

Original sponsor: Community and Regional
Affairs Committee

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 396 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to repayment of state aid for hospi-
7 tal and health facility construction; and providing
8 for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 29.90 is amended by adding a new section to read:

11 Sec. 29.90.040. REPAYMENT OF STATE AID. If, within 20 years
12 after receiving state aid for construction, expansion, remodeling, or
13 renovation, or financing of construction, expansion, remodeling, or
14 renovation, of a hospital or health facility, the sponsor of the
15 hospital or health facility sells, leases, or otherwise transfers the
16 hospital or health facility other than to a municipality, nonprofit
17 corporation, or other nonprofit sponsor, the purchaser, lessee, or
18 transferee of the hospital or health facility shall return to the
19 state an amount equal to the amount of aid received by the sponsor.

20 * Sec. 2. It is the intent of the legislature that any revenue collect-
21 ed under AS 29.90.040 be appropriated for improving, increasing, or other-
22 wise expanding health care services and facilities in the state.

23 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
24 10.070(c).

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CS HB 396 (FIN)

FISCAL DETAIL

Agency Affected: C&RA, DHSS

Title: Relating to repayment of state aid for hospital and health facility construction

Program Category Affected: _____

Sponsor: House C&RA

BRU, Program or Subprogram(s) Affected: _____

Requestor: House Finance

Date of Request: 3/19/84

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

~~SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL~~

Revenue will be brought in due to passage of this bill. However, the amount of revenue depends on which facilities sell and how much aid the facility received from the state. Since the bill states that the legislature intends the funding to be used again for health purposes, it is probable that the appropriations approximate to the revenue brought in will be made to other health facilities.

ANALYSIS: Attach a separate page for analysis

Prepared By: Representative Al Adams, Chair *APA* Phone: 465-3706
Division: House Finance Committee Date: 3/19/84

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: HB 396
 Title: Audit & Financial Statement Require.
 Sponsor: HCR
 Requestor: HCR

II. FISCAL DETAIL

Agency Affected: Dept. of C & RA
 Program Category Affected: Development
 BRU, Program of Subprogram(s) Affected: Local Government Assistance Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Richard Rainery
 Division: Commissioner's Office
 Approved by Commissioner: [Signature]
 Department: Dept. of Community and Regional Affairs

Phone: 465-4703
 Date: 5/9/83
 Date: 5/9/83

Distribution:

Original to Legislative Finance
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Mae Tischer, Vice-Chairman
Randy Phillips
Milo Fritz
Don Clocksin
Jack McBride
Mike Szymanski

Room 104
State Capitol
Juneau, Alaska 99811

Pouch V
Juneau, Alaska 99811

House of Representatives Committee on Community & Regional Affairs

TO: Committee on Community and Regional Affairs
FROM: Staff
DATE: May 10th, 1983
RE: House Bill 396

HB 396 was introduced by the Committee on Community and Regional Affairs upon the request of the Administration.

The intent of the proposed legislation is to require second class cities that receive more than \$100,000 from various state funding sources including capital project grants, state revenue sharing, municipal aid and the raw fish shared tax, to have an independent financial audit performed annually.

Present law provides second class cities the option of preparing a financial statement or an independent audit.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

Bill Sheffield, Governor

POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

May 25, 1983

ANALYSIS OF IMPACT FOR HB 396

"An Act relating to certain audit and financial statement requirements."

The following are the numbers of cities or communities and the total dollars that would be affected by Sections 2 and 3 of HB 396.

Section 2

31 second class cities received over \$100,000 in combined funding in FY 82 under the State Revenue Sharing, Municipal Assistance, and Raw Fish Tax programs. This funding totalled \$5,016,273. A list of these cities is attached.

Section 3

Legislative grants to named second class cities in the FY 83 budget which were \$100,000 or greater totalled \$17,810,000. There were 87 grants in the budget (SCSHB 148 (Fin)) which fell into this category.

There are presently 61 grants to named unincorporated communities which equal or exceed \$100,000 and they total \$14,040,185.

For Informational Purposes

Grants under SB 168 to unincorporated communities would not be affected by this legislation, but at the request of the House Community and Regional Affairs Committee it is provided for informational purposes. There are approximately 43 grants under this program which total \$6,881,000.

Summary

Section 2--31 second class cities (SRS, MA, Raw Fish)	\$5,016,273
Section 3--87 second class cities (Legislative grants)	17,810,000
61 unincorporated communities (Leg. grants)...	<u>14,040,185</u>
TOTAL	\$36,866,458


Mark Lewis, Commissioner

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

May 9, 1983

POSITION PAPER

RE: HB 396

SPONSOR: House Community and Regional Affairs

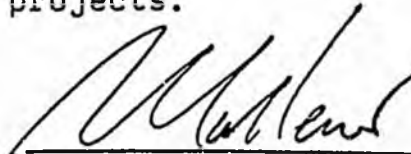
Program Effects of the Bill

This bill would require second class cities receiving more than \$100,000 in combined funding under the State Revenue Sharing, Municipal Assistance and the Raw Fish Shared Tax programs to prepare an annual independent audit. The bill would also allow state agencies to require an independent audit of a capital improvement project funded under AS 37.05.315-37.05.317 if the grant exceeds \$100,000.

Comments

The standard of requiring second class cities to provide certified annual income and expenditure statements in lieu of a complete independent audit was enacted when the level of State aid to municipalities was substantially less. With increased appropriations to the Municipal Assistance Program and the establishment of minimum entitlements under the State Revenue Sharing there is justification for increased accountability. An audit could, in fact, pay for itself through improvements in recordkeeping and efficiency.

Similarly, projects funded under AS 37.05.315-37.05.317 which exceed \$100,000 may need to be audited to insure proper accountability of the State funds. The Department would recommend at least giving the State the option of requiring an audit for these large grant projects.



Mark Lewis, Commissioner

Alaska
MUNICIPAL
League

TELEPHONES
(907) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

May 10, 1983

to: House C. & R.A. Committee
from: Ginny Chitwood *Ginny*
re: HB 396 - Audit Requirements for Second Class Cities

Summary: This bill requires all municipalities to provide for annual independent audits of the accounts and financial transactions, except second class cities receiving less than \$100,000 from revenue sharing, municipal assistance, and raw fish tax. Currently, no second class city is required to provide for an audit, but all other municipalities are. This bill also authorizes state agencies to require an independent audit of municipal grants for projects over \$100,000. The purpose of the bill is to ensure good financial procedures and accountability.

Section 1: AS 29.23.560 lists reports that municipalities must file with the Department of Community and Regional Affairs in order to be eligible for revenue sharing payments. Currently, second class cities are required to provide only statements of income and expenditures, but with this bill would be required to provide for independent audits if they receive \$100,000 or more from revenue sharing, municipal assistance, and raw fish tax.

Section 2: Chapter 48 of Title .29 is "Powers Applicable to All Municipalities". This bill amends AS 29.48.220. Post Audit to require second class cities to provide for an annual independent audit if they receive at least \$100,000 from the following sources:

- AS 29.88 - Revenue Sharing, Municipal Tax Resource Equilization
(the main, formula part of revenue sharing)
- AS 29.89 - Revenue Sharing, State Aid for Miscellaneous Purposes
(roads, hospitals & health facilities, etc.)
- AS 29.90 - Revenue Sharing, State Aid for Hospital Construction
- AS 29.95 - Revenue Sharing, Administration
(minimum entitlements & cost of living differentials)
- AS 43.20.016 - Sharing of Corporate Income Tax Revenue with
Municipalities (Municipal Assistance Fund)
- AS 43.75.130 - Refund to Local Governments of Fisheries Taxes
(Raw Fish Tax)

Section 3: This section of the bill amends the law to allow state agencies to require an audit of a grant for a capital improvement project if over \$100,000 is provided through AS 37.05.315 - Grants to Municipalities, AS 37.05.316 - Grants to Named Recipients, or AS 37.05.317 - Grants to Unincorporated Communities.

§ 29.48.200

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§ 29.48.210

MUNICIPAL GOVERNMENT

§ 29.48.260

cannot be said of discrimination by
municipal authority against a whole
class of persons who are lawfully re-
garded as proper subjects for police

regulation, such as persons without
occupation or visible means of sup-
port. *Guidoni v. Wheeler*, 230 F. 93
(9th Cir. 1916).

Sec. 29.48.210. Expenditure of borough revenues. Borough revenues levied and collected on an areawide basis by a home rule or general law borough may be expended on general administrative costs and on areawide functions only. Revenues levied and collected in the area outside cities only may be expended on general administrative costs and functions which render service to the area outside cities only. (§ 2 ch 118 SLA 1972)

Sec. 29.48.220. Post audit. The assembly or council shall provide for an annual independent audit of the accounts and financial transactions of the municipality or in the case of a second class city an audit or statement of annual income and expenditures. To make the audit the assembly or council shall designate a public accountant who has no personal interest, direct or indirect, in the fiscal affairs of the municipality. Copies of the audit shall be available to the public upon request. This section applies to home rule and general law municipalities. (§ 2 ch 118 SLA 1972)

Article 4. Miscellaneous Provisions.

Section
250. Centralized purchasing
260. Municipal properties

Section
270. Emergency disaster powers

Sec. 29.48.250. Centralized purchasing. The assembly or council may provide for centralized purchasing, storage and distribution of supplies, material and equipment for the municipality and its departments. (§ 2 ch 118 SLA 1972)

Sec. 29.48.260. Municipal properties. (a) A municipality may acquire and hold real and personal property or interest in property, and may sell, lease or otherwise dispose of property no longer required for municipal purposes.

(b) Notwithstanding the provisions of (c) of this section, a municipality may sell, lease, donate or exchange with the United States, the state, or a political subdivision real estate or other property, or interest in property, when in the judgment of the assembly or council it is advantageous to the municipality to do so.

(c) The assembly or council shall by ordinance establish a formal procedure for the sale, lease or disposition of real property or interest in real property. The ordinance shall require (1) an estimated value of the property by a qualified appraiser or the assessor; (2) a notice of sale published in a newspaper of general circulation distributed within the municipality at least 30 days before the date of the sale, lease, or disposition, or posted within that

Department of Transportation and Public Facilities. All bids with the names of the bidders and the amounts of the bids, together with all documents pertaining to the award of a contract, shall be made a part of a file or record and retained by the department for three years, unless reproduced by microfilming and these files or records are open to public inspection at all reasonable times. An aggrieved bidder may within five days after an award of contract appeal to the department for hearing, with notice to interested parties, for redetermination and final award in accordance with law.

(b) A contract for professional services shall be awarded in accordance with AS 24.23 or AS 36.98. (§ 4 art IV ch 82 SLA 1955; am § 1 ch 64 SLA 1976; am Executive Order No. 39, § 11 (1977); am § 9 ch 144 SLA 1982)

Effect of amendments. — The 1982 amendment, effective July 22, 1982, designated the former provisions of this section as subsection (a), and in that subsection, added "Except as otherwise provided in AS 37.05.230" to the beginning, deleted "taking into consideration conformity with

the specifications, terms of delivery, and other conditions imposed in the call for bids" from the end of the first sentence, and substituted the present second, third, and fourth sentences for those set out in the main pamphlet. The amendment also added subsection (b).

Article 5. General Provisions.

Section

- 315. Grants to municipalities
- 316. Grants to named recipients
- 317. Grants to unincorporated communities

Section

- 318. Exemption from regulations
- 319. Definitions

Sec. 37.05.300. Interpretation of AS 37.05.010 — 37.05.330.

Opinions of attorney general. — As to applicability of the chapter to the Univer-

sity of Alaska, see notes under this catchline following chapter heading.

Sec. 37.05.315. Grants to municipalities. (a) When an amount is appropriated or allocated as a grant to a municipality, the Department of Administration shall promptly notify the municipality of the availability of the grant. When the Department of Administration receives an agreement executed by the municipality which provides that the municipality (1) will spend the grant for the purposes specified in the appropriation or allocation; (2) will allow, on request, an audit by the state of the uses made of the grant; and (3) assures that, to the extent consistent with the purpose of the appropriation or allocation, the facilities and services provided with the grant will be available for the use of the general public, the Department of Administration shall pay the grant directly to the municipality. The agreement executed by a municipality under this section shall be on a form furnished by the Department of Administration and shall be executed within 60 days after the effective date of the appropriation or allocation.

(b) An appropriation or allocation for a grant to a municipality for construction of a public facility lapses if substantial, ongoing work on the project has not begun within five years after the effective date of the appropriation or allocation.

(c) In accepting a grant of money for construction of a public facility, a municipality covenants with the state that it will operate and maintain the facility for the practical life of the facility and that the municipality will not look to the state to operate or maintain the facility or pay for its operation or maintenance. This requirement does not apply to a grant of money for repair or improvement of an existing facility operated or maintained by the state at the time the grant is accepted if the repair or improvement for which the grant is made will not substantially increase the operating or maintenance costs to the state.

(d) Not less than 20 percent of a grant shall be paid to a municipality within 10 days of the effective date of the agreement under (a) of this section. The remainder of the grant shall be paid either in monthly installments equal to the amount of grant money the municipality expended in the previous month or in a lump sum as determined by the Department of Administration. (§ 1 ch 156 SLA 1980; am § 1 ch 4 SLA 1982)

Effect of amendments. — The 1982 amendment, effective January 16, 1982, in subsection (a), substituted "amount is appropriated or allocated" for "appropriation is made" in the first sentence, inserted "or allocation" in items (1) and (3) in the second sentence, and added "and shall be executed within 60 days after the effective date of the appropriation or allocation" to the end of the third sentence; redesignated the former fourth and fifth sentences of subsection (a) as subsection (d); inserted "or allocation" in two places in subsection (b); substituted "a" for "each" preceding

"municipality covenants" and "the practical life of the facility and that the municipality" for "its practical life and that it" in subsection (c); added the second sentence of subsection (c); deleted the provisions of former subsections (d), (f), and (g), which may now be found in AS 37.05.316, 37.05.317, and 37.05.318, respectively; and in present subsection (d), added "under (a) of this section" to the end of the first sentence. The substance of the provision of former subsection (e) may now be found at the end of the third sentence of subsection (a).

Sec. 37.05.316. Grants to named recipients. When an amount is appropriated or allocated to a department as a grant for a named recipient which is not a municipality, the department to which the appropriation or allocation is made shall promptly notify the named recipient of the availability of the grant and request the named recipient to submit a proposal to provide the goods or services specified in the appropriation act, or both, for which the appropriation or allocation is made. At the same time, the department may issue a request for proposals from other qualified persons to provide the same goods or services, or both, in the same area. The department shall contract with the named recipient unless the Office of the Governor, with due regard for any local expertise or experience among those making proposals, determines that an award of the contract to a different party would

better serve the public interest. If the contract is awarded to another party than that named by the legislature, the basis of that action shall be stated in writing at the time the grant is issued and a copy of the written statement shall be sent to the Legislative Budget and Audit Committee. A contract shall be executed within 60 days after the effective date of the appropriation or allocation. The purchase of the goods or services, or both, shall be in accordance with AS 37.05.230(1)(C). (§ 2 ch 4 SLA 1982)

Effective dates. — Section 3, ch. 4, SLA 1982, provides that this section take effect January 16, 1982, in accordance with AS 01.10.07(c).

Editor's notes. — The provisions of this section were formerly contained in AS 37.05.315(d) as it existed prior to the 1982 amendment of that section.

Sec. 37.05.317. Grants to unincorporated communities. When an amount is appropriated or allocated as a grant under this section to an unincorporated community, it shall be disbursed as follows:

(1) Within 45 days after the effective date of the appropriation or allocation, the Department of Community and Regional Affairs shall notify the governing body of the unincorporated community, if any, that a grant is available.

(2) The Department of Community and Regional Affairs shall determine if there is a qualified incorporated entity in the community area that will agree to receive the grant and administer it, subject to terms generally applicable to private grantees. If there is more than one such entity, the Department of Community and Regional Affairs shall select the most qualified and the grant shall be awarded to that incorporated entity for the purposes specified in the appropriation act. However, the Department of Community and Regional Affairs shall give preference to a nonprofit corporation organized by a community for receipt of the grant.

(3) If there is no incorporated entity qualified to receive the grant, the Department of Community and Regional Affairs shall administer the program as specified in the appropriation act directly or through agents or contractors with whom it may contract in the community area. (§ 2 ch 4 SLA 1982)

Effective dates. — Section 3, ch. 4, SLA 1982, provides that this section take effect January 16, 1982, in accordance with AS 01.10.07(c).

Editor's notes. — The provisions of this section were formerly contained in AS 37.05.315(f), which was deleted by the 1982 amendment.

Sec. 37.05.318. Exemption from regulations. Notwithstanding the Administrative Procedure Act (AS 44.62), the Fiscal Procedures Act (AS 37.05), and the Executive Budget Act (AS 37.07), a state agency may not adopt regulations or impose additional requirements or procedures to implement, interpret, make specific, or otherwise carry out the provisions of AS 37.05.315 — 37.05.317 unless required

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§ 37.05.319

PUBLIC FINANCE

§ 37.07.010

by the federal government for participation in federal programs. (§ 2 ch 4 SLA 1982)

Effective dates. — Section 3, ch. 4, SLA 1982, provides that this section take effect January 16, 1982, in accordance with AS 01.10.07(c).

Editor's notes. — The provisions of this section were formerly contained in AS 37.05.315(g), which was deleted by the 1982 amendment.

Sec. 37.05.319. Definitions. In AS 37.05.315 — 37.05.317, "appropriation" and "allocation" have the meanings set out in AS 37.07.120(4) and (5). (§ 2 ch 4 SLA 1982)

Effective dates. — Section 3, ch. 4, SLA 1982, provides that this section take effect

January 16, 1982, in accordance with AS 01.10.07(c).

Chapter 07. Executive Budget Act.

Section

- 10. Statement of policy
- 20. Responsibilities of the governor
- 40. Division of budget and management

Section

- 60. Governor's recommendation
- 70. Legislative review
- 80. Program execution

NOTES TO DECISIONS

The University of Alaska is subject to the provisions of this chapter. February 28, 1977, Op. Att'y Gen.
There is no constitutional obstacle to

making the University of Alaska subject to the provisions contained in this title. February 28, 1977, Op. Att'y Gen.

Sec. 37.07.010. Statement of policy. It is the purpose of this chapter to establish a comprehensive system for state program and financial management which furthers the capacity of the governor and legislature to plan and finance the services which they determine the state will provide for its citizens. The system shall include procedures for

(1) the orderly establishment, continuing review, and periodic revision of the program goals and policies of state agencies and financial goals and policies of the state;

(2) the development, coordination and review of long-range program and financial plans that will implement established state goals and policies;

(3) the preparation, coordination, analysis, and enactment of a budget which is organized to focus on the services provided by state agencies and on the cost of those services and which provides for implementation of policies and plans in the succeeding budget period;

Introduced: 5/3/83
Referred: Community & Regional
Affairs and Finance

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2

HOUSE BILL NO. 396

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to certain audit and financial
7 statement requirements."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 29.23.56(a)(2) is amended to read:

10 (2) a copy of the annual audit or [IN THE CASE OF SECOND
11 CLASS CITIES AN AUDIT OR] statement of annual income and expenditures
12 prepared under AS 29.48.220;

13 * Sec. 2. AS 29.48.220 is amended to read:

14 Sec. 29.48.220. POST AUDIT. The assembly or council shall
15 provide for an annual independent audit of the accounts and financial
16 transactions of the municipality or, in the case of a second class
17 city that receives less than \$100,000 during the fiscal year under
18 AS 29.88, AS 29.89, AS 29.90, AS 29.95, AS 43.20.016, and AS 43.75.-
19 130, an audit or statement of annual income and expenditures. To make
20 the audit the assembly or council shall designate a public accountant
21 who has no personal interest, direct or indirect, in the fiscal
22 affairs of the municipality. Copies of the audit shall be available
23 to the public upon request. This section applies to home rule and
24 general law municipalities.

25 * Sec. 3. AS 37.05.318 is amended to read:

26 Sec. 37.05.318. EXEMPTION FROM REGULATIONS. Notwithstanding the
27 Administrative Procedure Act (AS 44.62), the Fiscal Procedures Act (AS
28 37.05), and the Executive Budget Act (AS 37.07), a state agency may
29 not adopt regulations or impose additional requirements or procedures

1 to implement, interpret, make specific, or otherwise carry out the
2 provisions of AS 37.05.315 - 37.05.317 unless required by the federal
3 government for participation in federal programs. However, the state
4 agency may require an independent audit of a capital improvement
5 project for which over \$100,000 is provided under AS 37.05.315 -
6 37.05.317.