the oil companies and oil resource extraction policies. She reiterated her support for impartial research but expressed her concern for this contract. She declared that she "would have liked to have known" about the contract prior to its finalization.

CHAIR TUCK offered to share any future contracts but pointed out that this contract did not require a vote of the committee. He mused that the problem was with the individual selected for the contract, and not so much with finding information.

SENATOR GIESSEL declared, "That is incorrect, Mr. Chairman, that is incorrect." She emphasized that, although she had no problem with an impartial audit, this subject had been extensively reviewed by a joint committee of the Alaska State Legislature. She said that, although Chair Tuck had identified specifically what he was looking for, this was not stated in the contract.

CHAIR TUCK acknowledged that, although there had been the joint meeting of the House Resources Standing Committee and the Senate Resources Standing Committee, there had not been any information compiled in one report, which was his goal. He stated that many open-ended questions were unanswered in the joint meeting.

[10:35:36 AM](#)

SENATOR WIELECHOWSKI asked for more background for the expertise in this area of the consultant, Lisa Weissler.

CHAIR TUCK shared that Ms. Weissler had been an oil and gas attorney during the [Governor] Palin administration. He added that Ms. Weissler had also worked for a number of legislators. He did not have any knowledge to share regarding her reports or testimony.

SENATOR WIELECHOWSKI reported that he had not heard any negative comments regarding the oil industry from Ms. Weissler and added that she was an excellent attorney who had worked for the State of Alaska for "a number of years." He noted that she had presented comprehensive, well researched testimony, and he reiterated that he had not perceived any of these presentations to be negative toward the oil industry.

CHAIR TUCK declared, "I just want to look at the facts. I just want to see what the state's role is and what the legislature's role is." He opined that it may have been better to work through the Division of Legislative Audit.

[10:37:11 AM](#)

SENATOR GIESSEL reported that, as the contract was for \$10,000, this was within the established policy governing the signature authority of the Chair of Legislative Budget and Audit Committee.

[10:37:40 AM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 10:38 a.m.