

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

January 18, 2021

9:09 a.m.

MEMBERS PRESENT

Representative Chris Tuck, Chair
Senator Click Bishop, Vice Chair
Representative Neal Foster
Representative Andy Josephson
Representative Ivy Spohnholz
Senator Bert Stedman
Senator Natasha von Imhof
Senator Cathy Giessel
Senator Lyman Hoffman

MEMBERS ABSENT

Representative Mark Neuman
Representative Jennifer Johnston (alternate)
Senator Bill Wielechowski (alternate)

COMMITTEE CALENDAR

APPROVAL OF MINUTES
EXECUTIVE SESSION
STATUS UPDATE
CONTRACTS
SPECIAL AUDIT REQUEST
REVISED PROGRAMS - LEGISLATIVE
LEGISLATIVE FINANCE DIVISION 2021 SESSION PROTOCOL

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

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

POSITION STATEMENT: Gave an update on audits and answered questions.

KEN ALPER, Staff
Representative Chris Tuck
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Explained the special audit request.

ALEXEI PAINTER, Director
Legislative Finance Division
Legislative Agencies and Offices
Juneau, Alaska

POSITION STATEMENT: Presented the RPLs and answered questions pertaining to them.

BRYAN D. BUTCHER, CEO/Executive Director
Alaska Housing Finance Corporation
Department of Revenue
Anchorage, Alaska

POSITION STATEMENT: Answered questions during discussion of the RPLs.

LACEY SANDERS, Director
Administrative Services Section
Department of Education and Early Development
Juneau, Alaska

POSITION STATEMENT: Answered questions during discussion of the RPLs.

DOM PANNONE, Director
Division of Administrative Services
Department of Transportation & Public Facilities
Juneau, Alaska

POSITION STATEMENT: Answered questions during discussion of the RPLs.

ROB CARPENTER, Deputy Commissioner
Office of the Commissioner
Department of Transportation & Public Facilities
Juneau, Alaska

POSITION STATEMENT: Answered questions during discussion of the RPLs.

ACTION NARRATIVE

[9:09:56 AM](#)

CHAIR CHRIS TUCK called the Legislative Budget and Audit Committee meeting to order at 9:09 a.m. Representatives Josephson, Spohnholz, Foster (via teleconference), and Tuck and Senators Stedman, Giessel, von Imhof (via teleconference), and Bishop were present at the call to order. Also present were Representatives Edgmon, Stutes, and LeBon and Representative-elect Kaufman.

APPROVAL OF MINUTES

[9:10:55 AM](#)

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

[9:11:02 AM](#)

SENATOR BISHOP moved that the Legislative Budget and Audit Committee approve the minutes of the December 10, 2020, meeting as presented. There being no objection, the minutes of the December 10, 2020, meeting were approved.

EXECUTIVE SESSION

[9:11:22 AM](#)

CHAIR TUCK announced the next order of business would be to go into executive session to consider the final release of the Office of Children's Services Compliance with Foster Care Reform Laws, Part 1, audit.

[9:11:34 AM](#)

SENATOR BISHOP moved that the Legislative Budget and Audit Committee go into Executive Session under Uniform Rule 22 (b) (3), discussion of matters that may, by law, be required to be confidential. He asked that the following persons remain in the room or on the phone lines:

- The Legislative Auditor and necessary staff for the auditor;
- Any legislators not on the committee; and
- Staff for legislators who are members of the committee.

[9:12:09 AM](#)

The committee took an at-ease from 9:12 a.m. to 9:38 a.m. for the purpose of executive session.

[9:38:14 AM](#)

CHAIR TUCK called the Legislative Budget and Audit Committee back to order at 9:38 a.m. Present at the call back to order were Representatives Josephson, Spohnholz, Foster (via teleconference), and Tuck and Senators Stedman, Giessel, von Imhof (via teleconference), Hoffman, and Bishop. Also present were Representatives Edgmon, Stutes, LeBon, Hannan, Ortiz, and Claman.

CHAIR TUCK noted that Representatives Thompson and Prax and Senators Reinbold and Revak had been present during the executive session.

[9:39:12 AM](#)

SENATOR BISHOP moved that the following audit be released as a final public report:

- Department of Health and Social Services, Office of Children's Services Compliance with Foster Care Reform Laws, Part 1.

There being no objection, the audit was released.

STATUS UPDATE

[9:39:46 AM](#)

CHAIR TUCK announced that the next order of business would be an update on Part 2 of the Office of Children's Services Compliance audit.

[9:40:05 AM](#)

KRIS CURTIS, Legislative Auditor, Legislative Audit Division, Legislative Agencies and Offices, referred to House Bill 151 [passed in the Thirtieth Alaska State Legislature] as having several different effective dates, spanning multiple years, resulting in the audit request being split into three parts, of which Part 1 was recently completed and released publicly. She added that Part 1 contained provisions that were effective September or December 2018. She added that, due to Covid-19,

the Office of Children's Services procedures had changed dramatically, and it had been determined not to be a good use of audit resources to continue with Parts 2 and 3. She added that required documentation for review is being stored at regional offices which are closed while staff telework. Another objective of the audit requires the hiring of a contractor to review Office of Children's Services management structure and would necessitate on site interviews and travel, which is not advised at this time. She indicated that Parts 2 and 3 will be postponed for at least one year and they may be conducted simultaneously. She stated that she was not seeking action for the committee and had provided the status update as a matter of record.

CONTRACTS

[9:41:50 AM](#)

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

[9:41:58 AM](#)

MS. CURTIS referred to a memorandum ("memo") in the committee packet entitled "LBAC memo RE IT audit procurement approval" which requested the committee's approval of a contract extension with Barry, Dunn, McNeil, & Parker, LLC for IT audit services. She explained that the current contract was approved in March 2018 and covered the review of general and application controls of the state's accounting system for fiscal year 2018 (FY 18) and FY 19. She added that in January 2020 the contract extension was approved to cover system controls for FY 20. She stated that the contract extension request before the committee would cover services for a system general and application controls audit for FY 21. She explained that IT controls are needed to meet auditing standards for state and federal audit compliance. She referred to a recent memo requesting the extension and noted that it contained an error and should read FY 21 and not FY 20. She noted that the contract extension would be for an amount not to exceed \$173,000, the same amount for FY 18, FY 19, and FY 20.

[9:43:33 AM](#)

The committee took an at-ease from 9:43 a.m. to 9:44 a.m.

[9:44:15 AM](#)

SENATOR BISHOP moved and asked unanimous consent that the Legislative Budget and Audit Committee authorize the legislative auditor to amend the March 2018 contract with Berry, Dunn, McNeil, & Parker, LLC for information technology expertise to extend the contract for the review of FY 21 general and application controls of the state's accounting and reporting systems for an increase in the contract amount not to exceed \$173,000. There being no objection, it was so ordered.

[9:45:06 AM](#)

CHAIR TUCK said the next contract for the committee's consideration was for public opinion polling services in the amount of \$50,000. He explained that the purpose of the contract is for polling services to ascertain trends of citizens' view of the Alaska State Legislature, and especially considering the pandemic. He added his knowledge that polls had been similarly conducted between 2009 and 2015. He told the committee that Dittman Research is one of the nation's highest ranked pollsters. He referred to part of the committee packet item entitled "Public Opinion Poll Contract Memo and Proposal," which read [original punctuation provided]:

Dittman boasts a 100% accuracy rating on Nate Silver's FiveThirtyEight pollster ranking with nine polls analyzed. Dittman ranks 1st in Alaska among Alaskan pollsters and Outside firms that poll in Alaska.

[9:46:54 AM](#)

SENATOR STEDMAN stated that he is not comfortable with spending \$50,000 to ascertain public opinion considering the extensive interaction that legislators have had with the public on an ongoing basis that should inform legislators regarding public opinion. He suggested a poll later in the session seeking different information may be considered by either body; however, in light of the existing budget deficit he was not in favor of the contract as proposed.

[9:47:59 AM](#)

SENATOR VON IMHOF said she does not support the expense of the proposed contract. She said legislators have and use many different methods such as town hall meetings and published

letters to ascertain constituents' opinions and to disseminate information on a wide variety of important topics.

[9:49:14 AM](#)

CHAIR TUCK referred to the committee packet and highlighted the questions that would be used in the survey. He noted one example is that the pandemic has resulted in a broad range of opinions in the public and that the poll is not solely to determine popularity of legislators. He contended that several elections had very close results despite candidates' disparate views. He added that other questions would elicit opinions on Alaska's education system and other important functions of the legislature and administration, and he encouraged the committee to review the materials provided.

[9:51:10 AM](#)

SENATOR BISHOP moved that the Legislative Budget and Audit Committee enter into a contract with Dittman Research for public opinion polling for \$50,000 and that the committee approve the exemption as required by Sec. 040 of the Alaska Legislative Procurement Policy.

[9:51:31 AM](#)

SENATOR STEDMAN objected.

[9:51:35 AM](#)

REPRESENTATIVE SPOHNHOLZ expressed that she had initial concerns with the use of funds for this contract; however, after reading the questions in the proposal and those in previous surveys, she considers the survey worthwhile. She added that a nonpartisan survey aligns with the bipartisan and bicameral structure of the committee and no bipartisan surveys exist. She conceded that careful use of funds in any amount under the current budget crisis is very important; however, considering the large injections of federal COVID relief coupled with the "sea change" decisions that lie ahead, the survey of Alaskan's priorities as proposed would be helpful in guiding decisions going forward.

[9:53:21 AM](#)

SENATOR GIESSEL lauded the quality of work done by Dittman Research and expressed that survey results are interesting and informative but are limited to participants that choose to

respond. She contended that the Alaska State Legislature is a republic form of government and, as such, citizens elect representatives who bring knowledge of the issues and who have massive amounts of information on which to base decisions and exercise judgment. She opined that elected officials should not be swayed by shifting opinions or sentiments in passing. She acknowledged the \$50,000 amount, in the context of a billion dollars may seem insignificant. She added, "But, if you pay attention to the nickels and dimes, the dollars take care of themselves." She stated that for those reasons she will oppose this contract.

[9:55:39 AM](#)

A roll call vote was taken. Representatives Josephson, Foster, Spohnholz, and Tuck voted in favor of the motion that the Legislative Budget and Audit Committee enter into a contract with Dittman Research for public opinion polling for \$50,000 and that the committee approve the exemption as required by Sec. 040 of the Alaska Legislative Procurement Policy. Senators von Imhof, Stedman, Giessel, Hoffman, and Bishop voted against it. Therefore, the motion failed by a vote of 4-5.

SPECIAL AUDIT REQUEST

[9:57:46 AM](#)

CHAIR TUCK announced next order of business would be the Special Audit Request.

CHAIR TUCK said this pertained to a request for audit of the Alaska CARES Act grants. He invited Ken Alper to present the audit request to the committee.

[9:58:18 AM](#)

KEN ALPER, Staff, Representative Chris Tuck, Alaska State Legislature, offered background information on the special audit request of the Alaska CARES Act. He added, "That's the small business grant program component of the broader state response to the use of the federal CARES Act money." He said this is a \$290 million program originally authorized by the Legislative Budget and Audit Committee in May 2020 and was subsequently ratified through HB 313. He added that in August 2020, the administration brought forward changes to the administrative rules of the program, specifically opening it up to applicants who had previously received other federal funding sources. He

stated that the Alaska Industrial Development and Export Authority (AIDEA) is the administrative entity running the program and has been forthcoming with high-level summary data such as the number of applicants per community and aggregate amounts distributed but not forthcoming with individual names and amounts received. He stated that the purpose of the audit is twofold: to learn who has received the funds and the application and review process, including determination of eligibility for the limited funds available; and to determine whether the funds went to those with the most need. He drew attention to the committee packet item entitled "20-201boo Cares Act grants should be public (002)" and, in summary, stated that there is no reason that the information should not be made available [to the committee], and that it had not been made available.

[10:00:57 AM](#)

REPRESENTATIVE JOSEPHSON recalled that some category of CARES Act funding recipients had been made publicly available and asked Mr. Alper to confirm and provide details on what information was made public.

MR. ALPER stated that [recipient] lists had been made available for several large federal programs including the Paycheck Protection Act, which consists of forgivable loans, and the Economic Injury Disaster loans, long term loans, through the Small Business Administration (SBA). He welcomed Representative Josephson's question as it showed precedent and underscored the need for state-level information to be shared in line with federal-level information.

[10:02:03 AM](#)

SENATOR GIESSEL asked Mr. Alper to explain why the legal opinion provided in the committee packet appears to be specific to the Pacific States Marine Fisheries Commission and the Alaska Department of Fish & Game; however, the special audit as described is much broader [in scope].

MR. ALPER answered that the original request for legal opinion solicited by Chair Tuck's office was on two different programs- the Alaska CARES Small Business Grant as well as the \$50 million Fisheries Assistance Program- and that the opinion provided was bifurcated along the lines of the two programs. He noted that fisheries may have different protections of individual data. He emphasized that the special audit request before the committee

is limited to the Small Business Administration grant and does not include a request to audit of the Fisheries Assistance Program.

[10:03:57 AM](#)

SENATOR STEDMAN expressed his shared concern that the administration should provide requested information to the committee in a timely manner and in the interest of transparency. He asked that Legislative Audit staff speak to inform the committee on the amount of time that the audit should take. He emphasized that additional federal aid is anticipated over the next several months and that he does not see how it would benefit the administration to not be overly transparent in the sharing of this information with the legislature. He suggested that legislators have been congenial in working with the administration to allow leeway in its appropriations and authority. He added that the legislature is scheduled to convene, and, between the two bodies, extensive review is anticipated to occur. He said he had a question regarding the timing of ordering an audit as compared to allowing the finance subcommittees to conduct their business. He maintained that the information is needed sooner rather than later.

[10:06:26 AM](#)

MS. CURTIS explained that, in the absence of further guidance from the committee, this performance audit would be scheduled to commence approximately one year from now, based on the prioritization of requests as "first in, first out". She stated that the division has seven statutorily mandated sunset audits with deadlines and two or three performance audits that have been staffed, although work on those has not started. She added that the requested audit seems straightforward. She indicated that the committee may direct the division to reprioritize any audit except for those with statutory deadlines.

MS. CURTIS added that the division is reviewing federal money coming into the state to determine whether it is a major federal program as defined by a threshold of approximately \$14 million. She added that these funds have been reviewed during the FY 20 Statewide Single Audit that included review of the Department of Commerce, Community & Economic Development (DCCED); however, the review criteria are defined by the federal government. She noted that AIDEA is a sub recipient of the funds. She explained that the audit, as requested, would determine how DCCED awarded funds to AIDEA, and AIDEA's staff auditors would audit the

specific money going out from AIDEA. She clarified that the criteria in the special audit request would not be examined under the single audit format.

SENATOR STEDMAN asked, should the committee direct the agency to prioritize this audit above others, when conclusions may be brought to the committee and whether the timing of that would allow the finance subcommittees to use the information in making decisions with additional funds going forward during the upcoming legislative session.

MS. CURTIS stated that if the audit were started this February, then, at a minimum, preliminary results should be available in late April or May 2021.

SENATOR STEDMAN contended that the information that is sought needs to be obtained much sooner than May 2021 and that the matters and the additional funds expected to come before the legislature will become increasingly complex. He expressed his hope that the administration would cooperate and offer increased transparency quickly. He urged aggressive action by the incoming bodies to clarify these matters.

[10:10:33 AM](#)

REPRESENTATIVE JOSEPHSON stated that the administration should already have a list of grantees. He asked whether the committee could have this list by February 15, 2021.

MS. CURTIS affirmed that they could get a list; however, she explained that the audit process consists of process reviews, interviews, and testing of databases to ensure reliability of data in compliance with auditing standards. She suggested that, in lieu of an audit, a request could be made with agreed-upon procedures to answer specific questions. She advised that such an approach is possible and could yield faster results than an audit but would require cooperation from the entity. She clarified that Legislative Audit Division staff are directed to perform audits. She noted that inquiries that are not audits have been performed by the agency but are not considered to be an audit.

REPRESENTATIVE JOSEPHSON stated that the incoming Biden Administration wants another CARES Act and that the state might get a lot of money with fewer restrictions. He stated that, should the funds come to the state during legislative session, they would not be appropriated through the RPL process. He

claimed that the legislature would not be able to spend those funds without knowing how previous money received had been spent.

[10:12:53 AM](#)

SENATOR HOFFMAN asked Ms. Curtis to restate what the timing of the proposed audit of AIDEA would be. He stated that several constituents have expressed to him their concern of AIDEA board members having received thousands of dollars [of CARES Act grant funds]. He asked whether those funds were made accessible to board members who may have inside information to access those funds. He expressed interest in this information not only for AIDEA board members, but also for members of the Alaska Energy Authority and any other board members that may have received thousands of dollars.

MS. CURTIS recommended that if the committee wished to include that information in the requested review, then it should formally amend the request to include that specific information.

SENATOR HOFFMAN asserted that the integrity of the administration and [its] boards demand the question be asked and answered.

[10:14:30 AM](#)

SENATOR BISHOP asked Ms. Curtis to confirm that the audit request before the committee, if approved as written, would not commence for a year.

MS. CURTIS confirmed that unless the committee tells her not to do an audit, but instead to do "an agreed-upon procedure" to specifically provide answers to the questions posed by the committee as soon as possible, and to prioritize it above other non-statutory timelines, she would not start this audit until next year.

[10:15:06 AM](#)

SENATOR STEDMAN echoed the sentiment shared by Representative Josephson regarding the importance of receiving the information as soon as possible. He advocated to start an informal inquiry process and to follow that with a more formal audit, as deemed necessary. He also agreed that Senator Hoffman's concern regarding board members potentially receiving funds based on inside information or front running is a legitimate concern and

should be added to the request in the best interest of the public.

[10:16:24 AM](#)

The committee took an at-ease from 10:16 a.m. to 10:26 a.m.

[10:25:56 AM](#)

CHAIR TUCK announced he would move the special audit request to the bottom of the agenda in order to revise the request.

REVISED PROGRAMS - LEGISLATIVE

[10:26:29 AM](#)

CHAIR TUCK announced the next order of business would be the Revised Programs - Legislative.

[10:27:05 AM](#)

ALEXEI PAINTER, Director, Legislative Finance Division, Legislative Agencies and Offices, addressed the revised programs - legislative (RPLs). He directed attention to RPL 04-2021-1066 for Department of Revenue Covid-19 Federal Housing and Homeless stimulus for Alaska Housing Finance Corporation (AHFC) operations in the amount of \$200 million in federal receipts. He added that the amount includes funds for which the Municipality of Anchorage applied directly; however, the municipality did not respond to questions regarding the amount for which it applied, so the amount will be the \$200 million, less the amount for Anchorage. He reminded the committee that a similar RPL on May 11, 2020, for \$10 million was approved, and the RPL before the committee will be in the same budget and be for the same purpose. He stated that the Legislative Finance Division would recommend that carry-forward language be added to AHFC's operating budget to allow for the funds to be spent into the next fiscal year. He said the Legislative Finance Division sees no technical issues with this RPL. He noted that fund code 1265 will be used to track COVID-19 federal funds.

[10:29:24 AM](#)

REPRESENTATIVE JOSEPHSON asked if the recommendation to add carry-forward language should be stated as part of the motion to approve the RPL.

MR. PAINTER indicated that, no, the language would be added to the operating budget for AHFC.

[10:29:51 AM](#)

REPRESENTATIVE SPOHNHOLZ asked Bryan Butcher to explain the plan for distributing these funds, and she observed that the amount under consideration is 20 times higher than last year.

[10:30:24 AM](#)

BRYAN D. BUTCHER, CEO/Executive Director, Alaska Housing Finance Corporation, Department of Revenue, allowed that there are similarities between the previous RPL and the one under consideration. He noted that there were also some differences, such as the previous program allowed for rental and mortgage assistance and the federal requirements have limited this to rental assistance only. He noted that, previously, the program allowed for up to two months of relief, whereas this program allows for twelve to fifteen months, depending on the circumstances of the renter. He added that priority will be given to those [with rent] in arrears, and that every three months going forward the renter would be required to file again to re-establish the need for assistance.

[10:31:33 AM](#)

CHAIR TUCK asked for an explanation between this RPL and a subsequent \$6.5 million RPL coming up later before the committee.

MR. BUTCHER answered that the RPL under consideration was confined to rental assistance, and the other RPL pertains to emergency solutions grants for homelessness and housing opportunities for individuals living with HIV/AIDS.

[10:32:13 AM](#)

MR. PAINTER directed attention to RPL 04-2021-1067 for Department of Revenue COVID-19 Federal Housing and Homeless stimulus partnerships for Alaska Housing Finance Corporation (AHFC) operations in the amount of \$6.5 million in federal receipts under the capital budget appropriation. He said that there exists a \$6 million in federal receipt authority under federal and other competitive grants for FY 21. He reminded the committee that this is for homelessness and housing opportunities for individuals living with HIV/AIDS. He said the

Legislative Finance Division sees no technical issues with this RPL. He noted that fund code 1265 will be used to track COVID-19 federal funds.

[10:33:14 AM](#)

SENATOR BISHOP asked if rescue missions throughout the state would be eligible to apply for and receive funds under the program.

MR. BUTCHER answered yes.

[10:33:56 AM](#)

CHAIR TUCK recalled the \$10 million RPL that was approved May 11, 2020, and the one under consideration appear to be similar. He asked for an explanation on how this RPL would be administered.

MR. BUTCHER explained that the previous \$10 million was used strictly for rent and mortgage relief. He added that this program is a long-established federal program that provides aid to emergency shelters, including improvements and emergency services, but the biggest difference is that the program had been funded at only approximately \$250,000 per year.

CHAIR TUCK referred to RPL 04-2020-1059 approved on May 11, 2020 and asked if that should be included in the RPL before the committee.

MR. PAINTER indicated that it was included for informational purposes only to demonstrate that AHFC had received similar funds previously.

[10:35:41 AM](#)

SENATOR HOFFMAN asked how information regarding funds available would be disseminated to the public, and whether Mr. Butcher felt that the system was adequate to inform those in need.

MR. BUTCHER answered that AHFC would use its existing Notice of Funding Availability system and anticipates receiving requests from both urban and rural areas, statewide.

SENATOR HOFFMAN asked how individuals obtain rental assistance.

MR. BUTCHER stated that there would be a massive informational campaign using social media, television, and radio. He added that individual communities will also conduct outreach, as will tribes who have received separate funding. He emphasized that the goal is to inform all Alaskans in need.

[10:38:01 AM](#)

MR. PAINTER directed attention to RPL 05-2021-1089 for the Department of Education and Early Development (DEED) for the U.S. Department of Education Consolidated Appropriations Act COVID Relief Funds in the Students and School Achievement section of the budget in the amount of \$168,111,142 in federal receipts. He explained that the RPL consists of several grant programs, the largest of which is the Elementary and Secondary School Emergency Relief Fund in the amount of \$159,719,422.00 for school districts that will be distributed based on the Title 1-A formula and may be used for any prevention, preparation, or response to COVID-19. He categorized the remainder of the RPL as Governor's Emergency Education Relief Fund that consists of two spending categories. He specified that \$2.8 million is for emergency grants to support education-related entities in the state "deemed essential for carrying out emergency educational services, or to Local Education Agencies that are significantly impacted by coronavirus", and \$5.6 million for emergency assistance to non-public schools. He pointed out that the funds would be available to the state until September 30, 2023; however, DEED has existing carry-forward language that would allow use of the funds in subsequent fiscal years. He said the Legislative Finance Division sees no technical issues with this RPL. He noted that fund code 1265 will be used to track COVID-19 federal funds.

[10:40:38 AM](#)

SENATOR HOFFMAN asked to be provided with a list of nonpublic schools that would be eligible to receive these funds.

MR. PAINTER deferred to DEED to fulfill Senator Hoffman's request.

[10:41:08 AM](#)

LACEY SANDERS, Director, Administrative Services Section, Department of Education and Early Development, stated that DEED would be able to produce a list of private schools and added

that funds would be distributed through an application process that is in development.

[10:41:44 AM](#)

REPRESENTATIVE JOSEPHSON asked, in reference to funds availability to address "learning loss," whether funds could be used for summer school.

MS. SANDERS answered yes.

[10:42:44 AM](#)

SENATOR VON IMHOF asked if some funds may be used to install connections to satellites and broadband in rural areas.

MS. SANDERS answered that the funding allows for the purchase of educational technology including hardware, software, and connectivity for students. She advised consultation with federal partners to ensure compliance for capital-type expenditures.

SENATOR VON IMHOF noted that technology equipment issued without connectivity is ill-conceived and suggested that communication between federal partners and stakeholders needs to occur, and that investment in Internet access and expansion is money well spent.

[10:45:40 AM](#)

SENATOR BISHOP echoed the sentiments of Senator von Imhof adding that internet connectivity is unstable even in outlying urban areas.

[10:46:04 AM](#)

SENATOR GIESSEL added that there are areas within Anchorage School District that have no internet.

[10:46:20 AM](#)

SENATOR HOFFMAN stated that there exists a major maintenance list for Alaska schools including those related to inadequate drinking water. He encouraged DEED to revisit with districts and prioritize water and sewer projects for improved hygiene.

[10:48:29 AM](#)

MR. PAINTER directed attention to RPL 25-2021-4038 for the Department of Transportation & Public Facilities for COVID-19 Federal Highway grants for the reopening of the Silvertip, Chitina, and Birch Lake Maintenance Stations in the Central and Northern Region Highways section of the budget in the amount of \$2,130,200 in federal receipts. He explained that Alaska's future potential total share of highway infrastructure may be between \$120 million and \$150 million. He recited an excerpt from the RPL included in the committee packet, which read as follows [original punctuation included]:

Funds are available to replace amounts lost as a result of the coronavirus for preventative maintenance, routine maintenance, operations, and personnel costs. These funds may also support typical Title 23 eligible activities (surface transportation capital projects) as well as tolling agencies and ferry systems.

MR. PAINTER pointed out that DOT&PF will have until September 2024 to spend these funds. He noted that the \$2.1 million RPL is split between \$950,000 for the Central Region and \$1,180,200 for the Northern Region. He said the Legislative Finance Division sees no technical issues with this RPL. He noted that fund code 1265 will be used to track COVID-19 federal funds.

[10:50:45 AM](#)

SENATOR STEDMAN recalled that reopening of these stations had been included several times in the budget in previous legislation but had not been passed. He asked what level of flexibility would exist to implement the projects if this should pass.

MR. PAINTER deferred to the department to answer.

[10:51:29 AM](#)

DOM PANNONE, Director, Division of Administrative Services, Department of Transportation & Public Facilities, stated that the funds were likely to be [in the form of] surface transportation block grants, and, as such, are available for projects that preserve or improve the conditions and performance on any federal aid highway. He said that in the Coronavirus Response and Relief Supplemental Appropriations Act the funds

are anticipated to be extremely flexible for use on surface transportation and within the operating budget.

SENATOR STEDMAN clarified that the legislature has supported these projects through appropriation, but they have been subject to veto. He emphasized that the projects are a matter of public safety and asked what position DOT&PF held on advancing these projects in the budget process.

[10:53:41 AM](#)

ROB CARPENTER, Deputy Commissioner, Office of the Commissioner, Department of Transportation & Public Facilities, stated that the RPL process has brought these projects before the legislature and the department is in support of cooperating with the legislature to ensure they are included in the budget process. He stated that the funds available are a windfall and he expressed his hope in executing the projects.

[10:54:23 AM](#)

REPRESENTATIVE SPOHNHOLZ asked if the funds available through the Fixing America's Surface Transportation Act could be used for the Alaska Marine Highway System (AMHS), in addition to highway maintenance.

MR. CARPENTER affirmed the funds could be used for AMHS.

REPRESENTATIVE SPOHNHOLZ held that AMHS is in tremendous need of funding and asked whether there were additional funds available for which the state could apply to aid in adequate funding of AMHS.

MR. CARPENTER stated that the Federal Highway Administration is anticipated to make an additional \$120 - \$150 million available. He also presumed that additional funding through the Federal Transportation Administration grants, all of which could be used for AMHS and DOT&PF would work with the legislature to assign priorities in funding.

REPRESENTATIVE SPOHNHOLZ expressed her hope that AMHS would maintain a priority in funding. She asked whether the funds could be used for updating ports.

MR. CARPENTER confirmed yes with the caveat that it should be a state-owned port.

[10:57:03 AM](#)

CHAIR TUCK asked if anyone could recall the amounts that had been previously vetoed for the two projects.

[10:57:27 AM](#)

SENATOR BISHOP offered his understanding that the Chitina Station was \$157,000.

[10:57:42 AM](#)

REPRESENTATIVE SPOHNHOLZ asked for clarification on the definition of "state-owned port."

MR. CARPENTER offered that different funding mechanisms are available through Federal Highway Administration funding and added that the funds could be used for any Title 23 eligible asset. He offered to provide additional follow-up information to further clarify.

[10:58:35 AM](#)

The committee took a brief at-ease at 10:58 a.m.

[10:59:20 AM](#)

SENATOR BISHOP moved that the Legislative Budget and Audit Committee approve the following RPLs:

- RPL 04-2021-1066, DOR, COVID-19 Federal Housing and Homeless Stimulus / AHFC Ops;
- RPL 04-2021-1067, DOR, COVID-19 Housing and Homeless Stimulus Partnerships / AHFC Ops;
- RPL 05-2021-0189, DEED, U.S. Department of Education Consolidated Appropriations Act, COVID Relief / Student and Student Achievement; and
- RPL 25-2021-4038, DOT, COVID-19 FHWA Grants - Re-opening of Silvertip, Chitina and Birch Lake Maintenance Stations / Central and Northern Region Highways / Maintenance Stations.

There being no objection, the RPLs were approved.

LEGISLATIVE FINANCE DIVISION 2021 SESSION PROTOCOL

11:00:52 AM

CHAIR TUCK announced the next order of business would be the Legislative Finance Division 2021 Session Protocol.

11:01:01 AM

MR. PAINTER stated that the Legislative Council has directed the Legislative Affairs Agency to establish session protocols related to the COVID-19 pandemic for staff and that Legislative Finance Division receives its direction from the Legislative Budget and Audit Committee. He referred to the committee packet item entitled "Legislative Finance Division's 2021 Session Protocol." He expressed that the preferred communications methods would be via telephone or videoconference and, should legislators or staff wish to meet with Legislative Finance Division staff in person, he asked that individuals direct their requests to him as a single point of contact for the division rather than make the request of individual analysts. He explained this would help in making staff available and mitigating risk to staff. He asked that all in-person contact be restricted to by appointment only. He added that the same protocol should apply to committee meetings in cooperation with the chairs.

11:03:23 AM

REPRESENTATIVE JOSEPHSON said he had observed that there was a monitor in the finance subcommittee room for the purposes of videoconferencing witnesses, and he asked if additional monitors would be purchased and deployed throughout other committee rooms for the same purpose.

MR. PAINTER stated that, while he did not have details regarding the intent of the subcommittees for general meetings such as overview presentations, he considered that closeouts and amendments warranted Legislative Finance Division in-person attendance whereas general meetings in which division staff are not presenting would not.

11:04:17 AM

The committee took an at-ease from 11:04 a.m. to 11:18 a.m.

SPECIAL AUDIT REQUEST

[11:18:25 AM](#)

CHAIR TUCK announced the final order of business would be a return to the discussion of the Special Audit Request.

CHAIR TUCK directed attention to a revised memo pertaining to the special audit request of the CARES Act. He recalled many reported frustrations surrounding the small business relief program. He recounted that initially there were issued loans, and then grants, with limitations on businesses who had received other federal funds. He shared anecdotes of businesses having returned previously received federal funds in order to qualify for subsequent larger block grants made available through the state. He cited an example of a business having returned federal funds and re-queuing to apply for block grants, but the timing of the federal refund processing made the business ineligible for receiving the grants. He recalled the opinion of Legislative Legal Services Director Megan Wallace in which she categorized it as "a tortured process." He pointed out that the committee had met on three occasions to aid the administration to "get it right." He stated that additional relief funds would be coming to the state, and he expressed his desire to affirm to the business community that it should be able to expect certainty and clarity. He recounted that his office had assisted several individuals throughout the state in applying for the funds. He emphasized that the purpose of the audit is to aid improvement to the processes and should augment, and not interfere with the upcoming Finance Committee process.

[11:21:49 AM](#)

SENATOR VON IMHOF said in December 2020 she had estimated that, since April 2020, the state had received approximately \$5.6 billion of federal funds for unemployment insurance benefits, small business economic industry disasters, business paycheck protection programs, the \$1.2 billion in CARES Act funding associated with the RPLs, and hundreds of millions in additional funds through other programs. She agreed with the sentiment that information should be sought, and sooner rather than later. She suggested that, rather than a list of individual recipients and specific amounts, categories of expenditures such as homeless programs, housing assistance, food assistance, and childcare assistance should be sought and understood, and the question should be asked as to whether all the funds have been dispersed to date. She cautioned against scrutiny of the minutia of the data and fairness among recipients and advocated to identify areas of expenditure that will benefit from the

anticipated additional funding that all states will receive. She expressed concern that comparing who had received what could result in arguments and opined that there was a better use of the committee's time when considering the data. She stated her agreement that the process to date had been a tortured one; however, she expressed her hope that AIDEA and other entities have received constructive feedback and would apply their expertise within the public's trust and with oversight by the administration to make continual improvements to the processes.

SENATOR VON IMHOF summarized her comments to suggest the approach should be to determine: where the money has already been spent; where gaps in spending are most apparent; what the federal parameters for the anticipated additional funds yet to be received are; and in what areas of need the legislature should endorse spending going forward.

[11:25:45 AM](#)

CHAIR TUCK added that it was proposed to audit all the CARES Act funds received to date; however, the request had been pared down to examine instead the small business relief that had the "torturous process". He described it as the program which has the most significant impact on the economy and getting Alaskans back to work. He expressed agreement that an examination of all CARES Act funds would be worthwhile in the future. He added that one important factor is the state is responsible for reimbursing the federal government should the funds be misspent.

SENATOR VON IMHOF reiterated her desire that a higher-level review is in order and her opinion that exposure of lists of thousands of businesses and entities and the amounts received is not a good use of the committee's time. She added that attempts had been made at micromanaging the AIDEA and DCCED processes without success.

CHAIR TUCK stated that the information being sought in the audit request has already been made available to the federal government, and he expressed his concern regarding the difficulty encountered in seeking the same information from the administration. He argued that the transparency being sought is important, and the consequences of information revealed as a result of the review is deserving of scrutiny.

[11:28:39 AM](#)

REPRESENTATIVE JOSEPHSON recalled that during committee meetings in late August or September 2020, the committee approved a change in the definition of eligibility at the request of the administration. He explained that the change in definition resulted in funds being made available to larger corporations. He emphasized that transparency into who has received funds would inform as to who needs the next tranche. He demurred with respect to a previous speaker that micromanagement is cried out for when mismanagement is observed. He recalled that discussion had taken place in June and throughout the summer, and not until around Labor Day was there an expressed interest on the part of the administration to fix the problems.

[11:29:54 AM](#)

SENATOR BISHOP moved that the Legislative Budget and Audit Committee direct the legislative auditor to provide information and conduct an audit of the Alaska CARES Act grants as provided in Chair Tuck's amended memo. He further moved that this request be accelerated and prioritized before other special audits. There being no objection, it was so ordered.

[11:30:35 AM](#)

CHAIR TUCK expressed his gratitude to the members of the committee and their staff, the Legislative Audit Division, and Legislative Finance Division for their help in conducting committee business. He thanked the committee for their apparent commitment and flexibility in handling the complexities that accompany the large influx of funds.

[11:31:33 AM](#)

SENATOR BISHOP echoed the sentiments of Chair Tuck and added his gratitude to Senator Giessel [who was ending her term in office as Senate President] for her attention to detail and organization to further the committee's efforts, to which other members applauded.

[11:31:56 AM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 11:32 a.m.