

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

Anchorage, Alaska

December 13, 2023

9:06 a.m.

MEMBERS PRESENT

Representative Ben Carpenter, Chair
Representative DeLena Johnson
Representative Sarah Vance
Representative Frank Tomaszewski
Representative Andy Josephson
Senator Bill Wielechowski
Senator Lyman Hoffman
Senator Scott Kawasaki
Senator Click Bishop (alternate)

MEMBERS ABSENT

Senator Bert Stedman, Vice Chair
Senator James Kaufman
Representative Mike Cronk (alternate)

OTHER LEGISLATORS PRESENT

Representative Ashley Carrick

COMMITTEE CALENDAR

APPROVAL OF MINUTES
TOP AUDIT FINDINGS UPDATE
EXECUTIVE SESSION
OTHER COMMITTEE BUSINESS

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

MIKE CHADWICK, Audit Manager
Legislative Audit Division
Legislative Agencies and Offices
Juneau, Alaska

POSITION STATEMENT: Gave an update on the prior fiscal year's top audit issues.

DEVEN MITCHELL, Chief Executive Officer
Alaska Permanent Fund Corporation
Juneau, Alaska

POSITION STATEMENT: Gave an update on the Alaska Permanent Fund Corporation's Anchorage office expansion.

ACTION NARRATIVE

[9:06:31 AM](#)

CHAIR BEN CARPENTER called the Legislative Budget and Audit Committee meeting to order at 9:06 a.m. Representatives Vance (via Microsoft Teams), Tomaszewski (via teleconference), Josephson, and Carpenter and Senators Wielechowski (via teleconference), Hoffman, Kawasaki (via teleconference), and Bishop (alternate) were present at the call to order. Also present was Representative Carrick.

APPROVAL OF MINUTES

[9:07:35 AM](#)

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

[9:07:48 AM](#)

REPRESENTATIVE VANCE moved that the Legislative Budget and Audit Committee approve the minutes from the [November 8, 2023,] meeting as presented. There being no objection, the minutes were approved.

TOP AUDIT FINDINGS UPDATE

[9:08:09 AM](#)

CHAIR CARPENTER announced that the next order of business would be an update on the prior fiscal year's top audit issues.

[9:08:43 AM](#)

MIKE CHADWICK, Audit Manager, Legislative Audit Division, Legislative Agencies and Offices, referenced a chart [included in the committee packet], entitled "Corrective Action Status of the Top FY 23 Audit Issues," which summarized the status of corrective actions for audit issues presented to the committee

[on 11/8/23]. He said the next step was to determine which findings warrant additional consideration by legislative committees during the next legislative session. He directed attention to the last column on the chart, labeled "Next Action," and proceeded to read the recommended action for each audit issue, which read as follows [original punctuation provided]:

1. Disclaimer of Opinion International Airports
Recommended Action:
Referral to the Finance Transportation Budget Subcommittees as well as the House and Senate Finance Committees for their consideration.
2. Financial Statement Errors
Recommended Action:
None. Will be reviewed by Legislative Audit as part of FY 23 ACFR audit.
3. Division of Public Assistance Federal Program Findings
Recommended Action:
Referral to Senate and House Health and Social Services Committees for their consideration.
4. Medicaid Behavioral Health
Recommended Action:
Referral to Senate and House Health and Social Services Committees for their consideration.
5. Shortfalls Increasing
Recommended Action:
None. Will be reviewed by Legislative Audit as part of FY 23 single audit.
6. COVID Small Business Relief Program
Recommended Action:
None
7. Alaska State Commission for Human Rights
Recommended Action:
None

EXECUTIVE SESSION

[9:11:58 AM](#)

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

[9:12:10 AM](#)

REPRESENTATIVE VANCE moved that the Legislative Budget and Audit Committee go into executive session under Uniform Rule 22(b)(3) for the discussion of matters that may, by law, be required to be confidential. She asked that the following persons remain in the room or online: The legislative auditor and, if necessary, staff for the auditor; any legislators not on the committee; and staff of legislators on the committee. There being no objection, it was so ordered.

[9:13:55 AM](#)

The committee took an at-ease from 9:13 a.m. to 10:45 a.m.

[10:45:42 AM](#)

CHAIR CARPENTER called the Legislative Budget and Audit Committee meeting back to order at 10:45 a.m. Present at the call back to order were Representatives D. Johnson (via teleconference), Vance (via Microsoft Teams), Tomaszewski (via teleconference), Josephson, and Carpenter and Senators Wielechowski (via teleconference) and Kawasaki (via teleconference).

[10:46:52 AM](#)

CHAIR CARPENTER stated that during executive session, the committee discussed the final audit release of the Big Game Commercial Services Board, Sunset, and decided to release the final audit. In addition, the committee received and discussed the preliminary audit release of the following: the Alaska Commission on Aging, Sunset; the Marijuana Control Board, Sunset; the Board of Massage Therapists, Sunset; the Department of Labor and Workforce Development, Technical Vocational Education Program; and the Department of Family and Community Services, Office of Children Services Compliance with Foster Care Reform Laws, Part Two.

[10:48:30 AM](#)

REPRESENTATIVE VANCE moved that the Legislative Budget and Audit Committee release the audit on Big Game Commercial Services

Board, Sunset, as a final public audit report. There being no objection, it was so ordered.

[10:48:55 AM](#)

REPRESENTATIVE VANCE moved that the Legislative Budget and Audit Committee release the preliminary audit on the Alaska Commission on Aging, Sunset; the Marijuana Control Board, Sunset; the Board of Massage Therapists, Sunset; the Department of Labor and Workforce Development, Technical Vocational Education Program; and the Department of Family and Community Services, Office of Children Services Compliance with Foster Care Reform Laws, Part Two. There being no objection, it was so ordered.

OTHER COMMITTEE BUSINESS

[10:49:35 AM](#)

CHAIR CARPENTER announced that the final order of business would be an update from the Alaska Permanent Fund Corporation (APFC).

[10:50:29 AM](#)

The committee took an at-ease from 10:50 a.m. to 10:54 a.m.

[10:54:43 AM](#)

DEVEN MITCHELL, Chief Executive Officer, Alaska Permanent Fund Corporation (APFC), informed the committee that APFC's Board of Trustees had a strategic plan to open an Anchorage office for a number of years. The plan culminated with an opportunity to occupy a portion of the property located at 555 Cordova Street, which the Department of Environmental Conservation (DEC) otherwise occupied. The building was leased from the Department of Transportation & Public Facilities (DOT&PF) with DEC's allowance. He reported that the payment for the current fiscal year was approximately \$22,000 for the ground floor comprised of nine work areas, three walled offices, and six cubicles, in addition to a conference room and access to common facilities. Some additional expenses were associated with set up and technology equipment totaling an estimated \$7,000 to \$8,000. He anticipated that several thousand dollars of additional cost may arise to accommodate future occupants. He detailed the staff members who planned to transition to the Anchorage office, including an individual working in Information Technology (IT), a private income group member, several private equity group members, an individual from the trade reconciliation team, and

the chief investment officer. He reported that the FY 25 budget proposal included a request for \$100,000 for the Anchorage office to cover the lease, office technology, an allowance for the relocation of out-of-state employees, and any additional office furnishings. He spoke to questions about the relocation of an off-site data center in the event of a failure at the primary data center in Juneau. The intention of opening the Anchorage office was primarily to address recruitment and retention issues by offering existing employees the flexibility of working in Anchorage. He welcomed questions from committee members.

[11:01:39 AM](#)

CHAIR CARPENTER sought to confirm that three or four individuals with direct responsibility for investment decisions would be working out of the Anchorage office.

MR. MITCHELL answered yes, four junior members of the investment staff would be located in Anchorage with the ability to influence investment opportunities for the fund.

CHAIR CARPENTER sought questions from members of the committee.

[11:02:36 AM](#)

REPRESENTATIVE JOSEPHSON said he observed "impressive" technology equipment in the Juneau office, which he likened to the National Aeronautics and Space Administration's (NASA) monitors and screens. He asked whether the Anchorage office would have the same technological capacity.

MR. MITCHELL stated that Representative Josephson was probably referencing the Bloomberg machine, which wouldn't be used by the Anchorage team. He shared his understanding that the "rollout" in Anchorage would be minimalistic and would not be able to support that direct trade activity.

REPRESENTATIVE JOSEPHSON questioned the percentage of total staff that would be working in Anchorage.

MR. MITCHELL replied that a specific target had not been identified. He noted that the Anchorage office was meant to be an ancillary office for maximum recruitment and retention of employees, not intended to replace the Juneau office.

REPRESENTATIVE JOSEPHSON was unsure why Mr. Mitchell could not share a specific number.

[11:06:25 AM](#)

SENATOR KAWASAKI inquired about space consolidation and employee "footprints". He calculated that startup would cost \$120,000 plus an extra \$50,000 per year to keep the new location open. He asked whether that was accurate.

MR. MITCHELL said that was in the ballpark of anticipated costs. He reiterated that there were no specific targets or goals associated with the Anchorage office at this time.

SENATOR KAWASAKI asked whether there were any thoughts of moving to Fairbanks, or whether the move to Anchorage was in pursuit of a particular employee.

MR. MITCHELL shared his understanding that the move didn't have anything to do with a particular employee, adding that he was unsure how the strategic plan originated. He conveyed that the board's priority was to open an office in Anchorage and that no other potential locations were discussed.

SENATOR KAWASAKI commented that after touring several local state office buildings with the Interior delegation, there was free space available in Fairbanks.

[11:11:05 AM](#)

CHAIR CARPENTER asked whether there would be temporary office space for employees traveling back and forth between Juneau and Anchorage.

MR. MITCHELL answered yes, that was the plan. Specifically, one of the nine offices was designated for the chief investment officer who had indicated his plan to travel back and forth regularly. He anticipated that six of the nine cubicles would be assigned to the Anchorage staff with the three offices available for rotating or visiting staff.

CHAIR CARPENTER asked whether there was meeting space or offices for the board members to meet.

MR. MITCHELL said there was no office space for board members specifically; however, the small conference room or other venues in Anchorage could be used. He added that if the available

space were to be exceeded, APFC would consider moving to a more permanent space similar to the Juneau office.

[11:15:03 AM](#)

CHAIR CARPENTER asked how to measure whether the move was successful.

MR. MITCHELL defined successful relocation as fully occupied office space and high-quality work product, in addition to high employee satisfaction. He noted the difficulty of quantifying success due to its subjective nature. He added that the enhanced likelihood of employees staying long-term would be "the proof in the pudding."

CHAIR CARPENTER shared his understanding that the Anchorage office was created at the board's discretion. He expressed his hope that the decision, which would increase cost to the organization, was deliberate and intentional. He asked whether the move would impact the utilization of the existing building in Juneau.

MR. MITCHELL stated that space would not be easily reallocated. He noted that the remote work policy, which applied to the Anchorage office, required employees to return to Juneau from time to time to interact with one another. He emphasized the importance of designating space for remote workers to conduct business while in Juneau.

[11:21:20 AM](#)

CHAIR CARPENTER sought further clarity on the Juneau office space.

MR. MITCHELL relayed that APFC occupied the third floor of the building with vacant space on the second floor. The first floor was used by the Department of Administration (DOA) along with a market research firm. He concluded that the space, valued at \$7 million, was underutilized.

CHAIR CARPENTER expressed his hope that some attention would be spent towards better utilization of the building.

[11:24:38 AM](#)

CHAIR CARPENTER asked whether there had been any further discussion on potential losses around the U.S. that would benefit the corporation's investment decisions.

MR. MITCHELL confirmed that there had been continued discussion by the board. He said the board was considering a strategic plan with the goal of considering offices outside Alaska, both in the continental U.S. and internationally. APFC staff would be tasked with considering the benefits of out-of-state expansion. He pointed out that other investment funds had offices in financial centers around the world; however, there were certain differences that factored in. He expected that prior to taking any action, APFC would come before the legislature with a request to spend money on such an undertaking.

CHAIR CARPENTER reiterated his hope that thought would be given to quantifying success before opening offices around the world. He invited final comment from Mr. Mitchell.

MR. MITCHELL thanked the committee for the opportunity to dialogue and share information.

[11:29:37 AM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 11:29 a.m.