

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

November 19, 2025
Anchorage, Alaska
10:03 a.m.

MEMBERS PRESENT

Senator Elvi Gray-Jackson, Chair
Senator Bert Stedman
Senator Cathy Giessel
Senator Bill Wielechowski (via teleconference)
Representative Andy Josephson
Representative Chuck Kopp
Representative Bryce Edgmon (alternate)

OTHER LEGISLATORS PRESENT

Representative Mike Prax (via teleconference)
Representative Julie Coulombe

MEMBERS ABSENT

Representative Zack Fields, Vice Chair
Senator Lyman Hoffman
Representative Neal Foster
Senator Scott Kawasaki (alternate)

COMMITTEE CALENDAR

APPROVAL OF AGENDA
APPROVAL OF MINUTES
TOP AUDIT ISSUES
CONTRACT APPROVAL
REVISED PROGRAM - LEGISLATIVE (RPLs)
OVERVIEW OF DOR DIVISION OF TREASURY'S NON-ROUTINE INVESTMENTS
POLICY
EXECUTIVE SESSION

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

KRIS CURTIS, Legislative Auditor
Division of Legislative Audit

Alaska State Legislature
Anchorage, Alaska

POSITION STATEMENT: Gave a presentation on FY 25 top audit issues; gave an overview of the Division of Treasury's non-routine investments policy.

ALEXEI PAINTER, Director
Legislative Finance Division
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information on RPL 16-2026-0154 and RPL 09-2026-0098.

HEIDI HEDBERG, Commissioner
Department of Health
Anchorage, Alaska

POSITION STATEMENT: Gave a PowerPoint question on the Rural Health Transformation Program during the discussion of RPL 16-2026-0154.

LACEY SANDERS, Administrative Director
Office of Management & Budget
Office of the Governor
Juneau, Alaska

POSITION STATEMENT: Answered questions during the discussion of RPL 16-2026-0154.

MEGAN WALLACE, Chief Counsel
Legislative Legal Services
Legislative Affairs Agency

POSITION STATEMENT: Answered questions during the discussion of RPL 16-2026-0154.

ACTION NARRATIVE

[10:03:11 AM](#)

CHAIR ELVI GRAY-JACKSON called the Legislative Budget and Audit Committee meeting to order at 10:03 a.m. Representatives Kopp, Josephson, Tilton, and Edgmon (alternate) and Senators Giessel, Stedman, Wielechowski (via teleconference), and Gray-Jackson were present at the call to order. Also present were Representatives Coulombe and Prax (via teleconference).

[Due to technical difficulties, portions of the audio are indiscernible throughout.]

APPROVAL OF AGENDA

[10:04:31 AM](#)

CHAIR GRAY-JACKSON announced that the first order of business would be the approval of the agenda.

REPRESENTATIVE EDGMON moved that the Legislative Budget and Audit Committee approve the agenda. There being no objection, the agenda was approved.

APPROVAL OF MINUTES

[10:04:47 AM](#)

CHAIR GRAY-JACKSON announced that the next order of business would be the approval of minutes.

REPRESENTATIVE EDGMON moved to approve the minutes for the September 12, 2025 meeting. There being no objection, the minutes were approved.

TOP AUDIT ISSUES

[10:05:04 AM](#)

CHAIR GRAY-JACKSON announced that the next order of business would be an overview of top audit issues. She shared the following remarks:

Before you begin, Ms. Curtis, on behalf of the committee, the Legislature, and all Alaskans, I want to thank you and your team for your hard work and dedication. I want to let the general public know that the Division of Legislative Audit serves as one of the Legislature's most significant checks in the balance of powers with the executive and judicial branches of government. The Division's primary responsibilities are to provide transparency and hold state agencies accountable to state and federal laws. Audits inform the Legislature and the public about government operations.

[10:05:55 AM](#)

KRIS CURTIS, Legislative Auditor, Division of Legislative Audit (DLA), Alaska State Legislature, directed attention to a

PowerPoint presentation, titled "LB&A Oversight Top Audit Issues" [hard copy included in the committee file]. She stated that four years ago, the Legislative Budget and Audit Committee developed a new audit oversight process to encourage corrective action. She summarized the oversight process on slide 2, "Audit Oversight Process," which read as follows [original punctuation provided]:

Focus

Identify top audit findings in terms of fiscal or societal impact and degree of difficulty in addressing findings.

Communicate

Work with Auditees to identify corrective action for top audit findings.

Evaluate

Determine whether action requires legislative action. Refer to legislative committee for consideration.

Measure

Examine progress through legislative finance committees or other legislative committees as relevant.

Repeat

Once the Single Audit is released - repeat. Process covers all reports issued over a fiscal year.

MS. CURTIS described the 12 audit issues from fiscal year 2025 (FY 25), beginning with the first one on slide 3, "Commercial Passenger Vessen Environmental Compliance (CPVEC)," which read as follows [original punctuation provided]:

The fund balance of the CPVEC general fund subfund was misclassified in the FY 24 financial statements.

- Both CPVEC funding sources (environmental compliance fees and ocean ranger program fees) are subject to the federal tonnage clause; therefore, the fund balance should be restricted and not swept into the CBR fund. Department of Law disagreed leading to financial statement misstatements in multiple accounts and footnote No. 2. Unless resolved, misstatements will continue in future years.

Single Audit Finding (Reference)
•2024-002, 2024-016

[10:07:41 AM](#)

MS. CURTIS described the second audit issue on slide 4, "Disclaimed Opinion - Lack of Evidence for Medicaid System," which read as follows [original punctuation provided]:

Department of Health (DOH) failed to obtain a report on internal controls over its Medicaid System.

- Division of Health Care Services historically contracted with a service organization to manage its Medicaid system and process claims. During FY 24, DOH contracted with two separate organizations, one to manage its Medicaid system and one to process claims.
- Because of challenges transitioning to the new contractor, Medicaid system internal control reports were not obtained for FY 24. The system is responsible for processing \$2.4 billion in FY 24 claims. The lack of internal control reports was considered a material internal control weakness.
- Auditors could not provide an opinion regarding several accounts because of the lack of evidence.

Single Audit Finding (Reference)
•2024-048

MS. CURTIS described the third audit issue on slide 5, "Department of Health (DOH) Accounts Receivable Unsupported," which read as follows [original punctuation provided]:

Department of Health and Social Services did not collect or liquidate two federal receivables totaling \$26.6 million in a timely manner.

- The receivables were first recorded during FY 17 to correct for errors in the billing process related to several federal programs. During the FY 19 Single Audit, DHSS staff were unable to provide support for the receivables.
- Limited staff resources and the complexity of the reconciliation process was blamed for DOH's inability to identify the federal programs and collect the funds.

Single Audit Finding (Reference)
•2024-049

[10:09:39 AM](#)

MS. CURTIS described the fourth audit issue on slide 6, "Opioid Settlement Revenues," which read as follows [original punctuation provided]:

Opioid settlement funds were misreported in the draft FY 24 financial statements.

- During 2021 and 2022, nationwide settlements were reached involving the production, distribution, and sales of opioids. Alaska is a party to the settlements. The revenues must be spent in accordance with the settlements.
- No accounting structures were set up to adequately track and report the FY 24 opioid revenues.
- We recommend the Office of Management and Budget work with the legislature to create a separate subfund to account for the opioid settlement revenues.

Single Audit Findings (Reference)
•2024-001, 2024-015

MS. CURTIS described the fifth audit issue on slide 7, "High Error Rate - Procurement Testing," which read as follows [original punctuation provided]:

Statewide testing found significant errors in the procurement process.

- 33 percent of the procurements tested had insufficient documentation.
- Trainings were not sufficient to ensure all procurement regulations were met.
- We recommend that DOA's chief procurement officer conduct additional training for statewide procurement officers.

Single Audit Findings (Reference)
•2024-020

[10:11:14 AM](#)

MS. CURTIS described the sixth audit issue on slide 8, "Not Billing Federal Government for Approximately \$279.8 Million Related to FEMA Disaster Grants," which read as follows [original punctuation provided]:

The state incurred \$279.8 million of expenditures associated with a federal grant but did not request reimbursement.

- Department of Military and Veterans Affairs (DMVA) was the recipient of COVID-related FEMA disaster grants and passed through the grants to Department of Health and Social Services (DHSS). DHSS incurred the COVID-related costs but did not bill DMVA timely.
- The Department of Health claimed billing delays were caused by a number of factors including the reorganization of DHSS, working with federal agencies, turnover in key financial and grant personnel, time intensive documentation requirements, and competing priorities.
- The state lost out on millions of investment earnings by not billing the federal government in a timely manner.

Single Audit Findings (Reference)

- 2024-068

MS. CURTIS described the seventh audit issue on slide 9, "Department of Corrections (DOC) Overspent FY 24 Budget," which read as follows [original punctuation provided]:

DOC's FY 24 population management operating budget was overspent.

- DOC payroll expenditures were unable to post in the state accounting system due to a lack of funding.
- DOC internal controls were insufficient to identify the funding deficiency so corrective actions could be taken.
- Unauthorized general funds were expended (\$8,037,023).

Single Audit Finding (Reference)

- 2024-073

[10:13:10 AM](#)

MS. CURTIS described the eighth audit issue on slide 10, "Unaddressed Shortfalls," which read as follows [original punctuation provided]:

Several departments did not address shortfalls in a timely manner.

- Seven Department of Law (LAW) appropriations were in shortfall as of February 2025.
- Ten Department of Natural Resources (DNR) appropriations were in shortfall as of February 2025.
- Four Department of Health (DOH) appropriations were in shortfall as of February 2025.

Single Audit Finding (Reference)

- LAW 2024-022
- DNR 2024-042
- DOH 2024-071

MS. CURTIS described the ninth audit issue on slide 11, "AIA's FY 24 Audit was not Completed Timely for Inclusion in the State's Financial Statement," which read as follows [original punctuation provided]:

For several years, the Alaska International Airports (AIA) has not completed their financial statements in a timely manner, which has delayed their audit.

- According to AIA's controller, the FY 24 audit was not completed timely due to late trial balances provided by the Division of Finance, audit team reassignments, and errors identified during the audit.

Single Audit Finding (Reference)

- 2024-074

[10:15:23 AM](#)

MS. CURTIS described the tenth audit issue on slide 12, "Division of Public Assistance Federal Program Findings," which read as follows [original punctuation provided]:

The division has struggled with staffing shortages, lack of staff experience, poor training, and lack of adequate internal controls.

Material noncompliance with federal laws and material weaknesses in internal controls over the following federal programs:

- Medicaid
- CHIP
- SNAP (Food Stamps)
- Temporary Assistance for Needy Families
- Child Care Development Fund

Single Audit Finding (Reference)

•2024-052, 2024-053, 2024-054, 2024-055, 2024-056,
2024-057, 2024-058, 2024-059, 2024-060, 2024-061,
2024-062, 2024-063, 2024-064, 2024-065, 2024-066,
2024-067

MS. CURTIS described the eleventh audit issue on slide 13, "Parole Board," which read as follows [original punctuation provided]:

The 2024 sunset audit made three recommendations.

- 1.The board chair should work with Department of Correction's (DOC) commissioner to ensure all hearings are conducted in a confidential manner.
- 2.DOC's commissioner should ensure fiscal notes for pending legislation properly reflect decreases, as appropriate.
- 3.The board chair and DOC's commissioner should ensure regulations are updated in a timely manner.

Audit Control Number: 20-20139-24

MS. CURTIS described the twelfth audit issue on slide 14, "Office of Children's Services (OCS) Compliance with Foster Care Reform," which read as follows [original punctuation provided]:

The 2024 performance audit made six recommendations.

- 1.OCS's director should implement procedures to ensure the annual staffing report is accurate.
- 2.OCS's director should implement procedures to ensure the annual recruitment and retention report is accurate and prepared in compliance with state law.
- 3.OCS's director should consider implementing a more comprehensive training program that is grounded in practical applications.

4.OCS's director should continue to implement hiring best practices.

5.OCS's director should consider enhancing data to align with best practices and make recruitment and retention efforts more meaningful.

6.OCS's director should develop a forward-looking plan for addressing recruitment and retention challenges.

Audit Control Number: 26-30097-25

MS. CURTIS concluded on slide 15, "Next Steps - LB&A Oversight," which read as follows [original punctuation provided]:

Legislative Auditor sends letters on behalf of the LB&A committee to the auditees asking for the status of corrective action. A summary of the responses will be presented at the next LB&A meeting. For those audit findings that warrant consideration by other legislative committees, the findings may be forwarded to the appropriate committees for consideration during the 2026 legislative session.

[10:18:25 AM](#)

SENATOR STEDMAN asked whether there are any corrective actions on appropriations from the COVID-19 funding and whether the federal government is looking at that.

MS. CURTIS said she's unaware of any action that the federal government is taking on COVID-19 money. There was a federal desk review, but nothing has come from it.

[10:19:30 AM](#)

REPRESENTATIVE KOPP observed a theme of lack of staff resources, lack of training, and errors committed as a result of both. He asked whether these errors are typical.

MS. CURTIS explained that there has been degradation within the departments internal controls, which resulted from a lack of documented and written procedures. There's also a lack of experience at the agencies, resulting from the difficulty of hiring and retaining staff. She further noted the vacancies and poor training, especially within the Division of Public Assistance due to inexperience. She added that these issues have gotten progressively worse, explaining that the number of findings has grown from 30 to 90 over the years.

[10:21:40 AM](#)

REPRESENTATIVE JOSEPHSON referred to item 12 and asked why it was included on the list.

MS. CURTIS said this process looks back at top audits issued during FY 25 with the idea of asking a department where they are with their corrective action findings. There is not another mechanism for following up on and evaluating the status of recommendations for performance audits. For sunset audits, certain types of recommendations are followed up on every year.

[10:23:26 AM](#)

REPRESENTATIVE TILTON asked where the opioid funds are currently located.

MS. CURTIS said she's not sure what raised DLA's attention to their inaccurate recording. She reported that there was \$23 million for FY 24, which must be used for remediation tasks.

REPRESENTATIVE TILTON asked which account they came through or which department.

MS. CURTIS responded that they were recorded in the General Fund (GF); however, they were not identified as opioid funds, so they got mixed up with everything else. She emphasized that these are important to track because compliance must be shown with the settlement.

CONTRACT APPROVAL

[10:25:20 AM](#)

CHAIR GRAY-JACKSON announced that the next order of business would be approval for the DataSnipper contract.

REPRESENTATIVE EDGMON moved that the Legislative Budget and Audit Committee authorize the legislative auditor to enter into a contract with DataSnipper for the purchase of audit software for an amount not to exceed \$60,000, to be paid from existing funds.

CHAIR GRAY-JACKSON objected for purposes of discussion.

[10:25:58 AM](#)

MS. CURTIS referred to a memo [included in the committee file] asking for the committee's consideration and approval for a contract with DataSnipper for audit software not to exceed \$60,000. She said she learned about the tool at the National State Auditors Association Conference in June of 2025, and it came highly recommended by other auditors. She explained that DataSnipper is an add-on to Excel that's used for testing details, walkthroughs, and other audit procedures. It helps staff document and review audit evidence more efficiently. Further, it allows for the use of DocuMine which is an AI powered solution within DataSnipper that eliminates manual searches through lengthy documents. Staff can ask specific questions of multiple documents and receive precise answers. The division staff conducted tests on reports and board minutes and agreed to try it out for a year to see whether it makes them more efficient and effective. She said it's the first step towards automating audit procedures. It's not a competitive procurement, as it would qualify as an unsolicited offer within the procurement code. Further, the amount would not exceed \$60,000 and the division can accommodate that within its existing budget.

[10:28:45 AM](#)

CHAIR GRAY-JACKSON removed her objection. There being no further objection, the contract was approved.

REVISED PROGRAM - LEGISLATIVE (RPLs)

[10:28:55 AM](#)

CHAIR GRAY-JACKSON announced that the next order of business would be Revised Program - Legislative (RPLs).

REPRESENTATIVE EDGMON moved that the Legislative Budget and Audit Committee approve RPL 16-2026-0154, Rural Health Transformation Program, for \$200 million.

CHAIR GRAY-JACKSON objected for purposes of discussion.

[10:29:59 AM](#)

ALEXEI PAINTER, Director, Legislative Finance Division (LFD), Alaska State Legislature, explained that RPL 16-2026-0154 for the Department of Health (DOH) is within the Departmental Support Services appropriation within the Administrative Support

Services allocation and totals \$200 million of federal receipts in fund code 1002. It provides federal receipt authority for the Rural Health Transformation Program (RHTP), which was established under H.R. 1, the One Big Beautiful Bill Act. The RHTP is a completely new program that would provide an estimated \$200 million per year over the next five years. DOH submitted Alaska's application for this program on November 5, 2025, and the federal government must issue a decision on awarding these funds by December 31, 2025. He added that it's a timely RPL because the funds may be delivered to the state before the legislature convenes again. Each year's funding is available for a two-year expenditure window, so there's interest in getting funds out the door quickly. Further, the department stated that having the federal authority earlier would ensure that they could accept the award and execute awards on schedule to meet that timeframe. There's no matching requirement for this grant, and there's existing federal authority in this allocation of just under \$4 million, which would be increased to \$204 million. Essentially, given the timeliness of the RPL and the limited ability for the legislature to influence how the funds would be spent, the policy calls for the Legislative Budget and Audit Committee to evaluate the risk against the benefit of having timely distribution of this funding.

[10:33:24 AM](#)

HEIDI HEDBERG, Commissioner, Department of Health (DOH), gave a PowerPoint presentation, titled "Rural Health Transformation Program" [hard copy included in the committee file]. She began on slide 2, "Rural Health Transformation Program (RHTP)," which read as follows [original punctuation provided]:

Five-year, \$50 billion federal initiative to transform rural health care delivery and improve access and health outcomes.

Half of the funds will be distributed across states based on rural health needs, the other half will be split evenly.

Alaska's rural nature positions us well to receive a substantial federal investment in annual allotments.

COMMISSIONER HEDBERG continued to slide 3, explaining that DOH has been working closely with its healthcare partners with regard to the Request for Information (RFI), creating an advisory committee and holding over 30 different meetings with

providers to understand RHTP, its challenges, and how they can work together. Through that dialogue, three goals were created, as illustrated on slide 4, "RHTP Goals and Initiatives," which read as follows [original punctuation provided]:

Goal 1: Promote Lifelong Health and Wellbeing for Alaskans

Healthy Beginnings

Health Care Access

Healthy Communities

Goal 2: Build Sustainable Outcomes Driven Health Systems

Pay for Value: Fiscal Sustainability

Goal 3: Drive Workforce and Technology Innovation

Strengthen Workforce

Spark Technology & Innovation

COMMISSIONER HEDBERG turned to slide 5, "RHTP Unallowable Funding Uses," which read as follows [original punctuation provided]:

Funding cannot be used for:

- Construction of new facilities
- Funding clinical services already reimbursable by insurance or other coverage
- Using more than 10% for administrative costs
- Using more than 20% on capital expenditures
- Supplanting state contribution to Medicaid match
- Supplanting existing funding

COMMISSIONER HEDBERG outlined the aggressive RHTP funding timeline on slide 6. She explained that the annual distributions are based on the federal fiscal year (FFY). Next week, DOH anticipates receiving the notice of grant award, which "starts the clock." She added that in year 1, the costs need to be appropriately allocated and incurred, and there are two years to spend each allocation. Claw-backs/redistributions begin March 31, 2028, for unspent prior-year funds, which will be reallocated to other states. Final reallocated funds must be spent by the end of FFY 2032. She emphasized the importance of DOH's close working relationship with healthcare providers across the state to set up a system for appropriately allocating

funds based on the six initiatives in 2026 and position Alaska to be a state that can receive unspent funds from other states.

[10:39:52 AM](#)

REPRESENTATIVE EDGMON asked whether there is any discretion on the state side in terms of where these dollars are applied.

MS. HEDBERG explained that eligibility is outlined in H.R. 1 and the list is extensive; nonetheless, all healthcare entities in Alaska are eligible. She explained that RHTP is a federal grant and a cooperative agreement that DOH had to apply for in a short amount of time. She explained that the first year would require a lot of planning to ensure the one-time funding is sustainable.

REPRESENTATIVE EDGMON pointed out that this program started as a budget line that was constructed after the fact. He said he was still unclear on the state's role in this and contrasted rural Alaska with that of a larger hospital in Anchorage, for example, which is still considered rural by definition.

[10:45:05 AM](#)

MS. HEDBERG said DOH is still waiting on the Centers for Medicare & Medicaid Services (CMS) to provide guidelines and parameters. Currently, the advisory committee is helping to craft the scoring matrix to rank community applications and determine their needs. She reiterated that one of the key initiatives in the grant is strengthening the workforce, and DOH wants to ensure that everyone has equal access to apply. She added that the department is in the development phase right now with that process and plans to post developments on their website.

REPRESENTATIVE EDGMON stated that while he's not in opposition, he's trying to figure out the discovery process and what kind of "blank check authority" is being granted to the administration.

LACEY SANDERS, Administrative Director, Office of Management & Budget (OMB), Office of the Governor, clarified that DOH would be back before the House and Senate Finance Committees in the future to address the level of funding determined by CMS and to provide updates on RHTP.

[10:49:50 AM](#)

REPRESENTATIVE JOSEPHSON presumed that as DOH has not been awarded the \$200 million, there have been no decisions on how the money would be spent.

MS. HEDBERG confirmed that is correct. Based on the federal language, every state would be guaranteed (indisc.). The second tranche of funding is dependent on how rural the state is and the type of healthcare system it has. Further, Alaska does not have state directed payments or provider taxes, which sets it apart from other states. In agreement with Ms. Sanders, she anticipated that DOH would be back before the legislature to ask for additional federal authority, and there would be more work to present to flesh out the process and intent behind the development of the RHTP.

REPRESENTATIVE JOSEPHSON sought to confirm that DOH would be selecting the awardees and questioned how they would be identified in the budget.

MS. SANDERS said it's a conversation that could be had during the legislative process, but it would definitely be outlined as a separate component.

[10:53:59 AM](#)

SENATOR STEDMAN sought to confirm that the state would have to wait 7 months until the money is in Alaska's economy.

MS. SANDERS confirmed that currently, the RPL process is the only available tool to bring the item before the legislature and that it would be brought to the legislature for consideration on an annual basis through the budget process.

SENATOR STEDMAN cautioned the legislature from creating a system where it becomes automatic. Further, he recommended that DOH create a way to easily communicate the selection process to avoid involving politics in the decision.

MS. HEDBERG said DOH intends to have a dashboard that reflects who is receiving funds and what they're being used for. In addition, she said they would be having virtual meetings to educate communities on how to apply for the funds. She noted that the funds are not intended to be used for one-offs.

SENATOR STEDMAN emphasized that this is five-year money, and the recipients should not expect the state to backfill the funding.

[11:00:04 AM](#)

SENATOR GIESSEL agreed with the sustainability aspect expressed by Senator Stedman. Further, she referenced the Single Audit, which extensively called out accounting problems within DOH; consequently, she expressed concern about the accounting capabilities of the department. She added that it would have been informative to include the November 7 public release of RHTP initiatives, which extensively described each aspect of the transformation and would have answered some questions about rural Alaska. She said she would not oppose the RPL but suggested that the money should be tracked appropriately.

[11:01:48 AM](#)

REPRESENTATIVE KOPP observed that the care coordination system is the heart of a state health authority's role. He asked whether any of these funds could be used as a soft launch of that idea, potentially within DOH; or whether there's room in the subject areas for standing up the federal backbone as part of RHTP support in looking at moving towards a state health authority.

MS. HEDBERG said currently, all ideas are on the table.

[11:04:39 AM](#)

The committee took a brief at-ease at 11:04 a.m.

[11:05:53 AM](#)

REPRESENTATIVE JOSEPHSON recalled that the legislature effectively left Juneau on March 28, 2020, returned around May 17, 2020, and ratified RPLs through resolution. He asked whether ratifying RPLs through resolution is something Ms. Wallace would recommend that the legislature does in January 2026.

MEGAN WALLACE, Chief Counsel, Legislative Legal Services, said the 2020 ratification was the result of a lawsuit that was filed. She said her recommendation would depend on whether there is action related approval of these RPLs, but it's not an uncommon budgetary practice for the Finance co-chairs to ratify certain expenditures, whether its disaster expenditures or RPL ratification. To ensure that there's no issue with the approval of this RPL, she recommended that the item be placed in the operating or capital budget next session.

REPRESENTATIVE JOSEPHSON asked whether this issue should be taken up in the budget bill that the legislature takes action on early in the session.

MS. WALLACE answered yes, it would increase assurance of the appropriateness of the RPL.

[11:08:57 AM](#)

CHAIR GRAY-JACKSON removed her objection. There being no further objection, RPL #16-2026-0154 for the Rural Health Transformation Program was approved.

[11:09:19 AM](#)

REPRESENTATIVE EDGMON moved that the Legislative Budget and Audit Committee approve RPL #09-2026-0098, Construction of Certified Veterans Cemetery in Fairbanks, for \$3,600,000.

CHAIR GRAY-JACKSON objected for purposes of discussion.

[11:10:18 AM](#)

MR. PAINTER explained that RPL #09-2026-0098 is a capital project with the subject titled, "Construction of Certified Veterans Cemetery in Fairbanks" for \$3.6 million in federal receipts using fund code 1002. The legislature has made numerous appropriations of both federal and matching GF funds for this project dating back to FY 11 with appropriations totaling \$4.5 million in GF and \$14 million in federal funds. The Department of Military & Veterans' Affairs (DMVA) just received a federal grant totaling \$16.7 million. He noted that RPL #09-2026-0098 would bring the total amount of federal receipt authority to \$17.6 million, because additional federal reimbursement beyond the grant amount is anticipated for the cost of the project. He stated that because the GF match has already been appropriated, no other state funds are needed at this time. Once the capital project is completed, there will be a GF cost of an estimated \$1.3 million to operate and maintain the cemetery, which may require GF funds in the future.

[11:12:08 AM](#)

CHAIR GRAY-JACKSON removed her objection. There being no further objection, RPL #16-2026-0154, Construction of Certified Veterans Cemetery in Fairbanks, was approved.

**OVERVIEW of DOR DIVISION OF TREASURY'S NON-ROUTINE INVESTMENTS
POLICY**

[11:12:16 AM](#)

CHAIR GRAY-JACKSON announced that the next order of business would be an overview of the Division of Treasury's non-routine investments policy. She shared the following background information [original punctuation provided]:

1. First, a letter dated September 3, 2025, from the acting commissioner of the Department of Revenue to the State Auditor, Kris Curtis, titled, "Fiduciary Reallocation of a Portion of the Constitutional Budget Reserve (CBR) into the Subaccount."
2. Second, the Presiding Officers sent an inquiry to the governor, dated October 14, seeking additional information, and noting that "the Legislature has an obligation to actively examine the circumstances of this [financial] commitment and its implications for Alaska's finances."
3. Third, the governor replied on October 22, providing additional information, and reiterating that he has requested an independent third-party review of the transaction.

We understand that the third-party review being conducted by the national law firm WilmerHale is underway. We appreciate that effort and look forward to the outcome, which, according to press reports, is due before the beginning of the regular legislative session.

At the same time, our own due diligence has led us to the Division of Treasury's "Non-Routine Investment" policy. With this committee's oversight responsibility, I want to raise awareness and understanding about this policy. Today, we will keep the discussion at a high-level with the focus on understanding the policy, without getting into an examination of what actions the former Commissioner did or did not take; however, the Legislative Budget & Audit Committee does maintain our responsibility and authority to take action in the future, if and when it is appropriate.

11:14:30 AM

MS. CURTIS gave overview of changes made by the Department of Revenue (DOR) to its investment policies as a result of DLA's audit of the department's loan to Mustang Operations Center 1 LLC (MOC 1). The investment policies for non-routine investments that were created because of the MOC 1 audit are irrelevant to recent concerns over DOR Commissioner Crumb's investment in DigitalBridge. She explained that Recommendation 4 of the MOC 1 audit included that Commissioner Crumb's decision to loan up to \$22.5 million to MOC 1 under the authority of the department's investment statutes was legal. However, the decision was not appropriate when compared with the behavior that a prudent person would consider reasonable. The audit proceeded to list seven actions that supported that conclusion. In addition, DOR did not argue the validity of that conclusion. Furthermore, the audit asserted that a lack of procedures governing non-routine investments and a lack of formal oversight of the commissioner's investment function contributed to the deficiencies. In contrast, the state's pension funds are subject to oversight by the Alaska Retirement Management (ARM) Board. This oversight function provides transparency and assurance over the propriety of pension investments. The MOC 1 audit recommended the legislature consider enhancing oversight over DOR's investment function. In response, former DOR Commissioner Mahoney agreed that procedures should be improved and stated that she was planning on establishing a non-political, external investment commission to advise the department. When the Legislative Budget and Audit Committee established its new audit oversight process at the end of 2021, Ms. Curtis recalled that Recommendation 4 from the MOC 1 audit was a top audit issue. The commissioner's response [included in the committee file] to the division's request for a status update stated that DOR had instituted investment procedures governing non-routine investments as a result of the MOC 1 audit. The new procedures are as follows:

1. Document the investment opportunity and determine if it merits further diligence and/or if it is more suitable for other funding sources.
2. Seek legal advice on DOR eligibility.
3. Seek guidance from external auditors.
4. Use an impartial external expert to evaluate the opportunity and to provide an opinion on the investment.
5. Seek advice from the Investment Advisory Council.
6. Notify the Office of Management and Budget.

7. Complete diligence and investment documentation.
8. Inform the Chairs of the Senate and House Finance Committees of any decision to move forward with an investment.

MS. CURTIS noted that the policies are publicly available on DOR's website. Further, with regard to the concern over Commissioner Crumb's investment in DigitalBridge, she pointed out that the policies and procedures that addressed the findings in the MOC 1 audit already existed at the time of the commissioner's investment.

[11:19:49 AM](#)

SENATOR STEDMAN reminded the committee that this is the third incident involving DOR. He acknowledged that in each situation, the commissioner had the broad authority to act, but each one was different. He opined that the MOC 1 investment was well intended but misguided. He further recalled the incident under the Walker Administration involving \$1 billion from the Constitutional Budget Reserve (CBR) that ended up in "someone else's pocket," as well as the liquidation of the subaccount due to ample concern that the funds would need to be drawn on. In the last few years, he spoke to significant concern and disagreement between the legislature and the administration regarding the appropriate balance of the CBR. He shared that the Senate Finance Committee would like to see an account balance that's higher than \$3 billion. During last year's budget process, there were significant discussions about the need for liquidity, and it was agreed that they would not draw from the CBR to account for the need for liquidity and substantial draws from the CBR over the next 2-3 years, which would potentially liquidate the account. He reported that of the \$3 billion in the account, the administration had proposed a \$1.5 billion CBR draw, which he described as an incompetence issue in combination with the \$200 million for RPL 16-2026-0154. He characterized the \$1 billion loss under the Walker Administration as inexperience; the MOC 1 investment as well intended but poorly reviewed; and the potential liquidation of the CBR as gross incompetence.

[11:25:52 AM](#)

REPRESENTATIVE EDGMON asked whether Legislative Audit Division was consulted on the third-party review of investments.

MS. CURTIS answered no. She explained that this issue is being looked at as part of the ongoing FY 25 Single Audit, which is confidential. Today's overview was intended to raise awareness of the policies governing the specific type of investment entered into by Commissioner Crumb.

REPRESENTATIVE EDGMON clarified that he was trying to ascertain whether the division had any involvement in (indisc.).

[11:28:04 AM](#)

REPRESENTATIVE JOSEPHSON asked whether Commissioner Crumb could assert that the investment in dispute was routine and within the scope of the existing investment profile.

MS. CURTIS declined to comment, as the audit is ongoing.

[11:29:07 AM](#)

SENATOR STEDMAN recalled that under Governor Murkowski's administration, the DOR commissioner relied on support staff to counsel his decisions via quarterly meetings. As the administration changed, these meetings stopped and MOC 1 surfaced. He recalled that under Governor Walker's administration, when the \$1 billion "went out the door," APFC's consultants were asked if they were counseled on these decisions and they "did everything but run out the door" because it was so egregious. He said this winter, he's looking forward to asking the consultants what they're doing to counsel state employees and commissioners. He opined that there's a gross level of incompetence that's beyond belief, regardless of the number of high paid consultants that are hired. He spoke to the necessity of high-liquidity investments with regard to the state's savings account. He reiterated that when DOR's commissioner was holding regular meetings to create a sounding board and justify his decisions, these issues weren't present. Further, he expressed an interest in when the governor and the attorney general were given this information, how far the information went, and whether outside counsel was used. He said he had also been approached by lobbyists who purported to have been contacted to lobby for more contracts signed with other firms and declined due to its egregiousness.

EXECUTIVE SESSION

[11:34:29 AM](#)

CHAIR GRAY-JACKSON announced that the next order of business would be executive session.

[11:35:09 AM](#)

The committee took an at-ease from 11:35 a.m. to 11:38 a.m.

[11:38:42 AM](#)

REPRESENTATIVE EDGMON moved that the Legislative Budget and Audit Committee go into executive session under Uniform Rule 22(b)(1) for the discussion of matters, the immediate knowledge of which would adversely affect the finances of a government unit, and Uniform Rule 22(b)(3) for the discussion of matters that may, by law, be required to be confidential. He asked that the following persons remain in the room or online: Kris Curtis, legislative auditor, and necessary staff; Emily Nauman and Megan Wallace, Legislative Legal Services; JC Kestel, procurement officer; any legislators not on the committee; and staff of legislators on the committee. There being no objection, it was so ordered.

[11:39:40 AM](#)

The committee took an at-ease from 11:39 a.m. to 12:26 p.m. for the purpose of executive session.

[12:26:23 PM](#)

CHAIR ELVI GRAY-JACKSON called the Legislative Budget and Audit Committee meeting back to order at 12:26 p.m. Representatives Kopp, Josephson, Tilton, and Edgmon (alternate) and Senators Giessel, Stedman, Wielechowski (via teleconference), and Gray-Jackson were present at the call to order. Also present were Representatives Coulombe and Prax (via teleconference).

[12:26:57 PM](#)

CHAIR GRAY-JACKSON asked Ms. Curtis to share a summary of the contract extension related to IRIS/ALDER.

[12:27:04 PM](#)

MS. CURTIS explained that she asked the Legislative Budget and Audit Committee for its consideration and approval of a contract extension with BDMP Assurance, the contractor that's used to test the general and application controls for the state's

financial accounting system, IRIS, and its financial accounting reporting system, ALDER. The work is needed to support the division's FY 26 audit opinion, and the FY 26 Single Audit. This is the third and last one-year extension that's allowed under the 2022 procurement of this contract. The amount is not to exceed \$176,000, and the cost of the work is in budget.

[12:28:05 PM](#)

REPRESENTATIVE EDGMON moved that the Legislative Budget and Audit Committee authorize the legislative auditor to amend the current contract with BDMP Assurance, LLP for information technology expertise, to extend the contract for the review of the FY 26 general and application controls of the state's accounting and reporting systems for an additional amount not to exceed \$176,000 to be paid (indisc.) There being no objection, it was so ordered.

[12:28:39 PM](#)

CHAIR GRAY-JACKSON asked Ms. Curtis to share a summary of the lease extension for the Division of Legislative Audit's Anchorage office space.

[12:28:51 PM](#)

MS. CURTIS explained that the division did a competitive procurement for Anchorage office space, but the Request for Proposals (RFP) was not successful in generating any reasonable offers. So, DLA plans on going out for another competitive procurement, which would leave the division without office space for six months. Consequently, she requested the committee's approval of a written justification for a noncompetitive short-term lease at a rate of \$4,992.52 per month for a period not to exceed six months for a total of \$29,997.12. This would allow DLA to complete the competitive procurement process for a long-term lease.

[12:30:41 PM](#)

REPRESENTATIVE EDGMON moved that the Legislative Budget and Audit Committee, under section AS 36.30.040(b) of the Legislative Procurement Code, approve an amendment to the Division of Legislative Audit's Anchorage office space lease and extend the lease to six months for a total amount of \$29,997.12 (indisc.). There being no objection, it was so ordered.

[12:31:18 PM](#)

REPRESENTATIVE EDGMON moved that the Legislative Budget & Audit Committee release the following audits as final audit reports: the Board of Marital and Family Therapy, and the Board of Psychologist and Psychological Associate Examiners. There being no objection, it was so ordered.

[12:31:43 PM](#)

CHAIR GRAY-JACKSON stated that while in Executive Session, the committee received a brief legal update on the special audit titled "Oil and Gas Production Tax Audit Process." Per statute, the audit process is confidential, and she reminded the public that neither she nor any members of the committee are permitted to comment publicly at this stage. She expressed appreciation for the public's patience and understanding as this work proceeds.

[12:32:20 PM](#)

CHAIR GRAY-JACKSON offered the following closing remarks [original punctuation provided]:

Some of you may be familiar with the Levin Center for Oversight and Democracy, as they are regular presenters at NCSL, CSG and other legislative conferences.

The Levin Center's objectives include: (1) Improving the practice of oversight in state legislatures across the country via trainings and events with lawmakers and staff; and (2) Increasing the visibility of legislative oversight as an essential legislative function.

I am excited to share that we are working to bring a couple members of their staff to Juneau to conduct trainings during the beginning of the legislative session. Initial planning is underway, and we will be sharing more information in the coming weeks.

Have a good lunch and we'll see you back here at 1:30 PM for presentations on the AK LNG project from GaffneyCline, AGDC, and Glenfarne Alaska LNG.

[12:33:45 PM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 12:33 p.m.