

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3225

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Titles 24 and 44 of the Alaska Statutes, we have reviewed the activities of the Council on Domestic Violence and Sexual Assault (Council) to determine if there is a demonstrated public need for its continued existence and if it has been operating in an efficient and effective manner. Currently, under AS 44.66.010(a)(5) the Council will terminate on June 30, 2006, having one year from that date to conclude its operations.

Objectives

There are two central, interrelated objectives of our report. They are:

1. To determine if the termination date of the Council should be extended.
2. To determine if the Council is operating in the public's interest. The assessment of the operations, and performance of the Council, was based upon AS 44.66.050(e). This statute sets out criteria to be used in determining a demonstrated public need for the Council.

Scope and Methodology

Our audit reviewed the operation and activities of the Council on Domestic Violence and Sexual Assault for the period of July 1, 2001 through June 30, 2005.

During the course of our examination, we attended the June 2005 funding meeting in Anchorage and interviewed various council members, staff, grantees, and individuals from state agencies. We also reviewed and evaluated the following:

- Applicable statutes and regulations
- Budget documents, session laws, and other legislative information related to the Council's operations
- Minutes of the Council meetings
- Grantee on-site monitoring performance and fiscal reviews prepared by the Council staff
- Statistical reports submitted by grantees
- Financial reports from the State Accounting System
- Other documents related to the Council's operations and mission, as necessary

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ORGANIZATION AND FUNCTION

The Council on Domestic Violence and Sexual Assault (Council) was established in the Department of Public Safety in 1981 by Alaska Statute 18.66. This statute gives the Council the authority "...to provide for planning and coordination of services to victims of domestic violence or sexual assault or to their families and to perpetrators of domestic violence and sexual assault and to provide for crisis intervention and prevention programs."

The primary functions of the commission include:

- developing, implementing, maintaining, and monitoring crisis intervention and prevention programs in coordination with authorities in the field of domestic violence and sexual assault;
- coordinating services with the Departments of Law, Education and Early Development, Public Safety, Health and Social Services, Corrections, and other state agencies and community groups;
- consulting with public employers, state and community agencies to provide continuing education programs for employees, and to formulate standards and procedures for health care employees;
- providing technical assistance to programs, state and community agencies; and
- dispensing, overseeing, monitoring, and coordinating existing services and developing expanded services/programs to meet the needs of victims of domestic violence, sexual assault, and other violent crimes.

The Council consists of seven members—four of whom are the commissioners or their designees—from the Departments of Public Safety (DPS), Health and Social Services (DHSS), Education and Early Development (DEED), and Law (DOL). The balance of the Council is comprised of persons from the public, appointed by the governor.

By statute, before making an appointment, the governor receives recommendations from and consults with the Alaska Network on Domestic Violence and Sexual Assault (Network) which is a nonprofit, private organization.¹

Council Members

As of November 23, 2005

Janna Stewart, Public Member, Chair
Susan Parkes, DOL, Vice Chair
Ann House, Public Member
Barbara Thompson, DEED
Karleen Jackson, DHSS
Kimberly Williams, Public Member
William Tandeske, DPS

The Council is staffed by an executive director, an administrative manager, three associate coordinators, a statistical technician, an administrative assistant, and an administrative clerk.

¹ The Alaska Network on Domestic Violence and Sexual Assault is comprised of 20 programs, many of which are council-funded programs.

The Council is authorized to receive and disperse both state and federal funds. Traditionally, a large part of the Council's responsibilities involve administering grants made to local community organizations for domestic violence, sexual assault, and crisis intervention and prevention programs. Grant administration includes providing technical assistance and monitoring the activities of the various grantees and contractors.

The community programs funded by the Council provide a variety of services to the public. Most importantly, their efforts are directed toward providing victims a safe environment, either through housing at a community shelter or the use of a network of designated "safe homes." Additionally, the programs are involved in educating and counseling the victim about domestic violence and sexual assault issues and providing a batterer's intervention services.

The Council's coordination role and responsibilities with other state and local agencies is extensive. For FY 06, the Council approved 19 community-based victim services programs, four community-based batterer's intervention programs, and two prison-based batterers' programs. (See Appendix A)

Funding Sources

The Council receives state general funds from two separate funding sources: the state general revenue and withheld Permanent Fund Dividends from convicted felons and misdemeanants who are incarcerated.

The Council also receives state and federal funds through the use of interagency receipts from the Department of Corrections (DOC) and DHSS. DHSS funds are: Sexual Assault Prevention (SAP), Rape Prevention and Education (RPE), Temporary Assistance for Needy Families (TANF), and Behavioral Health Alcohol Grant. Both SAP and RPE funds are part of the large Centers for Disease Control and Prevention grant administered by DHSS.

Additionally, many of the grants issued by the Council are supported by direct federal funds. Federal funds are received by the Council from sources such as:

- Family Violence Prevention Services Act
U.S. Department of Health and Human Services

The Family Violence Prevention Services Act provides federal funding to all states. This funding is used for domestic violence programs throughout Alaska. The programs receiving grants provide assistance funds to victims of domestic violence and their children. These programs operate shelter facilities which are staffed around the clock and provide a full spectrum of services, including basic food and immediate shelter, crisis intervention, counseling, and medical/legal/personal advocacy.

- Crime Victims Assistance
U.S. Department of Justice

This grant authorizes financial compensation for victims of crime and financial support for state and local agencies that provide services to crime victims. This fund is a U.S. Treasury account, generated entirely by the fines and penalties levied against criminals convicted of federal crimes. The majority of this funding is awarded directly to programs providing services to victims of domestic violence, sexual assault, and other violent crimes.

- Violence Against Women Act (VAWA)
U.S. Department of Justice

The grant services combine a series of federal sanctions and initiatives—as well as national, state, and local resources—to improve the response to crimes against women. These funds are delineated to five specific areas: prosecution, law enforcement, victim services, judicial, and discretionary. In April 1995, Governor Knowles designated the Council as lead agency for coordination and management of VAWA funds for the State of Alaska.

To accomplish this mission, the statewide Violence Against Women Planning and Implementation Committee (committee) was created.² The committee developed the annual plan for VAWA funding upon the Council's approval. The Council was then responsible for funding distribution, and subrecipient monitoring, of these projects.

In FY 04 the Council decided to disband the committee, citing inefficiency and duplication of duties performed by Council members and staff. The Council approves the spending plans of the Departments of Law and Public Safety, the Alaska Court System, and the Alaska Network on Domestic Violence and Sexual Assault for the prosecution, law enforcement, judicial, and victim services components, respectively. For the discretionary component, the Council distributes the fund through its Request for Proposal (RFP) grant process.

- Grants to Encourage Arrest Policies
U.S. Department of Justice

The Grants to Encourage Arrest Policies Program is a component of VAWA. This grant was focused on the development and implementation of laws, policies, and protocols that encourage or mandate the arrest of domestic violence offenders.

The Council currently receives supplemental funds to assist community-driven initiatives in providing regional state-tribal forums on domestic violence. The forums are attended by state troopers, local prosecutors, tribal/state judiciary, village public safety officers,

² The committee was comprised of 21 representatives of the VAWA components

tribal members/citizens, victim advocates, probation/parole and other social service/care providers, to enhance their skills and develop a greater understanding of topics critical to the safety of women and their children, offender accountability, and coordinated response to domestic violence. The training is also designed to promote communication, cooperation, and a mutual respect among the tribal/state/federal response systems.

- Rural Domestic Violence and Child Victimization
U.S. Department of Justice

The Rural Domestic Violence and Child Victimization Enforcement Grant implements certain provisions of the Violence Against Women Act. While this grant closed out in FY 03, the program provided a unique opportunity for law enforcement and prosecution agencies, the courts and nongovernmental victim services, community organizations, businesses in rural communities, and Indian tribes to collaborate in creating protocols and strategies tailored specifically to meet the needs of rural populations.

- Supervised Visitation, Safe Havens for Children
U.S. Department of Justice

The Safe Havens programs provides an opportunity for communities to support the supervised visitation and safe exchange of children, by and between parents, in situations involving domestic violence, child abuse, sexual assault, or stalking.

The State of Alaska through the Council—and in a collaborative effort with the Cook Inlet Tribal Council, Inc., Alaska State Court System, and Abused Women's Aid in Crisis—implemented the only supervised visitation center in the State.

- Denali Commission

To continue the capital improvement project started in FY 02 with private grants from the Wells Fargo Bank and the Rasmuson Foundation, the Council pursued grant funding with the Denali Commission. In FY 04, the Denali Commission received congressional direction to allocate \$5 million toward the upgrade and construction of shelters for victims of domestic violence. The Council has provided the Denali Commission with preaward, advisory input, and technical assistance to make optimal funding allocation decisions. As of March 2005, \$3.95 million has been committed for repair/renovation, new construction projects, or conceptual planning/design of shelter buildings.

REPORT CONCLUSIONS

Under AS 18.66, the Council on Domestic Violence and Sexual Assault (Council) is authorized to provide for the State's planning and coordination of full-range services to victims, their families, and perpetrators of domestic violence and sexual assault. Combating domestic violence and sexual assault is identified as an ongoing priority at both the state and national level.

Aside from the operational concerns addressed in this report, the Council is serving a public need and is operating in the public's interest. Currently, AS 44.66.010(a)(5) requires the Council to be terminated on June 30, 2006. We recommend the legislature extend the Council's termination date to June 30, 2014.

The Council is still facing personnel issues resulting from continual staff turnover. The Council has worked on developing personnel policies, procedures, and desk manuals to assist the staff; but due to limited staff, the Council was forced to focus primarily on grant maintenance and monitoring responsibility. Two of the Council's statutory mandates were not addressed. (See Recommendation 2)

The Council intends to work on a strategic plan to assess the effectiveness of services currently being provided by grantees and other state and local entities. The plan's overall goal is to identify and address existing gaps in service. One of the missions of the Council is to provide leadership in meeting the needs of domestic violence and sexual assault victims. A long-term strategic plan is certainly needed to assist the staff in establishing priorities. The work plan will help Council staff to effectively plan and coordinate services with state and community agencies, as well as provide services previously not offered to reduce the causes and incidence of domestic violence and to alleviate their effects.

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FINDINGS AND RECOMMENDATIONS

The Council on Domestic Violence and Sexual Assault's (Council) prior sunset audit³ reported several administrative weaknesses. Recommendation No. 1 is not resolved and reinstated below as Recommendation No. 2. Prior audit Recommendations No. 2 and 3 were resolved. Recommendations No. 4 and 5 were partially resolved and are readdressed and combined into Recommendation No. 1 below.

Recommendation No. 1

The Council should address its statutory responsibilities to consult with the Department of Education and Early Development and the Department of Health and Social Services.

Prior Finding

Statutory changes implemented in July 1, 1996, significantly increased the scope of the Council's responsibilities. In response, the Council's budgeted staff increased from four to eight positions. During our last sunset audit, the Council was unable to or ineffective in addressing some of their statutory responsibilities due to administrative weaknesses and lack of prioritization.

The prior sunset audit reported that grantees had varying degrees of success in gaining access to their local schools and used a variety of methods to address domestic violence and sexual assault education needs. In addition, although the Council collaborated with the Alaska Family Violence Prevention Project, Department of Health and Social Services (DHSS), on a domestic violence and child abuse workshops, the Council has not worked with DHSS to develop standards and procedures as required in AS 18.66.300.

Alaska Statute AS 18.66.050(3) and (12) states the Council shall:

(3) consult with authorities in the field, develop, implement, maintain, and monitor domestic violence, sexual assault, and crisis intervention and prevention programs, including education programs...and school curricula on the causes, prevention, and treatment of domestic violence and sexual assault. [emphasis added]

(12) consult with the Department of Health and Social Services in the formulation of standards and procedures for delivery of services to victims of domestic violence by health care facilities and practitioners of healing arts and personnel in those facilities as required in AS 18.66.300.

³ Audit Control Number 12-20014-02, Department of Public Safety, Sunset Audit on Council on Domestic Violence Assault dated October 31, 2001.

Legislative Audit's Current Position

The Council has faced personnel issues resulting from position turnover since FY 01, particularly in the executive director and associate coordinator positions. During the past four years, three individuals were hired for the executive director's position. The executive director and associate coordinators are key positions for the Council to fulfill its 14 mandates.

With limited staffing and several mandates, the Council chose to focus primarily on their grant funding and oversight role. This is to ensure continued funding of grant programs. Grant accountability and reporting is time consuming, but essential for the programmatic and administrative oversight of grants for victim services and batterers intervention programs.

However, there is still a need for a more coordinated effort with the Department of Education and Early Development (DEED) towards education in school districts throughout the State. AS 14.30.360(b) states "*the state board shall establish guidelines for a health and personal safety education program. Personal guidelines shall be developed in consultation with the Council on Domestic Violence and Sexual Assault...*" There are currently no health and personal safety education guidelines available on domestic violence and sexual assault for school personnel to use. The Council should consult with DEED, school district representatives, and grantees who have worked toward curriculum development, in creating a comprehensive standardized curriculum to be used within the schools statewide.

There is also a need for the Council to become involved with DHSS to ensure that standards and procedures are available for the delivery of services by health care facilities and its personnel. Council-funded grantees are often approached by health care providers on issues of domestic violence and sexual assault.

However, as the statewide representative, the Council should coordinate this effort at the departmental-level rather than at the grantee-level. The Council should consult with DHSS regarding development of comprehensive standards and procedures to be used by all agencies for the victims of domestic violence and sexual assault, including council-funded grantees and health care providers within the State.

AS 18.66.050(3) and AS 18.66.050(12) discuss the Council working with state departments to develop standards, procedures, and education programs. However, due to limited staffing and the Council's focus on grant maintenance and monitoring, the Council has been unable to fully address these statutory mandates. Given the significance of these mandates, we recommend that the Council take immediate action and implement procedures to address both statutes.

Recommendation No. 2

The legislature should amend the Council on Domestic Violence and Sexual Assault's statutes related to appointment of council members.

Prior Finding

The Network on Domestic Violence and Sexual Assault (Network) submits recommendations, to the Governor, of public members qualified to serve on the Council. The Network also receives grant funds from the Council. The Council consists of four state officials and three public members appointed by the governor. Alaska Statute 18.66.020(a)(1) and AS 18.66.020(b), in part, states:

(a)(1) The council consists of three persons appointed by the governor after consultation with the Network on Domestic Violence and Sexual Assault, a non profit corporation; The Network on Domestic Violence and Sexual Assault shall submit a list to the governor of persons recommended for appointment.

(b) ... A vacancy on the council shall be filled for the unexpired term by appointment by the governor after consultation with the Network on Domestic Violence.

The Network also annually receives a grant from the Council for a legal advocacy project. The grant is the victim services⁴ allocation of the Violence Against Women Act (VAWA) federal funding received by the Council.

The appearance of a conflict of interests exists when a council member reviews, evaluates, approves, and monitors a grant to the same nonprofit corporation which was responsible for recommending that individual to the council membership.

It is entirely appropriate for the governor to consult with any interested parties when making appointments to the Council. However, it is a statutory mandate for the governor to consult with the Network, over the appointment of public members, when the Network itself is a subgrantee of the Council that raises an appearance of a conflict of interest.

Legislative Audit's Current Position

Since the last audit, AS 18.66.020 has not been revised and the Network continues to get funding from the Council. However, of the last five public members appointed to the Council, only two were recommended by the Network.

⁴ The VAWA federal funds are distributed in the following manner: 5% for judicial, 25% for law enforcement, 25% prosecution; 30% for victim services; and 15% to discretionary funds.

To avoid any appearance of a conflict of interest between public member appointments and receiving funding, we continue to recommend the legislature amend AS 18.66.020 to: (1) eliminate the mandate for the Network to recommend individuals to the governor for appointment to the Council, and (2) eliminate the requirement for the governor to consult with the Network on the appointment or reappointment of the council's public members.

A ANALYSIS OF PUBLIC NEED D

The following analyses of board activities relate to the public need factors defined in AS 44.66.050(c). These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

Determine the extent to which the board, commission, or program has operated in the public interest.

The Council has awarded and administered grant funds to local community organizations and programs that provide services to victims of domestic violence and sexual assault, batterer intervention services to perpetrators of domestic violence, and crisis intervention and prevention programs. The presentation element of the funding meeting is generally accepted and approved by all of the grantees. Public participation was encouraged and legislative intent was considered in the funding process. The Council strives to treat urban and rural participants fairly throughout the grant award process. The Council exercises oversight and performs on-site audits of most grant recipients.

The Council coordinates the efforts of many state and community agencies, working toward a comprehensive statewide system, to combat domestic violence and sexual assault. Overall, we conclude that the Council is performing its coordination duties.

The Council provides technical assistance in various forms to state agencies, law enforcement agencies, grantees, and community groups on a regular basis.

The Council worked on getting private and federal funding for capital improvement projects for the facilities of victim services providers. In addition, the State of Alaska, through the Council—in a collaborative effort with the Cook Inlet Tribal Council, Alaska State Court System, and Abused Women's Aid in Crisis—implemented the only supervised visitation center in the State with federal funding.

The Council has provided funds to assist in the development of training materials and participation in training events related to domestic violence and sexual assault. The Council has also provided statewide training with the regional State-Tribal forum on domestic violence. Training has been used by law enforcement officers, prosecutors, judicial officers, tribal citizens, probation/parole officers, social service providers, grantees, and community groups.

The Council provides domestic violence and sexual assault education on a local level through its grantees. The Council maintains a lending library with educational and reference materials available that are both adequate and appropriate to address the cause, prevention, and treatment of domestic violence and sexual assault.

Determine the extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices that it has adopted, and any other matter, including budgetary, resource, and personnel matters.

The Council's board members have been appointed in accordance with Alaska statutes. All appointed members have shown an interest in matters dealing with the domestic violence and sexual assault. In addition, the Council is in a position to facilitate the resolution of coordination issues at the local level with representatives who oversee these areas at the state level.

The Council installed a new web-based database system in early FY 05. Although fairly new, the database system will be able to provide accurate, unduplicated statistical programmatic information for decision making. Overall, this system is expected to meet a critical need for coordinated standardized measurement and recording of statistical data between agencies.

AS 18.66.050(10) requires the Council to submit an annual report to the governor, and notify the legislature about the availability of the report. Although the statute is silent if such report is to be based on the calendar year or fiscal year, customarily the Council has submitted reports on fiscal year basis. The Council submitted the report to the governor on time for FY 02; but a few months late for FY 03 and FY 04 due to staff vacancy.

For the FY 06 grant award, the Council did not fund new programs choosing to maintain core services with existing council-funded programs. With a shrinking budget, the Council faced tough grant-funding decisions. The Council's grant award process is objective. The Council members reviewed the overall needs, economies of scale, duplication of services within geographic areas, and sustainability of existing programs. During the FY 05 funding meeting, grantees presented their financial struggle in keeping staff due to increasing operational costs, such as heating, lighting, and health insurance.

Other than occasional operational costs, the victim services programs have not received substantial core services funding increases.⁵ In addition, the batterers intervention programs have not seen any increase in their grant awards. In fact, the community-based batterers intervention programs had their budget reduced from \$320,000 to \$200,000 in FY 04. The schedule of grants awarded between FY 03 through FY 06 is located on Appendix A.

The financial schedule shown in Exhibit 1 (on the following page) depicts the Council's actual operating expenditures and funding sources between FY 02 through FY 05. The Council's funding sources are federal, state general funds, permanent fund dividends⁶, and interagency receipts from DHSS and the DOC. Overall, the Council's operating budget has decreased between FY 02 and FY 05 and amounts paid by the general fund continue to fall.

⁵ Using carry over authorization from prior year federal grants, the Council funded an extra \$513,159 to cover health insurance cost increases in FY 03 for victim services programs. For the FY 06 grant awards, the legislature also appropriated an additional \$200,000 for the victim services programs to cover operational costs.

⁶ These are Permanent Fund Dividend amounts withheld from convicted felons and misdemeanants who are incarcerated. The PFD is the main source of funding for the Council's batterers intervention program.

Exhibit 1
Schedule of Operating Expenditure and Funding Sources

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>
Expenditures:				
Personal Services	432,156	486,533	441,162	380,137
Travel	54,548	47,743	87,933	116,594
Contractual	544,252	536,279	539,782	529,788
Supplies	7,233	15,273	6,001	14,418
Equipment	4,474	1,997	9,382	-
Grants to Programs ⁷	7,950,647	8,555,081	8,262,676	7,742,461
Total Operating Expenditures	\$ 8,993,310	\$ 9,642,906	\$9,346,936	\$8,783,398
Funding Sources				
Federal Receipts	2,363,358	2,966,083	4,452,958	3,627,593
Interagency Receipts from DHSS ⁸	1,351,840	1,592,114	494,237	1,007,221
Interagency Receipts from DOC ⁹	155,382	174,565	174,700	157,990
Other Miscellaneous Receipts	291	507	701	438
General Fund Appropriations	5,122,439	4,909,637	4,224,340	3,990,156
Total Funding Sources	\$ 8,993,310	\$ 9,642,906	\$9,346,936	\$ 8,783,398

Additionally, in order to maintain funding for the grantee programs, the Council decided to fill their FY 05 budget shortfall through vacancies in Council staff. Although this is a reasonable decision, the Council has not fulfilled its statutory mandates due to limited staff resources, see Recommendation No. 1.

Determine the extent to which the board, commission, or agency has recommended statutory changes that are generally of benefit to the public interest.

The Council is generally asked by other agencies to review statutory changes contained in proposed legislation. Typically, Council members/staff review and comment on proposed legislation rather than developing and seeking support for its own measures. The Council discusses pertinent bills deciding which legislation the Council should support, remain neutral on, or oppose. The executive director develops, analyzes, and testifies on bills at the direction of the Council.

⁷ Grant amounts exclude capital improvement expenditures funded through capital appropriations.

⁸ Department of Health and Social Services' RSA mostly funds the victim services programs.

⁹ \$98,238 of the Department of Corrections' RSA funds the prison-based batterers intervention programs, with the remainder amount funding the administrative costs for both community-based and prison-based batterers intervention programs.

Legislation that was supported by the Council include the following:

- HB 332 (Chapter 91 SLA 2002) – amended the Council’s statute where the Council hires the executive director and the executive director now hires the staff. This legislation also placed the executive director and staff into exempt service.
- HB 328 (Chapter 15 SLA 2004) – related to certain victim’s rights and the Violent Crimes Compensation Board.
- HB 385 (Chapter 111 SLA 2004) – related to awarding child custody
- HB 398 (Chapter 19 SLA 2004) – established the domestic violence fatality review teams in areas of the State.

Determine the extent to which the board, commission, or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service that it has provided.

The Council encourages interested parties to comment on its decisions or regulations by publicly announcing its meetings. The Council holds at least four meetings per year, normally in Anchorage or Juneau. Meetings held in Juneau are typically teleconferenced statewide.

Determine the extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

The Council encourages public participation by posting the Council’s meeting schedule on their website. Time is provided on the agenda of every public meeting for public comment. Grantee agencies are allocated time to speak directly to the Council at the main “funding” meeting. Also at each of its meetings, the Council schedules time for presentations from the Network and other community groups involved in the field of domestic violence and sexual assault.

Determine the efficiency with which public inquiries or complaints regarding the activities of the board, commission, or agency filed with it, with the department to which a board or commission is administratively assigned, or with the office of victims' rights or the office of the ombudsman have been processed and resolved.

We found no problems in this area. Complaint procedures are in place, followed when complaints are made, and files are maintained. No complaint activity was noted from FY 02 through FY 05.

Determine the extent to which a board or commission that regulates entry into an occupation or profession has presented qualified applicants to serve the public.

Since the Council does not regulate any occupations or professions, this is not applicable.

Determine the extent to which state personnel practices, including affirmative action requirements, have been complied with by the board, commission, or agency to its own activities and the area of activity or interest.

No complaints against the Council were identified.

Determine the extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency, board, or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection.

The previous sunset audit reported administrative issues with the line of authorities and undefined job responsibilities with the staff. Although the administrative weaknesses have been resolved, the Council is still facing personnel issues related to constant staff turnover. It takes considerable time to train new personnel and finish projects due to staff turnover.

The Council chose to concentrate on fulfilling its mandates through grant funding although with fewer resources, and focused less on its other mandates such as: (1) consultation with Department of Education and Early Development (DEED) to develop and implement standardized school curricula, and (2) Department of Health and Social Services (DHSS) to formulate standards and procedures for health care personnel.

There is still need for a more coordinated effort towards education in school districts across the State. The Council should consult with DEED's school district representatives and grantees, who have worked toward creating a comprehensive standardized curriculum to guide schools across the State.

There is also a need for statewide coordination efforts between the Council and DHSS, ensuring standards and procedures are available to health care facilities and practitioners of the healing arts and personnel in those facilities that provide services for victims of domestic violence in the communities across the State.

Determine the extent to which the board, commission, or agency has effectively attained its objectives and purposes and the efficiency with which the board, commission, or agency has operated.

The Council's purpose is to provide planning and coordination of services for victims of domestic violence or sexual assault or to their families, to perpetrators of domestic violence and sexual assault, and to provide for crisis intervention and prevention programs.

The Council, as the state agency responsible for administering the majority of crime victim assistance funding resources in Alaska, has been very effective with their coordination of services and outreach efforts through their grant award process. As an effective means to use and spread limited funds, the Council has ensured that Council-funded programs provide

coordinated efforts within the local communities such as law enforcement agencies, tribal groups, social service providers, hospitals, schools, courts systems, among others.

To continue with its mission, the Council plans to work on strategic planning to assess the effectiveness of services currently being provided by grantees and other state and local entities. The overall goal of the plan is to identify and address existing gaps in service.

Determine the extent to which the board, commission, or agency duplicates the activities of another governmental agency or the private sector.

One of the Council's major objectives is the coordination of agencies, both state and local, that share the similar objective of combating the effects of domestic violence and sexual assault. No other agency is in a position to have an impact on this issue in this manner. Its existence is to help ensure that various agencies work together to effectively respond to Alaska's high rate of domestic violence and sexual assault. As a result, its activities do not duplicate the activities of the governmental agencies or the private sector.

Appendix A
 Council on Domestic Violence and Sexual Assault
 Schedule of Grants Awarded FY 03 through FY 06
 (unaudited)

	FY03	FY04	FY05	FY06
Victim Services Program Grants				
Abused Women's Aid in Crisis (Anchorage)	\$ 843,816	\$ 805,816	\$ 805,816	\$ 828,616
Advocates for Victims of Violence (Valdez)	237,598	213,181	213,181	219,576
Aiding Women in Abuse and Rape Emergencies (Juneau)	561,147	489,641	489,641	504,330
Alaska Family Services (Palmer)	418,486	418,486	418,486	453,575
Alaska Women's Resource Center (Anchorage)	215,636	197,836	197,836	199,634
Arctic Women in Crisis (Barrow)	244,703	242,571	242,571	249,848
Bering Sea Women's Group (Nome)	420,706	420,706	420,706	465,406
Cordova Family Resource Center	55,504	51,421	51,421	52,964
Ermonak Women's Services	180,855	183,599	183,599	-
Interior Alaska Center for Non-Violent Living (Fairbanks)	694,296	679,296	679,296	702,642
Kodiak Women's Resource and Crisis Center	285,551	264,326	264,326	272,256
LeeShore Center (Kenai-Soldotna)	413,389	397,401	397,401	409,323
Safe and Fear-Free Environment (Dillingham)	353,716	330,116	330,116	385,116
Seaview Community Services (Seward)	77,811	77,811	77,811	80,145
Sitkans Against Family Violence	339,766	303,401	303,401	312,503
South Peninsula Women's Services (Homer)	273,145	249,091	249,091	283,555
Standing Together Against Rape (Anchorage)	436,706	396,706	396,706	412,789
Tundra Women's Coalition (Bethel)	625,809	608,133	608,133	704,133
Unalaskans Against Sexual Assault and Family Violence	133,607	123,001	123,001	126,691
Victims for Justice (Anchorage)	53,199	26,078	26,078	-
Women in Safe Homes (Ketchikan)	557,183	517,183	517,183	532,698
Total Victim Services Program Grants	7,422,629	6,995,800	6,995,800	7,195,800
Community Based Batterer Intervention Program Grants				
Alaska Family Services (Palmer)	\$ 57,000	\$ 55,812	\$ 55,812	\$ 55,812
Interior Alaska Center for Non-Violent Living (Fairbanks)	68,500	67,312	67,312	67,312
Island Counseling Services (Sitka)	42,500	-	-	-
Ketchikan Indian Corporation	52,500	51,313	51,313	51,313
Social Alternatives (Cordova)	-	-	-	-
South Peninsula Women's Services (Homer)	29,500	25,563	25,563	25,563
Tongass Community Counseling Center	70,000	-	-	-
Total Community Based Batterer Intervention Program Grants	320,000	200,000	200,000	200,000

Appendix A
 Council on Domestic Violence and Sexual Assault
 Schedule of Grants Awarded FY 03 through FY 06
 (unaudited)

	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
Prison Batterer Intervention Program Grants				
Alaska Family Services (Palmer)	\$ 40,000	\$ 56,589	\$ 56,589	\$ 56,589
Interior Alaska Center for Non-Violent Living (Fairbanks)	25,386	41,648	41,648	41,648
Tongass Community Counseling Center (Juneau)	32,851	-	-	-
Total Prison Batterer Intervention Program Grants	<u>98,237</u>	<u>98,237</u>	<u>98,237</u>	<u>98,237</u>
Violence Against Women Act (VAWA) Grants				
Alaska Network on Domestic Violence and Sexual Assault	\$ 235,500	\$ 223,440	\$ 216,030	\$ 216,315
Dept. of Law Reimbursable Services Agreement	196,250	186,200	180,025	180,263
Dept. of Public Safety Reimbursable Services Agreement	196,250	186,200	180,025	180,263
Alaska Court System Reimbursable Services Agreement	39,250	37,240	36,005	36,052
Discretionary (See "Note" below)	78,500	111,720	108,015	108,157
Total VAWA Grants	<u>\$ 745,750</u>	<u>\$ 744,800</u>	<u>\$ 720,100</u>	<u>\$ 721,050</u>
TOTAL	<u><u>\$ 8,586,616</u></u>	<u><u>\$ 8,038,837</u></u>	<u><u>\$ 8,014,137</u></u>	<u><u>\$ 8,215,087</u></u>

Note: Between FY 02 through FY 05, the Council awarded the VAWA fund discretionary allocation to the Network, Wasilla Police Department, Safe and Fear-Free Environment (SAFE), South Peninsula Women's Services (SPWS), Aiding Women Against Rape Emergencies (AWARE), Tundra Women's Coalition (TWC), Standing Together Against Rape (STAR), and Bering Sea Women's Group (BSWG) for victim services projects.



State of Alaska
Department of Public Safety
Council on Domestic Violence & Sexual Assault

Frank H. Miller, Governor
William T. Miller, Commissioner

December 21, 2005

Pat Davidson
Alaska State Legislature
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, Alaska 99811-3300

RE: Preliminary Report Response, Council on Domestic Violence and Sexual Assault.

Thank you for the opportunity to respond to the findings and recommendations of the November 2005 audit.

The Council agrees with Recommendation No. 1, and has already entered into discussions with the Department of Education and Early Development (DEED) about developing a closer working relationship consistent with the statutory mandate. In our initial contacts, for example, we determined that several years ago DEED collaborated with the Council on statewide teacher training. Currently DEED is developing modules on domestic violence and sexual assault (DVSA). DEED and the Council have already established a process for the Council to be included in reviewing those modules. We will collaborate through meetings, teleconferences, work groups, and other avenues as appropriate.

Regarding Recommendation No. 1 and the Department of Health and Human Services (DHSS), the Council has begun targeted discussions regarding the interface between the DHSS programs and DVSA issues. Many of the DHSS program areas assist individuals and families with multiple problems including DVSA as it impacts families, children, and elders. In reviewing potential areas of coordination and planning, we have identified some areas that should provide for fruitful collaboration, including the development of program staff training and the possibility of requiring relevant training for service providers under contract with DHSS. We will continue to coordinate through teleconferences, meetings, and workgroups, as appropriate, to assess and prioritize the impact of DVSA issues within DHSS.

Regarding Recommendation No. 2, while the Council recognizes and understands the merit of this issue, it is important to note that the Governor is not bound by any recommendation made by the Alaska Network on Domestic Violence and Sexual Assault (Network). Because of this safeguard, the Council believes that obtaining input from the Network, which has significant knowledge and expertise, outweighs any limitations or theoretical conflicts.

Finally, in general, the Council continues its strategic planning efforts, continues to explore grant and foundation funding for statewide domestic violence and sexual assault programs, and continues to strengthen and develop its own personnel and office resources.

We appreciate the work of the Division of Legislative Audit and look forward to working with you in the future.

Council on Domestic Violence & Sexual Assault
P.O. Box 111200 - Juneau, AK 99811 - Voice (907) 465-4356 - Fax (907) 465-3627

Sincerely,

Janna L. Stewart
CDVSA, Chair

Cc: CDVSA Board Members

October 31, 2001

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF PUBLIC SAFETY
COUNCIL ON DOMESTIC VIOLENCE
AND SEXUAL ASSAULT

October 31, 2001

12-20014-02

This audit was conducted as required by AS 44.66.050 and under the authority of AS 24.20.271(1). Alaska Statute 44.66.050(c) lists criteria to be used to assess the demonstrated public need for a given board, commission, agency, or program subject to the sunset review process. Currently under AS 44.66.010(a)(11), the Council on Domestic Violence and Sexual Assault is scheduled to termination June 30, 2002. The council would have one year from that date to conclude operations.

In our opinion, the termination date for the Council on Domestic Violence and Sexual Assault should be extended. The council serves a public need and is operating in the public's interest. We recommend that the legislature extend the council's termination date to June 30, 2006.

The audit was conducted in accordance with generally accepted government auditing standards. Fieldwork procedures utilized in the course of developing the findings and discussion presented in this report are discussed in the Objectives, Scope, and Methodology section.

Pat Davidson, CPA
Legislative Auditor

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Council on Domestic Violence and Sexual Assault (council) to determine whether it was operating in the best interest of the public and if it should be statutorily continued in operation. As required by AS 44.66.050(a), the committee of reference shall consider this report during the legislative oversight process to determine whether the council should be reestablished. Currently, under AS 44.66.010(a)(11) the council will terminate on June 30, 2002, and will have one year from that date to conclude its operation.

Objectives

There are two central, interrelated objectives of our report. They are:

1. To determine if the termination date of the council should be extended.
2. To determine if the council is operating in the public's interest. The assessment of the operations, and performance of the council, was based upon AS 44.66.050(c). This statute sets out criteria that are to be used in determining a demonstrated public need for the council.

Scope and Methodology

Our audit reviewed the operation and activities of the Council on Domestic Violence and Sexual Assault for the period of FY 99 through the date of our report.

During the course of our examination, we reviewed and evaluated the following:

- Applicable statutes and regulations.
- Budget documents, session laws, and other legislative information related to the council's operations.
- The executive director's reading files.
- Minutes of council meetings.
- Grantee on-site monitoring performance and fiscal reviews prepared by council staff.
- Statistical reports submitted by grantees.
- Financial reports from the State Accounting System.
- Other documents related to the council's operations and mission, as necessary.

In addition, we interviewed:

- Various council members and staff.
- Council grantees, school districts, judges, state troopers, police officers, and other individuals with whom council staff and council members consult and coordinate.
- Individuals from other state agencies.
- Council staff.

ORGANIZATION AND FUNCTION

The Council on Domestic Violence and Sexual Assault (council) was established in the Department of Public Safety in 1981 by Alaska Statute 18.66. This statute gives the council the authority " ... to provide for planning and coordination of services to victims of domestic violence or sexual assault or to their families and to perpetrators of domestic violence and sexual assault and to provide for crisis intervention and prevention programs."

The council consists of seven members, four of whom are the commissioners, or their designees, of the Departments of Public Safety, Health and Social Services, Education and Early Development, and Law. The balance of the council is comprised of persons from the public appointed at the governor's discretion.

By statute, before making appointments, the governor receives recommendations from and consults with the Alaska Network on Domestic Violence and Sexual Assault (a non-profit, private organization).¹

Council Members

As of September 20, 2001

Barbara Thompson, DEED, Chair
Cindy Cooper, DOLaw, Vice Chair
Mary Scheetz-Freymiller, Public Member
Diane Disanto, DHISS
Del Smith, Public Safety
Tammy Young, Public Member
Shirley Dean, Public Member

*terms expired August 1, 2001 however no replacement to date

The council is staffed by an executive director, an administrative manager, three project coordinators, a statistical technician, an administrative assistant and an administrative clerk. The council is authorized to receive and disperse both state and federal funds. Traditionally a large part of the council's responsibilities involve administering grants made to local community organizations for domestic violence, sexual assault, and crisis intervention and prevention programs. Grant administration includes providing technical assistance and monitoring the activities of the various grantees and contractors.

The community programs funded by the council provide a variety of services to the public. Most importantly, their efforts are directed toward providing victims a safe environment either through housing at a community shelter, or the use of a network of designated "safe homes". Additionally, the programs are involved in educating and counseling the victim about domestic violence and sexual assault issues and providing batterers' intervention services.

The council's coordination role and responsibilities with other state and local agencies is extensive. In FY 02 the council approved funding to 21 community-based victim services programs, seven community-based batterers' intervention programs, and three prison-based batterers' programs. (See Appendix A.)

¹ The Alaska Network on Domestic Violence and Sexual Assault is comprised of 20 programs, many of which are council funded programs. The network does annual training for members, acts as a legislative lobbying group, and sits as a non-voting member on council committees

Many of the grants issued by the council are supported by federal funds. Federal funds are received by the council from sources such as:

- Family Violence Prevention and Services Grants (CFDA 93.671)
US Department of Health and Human Services

The Family Violence Prevention Services Act provides federal funding to all states. This funding is used for domestic violence programs throughout Alaska. The programs receiving grants provide assistance to victims of domestic violence and their children. These programs operate shelter facilities which are staffed around the clock and provide a full spectrum of services, including basic food and immediate shelter, crisis intervention, counseling, and medical/legal/personal advocacy.

- Crime Victims Assistance (CFDA 16.575)
US Department of Justice

This grant authorizes financial compensation for victims of crime and financial support for state and local agencies that provide services to crime victims. This fund is a U.S. Treasury account generated entirely by the fines and penalties levied against criminals convicted of federal crimes. The majority of this funding is awarded directly to programs that provide services to victims of domestic violence, sexual assault and other violent crimes. In addition to funding programs, a portion of this grant is used to fund a Victim Services Coordinator position with the Department of Corrections.

- Violence Against Women Act (CFDA 16.588)
US Department of Justice

The grant services combine a series of federal sanctions and initiatives as well as national, state, and local resources to improve the response to crimes against women. These funds are delineated to four specific areas: prosecution, law enforcement, victim services, and discretionary. In April 1995, Governor Knowles designated the council as the lead agency for the coordination and management of the Violence Against Women Act funds for the State of Alaska.

To accomplish this mission, the statewide Violence Against Women Planning and Implementation Committee was created. The membership of the Planning and Implementation Committee includes representatives from the court system; Department of Corrections; Maternal, Child and Family Health, Department of Health and Social Services; Department of Law; Department of Public Safety; Alaska Network on Domestic Violence and Sexual Assault; Alaska Judicial Council, and Violence Against Indian Women grantee. The council is responsible for funding distribution and subrecipient monitoring of these projects.

REPORT CONCLUSIONS

Under AS 18.66, the Council on Domestic Violence and Sexual Assault (council) is authorized to provide for the State's planning and coordination of the full range of services to victims, their families, and perpetrators of domestic violence and sexual assault. Combating domestic violence and sexual assault is identified as an ongoing priority at both the state and national level.

Aside from the operational concerns addressed in this report, the council is serving a public need and is operating in the public's interest. Currently, AS 44.66.010(a)(11) requires that the council be terminated on June 30, 2002. We recommend the legislature extend the council's termination date to June 30, 2006.

The Alaska Network on Domestic Violence and Sexual Assault (Network), a nonprofit organization, and the council often work jointly or contractually on statewide projects to strengthen the state's response to violence against women. This joint effort has had a positive impact. However, we recommend that the council reconsider the nature of its working relationship with Network.

The council needs to establish clear and distinctive roles for the council members and staff, and the Network. These roles must be consistent with the governor's directive for the council's programmatic and administrative oversight of federal funding. As a recipient of council funds, it is inappropriate for the Network to have a legally mandated role in recommending the public members of the council to the governor for selection. (See Recommendations Nos. 1 and 2.)

Statutory changes implemented July 1, 1996, significantly increased the scope of the council's responsibilities. Between FY 98 and FY 01, the council's budgeted staff increased from four to eight positions. However, the council has been unable to or ineffective in addressing some of their statutory responsibilities, in part due to administrative shortcomings. (See Recommendations Nos. 3, 4 and 5.)

Other council weaknesses addressed in recent legislative audits and not readdressed in this audit include the following:

1. Department of Public Safety, Council on Domestic Violence and Sexual Assault, Batterer Intervention Programs February 9, 2001 (Audit Control Number 12-1606-01)

The Batterer Intervention Programs audit contained five recommendations relating to the council. These recommendations primarily addressed the following concerns:

- Due to a lack of data, none of the specific operational questions concerning batterers and the effectiveness of batterer intervention programs could be fully answered.

- Due to the absence of written procedures, council staff was not able to perform their job duties consistently and successfully. Specifically, the council does not have policies and procedures in reviewing, evaluating, and monitoring batterer intervention programs.
- Batterers are not adequately monitored, either not attending, or not completing batterer intervention programs, and programmatic noncompliance issues are not being fully addressed.

2. Statewide Single Audit for Fiscal Year Ended June 30, 2000 – July 16, 2001 (Audit Control Number 02-40001-01).

The statewide single audit contained five recommendations to the executive director of the council. These recommendations primarily addressed the need to improve the monitoring and management of federal funds being provided to subrecipient grantees.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The legislature should amend the Council on Domestic Violence and Sexual Assault's statutes related to appointment of council members.

The Network on Domestic Violence and Sexual Assault (Network) both recommends public members to serve on the council and receives grant funds from the council. The council consists of four state officials and three public members appointed by the governor. Alaska Statute 18.66.020(a)(1) relating to the appointment of public members states:

The council consists of three persons appointed by the governor after consultation with the Network on Domestic Violence and Sexual Assault, a nonprofit corporation; The Network on Domestic Violence and Sexual Assault shall submit a list to the governor of persons recommended for appointment.

In addition, AS 18.66.020(b) states, in part:

...A vacancy on the council shall be filled for the unexpired term by appointment by the governor after consultation with the Network on Domestic Violence.

The council annually grants funds to the Network for a legal advocacy project. Grant monies are provided by federal funds associated with the Violence Against Women Act (VAWA). The council awarded VAWA funding to the Network as shown in Exhibit 1 (right) for FY 00 through FY 02.

An apparent conflict of interest exists when a council member reviews, evaluates, approves, and monitors a grant to the same non-profit corporation which was responsible for recommending that individual to the council membership.

The apparent conflict of interest continues because the council member would likely benefit from ongoing support from the Network when being considered for reappointment to the council. This situation may result in inappropriate decisions by the council, as the Network will be interested in the sustainability of their agency.

Exhibit 1 Violence Against Women Act Grants to the Network on Domestic Violence and Sexual Assault	
<u>Grant</u>	<u>Amount</u>
<u>FY 00:</u>	
00-VAWA-01	\$ 109,142
00-VAWA-02	<u>233,143</u>
Total FY 00:	\$ 342,285
<u>FY 01:</u>	
01-VAWA-01	\$ 73,842
01-VAWA-02	<u>235,874</u>
Total FY 01:	\$ 309,716
<u>FY 02:</u>	
02-VAWA-01	\$ 356,626

The appearance of a personal conflict of interest on the part of the council's public members may arise from a combination of elements.

- The Network has a specific legally mandated role in the selection and retention of public members to the council.
- The Network is a subgrantee of the council and therefore competes with other programs for council funding.

Potentially biased questions in the Network's *"Interview Questions for Council on Domestic Violence and Sexual Abuse Public Member Applicants"* read as: "What do you see as the role of the council public member in relation to the Network?" Examples of specialized treatment for the Network are discussed in Recommendation 2.

It is entirely appropriate for the governor to consult with any interested parties when making appointments to the council. However, it is the statutory mandate for the governor to consult with the Network, over the appointment of public members, when the Network itself is a subgrantee of the council that raises an appearance of a conflict of interest.

Therefore, we recommend the legislature amend the AS 18.66.020 to 1) eliminate the mandate for the Network to recommend individuals to the governor for appointment to the council, and 2) eliminate the requirement for the governor to consult with the Network on the appointment or reappointment of the council's public members.

Recommendation No. 2

The council should define and communicate clear and distinctive roles for the council members and staff in dealing with the Network. The council should adhere to these roles in their federal grant oversight of the Network.

As stated in Recommendation No. 1, the council annually grants monies to the Network for a legal advocacy project using federal VAWA funds. Review of council grant information identified some impropriety as follows:

1. For FY 01, the Network modified the final grant contract prohibiting the council from reviewing all records (limiting the council's review to financial records only). Such modification is in violation of the federal Common Rule for Uniform Administrative Requirements for Grants (A-102).
2. For FY 00, requests for reimbursement from the Network were not supported by sufficient documentation of expenditures. Council staff disbursed funds based on these requests, which is in violation of federal allowable cost principles (A-87).
3. For FY 00 and FY 01, the Network was excluded from the monitoring schedule established by the council. This is in violation of federal Common Rule (A-102) requirements codified at 28 CFR 66.40.

Each of these actions severely limited the council's review of the Network's activities. This limitation affected the council's ability to carry out its responsibility outlined in a letter from Governor Knowles dated April 15, 1995. In this letter, the governor designates "...*Council on Domestic Violence and Sexual Assault (council) as the state agency in Alaska that will have programmatic and administrative oversight of Violence Against Women Act funds.*" In making this designation, the governor required that "*[i]n developing its plan for use of Violence Against Women Act funds, the council must actively involve the Network on Domestic Violence and Sexual Assault in all stages of the process.*"

The council has complied with the governor's condition to actively involve the Network in the development of the VAWA plan. However, the council must keep in mind that the governor designated the council to have programmatic and administrative oversight of VAWA funds. As the pass-through agency for the federal VAWA funding, the council bears ultimate responsibility for the administration of those funds. Without adequate oversight, errors or improprieties may be committed by grantees and not detected by the council.

The Network and the council often work jointly or contractually on statewide projects to strengthen the state's response to violence against women. These joint efforts have a positive impact. However, in its working relationship with the Network, we recommend that the council define clear and distinctive roles for the council members and staff. These roles should be defined in manner consistent with federal grant requirements and the governor's directive for programmatic and administrative oversight.

Recommendation No. 3

The legislature should amend AS 18.66.050 referring to the council hiring staff, and the council should address personnel issues and promote strong leadership by the executive director.

Alaska Statute 18.66.050(1) states that "*[t]he council shall hire an executive director and necessary staff.*" This statute adds confusion to the council's lines of authority. In order for the executive director to have authority over the staff, it is critical for staff to have only one leader.

Administrative weaknesses were identified throughout the course of our fieldwork. These weaknesses primarily relate to lines of authority and job responsibilities, and are further explained below:

1. Confusion regarding lines of authority. Confusion exists regarding lines of authority between council members, the executive director, council staff and representatives of the Network. Staff members have apprised the council members about their concerns with the council organizational structure and travel restrictions due to budgetary concerns without going through the executive director.

Additionally, staff identified instances when the council members directly contacted them without first going through the executive director. Finally, the council's staff

may directly contact, or be contacted by, Network personnel regarding a specific issue or responsibility without the knowledge of the executive director.

Because so many individuals affect the responsibilities of council staff, it is imperative that the council set the priorities and policies, and the executive director manage the staff to ensure these priorities and policies are addressed. This will allow the council members to observe the program functioning as a whole, not on a microscopic level. An executive director with strong leadership abilities, whose administration is supported by all council members, would help to establish clear lines of authority.

2. Lack of definitive duties, policies and procedures. The three associate coordinator positions have broad position descriptions that are identical.² The position descriptions state that:

"Because of the limited number of staff, the on-going responsibilities assigned to any one position may be focused in one program area; however, the staff is expected to know and be able to perform or assist with the activities in any program areas."

With broad position descriptions, more specific directives defined in an agency procedure or desk manual are critical to ensure that personnel have a clear understanding of their responsibilities and priorities. Not only did we find that staff members were having difficulty addressing their responsibilities, a lack of prioritizing was also evident. These coordinator positions are responsible for the development, coordination, evaluation monitoring and technical assistance of new and existing programs to ensure regulatory and policy compliance.

Between FY 98 and FY 01, the council's budgeted staff has increased 100% (from four to eight individuals). As stated in AS 18.66.050, the council's broad statute regarding the hiring of staff adds to the confusion with lines of authority. Although the council may hire the staff, the staff report to the executive director and should take direction solely from the executive director. The executive director needs strong leadership skills that emphasize teamwork and open communication among the council staff. For the executive director, leadership skills are as critical as program background in domestic violence and sexual assault.

Explicit documentation of each individual's responsibilities would allow the executive director of the council to hold staff accountable for their actions and their job duties. The council members should also provide clear guidance to the executive director and work through the executive director when addressing issues with the staff.

We recommend that the legislature change AS 18.66.050 to state:

² Position control numbers 12-0087, 12-0071 and 12-0070 have the same description of duties.

"[t]he council shall hire an executive director, and the executive director shall hire staff as identified in budgetary documents."

We recommend that the council promote and support strong leadership authority with the executive director. We also recommend that the executive director develop council personnel policies, procedures, and desk manuals (or update position description questionnaires) to describe the tasks of the individuals in each position. Once staff roles are established, the executive director should provide cross-training and encourage communication and teambuilding.

Recommendation No. 4

The council should address statutory responsibilities that relate to consultation with the Department of Health and Social Services (AS 18.66.050 (12)) and other entities and organizations (AS 18.66.050 (14)).

The council's statute was amended effective July 1, 1996 to include new requirements. Two of these new requirements have not been addressed. Alaska Statute 18.66.050(12) and (14) state that the council shall:

(12) consult with the Department of Health and Social Services in the formulation of standards and procedures for delivery of services to victims of domestic violence by health care facilities and practitioners of healing arts and personnel in those facilities as required in AS 18.66.300.

(14) consult with public employers, the Alaska Supreme Court, school districts, and prosecuting authorities who are required by AS 18.66.300 - 18.66.310 to provide continuing education courses in domestic violence to employees.

Both of these statutes discuss the council working with other agencies and public employers to develop standards, procedures, and continuing education courses. However, due to personnel deficiencies (see Recommendation No. 3) and lack of prioritization, the council has been unable to fully address these areas. We recommend that the council prioritize their responsibilities and determine a means to efficiently implement AS 18.66.050(12) and AS 18.66.050(14).

Recommendation No. 5

Council members and the executive director should consult with the Department of Education and Early Development, school district representatives, and grantees who have worked toward curriculum development to create a comprehensive standardized curriculum to be used within the schools across the state.

The council's approach to domestic violence and sexual assault education within the school districts is inconsistent and inadequate. There is a need for a more coordinated effort towards

education in school districts throughout the state. The council has left the responsibility for education in the schools to the grantees. The grantees have varying degrees of success in gaining access to their local schools, and use a variety of methods in attempting to address the need for domestic violence and sexual assault education within the schools.

Alaska Statute 18.66.050 states, in part, that:

The council shall (3) in consultation with authorities in the field, develop, implement, maintain, and monitor domestic violence, sexual assault, and crisis intervention and prevention programs, including education programs,...and school curricula on the cause, prevention, and treatment of domestic violence and sexual assault. [emphasis added]

The council has avoided developing and implementing a standardized curriculum in an attempt to respect the autonomy of its victim services grantees. This has been the council's overall strategy in victim services program issues, where the individual grantees are better able to assess the needs of their communities. The grantees each have their own method of approaching education within their local schools. Some grantees simply send advocates to speak to a classroom when invited by the teacher. Other grantees have attempted to develop a K-12 curriculum for use within their local schools.

Development of a standardized curriculum can be an overwhelming task for a small or rural program whose resources are already stretched to the limit. Many grantees lack the expertise needed to approach the development of a curriculum for children that covers such extremely sensitive subjects as domestic violence and sexual assault.

We recommend the council consult with the Department of Education and Early Development, school district representatives, and grantees who have worked toward curriculum development to create a comprehensive standardized curriculum to be used within the schools across the state.

Prior Sunset Audit Recommendation No. 1

The Council on Domestic Violence and Sexual Assault's (council) executive director should continue to improve administrative procedures to adequately satisfy duties of the council.

Prior Finding

Due to increasing responsibilities and a limited number of staff positions, the council experienced deficiencies in carrying out its administrative and statutory responsibilities during FY 97. The lack of staff availability to carry out the full scope of the council's duties was further aggravated by staff turnover and extended illnesses. Weaknesses identified were as follows:

1. Data collected from grantees has not been processed since February 1997.

2. The annual report to the governor for FY 96 had not been completed.
3. On-site monitoring of grantees was not performed and reported in a timely manner.

Current Status

Administrative weaknesses continue to exist, though to a lesser degree than existed during the prior sunset audit. The current status of the prior year sunset recommendation is as follows:

1. Data collection - substantially implemented. The council implemented a statewide data collection system in July 2000. Some grantees expressed dissatisfaction with the new data system and felt that the forms were confusing and had too many categories. Some grantees feel that the system requires duplicative work by grantee staff. There are concerns on the validity of the data and how to measure outcomes. However, others feel that the system is easy, accurate and provides consistent data reporting. Overall, there is a critical need for coordinated statewide standardized measurement and recording of statistical data across agency lines. Statistics are needed to accurately provide information to decision makers.
2. Timeliness of annual reports – some improvement. Although reports prior to FY 00 have been untimely, the annual report for FY 00 was completed timely and posted on the council website.
3. On-site monitoring – some improvement. An on-site monitoring schedule has been established and on-site monitoring of most grantees has been performed. However, while the council has improved in the consistency and timeliness of their on-site monitoring, this monitoring was limited to primarily programmatic issues. The council failed to monitor its grantees who were subrecipients of federal grant funds for compliance with federal requirements. Weaknesses regarding federal compliance subrecipient monitoring issues were identified in the Statewide Single Audit for Fiscal Year Ended June 30, 2000 (Audit Control Number 02-40001-01)

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ANALYSIS OF PUBLIC NEED

The following analysis of the council's activities relates to the public need factors defined in the "sunset" law, AS 44.66.050. These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

Determine the extent to which the board, commission, or agency has operated in the public interest.

The council has awarded and administered grant funds to local community organizations and programs that provide services to victims of domestic violence and sexual assault, batterer intervention services to perpetrators of domestic violence, and crisis intervention and prevention programs. Although the presentation element of the funding meeting is not generally accepted and approved by all the grantees, the council's grant award process is objective, and grantees are treated equally in the process. Public participation was encouraged, and legislative intent was considered in the funding process. The council strives to treat urban and rural participants fairly throughout the grant award process. The council exercises oversight and performs on-site audits of most grant recipients. However, some exceptions were identified for the Alaska Network on Domestic Violence and Sexual Assault. (See Recommendation No. 2.)

The council coordinates the efforts of many state and community agencies working toward a comprehensive statewide system to combat domestic violence and sexual assault. Overall, we conclude that the council is performing its coordination duties.

The council provides technical assistance in various forms to state agencies, law enforcement agencies, grantees, and community groups on a regular basis.

The council has provided funds to assist in the development of training materials and participation in training events relating to domestic violence and sexual assault. This training has been used by law enforcement officers, prosecutors, and judicial officers. Upon request, council staff is available to state and local law enforcement agencies to consult on training matters.

The council produces public service announcements for distribution statewide, and provides domestic violence and sexual assault education on a local level through its grantees. The council maintains a lending library with educational and reference materials available that are both adequate and appropriate to address the cause, prevention, and treatment of domestic violence and sexual assault.

The council consults with the Department of Health and Social Services, Section of Maternal Child and Family Health, on the Alaska Family Violence Prevention Project (AFVPP) to increase awareness and community capacity to prevent and intervene in family violence. AFVPP provides multidisciplinary training and technical assistance on family violence for

health and social service providers and communities across the state. During the last year, in collaboration with the council, AFVPP conducted domestic violence/child abuse workshops in fifteen rural communities across the state. Although they have collaborated on issues such as this, the council and AFVPP have not addressed the statutory mandate in AS 18.66.050(12). (See Recommendation No. 4.)

Determine the extent to which the operations of the board has been impeded or enhanced by existing statutes, procedures, and practices, which it has adopted, and any other matter, including budgetary, resource, and personnel matters.

There are a variety of issues that have had an impact on the operations of the council. Our primary concerns involve the following:

1. Personnel issues. For some time, the council has been facing personnel issues resulting from new positions, new statutory and federal grant responsibilities, and turnover. The executive director should develop council personnel policies, procedures, and desk manuals to describe the tasks of the individuals in each position and to adjust for increased responsibilities and other changes. There also were other personnel issues that existed between the former executive director and council staff (See Recommendation No. 3).
2. Statutes related to composition of the council. The council should consider including a representative from the Department of Corrections as either a full council member, or as an advisor, to increase awareness of batterer programs. Some council members would also like to see additional public members. Because the Network has been receiving grant funds from the council, the legislature should consider amending AS 18.66.020 by 1) removing the clause that requires the Network to make recommendations for public members on the council to the governor, and 2) delete the requirement that the governor consult with the council regarding initial and reappointment of public members to the council. (See Recommendation No. 1.)
3. Program reporting requirements. AS 18.66.050(10) requires the council to submit an annual report to the governor, and notify the legislature about the availability of the report. Although the statute is silent if such a report is to be based on the calendar or fiscal year, customarily the council has submitted reports on a fiscal year basis. Although the reports for FY 97 through FY 99 were not provided to the governor in a timely manner, the FY 00 annual report was. (See Prior Sunset Audit Recommendation No. 1.)
4. Data collection process. The council implemented a statewide data collection system in July 2000. Some grantees expressed dissatisfaction with the new data system and felt that the forms were confusing and had too many categories. Some grantees feel that the system requires duplicative work by grantee staff. There are concerns on the validity of the data and how to measure outcomes. However, others feel that the system is easy, accurate and provides consistent data reporting. Overall, there is a

critical need for coordinated statewide standardized measurement and recording of statistical data across agency lines. Statistics are needed to accurately provide information to decision makers. (See Prior Sunset Audit Recommendation No. 1.)

Determine the extent to which the board has recommended statutory changes that are generally of benefit to the public interest.

The council is generally asked by other agencies to review statutory changes contained in proposed legislation. Typically, council members and staff review and comment on proposed legislation rather than developing and seeking support for its own measures. The council discusses pertinent bills and decides which legislation the council should support, remain neutral, or oppose. The executive director develops, analyzes, and testifies on bills at the direction of the council. The Network is also actively involved in domestic violence and sexual assault related legislation, and provides an update of pertinent legislation at council meetings.

Determine the extent to which the board, commission or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of services, economy of service, and availability of services that it has provided.

The council encourages interested parties to comment on its decisions or regulations by publicly announcing its meetings. The council holds at least four meetings per year, normally in Anchorage or Juneau. Meetings held in Juneau are typically teleconferenced statewide. The council also encourages input from the Network regarding its policies.

Determine the extent to which the board has encouraged public participation in the making of its regulations and decisions.

The council encourages public participation by advertising meetings and teleconferences and by posting the council's meeting schedule on their website. Time is provided on the agenda of every public meeting for public comment. The council works with the Network and their membership in the development of regulations and policy decisions.

Determine the efficiency with which public inquiries or complaints regarding the activities of the board, commission, or agency filed with it, with the department to which a board or commission is administratively assigned, or with the Office of the Ombudsman have been processed and resolved.

We found no problems in this area. Complaint procedures are in place, followed when complaints are made, and files are maintained. No complaint activity was noted.

Determine the extent to which state personnel practices, including affirmative action requirements, have been complied with by the board to its own activities and the area of activity or interest.

No complaints against the council were identified.

Determine the extent to which statutory, regulatory, budgeting or other changes are necessary to enable the board to better serve the interest of the public and to comply with the factors enumerated in this subsection.

The council has left the responsibility for education within the schools to their grantees. The grantees have varying degrees of success in gaining access to their local schools and use a variety of methods in attempting to address the need for domestic violence and sexual assault education within the schools. There is a need for a more coordinated effort towards education in school districts across the state. The council should consult with the Department of Education and Early Development, school district representatives and grantees who have worked toward curriculum development to create a comprehensive standardized curriculum to be used within schools across the state. (See Recommendation No. 5.)

Identify the problems or the needs that the programs and activities of the council are intended to address.

Per AS 18.66.010, the council's purpose is to provide for planning and coordination of services to victims of domestic violence or sexual assault or to their families, to perpetrators of domestic violence and sexual assault, and to provide for crisis intervention and prevention programs.

Identify any other programs having similar, conflicting or duplicate objectives.

One of the council's major objectives is the coordination of agencies, both state and local, that share the similar objective of combating the effects of domestic violence and sexual assault. No other agency is in a position to have an impact on this issue in this manner. Its existence is to help ensure that the various agencies work together to effectively respond to Alaska's high rate of domestic violence and sexual assault.

APPENDIX A

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Appendix A
 Council on Domestic Violence and Sexual Assault
 Schedule of Grants Awarded FY 99 through FY 02
 (unaudited)

	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>
Victim Services Grants				
Advocates for Victims of Violence (Valdez)	\$ 204,810	\$ 209,810	\$ 212,970	\$ 213,181
Abused Women's Aid in Crisis (Anchorage)	792,900	753,255	795,605	795,816
Aiding Women from Abuse and Rape Emergencies (Juneau)	486,725	481,925	489,430	489,641
Arctic Women in Crisis (Barrow)	239,655	-0-	242,360	242,571
Alaska Women's Resource Center (Anchorage)	194,920	190,120	197,625	197,836
Bering Sea Women's Group (Nome)	417,790	417,790	420,495	420,706
Cordova Family Resource Center	48,505	41,505	51,210	51,421
Emmonak Women's Center	147,025	150,525	153,685	180,885
Kenai/Soldotna Women's Resource and Crisis Center	394,485	388,595	397,190	669,296
Kodiak Women's Resource and Crisis Center	261,410	257,182	264,115	397,401
North Slope Borough Safe and Fear-Free Environment (Dillingham)	-0-	232,655	-0-	-0-
Sitkans Against Family Violence	317,200	317,200	319,905	264,326
Seward Life Action Council	300,485	298,094	303,190	320,116
South Peninsula Women's Services (Homer)	74,895	73,787	77,600	303,401
Standing Together Against Rape (Anchorage)	246,175	242,251	248,880	77,811
Tundra Women's Coalition (Bethel)	383,790	376,114	386,495	249,091
Unalaskans Against Sexual Assault and Family Violence	564,885	566,385	569,545	386,706
Victims for Justice (Anchorage)	120,085	120,085	122,790	584,547
Valley Women's Resource Center (Palmer)	72,545	68,918	72,078	123,001
Interior Alaska Center for Non- Violent Living (formerly Women in Crisis - Counseling and Assistance - Fairbanks)	415,570	407,259	418,275	26,078
Women in Safe Homes (Ketchikan)	666,380	661,580	669,085	418,486
Total Victim Services Grants	<u>\$ 6,844,500</u>	<u>\$ 6,744,500</u>	<u>\$ 6,909,500</u>	<u>\$ 6,909,500</u>
Community Based Batterer Intervention Programs				
Male Awareness Program (Anchorage)	\$ 90,000	\$ 80,000	\$ 80,000	\$ -0-
Sound Alternatives (Cordova)	11,000	11,000	11,000	15,000
South Peninsula Women's Services (Homer)	27,000	23,000	23,000	27,000
	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>

Appendix A
 Council on Domestic Violence and Sexual Assault
 Schedule of Grants Awarded FY 99 through FY 02
 (unaudited)

Community Based Batterer Intervention Programs - Continued

Tongass Community Counseling Center (Juneau)	68,000	67,500	67,500	67,500
IAC Women In Crisis Counseling Center (Fairbanks)	50,000	50,000	50,000	66,000
SE Islands Violence Prevention Program - Wrangell/Petersburg	31,000	29,000	29,000	-0-
Sitka Prevention and Treatment Services	-0-	39,500	39,500	-0-
Islands Counseling Services (Sitka)	-0-	-0-	-0-	40,000
Ketchikan Indian Corporation (Ketchikan)	-0-	20,000	20,000	50,000
Valley Women's Resource Center (Palmer)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>54,500</u>
Total Community Based Batterer Intervention Programs	<u>\$ 277,000</u>	<u>\$ 320,000</u>	<u>\$ 320,000</u>	<u>\$ 320,000</u>

Prison Batterer Intervention Program Grants

Interior Alaska Center for Non-Violent Living (formerly Women in Crisis - Counseling and Assistance - Fairbanks)	\$ 39,200	\$ 39,200	\$ 39,200	\$ 24,137
Tongass Community Counseling Center (Juneau)	34,100	34,100	34,100	34,100
Valley Women's Resource Center (Palmer)	<u>24,937</u>	<u>24,937</u>	<u>24,937</u>	<u>40,000</u>
Total Prison Batterer Intervention Program Grants	<u>\$ 98,237</u>	<u>\$ 98,237</u>	<u>\$ 98,237</u>	<u>\$ 98,237</u>

Violence Against Women Act (VAWA) Grant

Alaska Network on Domestic Violence and Sexual Assault Department of Law Reimbursable Services Agreement	\$ 225,354	\$ 342,285	\$ 309,716	\$ 356,624
Alaska Court System Reimbursable Services Agreement	176,585	179,535	72,578	See "Note"
Department of Public Safety Reimbursable Services Agreement	52,572	41,681	31,664	See "Note"
Total VAWA Grant	<u>\$ 509,036</u>	<u>\$ 795,656</u>	<u>\$ 530,624</u>	<u>\$ 356,624</u>

TOTAL	<u>\$ 7,219,737</u>	<u>\$ 7,162,737</u>	<u>\$ 7,327,737</u>	<u>\$ 7,327,737</u>
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Note: Amounts have not yet been determined

December 21, 2001

Ms. Pat Davidson, CPA
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

This letter is in response to the Preliminary Audit Report, Council on Domestic Violence and Sexual Assault, Department of Public Safety, Dated October 31, 2001 and transmittal letter dated December 6, 2001. The Department's positions are stated below each findings and recommendation.

Recommendation No. 1

The legislature should amend the Council on Domestic Violence and Sexual Assault's statutes related to appointment of council members.

CDVSA Response: Do not Agree

As stated in the response to the management letter dated November 14, 2001 the Council does not agree that Alaska Statute 18.66.020 needs to be amended. The Governor is not required to appoint public members solely from the names submitted by the Alaska Network on Domestic Violence and Sexual Assault (ANDVSA). The statute requires the Governor to "consult" with ANDVSA, but does not mandate that the Governor accept the names submitted. The Governor has the authority to appoint a person not recommended, provided he "consults" with ANDVSA.

ANDVSA is the only statewide coalition for the issues involving domestic violence and sexual assault. ANDVSA works closely with the programs on a statewide basis and is, aside from the Council itself, the organization most familiar with these important societal issues. It is entirely appropriate for a Governor to ask those with the most knowledge, expertise and involvement in a particular field to submit names for consideration for appointment to boards and/or commissions. We further disagree that an appearance of a personal conflict of interest exists on the part of the appointment or reappointment of public members. The fact that the Council awards grant money to ANDVSA does not mean that public member is indebted to ANDVSA. Public members are devoted to the issue, the cause, and public service. If the Governor believes a public member is

Ms. Pat Davidson, CPA
December 21, 2001
Page 2

doing a good job, he can reappoint the person even if ANDVSA recommends against it. The Executive Ethics act does not preclude persons with interest in a field from serving on boards and commissions; rather, it requires that they have no direct financial conflict of interest. ANDVSA has never nominated, nor has the Governor's Office ever named, anyone who was an employee or officer of ANDVSA. Rather, public members have been persons active in domestic violence or sexual assault issues in their local communities. Public members are also required to step down from any involvement in their local programs during their service on the Council.

Recommendation No. 2

The council should define and communicate clear and distinctive roles for the council members and staff in dealing with the Network. The council should adhere to these roles in their federal grant oversight of the Network.

CDVSA Response: Partially Agree

1. In FY01, ANDVSA modified their final grant contract relating to access to all records to reflect financial records only. This change was not noticed by Council staff or approved by the Council. In FY02, ANDVSA formally requested that the Council change the grant contract condition that allows the Council to review all records. ANDVSA asked the Council review only the financial records. The request was made during the quarterly Council public meeting of September 11, 2001. **The Council denied this request on record in the meeting.**
2. CDVSA will adhere to federal allowable cost principles (A87) by addressing the reimbursement documentation during on-site monitoring activities and through review of financial documentation and by requesting clarification on questionable expenditures.
3. ANDVSA and other VAWA grantees are being included in the on-site monitoring and evaluation schedule for FY02 and FY03.

At every meeting the Council reviews VAWA expenditures, so the Council is aware of what is going on. To ensure initial approval, the VAWA committee will submit the plan to the Council for final review and approval. The Council's initial review and approval will be consistent with the Governor's directive, April 15, 1995, on programmatic and administrative oversight.

The Council will communicate the roles of the Council to staff and the Network consistent with the federal grant requirements and the governor's directive for programmatic and administrative oversight.

Recommendation No. 3

The legislature should amend AS 18.66.050 referring to the council hiring staff, and the council should address personnel issues and promote strong leadership by the executive director.

CDVSA Response: Partially Agree

1. Confusion regarding lines of authority. The Council acknowledges some confusion existed recently and is working towards assuring the correct level of authority of the executive director and the role of the staff.
2. Lack of definitive duties, policies and procedures. The three associate coordinator positions have position descriptions that are identical. This will allow the Council to have all three coordinators work as a team to design, coordinate, conduct evaluations, monitor the programs, plus offer technical assistance to new and existing programs. This will further allow the staff to be cross-trained and work in a cohesive team environment with the executive director being the supervisor and leader of the team.

The Council does not agree that AS 18.66.050 needs to be modified. The Council has never been involved in hiring of staff. The Council recognized that hiring of staff is the responsibility appropriately placed with the executive director. Guidance from the Council to the executive director and the further development of personnel policies, procedures and desk manuals and where necessary, updating position descriptions, will adequately address any previous confusion.

Recommendation No. 4

The Council should address statutory responsibilities that relate to consultation with the Department of Health and Social Services (AS 18.66.050(12) and other entities and organizations (AS 18.66.050(14)).

CDVSA Response: Agree

The Council agrees that we should be working with these other agencies and public employers in developing standards and provide information and education surrounding the issues of domestic violence and sexual assault. We will strive to meet this recommendation.

Ms. Pat Davidson, CPA
December 21, 2001
Page 4

Recommendation No. 5

Council members and the executive director should consult with the Department of Education and Early Development, school district representatives, and grantees who have worked toward curriculum development to create a comprehensive standardized curriculum to be used within the schools across the state.

CDVSA Response: Agree

The Council agrees that we should be working with the Department of Education and Early Development, school district representatives, and grantees to develop a comprehensive standardized curriculum to be used in schools across the state. The difficulty comes when developing a standardized curriculum with such cross-culture and diversified populations throughout the state and getting school districts to agree to include the curriculum material in their classrooms.

Sincerely,

Glenn G. Godfrey
Commissioner

January 11, 2002

Members of the Legislative Budget
and Audit Committee:

We have reviewed the Department of Public Safety's response to our audit. Nothing contained in the response has provided sufficient information to persuade us to remove or revise our recommendations.

Sincerely,

Pat Davidson
Legislative Auditor

SENATE COMMITTEE REPORT

DATE: 4/27/07

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 5/2/07

Health, Education and Social Services Committee considered CS FOR HOUSE BILL NO. 215(HES)

HB 215 TASK FORCE RE: COUNCIL ON DOM. VIOL.

"An Act relating to the establishment of a task force to review the Council on Domestic Violence and Sexual Assault."

and recommends:

- be replaced with SCS or CS _____ (_____)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
HSS	4/16			✓	1
LAW	4/9			✓	2
LEG	4/16			✓	5
H.FIN/COR	4/16	✓			6
DPS	4/17	✓			7

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Elba			✓	
	Thomas	✓			
	Coody	✓			
	Dyson	✓			
CHAIR:	DAVIS	✓			

HB

218

HFIN

FILE

Alaska State Legislature

Juneau

State Capitol Bldg., Rm. 513
Juneau, AK 99801-1182
Phone (907) 465-4976
Fax (907) 465-3883
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Member

House Finance Committee
Legislative Budget & Audit

Representative Mike Kelly *House District 7*

MEMORANDUM

DATE: March 27, 2007
TO: Representative Kelly
FROM: Derek Miller
RE: Sectional Analysis for HB 218
(Version 25-LS0519\A)

A sectional summary of a bill should not be considered an authoritative interpretation of the bill. The bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Adds language requiring the Alaska Aerospace Development Corporation to adopt a policy that pays out a dividend to the state each fiscal year. Establishes methods for calculating the dividend and defines terms.

Section 2. Permits the FY 2008 Aerospace dividend to be appropriated to the Teachers Retirement System Fund or for any other public purpose.

Alaska State Legislature

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Member

House Finance Committee
Legislative Budget & Audit

Representative Mike Kelly *House District 7*

HB 218 Sponsor Statement

"An Act relating to dividends paid by the Alaska Aerospace Development Corporation and to appropriation of the dividend for fiscal year 2008"

In 1991 the Alaska State Legislature created the Alaska Aerospace Development Corporation (AADC). The mission of the Corporation is to create a new high-technology industry for the state – space launch services. Since 1991, the State of Alaska has appropriated over \$15 million to the corporation and received no payment in return. The state's FY '08 General Fund budget ballooned to \$3.45 billion this year. The state owns a retirement system unfunded liability of \$10 billion. It is in the state's best interest to look for new revenue from diversified sources. HB 218 accomplishes this by allowing AADC to pay an annual dividend to the state.

Since 1936 the Alaska Housing Finance Corporation (AHFC) has contributed nearly \$1.5 billion to the state. Since 1996 the Alaska Industrial Development Authority (AIDEA) has contributed nearly \$205 million. Both of these public entities have contributed funds to help pay for schools, roads, public safety, etc... AADC has the financial resources and potential to do so as well.

HB 218 adds language in AADC statute to provide for an annual dividend, not less than 25 percent nor more than 50 percent of net income, in a given fiscal year. The bill also stipulates that a dividend may not exceed the total unrestricted net income for AADC in that year. If AADC has no unrestricted net income, they would not pay the state a dividend.

HB 218 is a revenue-generating bill and I urge your support for it.

"General Fund" funding of the Alaska Aerospace Development Corporation

Prepared By Div of Administrative Services March 2007

FY92 **302.5**

Operating Appropriations	AK Science & Technology Endowment	General Fund
FY93	348.4	175.2
FY94	725.1	
FY95	511.2	
FY96	511.3	
FY97	511.1	
FY98	507.6	
FY99	551.7	
FY00	555.2	
FY01	555.2	
FY02	185.1	

AK Science & Technology Foundation Eliminated
 All Cash From The Endowment Reverted Back To The Gen Fund
 Since That Is Where It Came From Originally

Operating Total	4,961.9	175.2 477.7
2 Capital Appropriations	10,000.0	0.0

Total	14,961.9	175.2 477.7
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\$ 15,439.6 million

In Opposition to House Bill No. 218

Introduced by Rep. Mike Kelly

"An Act relating to the payment of dividends by the Alaska Aerospace Development Corporation to the state, and to appropriation of the dividend for fiscal year 2008".

I am Sharon Anderson, a resident of Anchorage, and today representing the Board of Directors of the Alaska Aerospace Development Corporation (AADC) which owns and operates the Kodiak Launch Complex (KLC). Our 11 member board is a diverse representation of the aerospace and defense industries, University of Alaska President and Geophysical Institute, the State of Alaska Administration, both houses, and private industry – all very qualified and dedicated to extending the mission and goals of the Alaska Aerospace Development Corp. The Board meets quarterly, or more often as required. Although I am here to speak in opposition to HB 218, I want to state emphatically that it was the unanimous position of last years Board of Directors to provide the State of Alaska with an annual dividend, when it is financially wise.

I would like to take this opportunity to thank the State of Alaska for the vision, support, and initial seed investment of \$10 million from the Alaska Science & Technology Foundation to create the AADC, an independent state corporation. How many of you have personally visited Alaska's space port located on Narrow Cape on Kodiak Island? Have you actually experienced the pride of knowing Alaska is the home of one of our Nation's Strategic Assets; that within it's first decade of operations, has conducted 10 successful launches in support of science and national defense missions? It may have been Gen. Billy Mitchell that recognized the strategic location of Alaska to the military, but it was AADC President Pat Ladner that recognized Kodiak Island's latitude and unobstructed flight paths away from populated areas that would make an ideal site for launching satellites into polar orbits, and sub-orbital payloads. It has been and will remain a wise investment for the State of Alaska as AADC continues to expand its revenue and customer base.

During the last two years, AADC has completed two projects that expand the KLC into a \$100 million facility with the capabilities to perform an essential supportive role not only to our National Defense but also to the growing commercial aerospace and high-technology industries in our State. The high speed communications via a new fiber optic project, between Kodiak Island and the Kenai Peninsula, expands the capabilities for the University of Alaska, telemedicine and Homeland Security, as well as KLC current and future customers. The construction and installation of the Range Safety and Telemetry System has been completed, which allows the KLC to perform on the same or higher level of rocket data gathering capabilities as White Sands, Vandenberg or Kwajalein.

Since the initial state investment, AADC has been totally self-supporting primarily through launch contracts. Doing business in the aerospace and defense industries has its positive points and also brings several challenges. Outside dollars flow through AADC bringing new dollars to the State, instead of re-circulating dollars already among residents and businesses. Although working within a very capital intensive industry, AADC provides its own payroll, retirement, employee benefits, as well as a very costly annual maintenance of the sophisticated and highly technological equipment required to support launch infrastructure. Our financial impact on Kodiak has been significant as well as our support to the University of Alaska and Fairbanks with the development of earth stations and Poker Flat research projects. The Board established a scholarship program in partnership with the University of Alaska Foundation to enable high school seniors seeking a Bachelor's degree in math, physics, engineering, business or a technical field such as computer science the opportunity to apply for a \$5000 scholarship to pay for their educational expenses, and can be used at any U of A campus. Ten scholarships are awarded each year to students across the state. To date, AADC has donated \$300,000 to the University of Alaska Foundation. The Board is proud to keep the best and the brightest in the State and urge them to pursue their science dreams. AADC also supports the Challenger Learning Center and nationally recognized Space Explorers Program bringing interactive science materials for students from Kindergarten through 12th grade. In 2006, AADC co-sponsored this program in over 100 schools throughout Alaska. The Board views all of these as vital dividends to the residents of our State.

- Payroll in FY06 totaled \$3.6 million and is projected to be \$3.9 million in FY 07.
- AADC's business activities in FY 05 totaled \$24 million in Kodiak, and supported a total of 45 FTE employees and another 72 indirect jobs in Kodiak.
- Approximately 20 FTE in supported in Anchorage.
- Wages paid in Kodiak displaced reductions from other industries on the island; without AADC real earnings would have dropped more than 9% in FY05
- AADC related jobs are well paying; average wages paid out by AADC on Kodiak Island nearly double the borough average.

To review the AADC financials, one could think that there should be a few dollars to spare. This is where the basic business model differences begin between AADC and other independent state corporations. AADC does not provide long-term loans or rents that secure revenue over long periods of time that can be used to cover expenditures of the organization and enable them to provide a stable dividend to the state. In early years, AADC conducted commercial launches, but currently has only one customer, the Missile Defense Agency in support of the Ground-based Midcourse Defense program. The problem with relying on revenues from launches is that scheduling is totally unpredictable and not guaranteed creating a challenge in predicting year to year revenues.

AADC has very strict demands from the MDA to maintain a high level of readiness – both from the intellectual and personnel skill base but also with the complicated electronic hardware and software, fiber communications, vehicles, large metal buildings with integral cranes, a high tech clean room for satellite processing, and multiple HVAC systems; of which all are susceptible to adverse effects from corrosion and normal wear and tear from day-to day operations. Due to these expensive preventative maintenance costs, which vary from year to year, daily operating cash amounts must be maintained at a higher level than most organizations. To remain competitive with other launch facilities and retain the MDA level of readiness, the high maintenance costs are part of “doing business” owing to the fact that launch delays are even costlier. A one day delay for the MDA costs \$1 million.

Revenues must also be reinvested for future capital expenditures. To expand and diversify AADC’s customer and revenue base, a third launch sub-orbital launch pad is necessary. While MDA is in a “holding pattern”, which can sometime go on for months, no other launches can be conducted in the current pad area. Continuous funding for various quantities of launch support equipment is required, as they are reaching the 10 year mark; some are obsolete, others require repair or replacement. The current draft KLC Improvement Modernization Plan totals over \$16 million.

To close, the AADC Board of Directors has every intention of providing the State a dividend as soon as it is financially practical. However, to provide a dividend using the proposed HB 218 model without having the ability to set aside appropriate funding for capital repair, replacement, and expansion, would not be financially wise and have serious negative affects on the ability to sustain the KLC. We have a lot yet to do. Our Corporation is working to improve its infrastructure and capabilities, as our Annual Report for 2006 illustrates. Alaskans have accomplished a lot with AADC in the last 10 years, and there’s a bright future for Alaska in the support of space industry

Thank you.

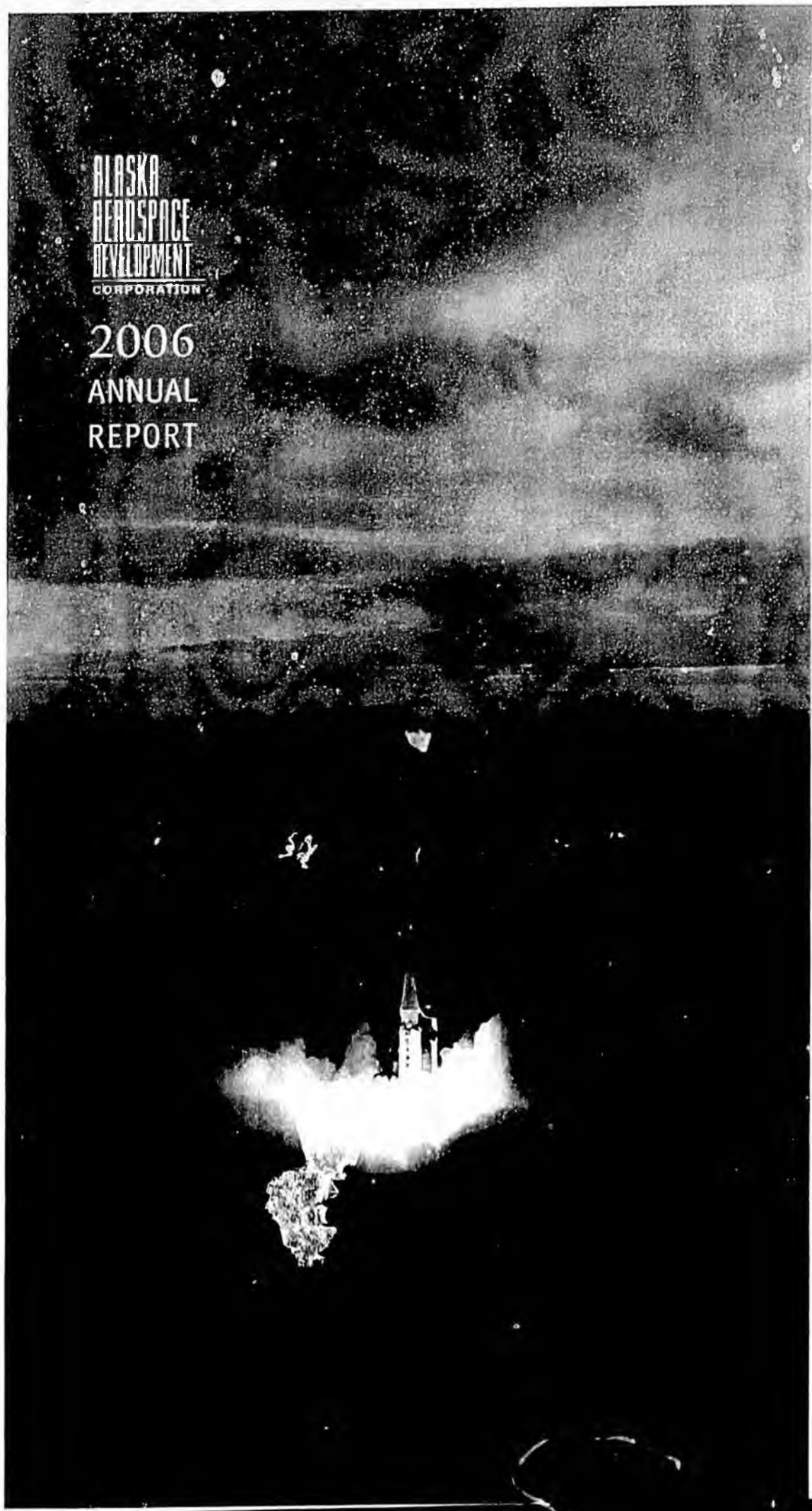
Sharon E. Anderson
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(907) 229-6624 cell
sharone@gei.net

Handout 5/28/07

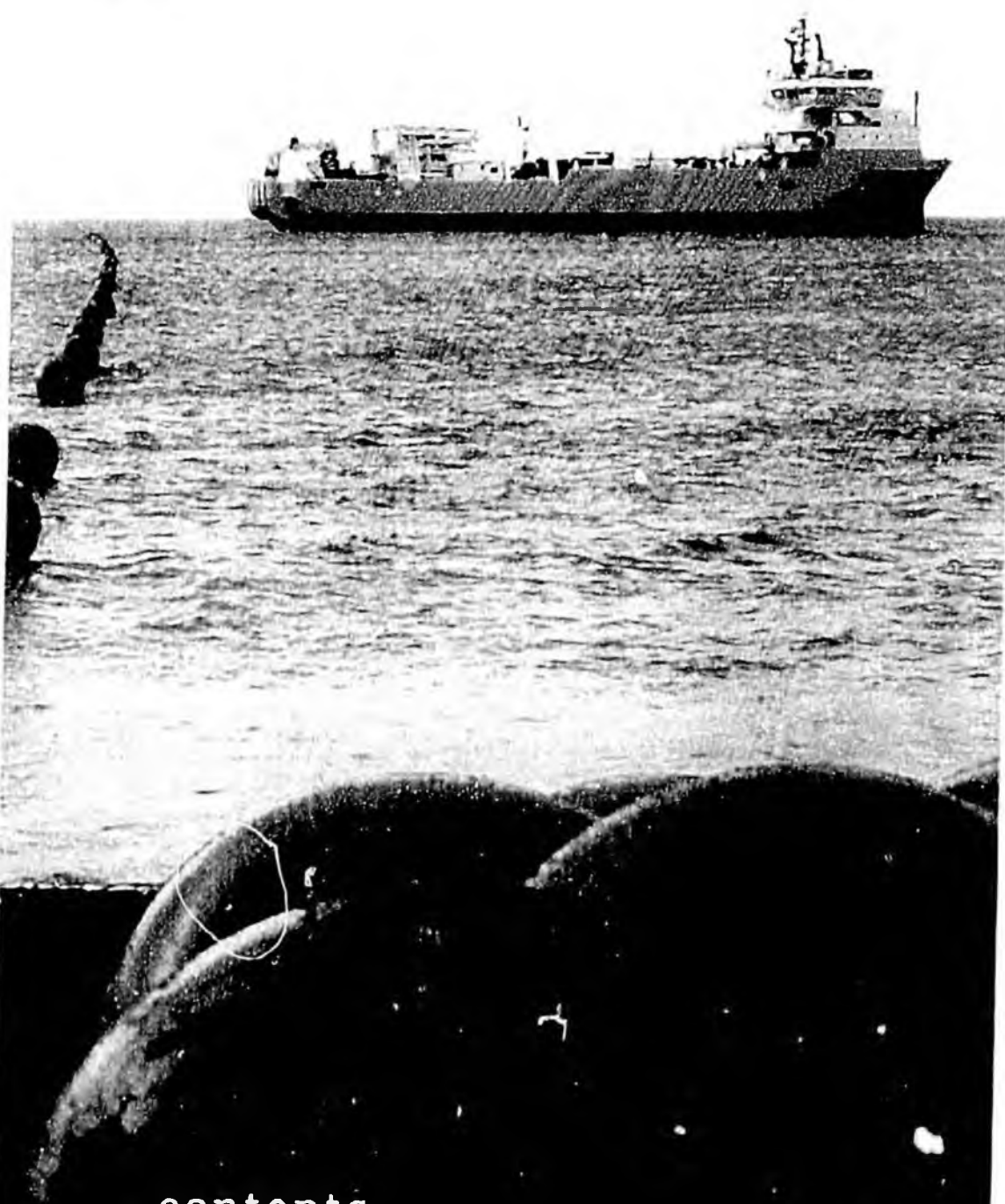
ALASKA
AEROSPACE
DEVELOPMENT
CORPORATION

2006
ANNUAL
REPORT



605.62 miles

length of fiber optic cable
that will provide service with
light speed between Australia
and London



contents

- 2 CHAIRMAN'S LETTER
- 3 PRESIDENT'S LETTER
- 5 YEAR IN REVIEW
- 15 FINANCIALS
- 21 BOARD OF DIRECTORS

June 1996 cover photo: photographs of the ship and
by AAFCO, Inc. in the Australian Ocean

cover photo of ATC Co. by the author of the book
of the Santa National Laboratory

2006

LAUNCH SERVICES

The tenth launch from the Kodiak Launch Complex (KLC) on September 1st was a significant milestone for Alaska Aerospace Development Corporation (AADC). It demonstrated AADC's ability to deliver launch services consistently, professionally and cost-effectively as a commercial facility.

TELECOMMUNICATIONS LEADER

The new fiber optic cable project spearheaded by AADC and the Kodiak Kenai Cable Company will bring high-speed telecommunications technology to Kodiak Island and the Kenai Peninsula and for the first time.

This major economic infrastructure development will bring the KLC online with secure, fast data transmission capabilities and provide high-speed Internet access to the residents and businesses of Kodiak and the Kenai Peninsula.

SUPPORT FOR EDUCATION

AADC broadened its support of education in 2006 with an increase in contributions to the AADC Scholarship Program and a continued commitment to the Space Explorers Program for grades K-12.

AADC was also the major sponsor for a fundraising event to benefit the Challenger Learning Center of Alaska (CLCA). This memorable event on November 10th raised over \$225,000 to support the CLCA, a unique science education learning facility located in Kenai that serves students across the state.

INFRASTRUCTURE DEVELOPMENTS

AADC completed the construction and installation of a permanent telemetry site in Cordova for the second unit of the Range Safety and Telemetry System. The dual systems, one at Cordova and one at the KLC, have also been greatly expanded to provide exceptional data receiving and processing capabilities.

CHAIRMAN'S LETTER

To the Governor, the State Legislature and the People of Alaska

The Alaska Aerospace Development Corporation is at a turning point as an organization that serves the state of Alaska.

Our accomplishments and growth over the last year have demonstrated that AADC is an aerospace company able to meet the demands of the industry with efficiency, flexibility and a high degree of customer satisfaction.

AADC has never been in a stronger position operationally, financially, or as a supporter of education and community development. The new fiber optic project provides us with communications connectivity to the Kodiak Launch Complex will bring high-speed internet access to Kodiak and benefit the local economy. This is one of many infrastructure additions strengthening AADC capabilities and multiplying its economic impact.

I am particularly proud of the scholarship program and the level of support we provide to high school seniors as they enter college. AADC is highly committed to the education of Alaska. The success of the scholarship program is just one of the many efforts AADC makes to help to help students achieve their dreams.

AADC accomplishes more with a staff of thirty-five than other aerospace companies do with hundreds of employees. The strength of the AADC team is one of our key assets and I am proud to be a part of it.

Sincerely,

Mark Hamilton
President of the Board of Directors



PRESIDENT'S LETTER

To the Governor, the State Legislature and the People of Alaska:

I am pleased to present the 2006 Annual Report for Alaska Aerospace Development Corporation to the people of Alaska. Each year of operations for AADC results in greater and greater success and this year has been the most dynamic we've had to date.

I can truly say we are no longer an aerospace company in "development" but have matured and grown to become an innovative, respected and highly efficient organization. In true Alaskan fashion, we have taken an industry layered in decades of tradition and made it our own, with great results.

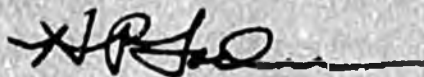
We celebrated our 10th successful launch on September 1, 2006 and are proud of this milestone and what it represents.

The infrastructure of AADC operations continues to grow with the installation of a permanent telemetry site in Cordova and the expansion of our overall telemetry capabilities.

AADC, along with the Kodiak Kenai Cable Company, spearheaded the development of a fiber optic cable to the Kodiak Launch Complex. This network will provide fiber optic connectivity to the Kodiak Island Borough, the nation's largest US Coast Guard facility at Kodiak and the entire Kenai Peninsula. This project also expands the capabilities for the University of Alaska, telemedicine and Homeland Security with high-speed Internet. The system is scheduled to be operational in early 2007.

We have many other milestones and accomplishments for you to review. I hope this report provides you with a greater understanding of the benefits AADC and the aerospace industry bring to Alaska.

Sincerely,

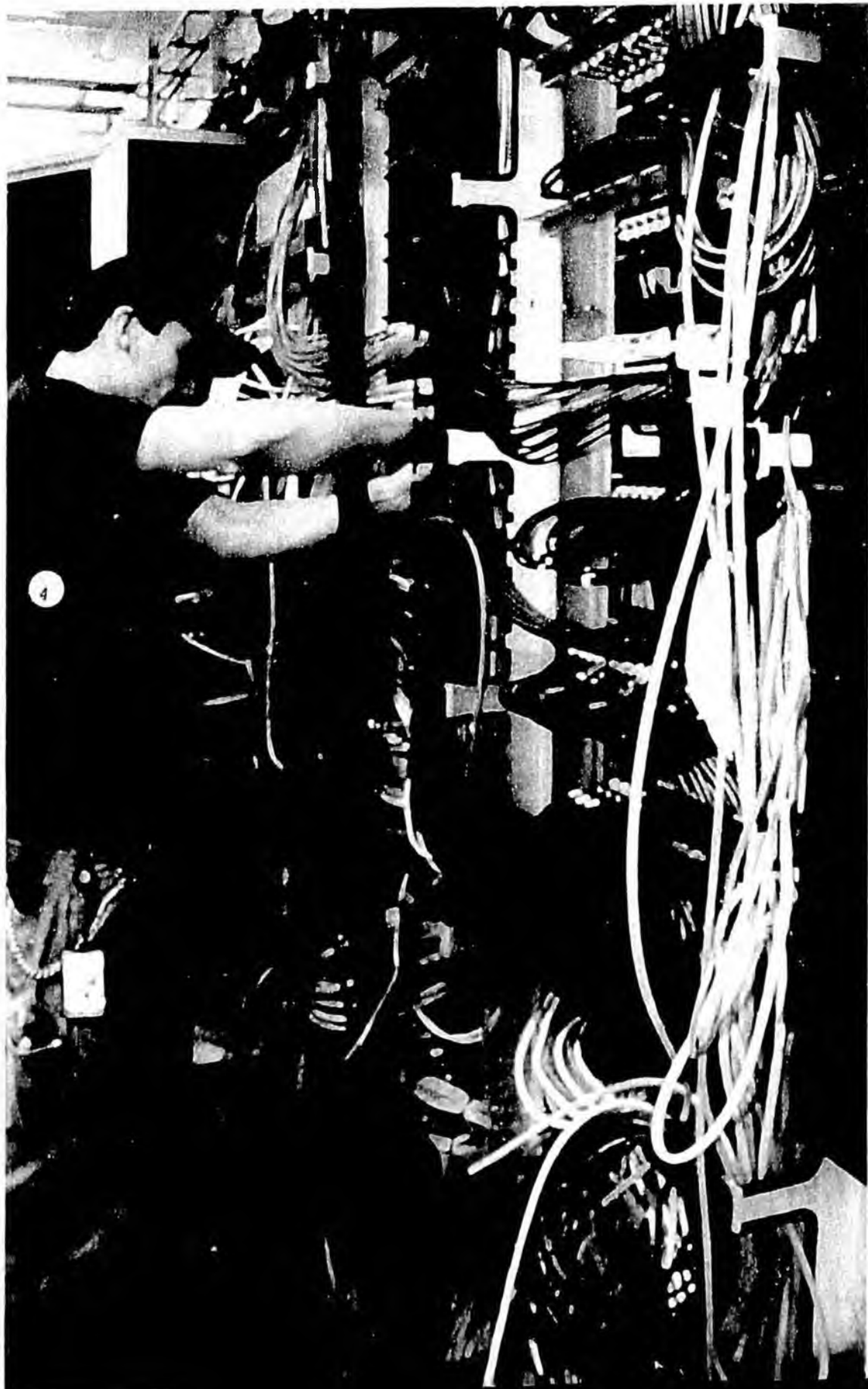


Pat Laddner
President & CEO



3,042,511.2

length of fiber optic strands
installed in the nation's R.T.
communications network



in review

LAUNCH SUCCESS

Tenth Launch for KLC: a Milestone for a Mature AADC

The business of launching rockets is complex and demanding. It takes seamless teamwork and professionalism to coordinate the many safety, communications, engineering, logistical and business activities involved in a launch campaign.

AADC has consistently provided a level of service to its customers demonstrating these capabilities. These skills are applied to every launch and support function conducted at the KLC.

As a result, 2006 was another successful year of launch operations with the lift-off of two rockets in support of the Ground-based Mid-course Defense program for the Missile Defense Agency (MDA).

04-

A long-range Strategic Targets System (STARS) rocket, FT 04-1, was launched on February 23rd from Launch Pad 2 at the KLC. This launch supported the MDA's data gathering and testing of the upgraded early warning radar located at Beale Air Force Base in northern California.

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02-

On September 1st, STARS rocket FTG-02 lifted-off from Launch Pad 2 and was a landmark as the 10th successful launch at the KLC. This MDA flight was for data gathering and the concurrent testing of an interceptor missile's rocket motor system. While not a planned objective for this data collection flight test, an intercept of the target warhead was achieved.



the year
in review

KODIAK ISLAND

High-Speed Telecommunications Come to Kodiak Island & Kenai Peninsula

This year AADC, along with the Kodiak Kenai Cable Company, spearheaded the development of a submarine fiber optic cable network to bring high-speed connectivity to the Kodiak Launch Complex. The economic impact of this major infrastructure advancement will directly benefit the people of Kodiak and Alaska. This new network will connect the Kodiak Island Borough, the nation's largest Coast Guard facility (based in Kodiak), and the entire Kenai Peninsula to the existing fiber optic network that runs throughout the state and to the Lower 48.



This groundbreaking infrastructure development will also expand the capabilities for University of Alaska distance learning, increase the use of telemedicine and further the development of resources available to Homeland Security.

AADC has long sought high-speed connectivity for the KLC to provide secure, fast data transmission and voice communications. AADC entered into a long-term use agreement with the Kodiak Kenai Cable Company that financially enabled the project.

Kodiak Kenai Cable Company was established by Ouzinkie Native Corporation and Old Harbor Native Corporation to construct and operate this advanced telecommunications system. KKCC will operate as a "carrier's carrier," offering broadband capacity to local and long distance exchange carriers for telephone, Internet and other data services.

The shielded and reinforced cable is installed underwater. Landing points will be located at Anchorage, Kenai, Homer, Seward, Kodiak and the Kodiak Launch Complex at Narrow Cape.

\$24.4 million

The economic impact of
KLC operations on the
Kodiak economy

ECONOMIC IMPACT

KLC Operations Impact Kodiak Economy

In 2006, AADC initiated an independent analysis of the economic effect on the Kodiak area from the ongoing operations and various projects at the KLC. This analysis covered the 2005 calendar year.

The Economic Impact Study, conducted by Van Wyhe Rogers Group and Information Insights, Inc., details the impact KLC has on boosting the local economy and mitigating the unemployment rate.

Wages paid by AADC and additional jobs created by AADC spending offset the impact of job reductions from other industries; without AADC, real earnings in Kodiak would have dropped more than 9 percent in 2005.

AADC makes a concerted effort to purchase goods and services from Kodiak vendors whenever possible and practicable. As a result, about 25 percent, or \$6.7 million, of total overall spending stays in the local economy with Kodiak vendors.

About \$7 million is spent with other vendors within the state, portions of which flow into the Kodiak economy.

The impact launch customers have on spending in Kodiak is significant. In 2005, an estimated \$1.9 million was spent on travel and hospitality during launch operations. This figure includes 480 trips to Kodiak and 7,000 room nights.

When all local spending is factored together, along with standard multipliers accounting for the flow of dollars within the community, KLC operations had an overall impact of \$24.4 million on the Kodiak economy.

The 2005 Economic Impact Study can be found in the Documents section of the AADC website at www.akaerospace.com.



the year
in review

INFRASTRUCTURE

KLC Facilities Upgrades Increase Capabilities

Permanent Cordova Site

AADC constructed a permanent telemetry site in Cordova to accommodate customer equipment and the off-axis unit of the Range Safety and Telemetry System. AADC is now able to deliver an optimum level of professional, flexible service to customers and support a variety of instrumentation with the completion of this permanent facility.

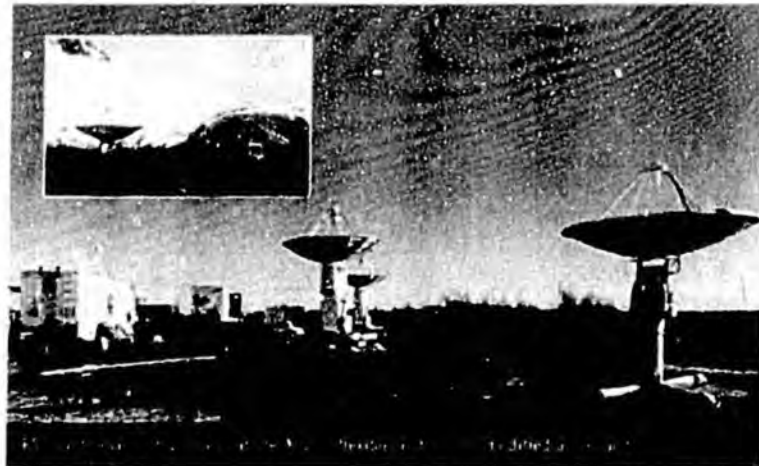
The facility includes a 3.5 acre fenced gravel pad with power and back-up power, an expandable communications Earth station (presently configured for six T-1 lines), offices with a conference room and a security guard station. The off-axis mobile RSTS unit can be relocated to King Salmon, as needed, maintaining the built-in flexibility of the system to meet the requirements of each launch. AADC and its customers work very closely with the Cordova community for housing, communications, supplies and support.

8



122,532 feet

Highest altitude attained
by KLC weather balloon



Antenna Mobility

The KLC infrastructure is designed to be highly adaptable in meeting customer launch campaign requirements. In response to a request for a change in signal monitoring during Missile Defense Agency launches, KLC personnel relocated a major RSTS tracking antenna to an optimum position approximately one mile from the Antenna Field at Narrow Cape. This quick action was possible because of the inherent mobility designed into the system.

Weather Support

KLC weather support is a critical part of launch operations. Without accurate up-to-the-minute readings, a launch could be delayed due to unknown weather conditions. Precise measurements on the ground and at many different altitudes are required to ensure that a complete picture of the weather is clearly known at any given moment.

AADC completed a \$250,000 upgrade to the weather station and related equipment. These improvements included new weather radar with greater resolution and expansion of the balloon sonde upper air observation capabilities. The KLC can now provide six simultaneous upper air observations at various altitudes, up from three, in preparation for a launch.

These upgrades provide state-of-the-art capabilities like those found at the major launch ranges.

EDUCATION

AADC Increases Educational Support for Alaska's Students



Not Pictured: Kirstin Berntsen - Kodiak

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Scholarships

As stated in Alaska State Statute, Section 14.40.861, the purpose of the corporation is "... to stimulate space-related business and educational and research development... in the state." In accordance with this statute, AADC has established a significant scholarship program in partnership with the University of Alaska Foundation.

High school seniors seeking a Bachelor's degree in math, physics, engineering, business or a technical field such as computer science can apply for a generous \$5,000 scholarship to pay for their educational expenses. The scholarships can be used at any University of Alaska campus.

Ten scholarships are awarded each year to students across the state. Depending upon available funding, continuing students who meet eligibility criteria may be able to receive additional scholarships in future years.

To date AADC has donated \$300,000 to the University of Alaska Foundation to fund this program.

Internships

An important part of learning is doing. AADC has established a popular intern program for engineering and science students who want hands-on experience in the aerospace field.

Interns accepted into the program, which began in 2002, are based at the KLC and become active and responsible members of the aerospace team. They receive training in the daily operations and technical demands of a working launch facility and gain career-building experience for future success.



Challenger Learning Center of Alaska

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AADC was the principal sponsor of a gala fundraising event on November 10th to benefit the Challenger Learning Center of Alaska (CLCA). Honorary Host and Special Guest Senator Ted Stevens, Governor-elect Sarah Palin, Mark Hamilton, President of the University of Alaska, and many other special guests from across the US attended the event. Dr. June Scobee Rodgers, the founding Chairperson of the national Challenger Center network, was the featured guest speaker.

This special evening entitled "It's About the Kids!" raised over \$225,000 to support the long-term sustainability of the CLCA.

Space Explorers

As stated in Alaska State Statute, Section 14.40.851, the purpose of the corporation is "... to stimulate space-related business and educational and research development... in the state."

Providing support to science teachers and students is very important in this modern age. Studies show that young people twelve years old and higher seem to lose interest in science education. That means fewer and fewer high school seniors are studying engineering, applied sciences and other technical fields. This directly impacts our ability to compete in the increasingly technological world and global economy.

AADC supports the innovative and nationally recognized Space Explorers Program. This resource brings on-line, interactive science materials and exciting learning opportunities into the classroom for students from Kindergarten through 12th grade.

Science teachers receive lesson plans and other curriculum support they can immediately apply to their classes. It is a significant step toward sparking student interest in learning about science and maintaining that enthusiasm through graduation.

In 2006, AADC co-sponsored this program in over 100 schools throughout Alaska.

the year
in

RSTS

RSTS Expansion Increases Data Processing Capabilities

An important aspect of a rocket's flight is gathering data and recording it. This information is vital for tracking and monitoring the vehicle's health, status and trajectory.

AADC has two state-of-the-art mobile Range Safety and Telemetry System (RSTS) units; one at the KLC and an identical system in Cordova. The RSTS is a GPS based, S-band telemetry receiving and UHF command destruct system, with redundant auto-tracking 5.4-meter telemetry antennas and redundant UHF omni-directional and directional antennas for command destruct. The directional command destruct antennas are integrated with the telemetry auto-tracking antennas.

The prime purpose of the RSTS is to provide the range safety and telemetry functions necessary to track, receive and process critical telemetry data and verify a safe rocket flight within prescribed boundaries, or safely terminate an errant rocket.

The capabilities of the system were significantly increased with the addition of 8 redundant (or 16 individual) S-band telemetry receiving, recording and processing links. With this expansion, the RSTS meets a variety of customer data receiving and processing requirements with a total availability of 12 redundant (or 24 individual) S-band links.

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KODIAK

June Board Meeting Held in Kodiak



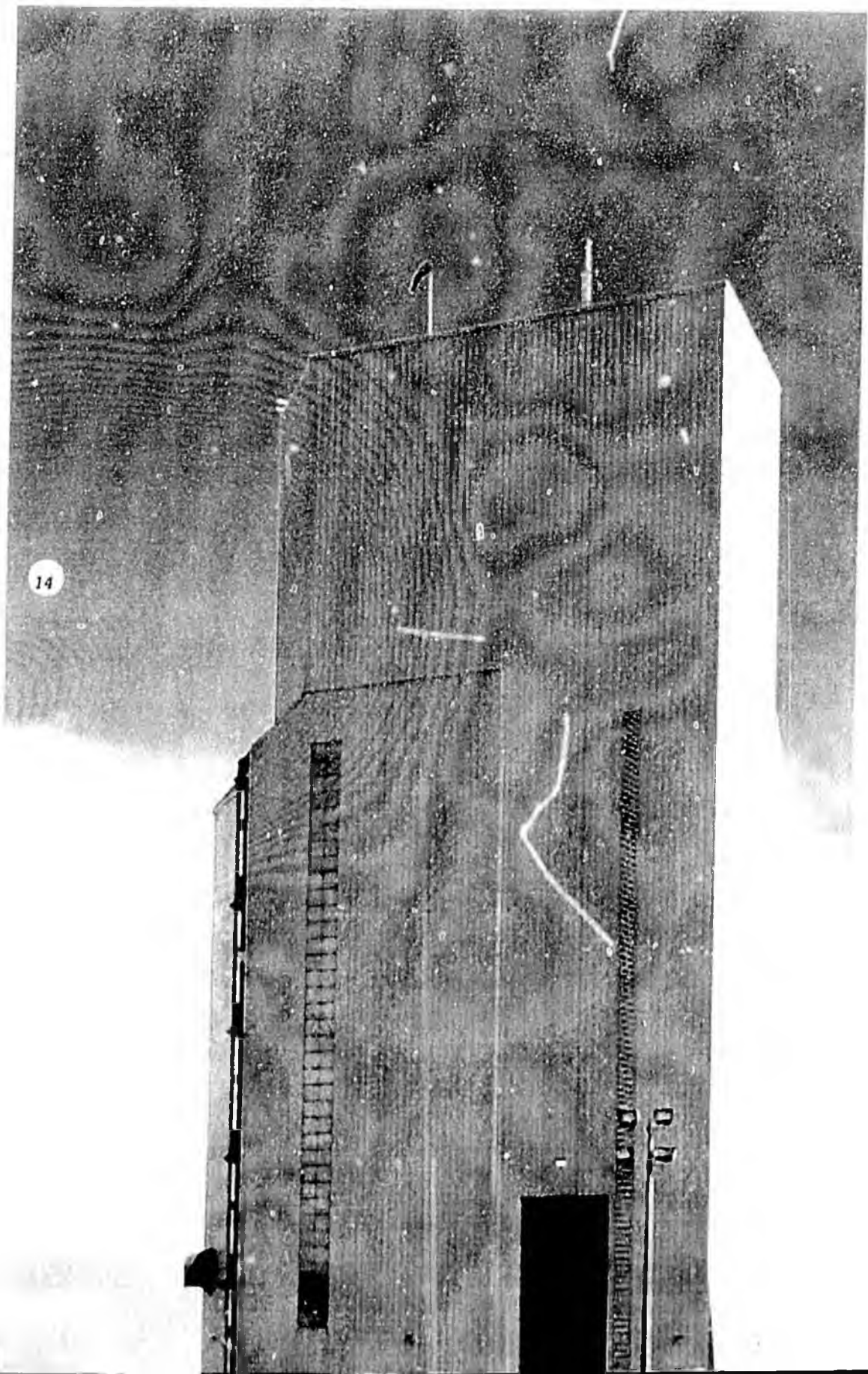
On June 15th, the AADC Board of Directors met in Kodiak as a part of their regular schedule of quarterly meetings. In addition to conducting regular business during the meeting, it provided an opportunity for Board members to further build Kodiak community relations and address comments, questions or concerns residents had about operations at the KLC.

Of special note at this meeting was the presentation of scholarship medallions to two of the 2006/2007 AADC Scholarship Program recipients. Mark Hamilton, President of the University of Alaska and Chair of the AADC Board, Pat Ladner, AADC President and CEO, and Brian Rogers, member of the University of Alaska Board of Regents congratulated Willie Nelson of Port Lions and Kelsey Peterson from Old Harbor for their academic achievements and wished them success in their future studies.

James Rahr, a University of Arizona student intern at the KLC, gave a special presentation on his work in the intern program and the many benefits this unique opportunity provided. He stated, "I would absolutely recommend this position. It has been very hands-on and very interesting."

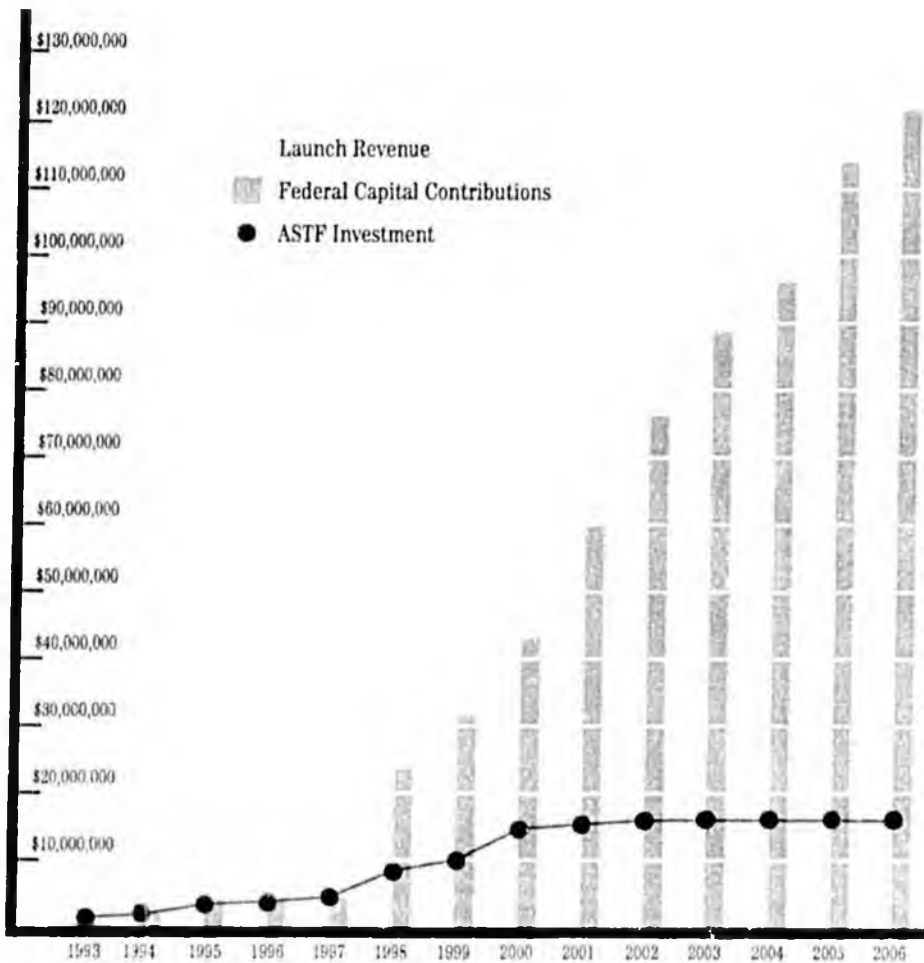
Also at this meeting, Brian Rogers, in his role as principal consultant with Van Wyhe Rogers Group and Information Insights, Inc., discussed the independent financial analysis his firm completed detailing the economic impact AADC had on the Kodiak economy in 2005. The study determined that AADC had an overall impact of over \$24 million as a result of KLC operations.

174 feet
Launch Service Structure on
Launch Pad 1 (alt 10)



financials

RETURN ON INVESTMENT (CUMULATIVE)



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The above depicts a total of \$180.2 million in revenue from launches (\$55.4 million) and capital contributions (\$124.8 million from NASA, US Air Force and US Army) that has been brought to the State of Alaska as a return on the initial financial investment of \$15.6 million provided by the Alaska Science and Technology Foundation (ASTF).

financials

TABLE 1: STATEMENT OF NET ASSETS

	Current Year	Prior Year	Change
Assets			
Current assets	\$19,509,995	\$36,450,320	(\$16,940,325)
Capital assets, net	78,875,194	66,970,104	11,905,090
Total Assets	\$98,385,189	103,420,424	(5,035,235)
Liabilities			
Current liabilities	1,796,117	4,912,185	(3,116,068)
Noncurrent liabilities	12,546,120	27,415,473	(14,869,353)
Total Liabilities	14,342,237	32,327,658	(17,985,421)
Net Assets			
Invested in capital assets	78,875,194	66,970,104	11,905,090
Unrestricted	5,167,758	1,122,662	1,045,096
Total Net Assets	\$84,042,952	\$71,092,766	\$12,950,186

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The total net assets increase of 18 percent is the result of \$12.9 million of capitalized projects at KLC. The majority of the KLC capital additions are related to the continued construction of the telemetry system, design of a new launch pad and rocket motor storage facility and the installation of fiber optic cable. The construction of the Maintenance and Storage Facility was completed in 2005.

Business-type Activities

AADC's operating revenues are supported by a contract secured with the Missile Defense Agency for operations and launch activity. Depreciation on the KLC continues to be a significant operating expense. The table below highlights the changes in net assets of Alaska Aerospace Development Corporation's business-type activities.

TABLE 2: CHANGES IN NET ASSETS

	Current Year	Prior Year	Change
Operating Revenues	\$16,892,116	\$16,914,593	(\$22,477)
Operating Expenses			
Personal services	3,595,677	2,385,675	1,210,002
Travel	1,003,921	1,046,714	(42,793)
Contractual services	8,919,394	11,642,643	(1,723,249)
Supplies	689,511	674,054	15,757
Equipment	1,339,187	715,507	623,680
Depreciation	3,713,769	3,423,326	290,443
Total Operating Expenses	20,261,759	19,887,919	373,840
Net Operating Loss	(3,369,643)	(2,973,326)	(396,317)
Nonoperating Revenues			
Interest income unrestricted	155,070	52,287	102,783
Cooperative Agreement	296,077	1,406,902	(1,110,825)
Total Nonoperating Expenses	451,147	1,459,189	(1,008,042)
Loss Before Capital Contributions	(2,018,496)	(1,514,137)	(1,404,359)
Capital Contributions	15,868,682	12,546,700	3,321,982
Change in Net Assets	12,950,186	11,032,563	1,917,623
Net Assets - Beginning of Year	71,092,766	60,060,203	11,032,563
Net Assets - End of Year	\$84,042,952	\$71,092,766	\$12,950,186

financials

Launch operating revenues and expenses in fiscal year 2006 remained comparable to fiscal year 2005. The contributing factors for these results include:

- Revenues remained at \$16 million for fiscal year 2006 with two launches completed. The forecasted launch operating revenue for fiscal year 2007 is expected to increase with three scheduled launches.
- The level of activity at the KLC remained consistent compared to the previous fiscal year. Management expects fiscal year 2007 expenses to continue in proportion to the launch operating revenues described above.
- The depreciation expense in fiscal year 2006 increased by \$290,000 from fiscal year 2005 due to KLC capital additions and completion of the Maintenance and Storage Facility. Management expects the depreciation expense to increase in future years with completion of the RSTS expansion (in fiscal year 2007) and additional capital projects.
- AADC has never received any general funds from the State of Alaska; AADC is fully self-sufficient.

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AADC's Budgetary Highlights

The State of Alaska approves the annual AADC budget. Neither the Board of Directors nor management has the authority to modify the budget. The budget has historically included provisions granting AADC "receive and expend authority". This allows AADC to contemporaneously receive funding from launch customers and expend funds as necessary to provide services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006, AADC had \$78.8 million invested in various capital assets both in Kodiak and Anchorage that support its mission to foster the aerospace industry in Alaska (see Table 3 below). This amount represents a net increase (including additions and deductions) of \$11.9 million, or 18 percent, over the prior year.

In fiscal year 2006, major capital additions consisted primarily of continued telemetry system construction and design of a launch pad and rocket motor storage facility. The \$8 million in other assets represents an Indefeasible Right of Use (IRU) for two fiber optic lines at KLC.

TABLE 3: CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)

Kodiak Launch Complex	Current Year	Prior Year	Change
Infrastructure	\$6,158,435	\$6,445,294	(\$286,859)
Buildings, structures	33,758,193	27,465,610	6,292,583
Vehicles and equipment	17,636,563	18,540,979	(904,416)
Office furniture and equipment	354,953	322,158	32,795
Other assets	8,013,119	0	8,013,119
Construction in progress	12,953,931	14,196,063	(1,242,132)
Total Capital Assets	\$78,875,194	\$66,970,104	\$11,905,090

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Debt Administration

AADC has no long-term liabilities that require debt administration. AADC has the authority to issue bonds but has not issued any to date.

AADC participates in the State of Alaska Risk Management Pool, which costs considerably less than commercial insurance. Other obligations include forecasted pension obligations and accrued leave. More detailed information about AADC long-term liabilities is presented in financial statement notes.

financials

ECONOMIC FACTORS & NEXT YEAR'S BUDGETS

The AADC Board of Directors considered many factors when setting the fiscal year 2007 budget, such as completion of the construction projects in progress, launch fees that will be charged for the business-type activities and depreciation of the KLC facilities. Amounts budgeted for launch operating revenue are \$26 million with three expected launches. AADC may be asked to further develop KLC infrastructure through its National Guard Cooperative Agreement.

AADC commissioned an independent analysis of the economic impact of KLC operations on the Kodiak Island Borough for 2005. This study was issued to the Alaska State Legislature in spring 2006. Copies are available on the corporation's website at www.akaerospace.com.

CONTACTING AADC'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of AADC finances and to show AADC accountability for the money it receives. If you have questions about this report or need additional financial information, contact Alaska Aerospace Development Corporation at 4300 B Street, Suite 101, Anchorage, Alaska, (907) 561-3338.

AADC BOARD OF DIRECTORS

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Robert Smith
Director, Geophysical Institute, University of Alaska, Fairbanks

Wallace Sawyer
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Sharon Anderson
Principal, Anderson Business

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Alaska State Senate

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