

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672

6096 HOUSE STATE AFFAIRS

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Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HB 611

House State Affairs

1/18/89

HOUSE COMMITTEE REPORT

(5)

Date Referred: January 9, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: _____

The STATE AFFAIRS Committee recommends that:

HOUSE BILL NO. 64 [EXTEND OLDER ALASKANS COMMISSION]

"An Act continuing the Older Alaskans Commission; and providing for an effective date."

[] be replaced with _____ [] the same title
[] a new title

[] have attached amendment(s)

- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact
- zero fiscal note
- zero with analysis

APPROVES PREVIOUS:

- fiscal note(s) published: _____
- zero fiscal notes(s) published: _____

1/9/89 - Admin

SIGNING DO PASS:

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

[Signature]
Chairman's signature



Alaska State Legislature

House of Representatives
COMMITTEE ON STATE AFFAIRS

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Wednesday, January 18, 1989

HB64: Extend Older Alaskans Commission

- Item 1:** HB64 By the Rules Committee by Request of the Governor
- Item 2:** Governor's Transmittal Letter
- Item 3:** Fiscal Note
- Item 4:** Chapter 65. Service Programs for Older Alaskans.
- Item 5:** Legislative Audit Control Number 02-1332-89-R
A Report on the Department of Administration
Older Alaskans Commission and Office of Public Advocacy
General Fund Operating Programs
For the Fiscal Year Ended June 30, 1987
- Item 6:** A Performance Report on the Department of Administration
Older Alaskans Commission
July 1, 1984 - June 30, 1988
Audit Control Number 20-1347-89-R

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

Item 2

cc
14364

January 9, 1989

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Cotten:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to continue the Older Alaskans Commission for the customary four-year period. (See AS 44.66.010(c).) Under current law, the commission is scheduled to "sunset" June 30, 1989. It will go into its "wind-down" year (under AS 44.66.010(b)) before going out of existence.

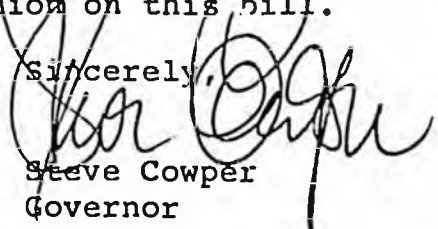
The commission serves as the state unit on aging, the single state coordinating agency for purposes of receiving federal money from the Administration on Aging. The commission administers both the federal money and the state money authorized under AS 47.65, for direct home and community-based services to senior Alaskans and for the Senior Community Service Employment Program for low-income workers over 55. In awarding grants under federal and state law, the commission strives to distribute services equitably and efficiently across the state and within communities.

The commission also serves as a statewide advocate for senior issues with the legislature and with other agencies within the judicial and executive branches. The commission engages in planning, research, and program development related to senior needs and senior services.

The commission's seven lay members, appointed by the governor, provide senior Alaskans with a strong voice in senior affairs at the local, state, and even federal levels.

The commission, in performing its functions under AS 44.21.200 -- 44.21.240 and AS 47.65, is an agency vital to the best interests of the people of Alaska, and I urge your prompt and favorable action on this bill.

Sincerely,


Steve Cowper
Governor

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HB 64
PUBLISH DATE: HOUSE 1/9/89

Item 3

14

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Dept. of Administration
Title: An act continuing the Older Alaskans Commission and provide effective date BRU: Older Alaskans Commission
Sponsor: Rules Committee Components: _____
Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	
CAPITAL						
REVENUE		-0-	-0-	-0-	-0-	

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		-0-	-0-	-0-	-0-	

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Zero impact. The ongoing funding for this BRU is included in the FY 90 Budget Request.

Prepared by: Cornie J. Lipe Phone: 465-3250
Division: Older Alaskans Commission Date: 10/25/88
Approved by Commissioner: Charles M. Taylor Date: 10-25-88
Agency: Administration

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)

Item 4

Sec. 47.60.040. Powers of corporations. A nonprofit corporation which undertakes the development and operation of multi-purpose senior centers may:

- (1) operate in one or more home rule and general law municipalities;
- (2) issue notes, bonds or other obligations for the purpose of developing and operating multi-purpose senior centers;
- (3) perform other functions necessary to carry out the purposes of this chapter. (§ 1 ch 87 SLA 1974)

Sec. 47.60.050. Acceptance and use of assistance, cooperation and contributions. A nonprofit corporation may accept and use the assistance, cooperation and contributions of private persons, charitable organizations and public agencies for the purpose of establishing and operating a multi-purpose senior center. (§ 1 ch 87 SLA 1974)

Sec. 47.60.060. Lease of property from state. The Department of Administration may lease property under its jurisdiction, suitable for use as a multi-purpose senior center, to a nonprofit corporation which undertakes the development and operation of a multi-purpose senior center. (§ 1 ch 87 SLA 1974)

Sec. 47.60.070. Municipal contributions. The governing body of a home rule or general law municipality may give financial assistance to a nonprofit corporation which undertakes the development and operation of a multi-purpose senior center. (§ 1 ch 87 SLA 1974)

Sec. 47.60.080. Exemption from taxation. A multi-purpose senior center developed and operated by a nonprofit corporation under this chapter is not subject to real or personal property taxation by a home rule or general law municipality. The exemption granted under this section continues in force only while the multi-purpose senior center is owned and operated by a nonprofit corporation under the provisions of this chapter. (§ 1 ch 87 SLA 1974)

Sec. 47.60.090. Federal regulation. Nothing in this chapter may be construed as a limitation on the power of the federal government to regulate the development and operation of multi-purpose senior centers. (§ 1 ch 87 SLA 1974)

Chapter 65. Service Programs for Older Alaskans.

Section	Section
10. Older Alaskans service programs account	30. Pilot project grants
20. Grants for community service programs	40. Required contribution by sponsor
	50. Administrative requirements
	60. Definitions

Legislative history reports. — For conflicting views on the status of HB 611 amS see memorandum of legislative council at page 1723, 1980 Senate Journal and

the opinion of the Attorney General at 1980 Senate Journal page 1764 and 1980 House Journal page 2221.

Sec. 47.65.010. Older Alaskans service programs account. The older Alaskans service programs account is established in the Department of Administration. An amount to carry out the provisions of this chapter may be appropriated annually by the legislature to the account. The amount appropriated to the account shall be fully distributed by the Older Alaskans Commission to sponsors of older Alaskans service programs in accordance with the provisions of this chapter. (§ 1 ch 152 SLA 1980; am § 5 ch 79 SLA 1981)

Effect of amendments. — The 1981 amendment substituted "Older Alaskans Commission" for "Office on Aging" in the third sentence.

Sec. 47.65.020. Grants for community service programs. Not less than 60 percent of the amount appropriated by the legislature to the account established in AS 47.65.010 shall be allocated annually by the commission as community program grants to sponsors of older Alaskans service programs. Payments shall be made on the basis of applications submitted to the commission by sponsors of community programs. (§ 1 ch 152 SLA 1980; am § 6 ch 79 SLA 1981)

Effect of amendments. — The 1981 amendment substituted "commission" for "office on aging" in two places.

Sec. 47.65.030. Pilot project grants. (a) The balance of the amount appropriated to the account established in AS 47.65.010 not allocated under AS 47.65.020 shall be allocated annually by the commission as grants to support pilot projects for the benefit of older Alaskans under this section.

(b) The commission shall adopt standards for pilot project grants and, after adoption of the standards as regulations, in accordance with the Administrative Procedure Act (AS 44.62), shall apply the standards to determine eligibility of applicants for pilot project grants. In awarding pilot project grants, the commission shall

(1) enter into agreements with the project sponsor to operate one or more of the selected pilot projects consistent with the standards adopted;

(2) monitor and evaluate, in a written report, each pilot project; the report shall include

(A) a description of the project and of the persons served by it;

- (H) counseling;
 - (I) information and referral services;
 - (J) programs which train persons to work with or assist older Alaskans;
 - (K) transportation services;
 - (L) educational activities; and
 - (M) employment services;
- (4) "sponsor" means the provider of one or more service programs or pilot projects for the benefit of older Alaskans, including
- (A) a municipality of the state;
 - (B) a nonprofit corporation organized under the laws of the state; and
 - (C) an educational institution. (§ 1 ch 152 SLA 1980; am §§ 10-12 ch 79 SLA 1981)

Revisor's notes. — Reorganized in paragraph (C) in paragraph (4) and 1984 to alphabetize the terms defined. repealed a paragraph that defined the Effect of amendments. — The 1981 amendment added paragraph (1) and sub-office on aging.

Chapter 70. Interstate Compact on the Placement of Children.

<p>Section</p> <p>10. Compact enacted</p> <p>20. Financial responsibility</p> <p>30. Designation of authority</p> <p>40. Agreements</p>	<p>Section</p> <p>50. Delegation by agreement</p> <p>60. Executive head</p> <p>70. Violations of compact</p> <p>80. Short title</p>
--	--

Sec. 47.70.010. Compact enacted. The Interstate Compact on the Placement of Children as contained in this section is enacted into law and entered into on behalf of the state with any and all other states legally joining in it in a form substantially as follows:

INTERSTATE COMPACT ON THE PLACEMENT OF CHILDREN.

ARTICLE I. PURPOSE AND POLICY

It is the purpose and policy of the party states to cooperate with each other in the interstate placement of children to the end that:

- (a) Each child requiring placement shall receive the maximum opportunity to be placed in a suitable environment and with persons or institutions having appropriate qualifications and facilities to provide a necessary and desirable degree and type of care.
- (b) The appropriate authorities in a state where a child is to be placed may have full opportunity to ascertain the circumstances of the proposed placement, thereby promoting full compliance with applicable requirements for the protection of the child.

A REPORT ON THE
DEPARTMENT OF ADMINISTRATION
OLDER ALASKANS COMMISSION
AND
OFFICE OF PUBLIC ADVOCACY
GENERAL FUND OPERATING PROGRAMS

For the Fiscal Year Ended June 30, 1987

Audit Control Number

02-1332-89-R

Commissioner, Department of
Administration

John M. Andrews

Deputy Commissioners,
Department of Administration

Charles E. Taylor
James J. Fox

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SECTION 1: FINANCIAL AND STATE COMPLIANCE

PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes, we conducted an examination of the Department of Administration, Older Alaskans Commission and Office of Public Advocacy, General Fund Operating Programs. Our examination was made to determine:

1. If the financial statement appearing in the State's Annual Financial Report for the fiscal year ended June 30, 1987, is fairly presented.
2. The agencies' compliance with applicable state statutes and regulations governing fiscal activities of the Older Alaskans Commission and Office of Public Advocacy.

We also reviewed the agencies' compliance with applicable federal laws and regulations as required by the Single Audit Act of 1984. This portion of our review is detailed in Section 3 of this report.

ORGANIZATION AND FUNCTION

The Alaska Department of Administration, in accordance with the provisions of Title 44 of the Alaska Statutes, provides centralized services for all state agencies. These services include finance and accounting, personnel, purchasing, printing, risk management, data processing, employees' retirement and benefits, record management, and other management functions. In addition, during FY 87, the department had administrative responsibility for the nine programs listed below:

1. Older Alaskans Commission
2. Pioneers' Homes
3. Public Defender Agency
4. Alaska Public Offices Commission
5. Telecommunications
6. Alaska Public Broadcasting Commission
7. Alaska Longevity Bonus Program
8. Municipal Grants Program
9. Office of Public Advocacy

Two of those programs received federal funds: the Older Alaskans Commission and Office of Public Advocacy. These programs and their duties are briefly summarized as follows:

Older Alaskans Commission (AS 44.21.200-.240) - An eleven member Commission of public and administrative appointees that formulates a statewide plan, makes recommendations to the Governor, encourages community action and other activities that pertain to older Alaskans, and helps older Alaskans lead dignified, independent, and useful lives.

Office of Public Advocacy (AS 44.21.400-.440) - The basic purpose of the office is to perform as public guardian by providing guardian services, legal representation to indigents involving custody, adoption, and juvenile cases.

STATE OF ALASKA

AUDIT DIVISION
P.O. BOX W
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE BUDGET AND AUDIT COMMITTEE

November 11, 1988

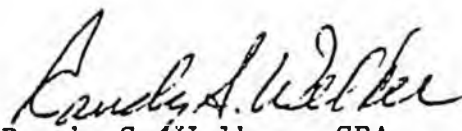
Members of the Legislative Budget
and Audit Committee:

We have examined the General Fund Statement of Expenditures and Encumbrances Compared with Appropriations, for the Department of Administration, Older Alaskans Commission and Office of Public Advocacy, General Fund Operating Programs, a component unit of the State of Alaska, for the fiscal year ended June 30, 1987. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described more fully in Note 1, the financial statement presented is only for the elements specified and is not intended to present fairly the financial position and results of operations of any of the fund types of the Department of Administration, Older Alaskans Commission and Office of Public Advocacy, General Fund Operating Programs, in conformity with generally accepted accounting principles.

As described in Note 2, the encumbrance balance for Department of Administration, Older Alaskans Commission and Office of Public Advocacy, General Fund Operating Programs is materially overstated by \$37,607 or 6.5% and correspondingly the lapsed balance is understated by \$37,607 or 16.4%.

In our opinion, because of the matters discussed in the preceding paragraphs, the financial statement referred to above does not present fairly, in conformity with generally accepted accounting principles, the financial position of the State of Alaska, Department of Administration, Older Alaskans Commission and Office of Public Advocacy, General Fund Operating Programs, as of June 30, 1987, or the results of its operations and changes in its financial position for the year then ended.


Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
OLDER ALASKANS COMMISSION
OFFICE OF PUBLIC ADVOCACY
GENERAL FUND
STATEMENT OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH APPROPRIATIONS
For the Fiscal Year Ended June 30, 1987

	Total Appropriations	Expenditures	Encumbrances	Balances	
				Continuing Programs	Lapsed
<u>Operating Programs</u>					
Older Alaskans Commission	\$ 9,520,300	\$ 9,373,989	\$ 55,346	\$-0-	\$ 90,565
Office of Public Advocacy (Note 2)	3,995,332	3,420,193	515,272	-0-	59,867
Office of Public Advocacy, MacKay Case Ch 130/SLA 86	64,824	15,864	-0-	-0-	48,960
Office of Public Advocacy, Peel Case Ch 130/SLA 86	79,722	78,945	-0-	-0-	777
Salvation Army Shuttle Bus, Ch 130/SLA 86	20,962	20,960	-0-	-0-	2
Salvation Army Shuttle Bus, Ch 130/SLA 86 (Note 2)	10,600	2,813	7,787	-0-	-0-
Older Alaskans Commission Reimbursable Services Agreement	33,500	4,300	-0-	-0-	29,200
Total Operating Programs	<u>\$13,725,240</u>	<u>\$12,917,064</u>	<u>\$578,405</u>	<u>\$-0-</u>	<u>\$229,771</u>

The Notes to the Financial Statement are an integral part of this Statement.

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
OLDER ALASKANS COMMISSION
OFFICE OF PUBLIC ADVOCACY
NOTES TO THE FINANCIAL STATEMENT
For the Fiscal Year Ended June 30, 1987

Note 1 - Summary of Significant Accounting Policies

Alaska Statute 37.05.150 requires the State of Alaska to conform to generally accepted accounting principles (GAAP). As a result, the State has established a statewide accounting system and policies and procedures for reporting on that basis. The Annual Financial Report is intended to present statements of financial position and results of operations (and changes in financial position of proprietary funds and similar trust funds) by fund, combined by fund type, and combined for all funds. These statements are not prepared on a departmental basis. However, departments are an important basis: (1) for internal controls, (2) for legislative interest, and (3) for agencies receiving and expending federal financial assistance. The statement provided in this report presents only selected elements of the Annual Financial Report, as identified in the statement heading, which relate to the Department of Administration (DOA), Older Alaskans Commission (OAC) and Office of Public Advocacy (OPA), General Fund Operating Programs. The statement is not intended to present fairly the financial position and results of operations of any of the fund types of DOA, OAC and OPA, General Fund Operating Programs in conformity with generally accepted accounting principles.

The following is a summary of the significant policies applicable to DOA, OAC and OPA.

- A. F. Accounting. The State of Alaska maintains its accounting in accordance with the principles of fund accounting. A fund is a fiscal and accounting entity established by law to segregate and account for designated resources and activities.
- B. Basis of Accounting. The financial statement is reported on the modified accrual basis of accounting. Modifications to the accrual basis are as follows:
1. Revenues are recorded on an accrual basis except for revenues not susceptible to accrual, which are recorded at the time of receipt.
 2. Expenditures are recorded on an accrual basis except for certain types of expenses which are considered expenditures at the time of purchase:

SECTION 2: INTERNAL CONTROLS

STATE OF ALASKA

AUDIT DIVISION
PO BOX W
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

November 11, 1988

Members of the Legislative Budget
and Audit Committee:

We have examined the financial statement of the Department of Administration, Older Alaskans Commission and Office of Public Advocacy, General Fund Operating Programs, a component unit of the State of Alaska, for the fiscal year ended June 30, 1987. As part of our examination, we made a study and evaluation of the system of internal controls, including applicable internal administrative controls used in administering federal financial assistance programs, of the Department of Administration to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards established by the American Institute of Certified Public Accountants and the standards for financial and compliance audits contained in the U.S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions; the Single Audit Act of 1984 (PL 98-502); the provisions of OMB Circular A-128, Audits of State and Local Governments; and OMB's Compliance Supplement for Single Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal controls in the following categories:

Accounting Controls

Organizational controls.

Controls over the authorization and recording of expenditures on state accounting systems.

Controls over the handling and recording of cash receipts, billings, and accounts receivable.

Controls over the purchase and recording of equipment.

Payroll and personnel controls.

Controls over the claiming and recording of federal and other funds.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
OLDER ALASKANS COMMISSION
OFFICE OF PUBLIC ADVOCACY
NOTES TO THE FINANCIAL STATEMENT
For the Fiscal Year Ended June 30, 1987

Note 1 - Summary of Significant Accounting Policies

Alaska Statute 37.05.150 requires the State of Alaska to conform to generally accepted accounting principles (GAAP). As a result, the State has established a statewide accounting system and policies and procedures for reporting on that basis. The Annual Financial Report is intended to present statements of financial position and results of operations (and changes in financial position of proprietary funds and similar trust funds) by fund, combined by fund type, and combined for all funds. These statements are not prepared on a departmental basis. However, departments are an important basis: (1) for internal controls, (2) for legislative interest, and (3) for agencies receiving and expending federal financial assistance. The statement provided in this report presents only selected elements of the Annual Financial Report, as identified in the statement heading, which relate to the Department of Administration (DOA), Older Alaskans Commission (OAC) and Office of Public Advocacy (OPA), General Fund Operating Programs. The statement is not intended to present fairly the financial position and results of operations of any of the fund types of DOA, OAC and OPA, General Fund Operating Programs in conformity with generally accepted accounting principles.

The following is a summary of the significant policies applicable to DOA, OAC and OPA.

- A. Fund Accounting. The State of Alaska maintains its accounting in accordance with the principles of fund accounting. A fund is a fiscal and accounting entity established by law to segregate and account for designated resources and activities.
- B. Basis of Accounting. The financial statement is reported on the modified accrual basis of accounting. Modifications to the accrual basis are as follows:
1. Revenues are recorded on an accrual basis except for revenues not susceptible to accrual, which are recorded at the time of receipt.
 2. Expenditures are recorded on an accrual basis except for certain types of expenses which are considered expenditures at the time of purchase:

- a. Inventory type items.
 - b. Prepaid expenses, such as insurance.
 - c. Interest on long-term debts.
- C. Encumbrances. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they are neither expenditures nor liabilities.
- D. Budgetary Control. All money received is deposited in the State Treasury and may not be expended without appropriation. An appropriation is an authorization to spend money and incur obligations. It is a legal limit as to purpose, time, and amount. Appropriations are enacted by the Legislature and approved by the Governor. Expenditures are reported at the appropriation level to show compliance with the law.
- E. Interagency Revenues. Intrafund and interfund reimbursements for services provided to other state agencies are reported as interagency revenues rather than as reductions in expenditures. The agency's authorizations and estimated revenues were increased in the amount of the reimbursable services agreements.

Note 2 - Encumbrances

Noncompliance with the State Administrative Manual requirement for year-end review by DOA has resulted in material misstatement of encumbrances reported in the financial statement. Office of Public Advocacy's (OPA) outstanding encumbrance balance is overstated by \$29,820 and the Salvation Army Shuttle Bus, ch. 130, SLA 86 appropriation's encumbrance balance is overstated by \$7,787.

As a result, reported encumbrances are overstated by a total of \$37,607 or 6.5%, and correspondingly lapsed balances are also understated by \$37,607 or 16.4%.

SECTION 2: INTERNAL CONTROLS

STATE OF ALASKA

AUDIT DIVISION
P.O. BOX W
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE BUDGET AND AUDIT COMMITTEE

November 11, 1988

Members of the Legislative Budget
and Audit Committee:

We have examined the financial statement of the Department of Administration, Older Alaskans Commission and Office of Public Advocacy, General Fund Operating Programs, a component unit of the State of Alaska, for the fiscal year ended June 30, 1987. As part of our examination, we made a study and evaluation of the system of internal controls, including applicable internal administrative controls used in administering federal financial assistance programs, of the Department of Administration to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards established by the American Institute of Certified Public Accountants and the standards for financial and compliance audits contained in the U.S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions; the Single Audit Act of 1984 (PL 98-502); the provisions of OMB Circular A-128, Audits of State and Local Governments; and OMB's Compliance Supplement for Single Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal controls in the following categories:

Accounting Controls

Organizational controls.

Controls over the authorization and recording of expenditures on state accounting systems.

Controls over the handling and recording of cash receipts, billings, and accounts receivable.

Controls over the purchase and recording of equipment.

Payroll and personnel controls.

Controls over the claiming and recording of federal and other funds.

Administrative Controls

Controls assuring compliance with the general federal compliance requirements identified in the OMB Compliance Supplement.

Controls assuring compliance with the specific federal compliance requirements identified in the OMB Compliance Supplement.

The purpose of our study and evaluation, which included all of the internal control categories above, was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statement and evaluating compliance with applicable state and federal laws and regulations.

The management of the Department of Administration is responsible for establishing and maintaining a system of internal controls. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of the system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. In addition, internal controls should provide reasonable, but not absolute, assurance that the department has complied with laws and regulations affecting the expenditure and receipt of funds.

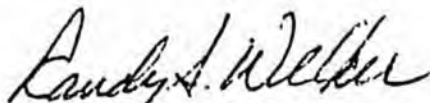
Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

During the year ended June 30, 1987, the Department of Administration expended 93% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal controls used solely in administering the nonmajor federal financial assistance programs of the Department of Administration, our study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal controls used solely in administering the nonmajor federal financial assistance programs of the Department of Administration did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal controls, and would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal controls of the Department of Administration, Older Alaskans Commission and Office of Public Advocacy, taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation and our examination disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the Department of Administration.

This report is intended solely for the use of management, the Members of the Legislature, and the appropriate grantor agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which is a matter of public record.



Randy S. Walker, CPA
Legislative Auditor
Division of Legislative Audit

SECTION 3: FEDERAL COMPLIANCE

STATE OF ALASKA

AUDIT DIVISION
PO. BOX W
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

November 11, 1988

Members of the Legislative Budget
and Audit Committee:

We have examined the financial statement of the Department of Administration, Older Alaskans Commission and Office of Public Advocacy, General Fund Operating Programs, a component unit of the State of Alaska, for the fiscal year ended June 30, 1987, and have issued our report thereon dated November 11, 1988. Our examination was made in accordance with generally accepted auditing standards; the provisions of Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, promulgated by the U.S. Comptroller General, as they pertain to financial and compliance audits; the Single Audit Act of 1984; the Office of Management and Budget's (OMB) Compliance Supplement for Single Audits of State and Local Governments; and OMB Circular A-128, Audits of State and Local Governments; and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the Department of Administration is responsible for the department's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records from each major federal financial assistance program and certain nonmajor programs. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the Department of Administration had, in all material respects, administered major federal financial assistance programs, and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected disclosed instances of noncompliance with federal laws and regulations. All instances of noncompliance that we found and the

programs to which they relate are identified in the Schedule of Noncompliance and Questioned Costs of this report.

In our opinion, subject to the effect of the ultimate resolution of those instances of noncompliance referred to in the preceding paragraph, for the year ended June 30, 1987, the Department of Administration administered each of its major federal financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect of the allowability of program expenditures.

The results of our testing of transactions and records selected from nonmajor federal financial assistance programs indicate that for the transactions and records tested, the Department of Administration complied with the laws and regulations referred to in the second paragraph of our report, except as noted in the accompanying Schedule of Noncompliance and Questioned Costs. Our testing was more limited than would be necessary to express an opinion on whether the Department of Administration administered those programs in compliance in all material respects with those laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the Department of Administration had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.



Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
OLDER ALASKANS COMMISSION
OFFICE OF PUBLIC ADVOCACY
GENERAL FUND OPERATING PROGRAMS
SCHEDULE OF NONCOMPLIANCE AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 1987

CFDA Number	Program Name	Grant/Contract Number	Explanation	Amount Questioned
13.635	Grants for State and Community Programs on Aging	1-926-0011- 85E-8	8 out of 10 subgrantee files reviewed did not contain indications of menus being received and/or evaluated to ascertain whether subgrantees' meals meet one-third of the current Recommended Dietary Allowances as required by the Older Americans Act of 1965, as amended, Part C, Sec 331 (1) and Sec 336. Their current system involves checking for menus and meal counts together making it possible to receive one and not the other with no further followup. OAC has responded that due to turnover and vacancy in the nutritionist position, those particular menus are probably misplaced. With respect to this requirement in the future, OAC has received permission from their federal program manager to only review a sample of menus. We encourage documentation of this permission as well as a change in the current system to allow for adequate followup when menus are not received. (See Note 1)	--
17.235	Senior Community Service Employment Program	99-6-1074-11- C19-02	OAC's review of a grantee's monthly report did not detect that an enrollee worked 1,328 hours during a 12 month period compared to the maximum of 1,300 allowed under 29 CFR 674.310. OAC indicated they would monitor reports more closely. (See Note 1)	\$239
17.235	Senior Community Service Employment Program	99-6-1074-11- C19-02	Supporting documentation for one federally reimbursable expenditure made to Alaska Airlines could not be located. As a result, we could not verify its eligibility. We recommend the agency keep copies of supporting documentation for all transactions. (See Note 1)	\$315
17.235	Senior Community Service Employment Program	99-6-1074-11- C19-02	2 out of 11 payments to grantees tested were based on financial reports that did not agree to grant awards. One subgrantee paid their employee \$.41/hr. more than the grant allowed for one quarter totalling \$102.09 and one subgrantee paid their employee \$.75/hr. less than the grant allowed. The Older Alaskans Commission (OAC) has responded that enrollees are being paid the correct amounts: occasionally the notification of grant awards are not retyped to reflect new information. We recommend that amendments be made for new information thereby eliminating differences between reports and grant awards. (See Note 1)	\$102
13.633/ 13.635	Grants for State and Community Programs on Aging	1-926-0011- 85E-8	OAC's allocation of personal services to Title III and Title V are not supported by a positive time-keeping system as required by OMB Circular A-87. In a recent program review, the federal program specialist concluded that the personal services allocation was reasonable but not in strict compliance with A-87. As a result, no costs are questioned. Therefore, we recommend OAC work with their program specialist to provide some documentation supporting the reasonableness of the allocations. (See Note 1)	--
17.235	Senior Community Service Employment Program	99-6-1074-11- C19-02		

Note 1: This instance of noncompliance with federal law or regulations was not material, was isolated and/or nonsystematic, or has already been corrected, so no recommendation was warranted.

SECTION 4: SUPPLEMENTAL INFORMATION

STATE OF ALASKA

AUDIT DIVISION
PO. BOX W
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE BUDGET AND AUDIT COMMITTEE

November 11, 1988

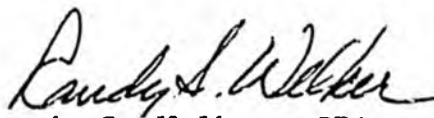
Members of the Legislative Budget
and Audit Committee:

We have examined the financial statement of the Department of Administration, Older Alaskans Commission and Office of Public Advocacy, General Fund Operating Programs, a component unit of the State of Alaska, for the fiscal year ended June 30, 1987, and have issued our report thereon dated November 11, 1988 in Section 1 of this report. Our examination of those financial statements was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination of the financial statement presented in Section 1 of this report was made primarily for the purpose of forming an opinion on that financial statement taken as a whole. The information included in the Schedule of Expenditures and Revenues for Federal Programs for the fiscal year ended June 30, 1987, is not a required part of that financial statement, and is presented only for the purpose of additional analysis to comply with OMB Circular A-128.

As discussed in Note 1, this supplemental schedule presents expenditures on a modified accrual and revenues on an accrual basis. It also presents only financial information relating to projects and programs funded, at least in part, with federal funds. Because of these reasons, the supplemental schedule is not readily reconcilable to the financial statement presented in Section 1. However, the information reported in the supplemental schedule was subjected to the same auditing procedures applied in the examination of the financial statements presented in Section 1. Because the basic financial statement does not present fairly the financial position of the Department of Administration, Older Alaskans Commission and Office of Public Advocacy, General Fund Operating Programs, in accordance with generally

accepted accounting principles, we cannot and do not express an opinion on the Schedule of Expenditures and Revenues for Federal Programs for the fiscal year ended June 30, 1987.



Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
OLDER ALASKANS COMMISSION
OFFICE OF PUBLIC ADVOCACY
GENERAL FUND OPERATING PROGRAMS
SCHEDULE OF EXPENDITURES AND REVENUES
FOR FEDERAL PROGRAMS
For the Fiscal Year Ended June 30, 1987
(Note 1)

<u>Federal Agency & Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Revenues (Note 2)</u>
<u>U.S. Department of Health and Human Services</u>			
<u>Office of Human Development Services</u>			
Title III - Grants to State and Community Programs on Aging	13.633-13.635	\$3,654,145	\$3,922,583
Title IVa - Education/Training	13.668	80,000	88,362
Title IVa - Adult Literacy	13.668	28,317	45,000
Volunteer Guardian Ad Litem Program	Other	11,821	11,566
<u>Total U.S. Department of Health and Human Services</u>		<u>3,774,283</u>	<u>4,067,511</u>
<u>U.S. Department of Labor</u>			
<u>Employment and Training Administration</u>			
Title V - Senior Community Service Employment Program	17.235	1,330,634	1,533,465
<u>Alaska Department of Community and Regional Affairs</u>			
Job Training Partnership Act (Note 3)	17.246-17.250	4,300	4,250
<u>Total U.S. Department of Labor</u>		<u>1,334,934</u>	<u>1,537,715</u>
<u>U.S. Department of Agriculture</u>			
<u>Food and Nutrition Service</u>			
Food Distribution Program	10.550	242,984	292,702
<u>U.S. Department of Justice</u>			
<u>Office of Juvenile Justice and Delinquency Prevention</u>			
Volunteer Guardian Ad Litem Program (Note 3)	Other	3,590	3,590
Court Appointed Special Advocate Start-Up Grant (Note 3)	Other	2,500	2,500
<u>Total U.S. Department of Justice</u>		<u>6,090</u>	<u>6,090</u>
<u>Total Federal Programs</u>		<u>\$5,358,291</u>	<u>\$5,904,018</u>

The Notes to the Schedule are an integral part of this Schedule.

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
OLDER ALASKANS COMMISSION
OFFICE OF PUBLIC ADVOCACY
GENERAL FUND OPERATING PROGRAMS
NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 1987

Note 1 - Schedule of Expenditures and Revenues for Federal Programs

This schedule encompasses all federal programs with FY 87 financial activity which were administered by the Department of Administration. Expenditures are reported on a modified accrual basis and represent all expenditures charged to FY 87. Revenues are reported on an accrual basis and therefore include amounts accrued for receivables at year-end. This represents a change in the reporting basis for revenues from that used in FY 86 with which we concur. In FY 86 revenues were reported on a cash basis and represented twelve months of cash receipt of federal funds through June 30, 1986.

Note 2 - Revenues

As a result of the change in reporting basis for revenues, as described in Note 1, revenues reported in the schedule include \$568,471 in receipts recorded during the current year related to the collection of prior year accounts receivable as detailed below by program:

Title III	\$286,795
Title IVa - Education/Training	8,362
Title IVa - Adult Literacy	16,683
Title V	206,913
Food Distribution Program	<u>49,718</u>
Total	<u>\$568,471</u>

Note 3 - Pass-Through Funds

These programs represent federal funds passed through to the Alaska Department of Administration from other agencies. They are as follows:

The Volunteer Guardian Ad Litem Program funds are from the National Council of Juvenile and Family Court Judges, Permanent Families Project whose funding source is the Office of Juvenile Justice and Delinquency Prevention, U.S. Department of Justice.

The Court Appointed Special Advocate (CASA) Start-Up Grant is with the National CASA Association whose

funding source is also the Office of Juvenile Justice and Delinquency Prevention, U.S. Department of Justice.

The Job Training Partnership Act funds are from the Alaska Department of Community and Regional Affairs whose funding source is the U.S. Department of Labor.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

P.O. BOX C
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200

December 21, 1988

Mr. Randy Welker
Legislative Auditor
Legislative Audit Division
P.O. Box W
Juneau, AK 99811-3300

DEC 21 1988

Dear Mr. Welker:

I appreciate the effort of your staff in the performance of the audit on the Department of Administration, Older Alaskans Commission (OAC) and Office of Public Advocacy, report No. 02-1332-89-R.

Although the "Schedule of Noncompliance and Questioned Costs" contained no items significant enough to warrant an auditor's recommendation, I offer the following as a response to those areas of concern.

We concur with the auditor opinion, and are confident that the procedures that are now in place will prevent a recurrence of these types of questioned costs.

The following procedures are now in place:

<u>Program Name</u>	<u>Response</u>
Grants for State and Community Programs on Aging	Meal count reports and menus are logged in as they are received. Menus and meal counts are filed in individual grantee files, then at the end of the fiscal year the meal counts and menus are filed in the master grantee file. Meal counts are entered into a spreadsheet, and a report is sent to USDA each month.

When reports/menus are missing, a letter is sent to the grantee. If the grantee does not submit the reports/menus that are requested, another letter is sent. After repeated noncompliance, funds are withheld until reports/menus are provided.

Enclosed are copies of correspondence with the Administration on Aging addressing the issue of menu review.

Senior Community
Service Employment
Program

The excess in cumulative hours was due to a financial report match error on the grantee's part which was not caught by OAC staff. Financial reports are checked for match accuracy and this appears to have been an isolated incident.

The "desk monitoring" file review system which has been implemented since FY 87 should ensure that errors of this nature are caught and corrected before the end of the fiscal year.

Senior Community
Service Employment
Program

Current fiscal procedures require supporting service documentation be enclosed in order for reimbursement to be made. There was turnover in the accounting technician position between 1986 and 1988 and this deviance from normal procedure was probably a result of this.

Current fiscal procedures would not allow for payment of this sort without backup documentation in the form of a cancelled check and airline receipt.

Senior Community
Service Employment
Program

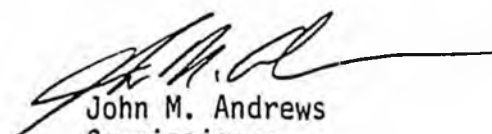
The loss of staff positions to administer the Title V program necessitated the restructuring of grant administration functions. Since the FY 87 grant year a "desk audit" file review system has been put into practice to catch and address these types of discrepancies.

Grant adjustments are made as soon as possible after the adjustment has been approved.

Grants for State
and Community
Programs on Aging

Title III staff and the accounting technician and administrative assistant should keep a record of the time spent working with Title V grants.

Sincerely,



John M. Andrews
Commissioner

JMA/MM/tln
8/103/121606-8
Enclosures

cc: Division of Administrative Services
Department of Administration



DEPARTMENT OF HEALTH & HUMAN SERVICES
ADMINISTRATION ON AGING

Office of Human
Development Services

Region X
M/S 412
2901 Third Avenue
Seattle, WA 98121

January 21, 1988

Connie J. Sipe, Executive Director
Older Alaskans Commission
Department of Administration
Box C, MS-0209
Juneau, Alaska 99811-0209

JAN 29 1988

OLDER ALASKANS COMMISSION

Dear Ms. Sipe: *Connie*

This is in response to your inquiry regarding monitoring of compliance with the requirement that all Title III meals meet one-third of the Recommended Dietary Allowance (RDA). Specifically, you asked whether it would be acceptable to review menus for the one-third RDA requirement on a sample basis. You also asked how other States are coping with this problem.

It is not necessary to review each day's menu for each project. You need only sample enough menus to ensure that each project is meeting the one-third RDA requirement. Random sampling can give you a good picture of your projects' compliance and yet will allow your staff time to focus on other important elements of the nutrition program.

Other States ensure compliance with the one-third RDA requirement in a variety of ways.

In Hawaii, the SUA reviews samples of menus and plates (as served) and requires either the AAAs or their service providers to have a nutritionist on staff or to contract for nutrition consultation services.

In Arizona, the State nutritionist uses a computer program for nutrient analysis and performs on-site reviews of menus and meals as served. That State has a special focus on home delivered meals. According to our Region IX Office, the menu review "takes a large chunk of time."

*enclosure
to Nutt.
roy. Adams
Jesk*

Rhode Island has established a Master Menu Program which calls for using a specific menu format, submitting all menus to the State office and reporting menu changes. I have enclosed a copy of Rhode Island's system.

You may decide the manner in which you assure that meals served under Title III Programs meet the one-third RDA standard. Using a menu planning system and sampling should be adequate to meet this requirement.

Page 2 - Connie Sipe

If you have questions on this matter please call me.

Sincerely,

Chazzy

Chisato Kawabori
Regional Program Director

Enclosure

February 22, 1988

Dr. Chisato Kawabori
Regional Program Director
AoA/OHDS/DHHS-Region X
3rd and Broad Building, MS 412
2901 3rd Avenue
Seattle, Washington 98121

Dear Dr. Kawabori:

Thank you for your response to our question regarding the requirement that all Title III meals meet one-third of the Recommended Dietary Allowance. We are pleased that sampling is an acceptable way to assure compliance with the requirement.

We are requiring agencies to use a menu planning system, and we will then review menus on a sample basis. This will allow better utilization of staff time for other nutrition and health-related activities.

The copy of Rhode Island's Master Menu Program was very helpful.

Sincerely,

Connie J. Sipe
Executive Director

RECEIVED
DEC 14 1988

Dept. of Administration
Administrative Services

MEMORANDUM

State of Alaska

TO: Pat Karella
Planner

DATE: December 14, 1988

FROM: *[Signature]*
Ehlers
Nutrition Program
Administrator

SUBJECT: SFY87 Menus

As you know, during a recent audit we were unable to find the menus for the period of July through December, 1986 for all grantees. After searching unsuccessfully in all office files, we were afraid that those menus had been inadvertently thrown out during our move from the Assembly Building to the SOB.

I decided that I would look in the archived files for SFY 86, and I am happy to report that the menus for the July through December, 1986 period have been found. We will file these correctly in SFY 87 records.

A PERFORMANCE REPORT
ON THE
DEPARTMENT OF ADMINISTRATION
OLDER ALASKANS COMMISSION

July 1, 1984 - June 30, 1988

Audit Control Number

20-1347-89-R

Commissioner, Department of
Administration

John M. Andrews

Deputy Commissioners, Department
of Administration

James J. Fox
Charles Taylor

Members of the
Older Alaskans Commission

Chairperson
Member
Member
Member
Member
Member
Member

Mellie Terwillinger
Alton Ashcraft
Bertha Adsuna
Hazel Heath
Dove Kull
Peggy A. Burgin
Robert Carpenter

STATE OF ALASKA

AUDIT DIVISION
P.O. BOX W
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE BUDGET AND AUDIT COMMITTEE

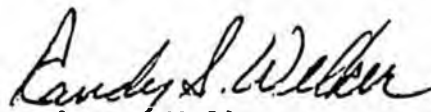
October 26, 1988

Members of the Legislative Budget
and Audit Committee:

According to the provisions of Titles 24 and 44 of the Alaska Statutes, the Division of Legislative Audit is required to conduct a "sunset" review of the Department of Administration, the Older Alaskans Commission.

At the request of the Chairman, during Fiscal Year 1988 budget deliberations, the Audit Division's budget was revised to reflect certain changes in the organization of the Committee's two Divisions. The revised budget of the Audit Division reflected efficiencies that might be obtained by utilizing the staff of the Legislative Finance Division on selected audit assignments during the interim.

As a result, the audit of the Older Alaskans Commission was conducted and this report has been prepared by the Legislative Finance Division. We feel this report discharges our responsibility under Titles 24 and 44. The report is submitted for your review.



Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit

STATE

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
P.O. BOX WF
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

October 21, 1988

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 and 44 of the
Alaska Statutes (sunset legislation), the attached report is
submitted for your review.

A PERFORMANCE REPORT
ON THE
DEPARTMENT OF ADMINISTRATION
OLDER ALASKANS COMMISSION

July 1, 1984 - June 30, 1988

Audit Control Number

20-1347-89-R

MGREANY

Mike Greany, Director
Division of Legislative Finance

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PURPOSE AND SCOPE OF THE REPORT

Purpose

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes (sunset legislation), we have examined the activities of the Older Alaskans Commission (OAC) for the past four fiscal years to determine if the Commission has been operating in an efficient and effective manner.

Legislative intent requires consideration of this report during legislative oversight hearings to determine whether OAC should be reestablished. The law now specifies that the Commission will terminate June 30, 1989, and will have one year from that date to conclude its affairs.

Scope

The major areas of our examination were program performance, administrative functions, and commission proceedings. We reviewed and evaluated the following:

1. Applicable statutes and regulations.
2. Tests of files and documents.
3. Interviews with program personnel.
4. Complaints filed with the Attorney General's office and the Ombudsman's Office.
5. Discussions with Commission members.
6. Minutes of Commission meetings and correspondence files.

The policy and audit approach utilized by the Division of Legislative Finance for Performance Review can best be described as "audit by exception."

This methodology focuses audit effort on areas of an auditee's operations that have been identified by a preliminary survey as having a high degree of probability for needing improvements.

Therefore, by design, finite audit resources are used to identify where and how improvement can be made and little time is devoted to reviewing well-run operations or programs. Consequently, this report highlights those areas needing improvement and does not emphasize those operations and programs that are properly functioning.

ORGANIZATION AND FUNCTION

Pursuant to Alaska Statute 44.21, the Older Alaskans Commission was created in July of 1981 and was established within the Department of Administration. The Commission consists of seven members who are selected based upon their knowledge and demonstrated interest in the concerns of older Alaskans. Commission members serve overlapping four year terms.

The Commission is authorized to administer and coordinate State programs for the elderly and to administer Federal programs provided under the Older Americans Act (42 U.S.C. 3001-3045i). Together, the provisions of Alaska Statute 44.21 and the Older Americans Act define the purpose, scope of work, and authority of the Commission. The Commission conducts four primary functions:

Allocation: To determine the appropriate distribution of state and federal funds to purchase needed programs and services for older Alaskans;

Advocacy: To advocate for the needs and interests of older Alaskans at both state and local levels;

Coordination: To increase the coordination of both state and local resources available to address the needs of older Alaskans; and

Resource and System Development: To develop or expand services to older Alaskans as well as to ensure a more systematic and thorough approach to meeting their needs.

The board scope of this legislative mandate, opens nearly all the concerns of older Alaskans to the consideration of the Commission. However, AS 44.21 further stipulates that the Commission may not investigate, review, or undertake any responsibility for the longevity bonus program or the Alaska Pioneers' Homes.

REPORT CONCLUSION

Policy Issues

This report contains policy and/or procedural issues raised as a result of our evaluation of various Commission practices. The final decisions affecting these practices are not within the scope of this report, but requires legislative consideration. In debating these issues, the oversight committees should take into consideration the findings and recommendations presented in this report so the potential impact of changes can be evaluated.

Report Conclusion

In our opinion, the Older Alaskans Commission should be reestablished. The intent of creating the Commission by the Legislature was to assure the remaining years of citizens over the age of 60 are years of good health, honor, and dignity. The Commission has implemented this mandate by:

1. Providing services in the areas of health, transportation, employment, education, home care, and housing to older Alaskans.
2. Advocating for the needs of older Alaskans in the planning and delivery of state programs.
3. Requiring the participation of senior citizens in the planning and development of programs that benefit older Alaskans.

However, the Findings and Recommendation's section, describe areas where program weaknesses were observed. We have made recommendations which, if implemented, will improve the efficiency and effectiveness of the Commission.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

To determine the matching contribution of grantees participating in the State's Community Service grant program, the Older Alaskans Commission (OAC) should use current population figures and property values.

In accordance with the provisions of AS 47.65, an applicant receiving an grant under the Community Service program shall contribute to the total cost of the program or project. The contribution maybe cash or in-kind support, such as, personnel, space or supplies. The contribution requirement of each grantee is based upon population and property values in the community where the services will be provided.

The staff of OAC has utilized the population figures and property values from the report titled, Alaska Taxable. The report is published by the Department of Community and Regional Affairs, Division of Municipal and Regional Assistance and is distributed to State agencies during January of each year.

For grants awarded in FY89, grantee contribution percentages were based upon an Alaska Taxable, dated January 1987. Instead of a more current report, which was available, dated January 1988. If the current report would have been used, the matching contribution to projects would have increased by approximately \$9,000. It should be noted that for the majority of grants, the matching contribution consists of in-kind support; and most grantees contribute an amount above the required match.

Nevertheless, to stay within the intent of AS 47.65, OAC should utilize current information to determine a grantee's contribution to a program or project.

Recommendation No. 2

OAC should review the regulations for the pilot project grants and seek the appropriate revisions where necessary.

The Older Alaskans Pilot Project Grant regulations (7 AAC 79) were promulgated July of 1981. The Department of Health and Social Services, Division of Adult and Aging Services administered the program responsibilities under the federal Older Americans Act. However, Section 14 of Chapter 79, SLA 1981 provided for the transfer of program responsibilities and personnel from the Division of Adult and Aging Services to the newly established Older Alaskans Commission. At that time, the Division of Adult and Aging Services was dissolved.

The regulations, have never been changed to reflect the transfer of responsibility. The regulations refer to the Division of Adult and Aging Services. Additionally, there are temporary procedures within the chapter that apply toward grants initially awarded in FY81 and FY82.

Alaska Statutes 47.65 provide general provisions for OAC to administer and promulgate regulations concerning pilot projects. The Commission should review the regulations for obsolescence and propose appropriate changes where necessary.

ANALYSIS OF PUBLIC NEED

Limited Analysis

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

- I. The extent to which the board, commission, or program has operated in the public interest.
 - A. The Commission has served the public through planning, coordinating, and providing services to persons who are 60 years of age and over in areas of employment, nutrition, transportation, information and referral, housing, health care, in-home services, legal services, long-term care, advocacy, and outreach.
 - B. The Commission has held six meetings a year for the past two fiscal years.
- II. The extent to which the operation of the board, commission, or agency program 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.
 - A. The Commission appointed members to a housing task force committee to make recommendations regarding the coordination and efficient delivery of housing-related services. The committee's final report containing recommendations was issued May 1985.
 - B. A newsletter titled "Healthlinks" is issued periodically to seniors. The newsletter comments on health matters and topics of general interest to seniors.
- III. The extent to which the board, commission, or agency has recommended statutory changes which are generally of benefit to the public interest.

The Commission supported Senate Bill 442 which related to the protection of elderly persons and established the office of long term care ombudsman. The bill was signed by the Governor and amended the statutes, effective September 1988.
- IV. 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 which it has provided.

The Commission has solicited public input on matters affecting senior citizens. This has been demonstrated by the Commission requesting public opinion on the October 1986 State Plan.

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

OAC has advertised in newspapers and distributed notices to interested associations encouraging the public to participate in senior citizen issues.

- VI. The efficiency with which public inquires 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.

Since July 1984, there have been 16 complaints filed with the Ombudsmans Office. Only one of these complaints was found to be fully justified. The complaint alleged the Commission was unfair to limit FY88 grant disbursements to only FY87 grantees. In response to the Ombudsman's findings, the Commission amended grant disbursement policies.

- VII. The extent to which a board or commission which regulated entry into an occupation or profession has presented qualified applicants to serve the public.

OAC does not regulate any occupations or professions.

- VIII. The extent to which state personnel practice, 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.

The Equal Employment Opportunity Office has received no complaints related to the Commission's personnel practices.

- IX. 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.

Please refer to the previous section, Findings and Recommendations.

APPENDIX

APPENDIX A

DEPARTMENT OF ADMINISTRATION
OLDER ALASKANS COMMISSION
Schedule of Operating Appropriations and Funded Positions
For the Fiscal Years Ended June 30, 1987, 1988, and 1989

(Unaudited)

<u>Expenditure Accounts</u>	<u>FY 87</u>	<u>(In Thousands)</u> <u>Appropriations</u>	
		<u>FY 88</u>	<u>FY 89</u>
Personal Services	753.6	612.1	784.0
Travel	64.0	58.0	68.5
Contractual	249.6	231.5	238.8
Commodities	9.0	9.0	10.8
Grants	<u>8,476.6</u>	<u>8,072.4</u>	<u>8,418.5</u>
<u>Total Budget Allocations</u>	<u>9,552.8</u>	<u>8,983.0</u>	<u>9,520.6</u>
 <u>Appropriation Fund Sources</u>			
General Fund	4,220.5	3,695.1	3,774.1
Federal Fund	5,332.3	5,287.9	5,693.7
Interagency Receipts			52.8
<u>Total Appropriation</u> <u>Fund Sources</u>	<u>9,552.8</u>	<u>8,983.0</u>	<u>9,520.6</u>
 <u>Positions Funded</u>			
Full Time	14	13	15
Part Time	2	2	2

Note 1: Source of information was the Conference Committee Report for the fiscal years reported.

Note 2: FY89 includes \$106.3 to establish the Office of Long Term Care Ombudsman. Two full time positions were approved for the program.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

P.O. BOX C
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200

December 21, 1988

Mr. Randy Welker
Legislative Auditor
Legislative Audit Division
P.O. Box W
Juneau, AK 99811-3300

DEC 21 1988

Dear Mr. Welker:

I appreciate the effort of your staff in the performance of this audit. The following is offered in response to the findings and recommendations in your preliminary report No. 20-1347-88-R for the period July 1, 1984 - June 30, 1988.

The findings and recommendations are addressed sequentially:

Recommendation No. 1

To determine the matching contribution of grantees participating in the State's Community Service grant program, the Older Alaskans Commission (OAC), should use current population figures and property values.

The OAC does use the most current information available at the time that our Request for Proposals (RFPs) are issued. Generally, the Alaska Taxable report is available in mid-to-late January and we are able to use it as our source for current data. The State Assessor's office had difficulty compiling information for the 1988 Alaska Taxable and the document did not go to the printer until January 28, 1988. The printed copies of the report were not available until early March. Since the report is sent to the printer as soon as the information is compiled, it would have been extremely difficult for us to have acquired the 1988 information prior to issuing the RFP.

The OAC recognizes the advisability of using the most current data possible even though the actual impact of year old data is generally not significant. We have revised our RFP procedures to allow for the possibility of the late issuance of the Alaska Taxable. If the Alaska Taxable information is not available at the time we issue our RFPs, we will indicate that match information will be sent in the form of an addendum. We believe that this procedural change will assure that current information is always used in determining the match contribution requirements for grantees.

Mr. Randy Welkar

-2-

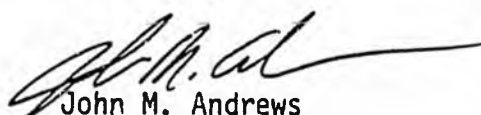
December 21, 1988

Recommendation No. 2

OAC should review the regulations for the pilot project grants and seek the appropriate revisions where necessary.

The OAC is in the process of drafting grant regulations and has incorporated the pilot project grants regulations in this new set of regulations. We intend to repeal the current pilot project grants regulations. Our timetable for the new grant regulations calls for review by the Department of Law in January.

Sincerely,



John M. Andrews
Commissioner

JMA/MM/tln

8/103/121605-8

cc: Division of Administrative Services
Department of Administration



Older Alaskans Commission

Box C
Juneau, Alaska 99811-0209
907/465-3250

HB 64 OVERVIEW OF THE COMMISSION

I. Federal Statutory Role of the Older Alaskans Commission (OAC)

The Older Americans Act of 1965 (amended 1987), Public Law 100-175, provides grants for programs for senior citizens (over 60) to the states, and requires that each state designate one state agency as the "sole State agency" to administer these grant programs within the state. Section 305. Since 1981, the Older Alaskans Commission has performed this function.

The Older Americans Act requires the State Unit on Aging to (1) develop a State Plan for senior programs, (2) coordinate all state activities related to the Older Americans Act, and (3) serve as an advocate for the elderly within the state, including review, comment, and technical assistance to any agency or individual.

II. State Statutory Role of the Older Alaskans Commission

- A. AS 44.21.200, passed in 1981, created the Older Alaskans Commission, placing it in the Department of Administration.

The Commission members include seven Alaskan citizens appointed by the Governor, and the commissioners of Administration, Health and Social Services, and Community and Regional Affairs, and the chair of the Pioneers Homes Advisory Board.

Summary of duties and responsibilities: The Older Alaskans Commission must "formulate a comprehensive statewide plan" for senior needs, make recommendations to the governor and legislature regarding issues affecting seniors, encourage local senior commissions and programs to serve seniors.

The Commission is also charged with the responsibility to administer--with the approval of the Commissioner of Administration--federal programs under the Older Americans Act, and state programs funded with state general funds under AS 47.65.010.

Overview of Older Alaskans Commission

B. AS 47.65, passed in 1980 and amended in 1981, authorizes state funds to be awarded as grants for "Community Service Programs" for "older Alaskans," which is defined as "over 60." AS 47.65 also sets required contribution--or matching--levels for the recipient of a grant.

III. OAC program components include the following programs, with their FY 89 budget noted:

- Home and Community Services to Seniors -- Grants of state and federal funds to community organizations to provide nutrition, access, and supportive services. (\$ 6,432,329)
- Senior Job Training and Community-Service Employment-- Grants of state and federal funds to train and employ low-income persons over 55. (\$ 1,601,400)
- The Office of the Long-Term Care Ombudsman--Federal and state funding of an advocate for residents of nursing homes. (\$ 127,900)
- Training of the Senior Network--Federal (only) grant administered by OAC to train members of the aging network statewide. (\$ 90,900)
- Federal Discretionary Grant to Alaska for the Alzheimer's Disease Family Support Group Project on providing respite care to families of victims. (Grant concluded December, 1988--total funding, \$ 78,100.)
- Legal Services Development--OAC staff produce or arrange seminars and educational publications on current legal issues. (In general administrative budget)

OLDER ALASKANS COMMISSION

12/88

VOTING MEMBERS

Bertha Adsuna
P.O. Box 426
Nome, AK 99762
443-2328

Alton Ashcraft
2633 Badger Road
North Pole, AK 99705-5565
488-2318

Peggy Burgin
1530 W 11th Ave., Apt. #1
Anchorage, AK 99501-4202
333-2311 (W)
563-7367 or 278-2102 (H)

Dr. Robert W. Carpenter
Vice Chair
P.O. Box 367
Bethel, AK 99559
543-2484

Hazel Heath
P.O. Box 4066
Homer, Alaska 99603-4066
235-8286

Dove M. Kull
c/o Juneau Pioneers' Home
4675 Glacier Highway
Juneau, Alaska 99801-9518
780-6422

Mellie Terwilliger, Chair
P.O. Box 206
Tok, Alaska 99780-0206
883-5351

NON VOTING MEMBERS

Bob Gore, Chairman
Pioneers' Home Advisory
Council
119 Austin St., #911
Ketchikan, AK 99901-5917
225-6949

John M. Andrews, Commissioner
Dept. of Administration
P.O. Box C
Juneau, AK 99811-0200
465-2200
Designee: James Fox, Deputy
Commissioner

David Hoffman, Commissioner
Dept. of Community & Regional
Affairs
P.O. Box B
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465-4700
Designee: Marty Rutherford
Director, Div. of Mun. &
Regional Assistance

Myra Munson, Commissioner
Dept. of Health & Social
Services
P.O. Box H
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465-3030
Designee: Jay Livey, Special
Assistant to the Commissioner

EXECUTIVE DIRECTOR

Connie J. Sipe
Older Alaskans Commission
P.O. Box C
Juneau, AK 99811-0209
465-3250

AMOS J. ALTER

P.O. Box ~~XXX~~ 20304

JUNEAU, ALASKA 99802

My name is Amos J. - Joe - Alter and I speak in support of House Bill No. 64. I live at 303 Distin Avenue, Juneau, Alaska

As a 45 year Alaskan resident, past president of Igloo No. 6 Pioneers of Alaska, past president of American Association of Retired Persons - Mount Juneau Chapter 365, - current member of the Mountain View Advisory Board - past chairman of the Juneau Commission on Aging and currently a member of that Commission, I am deeply interested in the Older Alaskans Commission and the very important role only it can play in meeting needs of senior Alaskans.. As a member of the Pioneers' Home Advisory Board I am keenly aware of the necessity for support services such as those provided through the Older Alaskans Commission and designed to keep senior citizens independent and in their own home as long as possible. They help provide the ounces of prevention that is so much more economical than a pound of cure. To lose the valuable services provided through the Older Alaskans Commission would result in increased costs to Alaskans in care. In addition to increase costs the dignity and well being of older Alaskans would be lessened seriously.

I urge continuance of the Older Alaskans Commission effective through June 30, 1993

Н В

69

HOUSE COMMITTEE ON STATE AFFAIRS

RECAP OF
HB 69

Permanent Fund Investments

Received January 9, 1989
by the Rules Committee by
Request of the Governor

Heard January 31, 1989

Committee Substitute adopted January 31, 1989

Passed Out of Committee January 31, 1989
4 Do Pass
2 No Recommendation

TABLE OF CONTENTS

HB 69: Permanent Fund Investments

- Item 1: HB 69 by the Rules Committee by
Request of the Governor

CS HB 69
- Item 2: Governor's Transmittal Letter
- Item 3: Fiscal Note
- Item 4: Dr. Gary Anders Testimony from the
Permanent Fund Forum, January 28, 1989
- Item 5: "Investing in International Markets"
Graphs Prepared by the
Permanent Fund Corporation

HOUSE COMMITTEE REPORT

(5)

Date Referred: January 9, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: _____

The STATE AFFAIRS Committee recommends that:

HOUSE BILL NO. 69 [PERMANENT FUND INVESTMENTS]
"An Act relating to purchase of international investments for the Alaska permanent fund."

be replaced with LS HB 69 (SA) the same title
 a new title

have attached amendment(s)

- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact
- zero fiscal note
- zero with analysis

APPROVES PREVIOUS:

- fiscal note(s) published:
1/9/89 Perm Fund Corp
- zero fiscal notes(s) published:

SIGNING DO PASS:

Debra Nalley
Jim Swadlow
Richard P. Meehan
W.C. Tomlin

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

Debra Nalley (NO REC)
Carl J. J. (no rec)

W.C. Tomlin
 Chairman's signature

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 69

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to purchase of international invest-
ments for the Alaska permanent fund." }

7

8

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

9

* Section 1. AS 37.13.120(g)(8) is amended to read:

10

(8) domestic corporate debt securities that [WHICH] are

11

rated AA or better by a nationally recognized rating service, or

12

non-domestic corporate debt securities of comparable quality;

13

* Sec. 2. AS 37.13.120(g)(9) is amended to read:

14

(9) short-term

15

(A) domestic corporate promissory notes of the highest

16

ratings assigned by a nationally recognized rating service, or

17

(B) non-domestic corporate promissory notes of compa-

18

erable quality, the interest on which may be payable in either

19

United States dollars or non-domestic currencies;

20

* Sec. 3. AS 37.13.120(g)(19) is amended to read:

21

(19) certificates of deposit, term deposits, or bankers'

22

acceptances, that are issued by a United States or non-domestic bank

23

or trust company located outside of the United States [IN A FOREIGN

24

COUNTRY] and are denominated in United States or non-domestic curren-

25

cy, if either (A) they may be readily sold in a secondary market at

26

prices reflecting fair value, or (B) the issuing bank or trust company

27

has capital, [AND] surplus, and retained earnings at the date of issue

28

equaling at least \$500,000,000; investments made under this paragraph

29

are not subject to the collateral requirements for domestic

1 certificates under (m) of this section;

2 * Sec. 4. AS 37.13.120(g) is amended by adding new paragraphs to read:

3 (21) securities of non-domestic governments and non-domestic
4 government agencies, the principal of, or interest on, which is pay-
5 able in either United States dollars or non-domestic currencies;

6 (22) securities of non-domestic corporations, including
7 common and preferred stock, whose dividends, if any, may be payable in
8 either United States dollars or non-domestic currencies.

9 * Sec. 5. AS 37.13.120(h) is amended to read:

10 (h) The board may enter into future contracts for the sale of
11 investments purchased under (g) of this section, or for the sale of
12 non-domestic currencies, only for the purpose of hedging an existing
13 equivalent ownership position in these investments [SECURITIES].

14 * Sec. 6. AS 37.13.120(i) is amended to read:

15 (i) [AT THE TIME OF EACH INVESTMENT, THE AGGREGATE INVESTMENT OF
16 THE ALASKA PERMANENT FUND IN EACH STATED CATEGORY OF INVESTMENT MAY
17 NOT EXCEED THE FOLLOWING STATED PERCENTAGE OF THE TOTAL INVESTMENTS OF
18 THE FUND: MORTGAGES UNDER (g)(16) OF THIS SECTION, 15 PERCENT; REAL
19 ESTATE INVESTMENTS UNDER (g)(20) OF THIS SECTION, 15 PERCENT; FOREIGN
20 CERTIFICATES OF DEPOSIT OR THE EQUIVALENT UNDER (g)(19) OF THIS SEC-
21 TION, 20 PERCENT; CORPORATE STOCKS AND DEBT SECURITIES UNDER (g)(8),
22 (9), AND (18) OF THIS SECTION, 50 PERCENT.] The Alaska permanent fund
23 may at no time own more than five percent of the voting stock of a
24 corporation. Domestic stocks, except for bank and insurance company
25 stocks, must be listed at the date of purchase on an exchange regis-
26 tered with the Securities and Exchange Commission. At the time of
27 each investment, the aggregate investment of the fund in each stated
28 category of investment may not exceed the following stated percentage
29 of the total investments of the fund:

- 1 (1) mortgages under (g)(16) of this section -- 15 percent;
2 (2) real estate investments under (g)(20) of this section --
3 15 percent;
4 (3) certificates of deposit, term deposits, or bankers'
5 acceptances under (g)(19) of this section -- 20 percent;
6 (4) securities of non-domestic governments, non-domestic
7 government agencies, and non-domestic corporations under (g)(8), (21),
8 and (22) of this section, domestic corporate stocks and debt secur-
9 ities under (g)(8) and (18) of this section, and short-term non-
10 domestic corporate promissory notes under (g)(9)(B) of this section --
11 50 percent.

14420111-2270041. WACC - Title Clwyd

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 69 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to investments for the Alaska perma-
7 nent fund; and providing for an effective date."

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

9 * Section 1. AS 37.13.120(g)(8) is amended to read:

10 (8) domestic corporate debt securities that are rated AA or
11 better by a nationally recognized rating service, or nondomestic
12 corporate debt securities of comparable quality;

13 * Sec. 2. AS 37.13.120(g)(9) is amended to read:

14 (9) short-term

15 (A) domestic corporate promissory notes of the highest
16 ratings assigned by a nationally recognized rating service, or

17 (B) nondomestic corporate promissory notes of compara-
18 ble quality, the interest on which may be payable in either
19 United States dollars or nondomestic currencies;

20 * Sec. 3. AS 37.13.120(g)(19) is amended to read:

21 (19) certificates of deposit, term deposits, or bankers'
22 acceptances, that are issued by a United States or nondomestic bank or
23 trust company located outside of the United States [IN A FOREIGN
24 COUNTRY] and are denominated in United States or nondomestic currency,
25 if either (A) they may be readily sold in a secondary market at prices
26 reflecting fair value, or (B) the issuing bank or trust company has
27 capital, [AND] surplus, and retained earnings at the date of issue
28 equaling at least \$500,000,000; investments made under this paragraph
29 are not subject to the collateral requirements for domestic

1 certificates under (m) of this section;

2 * Sec. 4. AS 37.13.120(g) is amended by adding new paragraphs to read:

3 (21) securities of non-domestic governments and non-domestic
4 government agencies, the principal of, or interest on, which is pay-
5 able in either United States dollars or non-domestic currencies;

6 (22) securities of non-domestic corporations, including
7 common and preferred stock, whose dividends, if any, may be payable in
8 either United States dollars or non-domestic currencies.

9 * Sec. 5. AS 37.13.120(h) is amended to read:

10 (h) The board may enter into future contracts for the sale of
11 investments purchased under (g) of this section, or for the sale of
12 nondomestic currencies, only for the purpose of hedging an existing
13 equivalent ownership position in these investments [SECURITIES].

14 * Sec. 6. AS 37.13.120(i) is amended to read:

15 (i) [AT THE TIME OF EACH INVESTMENT, THE AGGREGATE INVESTMENT OF
16 THE ALASKA PERMANENT FUND IN EACH STATED CATEGORY OF INVESTMENT MAY
17 NOT EXCEED THE FOLLOWING STATED PERCENTAGE OF THE TOTAL INVESTMENTS OF
18 THE FUND: MORTGAGES UNDER (g)(16) OF THIS SECTION, 15 PERCENT; REAL
19 ESTATE INVESTMENTS UNDER (g)(20) OF THIS SECTION, 15 PERCENT; FOREIGN
20 CERTIFICATES OF DEPOSIT OR THE EQUIVALENT UNDER (g)(19) OF THIS SEC-
21 TION, 20 PERCENT; CORPORATE STOCKS AND DEBT SECURITIES UNDER (g)(8),
22 (9), AND (18) OF THIS SECTION, 50 PERCENT.] The Alaska permanent fund
23 may at no time own more than five percent of the voting stock of a
24 corporation. Domestic stocks, except for bank and insurance company
25 stocks, must be listed at the date of purchase on an exchange regis-
26 tered with the Securities and Exchange Commission. At the time of
27 each investment, the aggregate investment of the fund in each stated
28 category of investment may not exceed the following stated percentage
29 of the total investments of the fund:

1 (1) mortgages under (g)(16) of this section - 15 percent;

2 (2) real estate investments under (g)(20) of this section -
3 15 percent;

4 (3) certificates of deposit, term deposits, or bankers'
5 acceptances under (g)(19) of this section - 20 percent;

6 (4) securities of nondomestic governments, nondomestic
7 government agencies, and nondomestic corporations under (g)(8), (21),
8 and (22) of this section domestic corporate stocks and debt securi-
9 ties under (g)(8) and (18) of this section, and short-term nondomestic
10 corporate promissory notes under (g)(9)(B) of this section - 50 per-
11 cent.

12 * Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 9, 1989

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

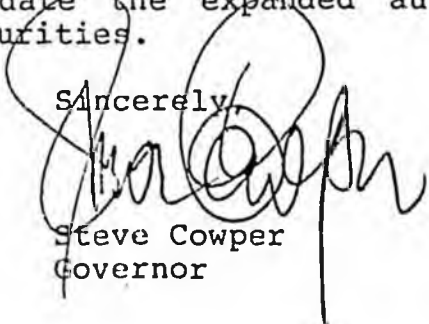
Dear Representative Cotten:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the purchase of international investments for the permanent fund by the board of trustees of the Alaska Permanent Fund Corporation. The bill specifically permits the purchase of non-domestic equity and debt securities by the board.

Returns from international investments have exceeded those from investments in the United States over most recent ten-year periods. In addition, the United States represents less than one-half of the world's equity capitalization, and that share is declining as non-domestic economies experience more rapid long-term growth. No one national market consistently produces superior or inferior returns, and non-domestic securities markets exhibit a low correlation with the U.S. market. Consequently, the ability to invest in those non-domestic securities will reduce overall portfolio risk while providing an increased return when compared to a portfolio of solely U.S. equities.

The bill allows the returns on the non-domestic securities to be denominated in either U.S. or non-domestic currency, and changes the various percentages allowed for categories of investments to accommodate the expanded authority to invest in international securities.

Sincerely,



Steve Cowper
Governor

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: An Act relating to purchase of international investments by PFC
 Sponsor: Rules
 Requestor: Governor

Agency Affected: Revenue
 BRU: Permanent Fund Corporation
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	35.0	500.0	500.0	500.0	500.0	500.0
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LAND & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	35.0	500.0	500.0	500.0	500.0	500.0

CAPITAL	-	-	-	-	-	-
---------	---	---	---	---	---	---

REVENUE	-	-	-	-	-	-
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	35.0	500.0	500.0	500.0	500.0	500.0
TOTAL	35.0	500.0	500.0	500.0	500.0	500.0

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS : (Attach a separate page if necessary)

FY 89: Contractual services for manager search.

FY 90 - FY 94: Management fees.

Prepared by: Alaska Permanent Fund Corporation

Phone: 465-2047

Division: _____

Date: December 14, 1988

Approved by Commissioner: David A. Rose, Executive Director

Date: December 14, 1988

Agency: Alaska Permanent Fund Corporation

Distribution (by preparer):

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

Alaska State Legislature, House Committee on State Affairs

Prepared remarks of Gary C. Anders, Associate Professor
of Economics, University of Alaska Southeast

Politically Financing Alaska's Development
Through the Permanent Fund

Representative Boucher, and Senator Pourchot

Thank you for inviting me to provide testimony today. In the interests of time I will keep my remarks brief.

My understanding of the issue before us is whether or not it is a good idea to make changes in the current use of Alaska's Permanent Fund, and specifically if a portion of the Earnings Reserve Account should be utilized to support the state government's operating budget.

I do believe that there are good reasons for making some changes in the management and composition of the Permanent Fund for the sake of long-term security and growth, but I am strongly opposed to tapping either the inflation proofing or the earnings reserve account to support the short fall in state revenues, or to provide endowments for pet programs.

First, I will explain my rationale for keeping the Permanent Fund in tact, then I will suggest some policy changes as they will relate to need to change the law allowing for a portion of the Permanent Fund to be placed in international investments.

We will be increasingly subjected to a strong appeal from various special interests and members of the legislature to tap the Permanent Fund because of the reduction in oil revenues, and the impending deficit. A great deal of attention needs to be focused on this issue, because the people of Alaska have not yet determined what they want or can realistically expect from the state. Our proven experience over the last few years is that wants exceed needs and both exceed existing resources--even in flush times.

Our greatest weakness is that we have not forced the political process to exercise its mandated leadership responsibility to prioritizing the delivery of services and establish viable levels of government.

Government services are necessary and while Alaska is a big state requiring high levels of government involvement in education, health and social services, environmental conservation, natural resources, fish and game, and so on we must, however, realize that there has been no objective determination of what the optimal levels of employment and service delivery should be. Government does not create wealth, and in terms of economic policy, sustaining government spending from the Permanent Fund is an inefficient form of fiscal policy to counter economic cycles.

The easy way out is to tap additional monies to serve us at the current levels. The appeal is strong for we are told that cuts in state government will increase unemployment, and further weaken the economy. Yet, we are in this situation today because we did not apply economic common sense in the first place. I think we will be far better off if we address the issue of supportable government now. This means that we reduce unnecessary and low priority programs and personnel, cut spending, bring our projected cost of state government down, and reinstitute state income taxes.

If our concern is to keep as many people in the state as possible then even bolstering state spending is not an optimal way of achieving this end, because administrative costs and bureaucratic drains reduce the employment multipliers which increase the demand for service sector jobs. There are teachers in our state making over \$80,000 per year, and state and municipal employees making over \$100,000 whose secondary form of employment in the private sector would be far lower. Certainly some kind of economic realignment needs to occur. The opportunity cost of the Permanent Fund earnings is too large a cost to disregard, and the precedent we would be setting would in a short time undermine the long-term vision of the fund.

In reading over the Trustees Papers I see that a number of distinguished economists such as Kenneth Arrow, Malcom Gillis, Maxwell Fry have provided advice to the state regarding the inadvisability of subsidizing development. Their counsel, which is based upon extensive experience in many underdeveloped countries, should have particular bearing upon us. The acid logic of these economists is that we should invest in only those projects that will be viable and self supporting, but if they are economically viable why can't these projects attract private financing in the first place.

An analysis of the political decision-making process reaffirms the suspicion that our legislature is unable to provide economic rationality to allocations of public resources unless they have a strong motivation. Instead, because needs and wants are greater than existing funds the compromise process results in not completely funding worthwhile programs. Because of political considerations funding levels will be adjusted and spread out over competing regions, agencies, and programs. In other words, the tendency is to misallocate by giving the deserving economically sound ones too little money, and others too much. Government does need to provide social services and infrastructure to support economic development projects such as highways, ports, and transportation systems, but can you guarantee that our political system will insure that Permanent Fund dollars will be invested in capital projects where they will foster economic growth. We can't afford any more performing arts Taj Mahals.

These spend now/pay later policies suffer from, in my opinion, a lack of appreciation for the fundamentals. We can see it at the national level in even greater terms. The U.S. has been turned into the largest debtor nation because we have not been willing to adjust spending levels or raise taxes. The consequences are likely to be far ranging in magnitude and duration.

This brings me to my second point which is that we should seriously entertain revisions in the law that will allow adding foreign investments to the Permanent Fund portfolio. As you know both the trade and budgetary deficits of the U.S. are reaching staggering proportions. While there may be some economic miracle that the President and Congress can pull together that will alleviate the immediate crisis, rising interest rates and inflation are becoming more threatening.

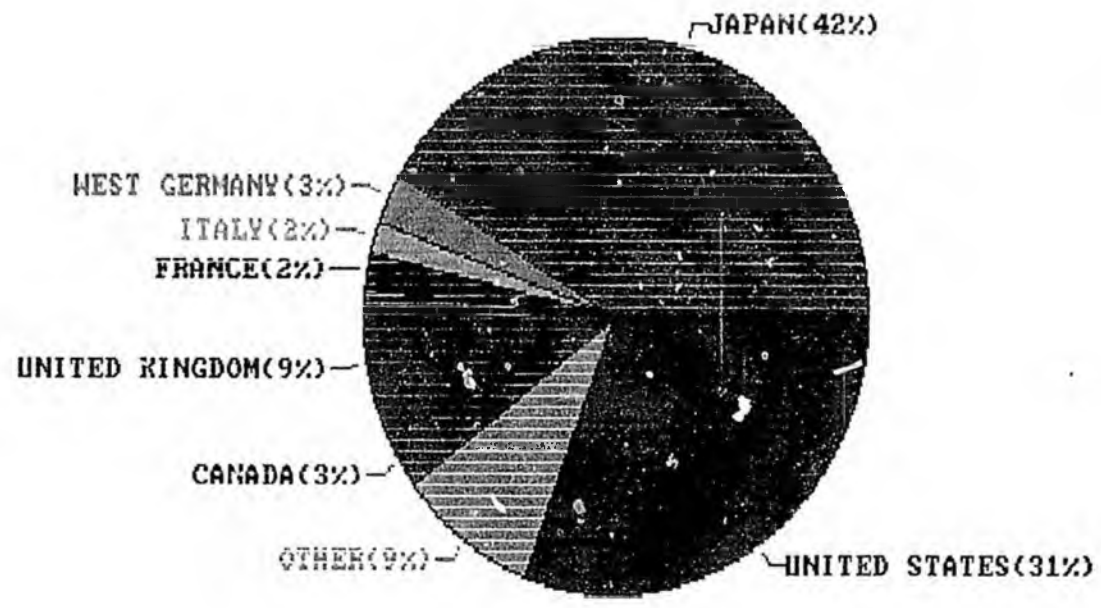
Alaska's Permanent Fund managers are to be commended for the excellent job that they have done in times of great financial uncertainty. Their conservative approach has carefully balanced risk and return far better than any similar sized fund. But currently about 83% of the fund's assets are invested in fixed income securities, 12% in stocks which is divided into a passive account managed by Bankers Trust and active portfolio placed with a number of asset managers, and finally about 5% which is invested in real estate and other properties.

When the inflationary pressures building in the American economy are eventually vented, we do not have an adequate hedge to insure the corpus of the fund. Even if the stock and real estate components of Permanent Fund are increased it is still conceivable that inflation may be at such a high rate that the earnings may not be sufficient to provide the necessary annual adjustments to bring the fund up in real terms.

Given the prospect of rising interest rates and a depreciating dollar it would be prudent to change the law to allow for a portion of the Permanent Fund to be invested in overseas markets. This would do several things. First, in the event of an increase in inflation in the U.S., and a further devaluation of the dollar, investments in secure foreign investments would provide a hedge against the principal. Second, since many of these equities markets are more vibrant than our own domestic markets, the potential rates of return for comparable risk are likely to be several percentage points higher. Finally, in light of our Pacific and East Asian orientation, financial investments of Alaska's capital might serve as useful leverage for increasing investment and operations of Asian firms in the state's economy.

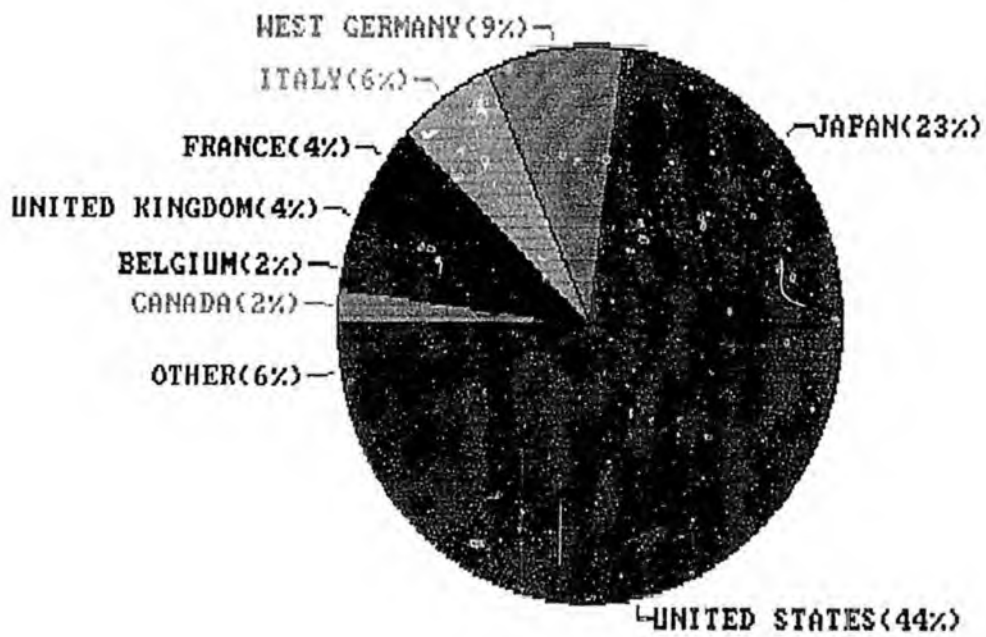
This ends my prepared comments. I want to thank you again for including me in these important hearings.

INVESTING IN INTERNATIONAL MARKETS



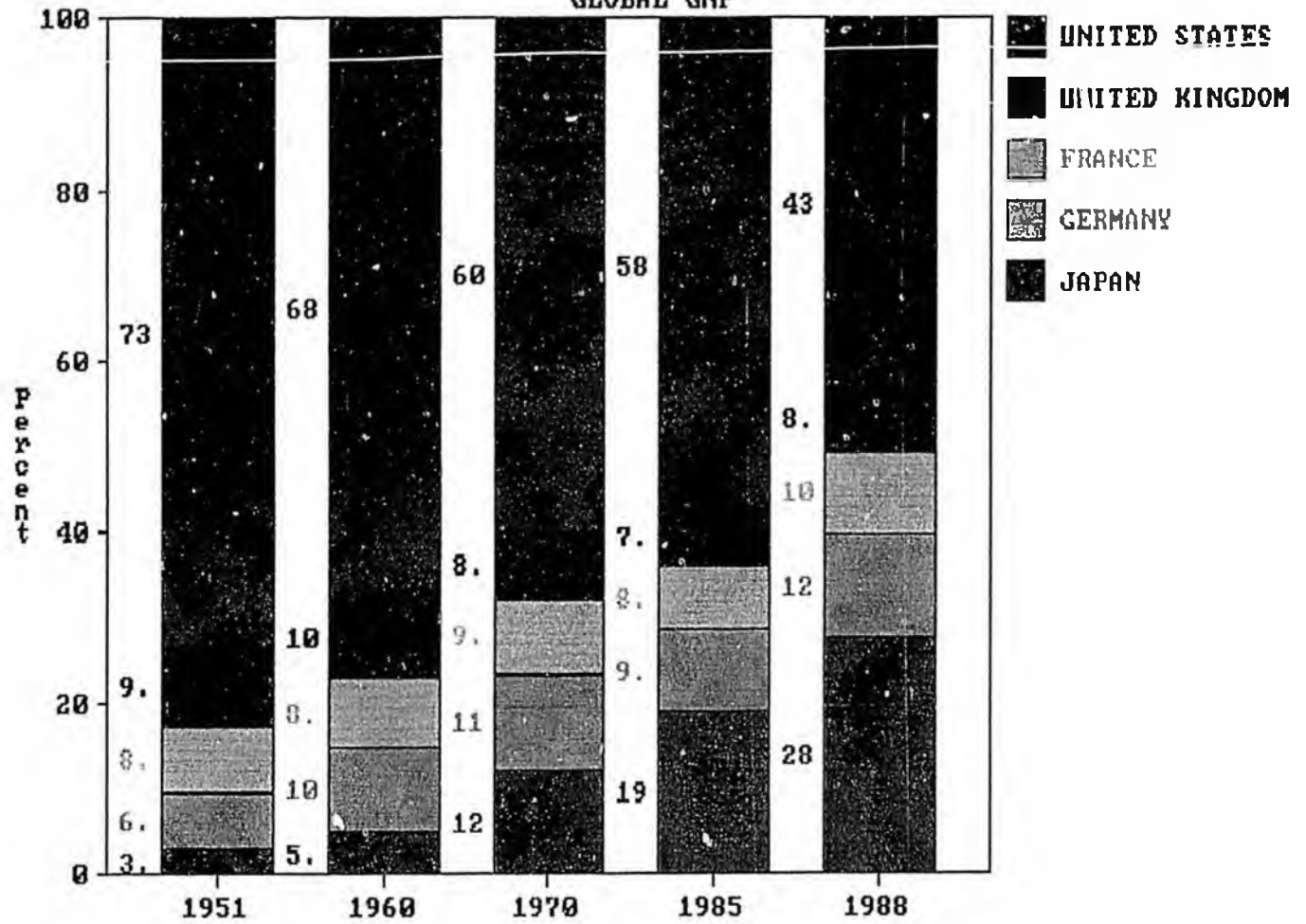
EQUITIES - 57.1 TRILLION 1987

INVESTING IN INTERNATIONAL MARKETS

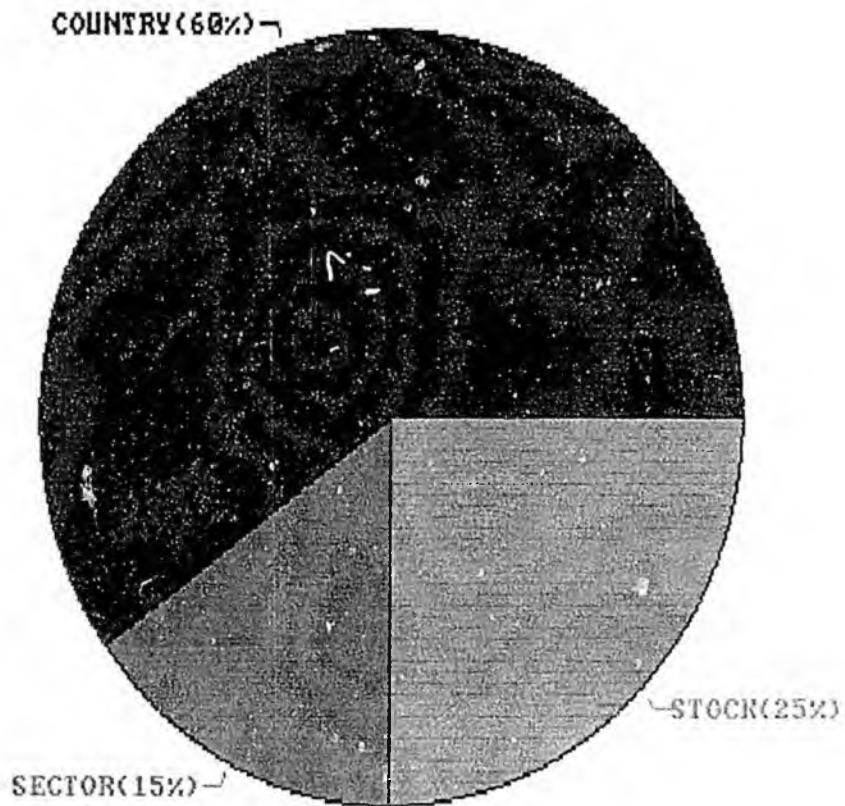


BONDS - 59.4 TRILLION 1987

GLOBAL GNP













INTERNATIONAL INVESTING
RETURN ATTRIBUTION *




* Results of a cross-sectional regression analysis study of 200 randomly created international equity portfolios of 50 stocks each.

TOTAL ANNUAL RETURN (U.S. DOLLARS)

	<u>Germany</u>	<u>Switzer- land</u>	<u>U.K.</u>	<u>Australia</u>	<u>Hong Kong</u>	<u>Japan</u>	<u>Singapore</u>	<u>Canada</u>	<u>S&P 500</u>
1977	25.8	28.7	58.0	11.9		15.9	5.9	(2.1)	(7.2)
1978	26.9	21.9	14.6	21.8	18.5	53.3	45.1	20.4	
1979		12.1	22.1	43.6	83.5	11.9	28.5	51.8	18.5
1980		(7.3)	41.1	55.3	72.7	30.3	62.8	22.6	32.4
1981	(8.2)	(9.5)	(10.6)		(15.8)	15.8	18.3	(10.7)	(4.9)
1982	12.3	3.4	9.2	(22.6)		(0.5)	(16.7)	2.4	21.5
1983	25.9	19.3	17.2	56.0		24.9	31.7	33.4	22.4
1984	(3.8)	(11.1)	5.4	(12.6)	46.8	17.1		(7.6)	6.2
1985	140.9	108.9	53.4	21.0	51.6	43.9		16.1	31.7
1986	37.2	34.3	27.1	43.8	56.0	99.7	45.2		18.2
1987		(10.7)	31.6	6.7	(7.2)	42.4	0.8	11.6	5.2
1988	20.6		6.0	36.4	28.1	35.4	33.3	17.1	14.6

 BEST PERFORMER

 WORST PERFORMER

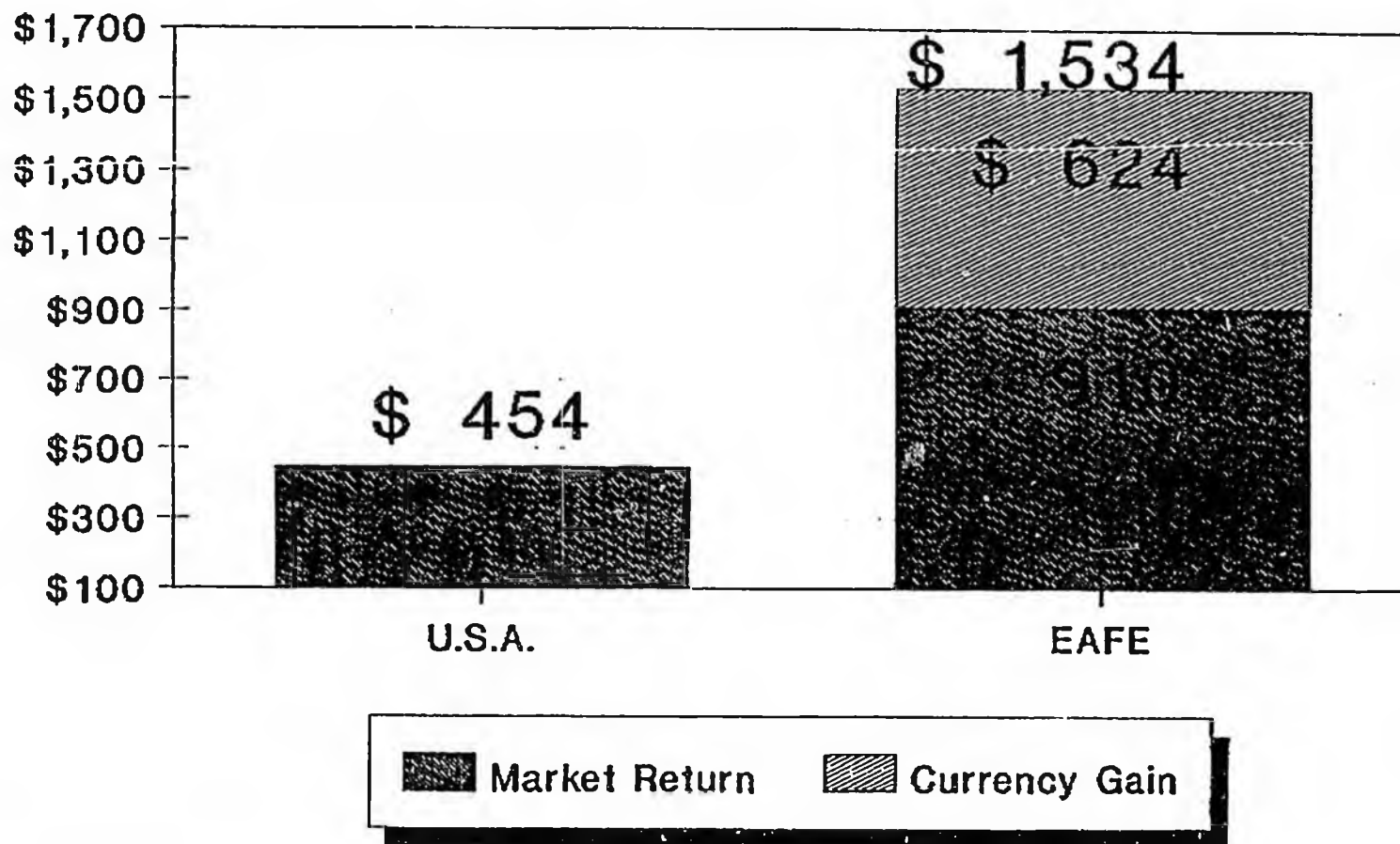
Largest Five Companies by Industry

	<u>Sales (\$MM)</u>		<u>Sales (\$MM)</u>
Automotive		Electrical Equipment	
General Motors	102	Hitachi	40
Ford	72	General Electric	39
Toyota	55	Siemens	33
Daimler-Benz	42	Toshiba	27
Nissan	35	CGE	24
Banking (Based on Assets)		Food & Household	
Dai-ichi	298	Unilever	31
Sumitomo	276	Nestle	28
Fuji	268	Procter & Gamble	17
Mitsubishi	242	Kraft	10
Sanwa	240	Dalgerty	9
Chemicals		Steel	
El duPont	31	Nippon	19
BASF Group	26	Thyssen	17
Bayer Group	24	USX	15
Imperial Chemical	20	Nippon Kokan	10
Dow Chemical	13	Kobe	9

Source: MSCI

WORLD EQUITY RETURNS

\$100 invested from 1970 through 1988



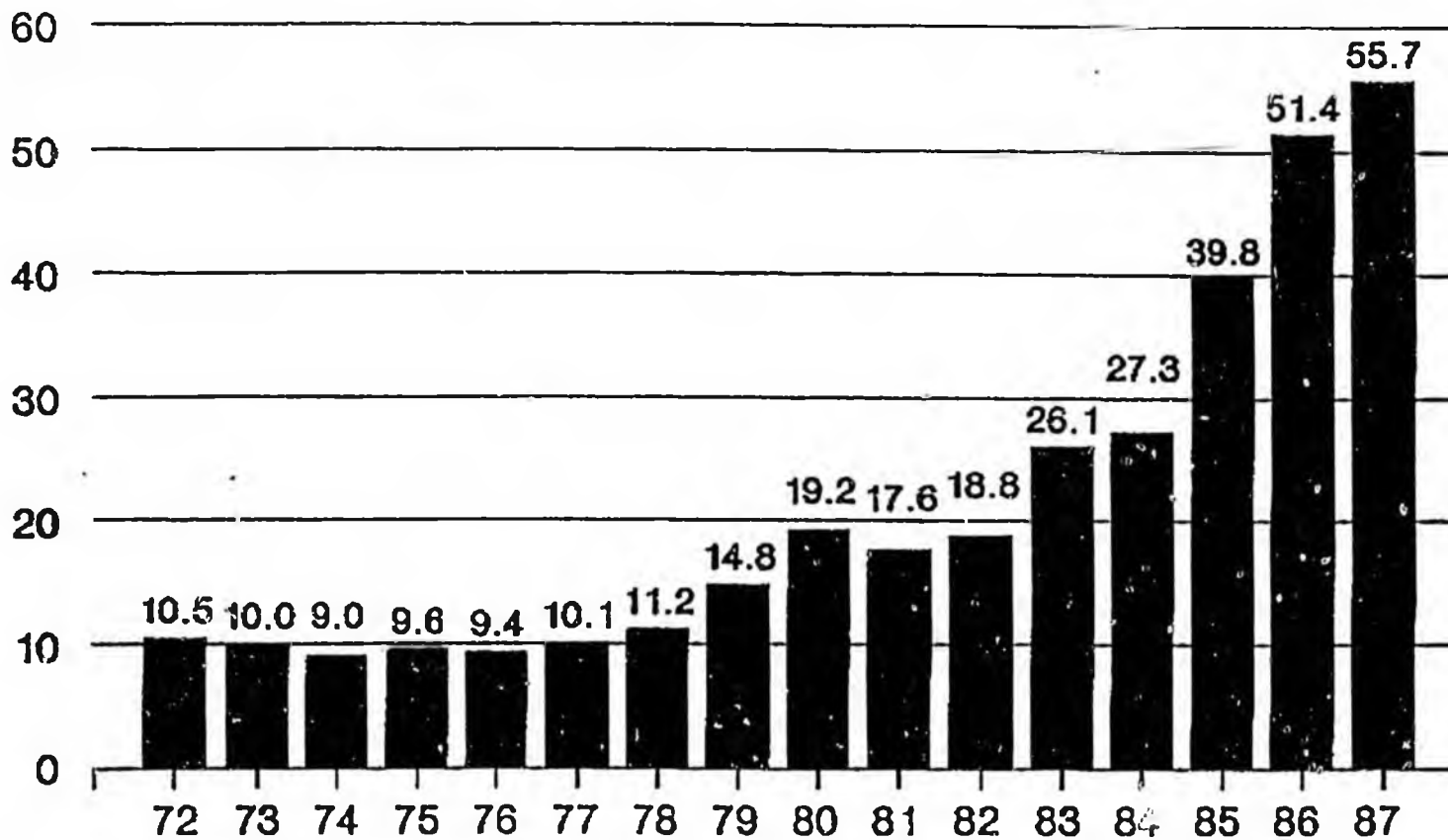
As of 1/1/89 with dividends reinvested

Source: MSCI

U.S. Holdings of Foreign Stock

1972 - 1987
(Year End Data)

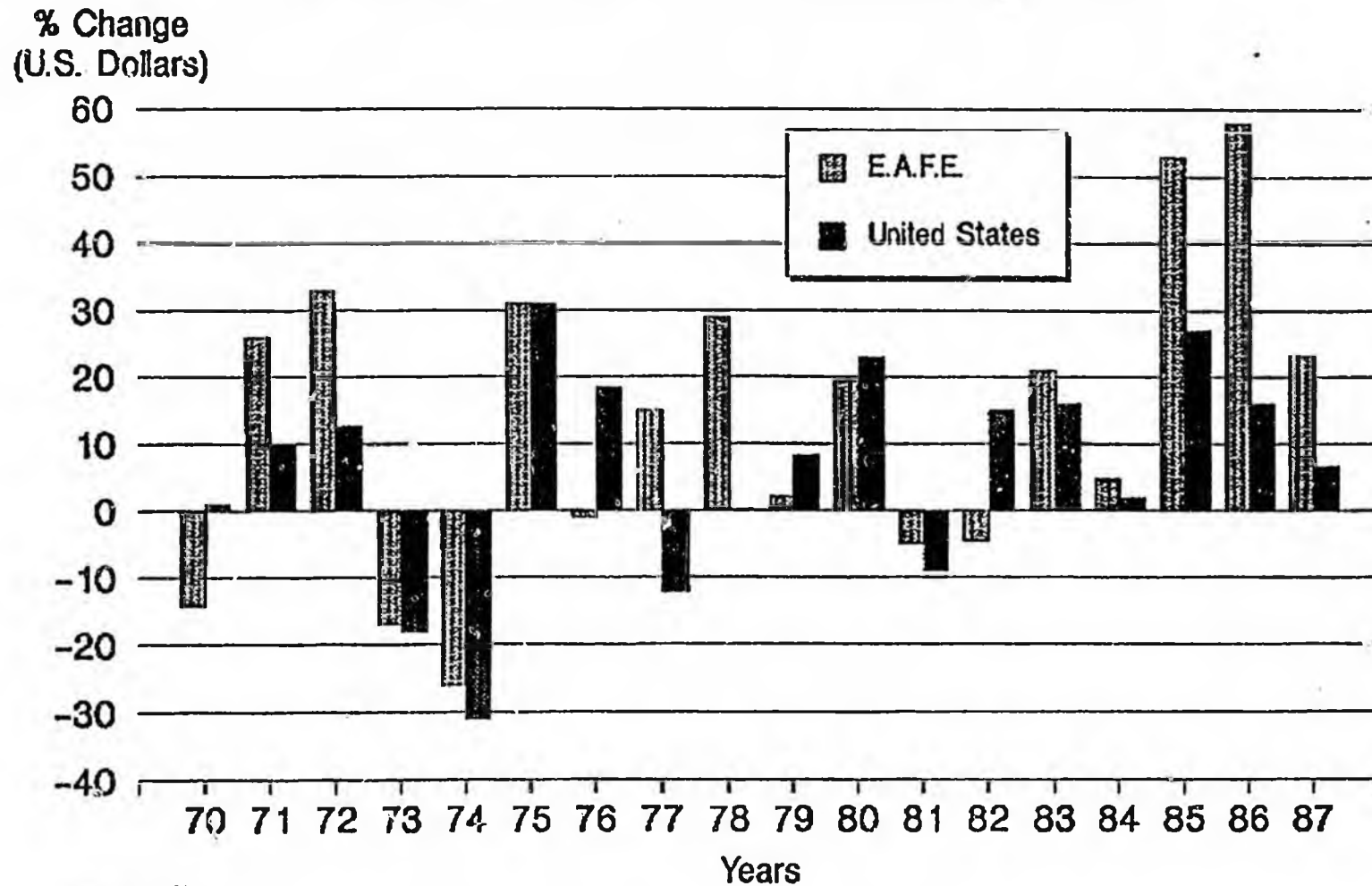
U.S. Holdings
(\$ Billions)



Source: Commerce Dept., Bureau of Economic Analysis

E.A.F.E. vs. United States

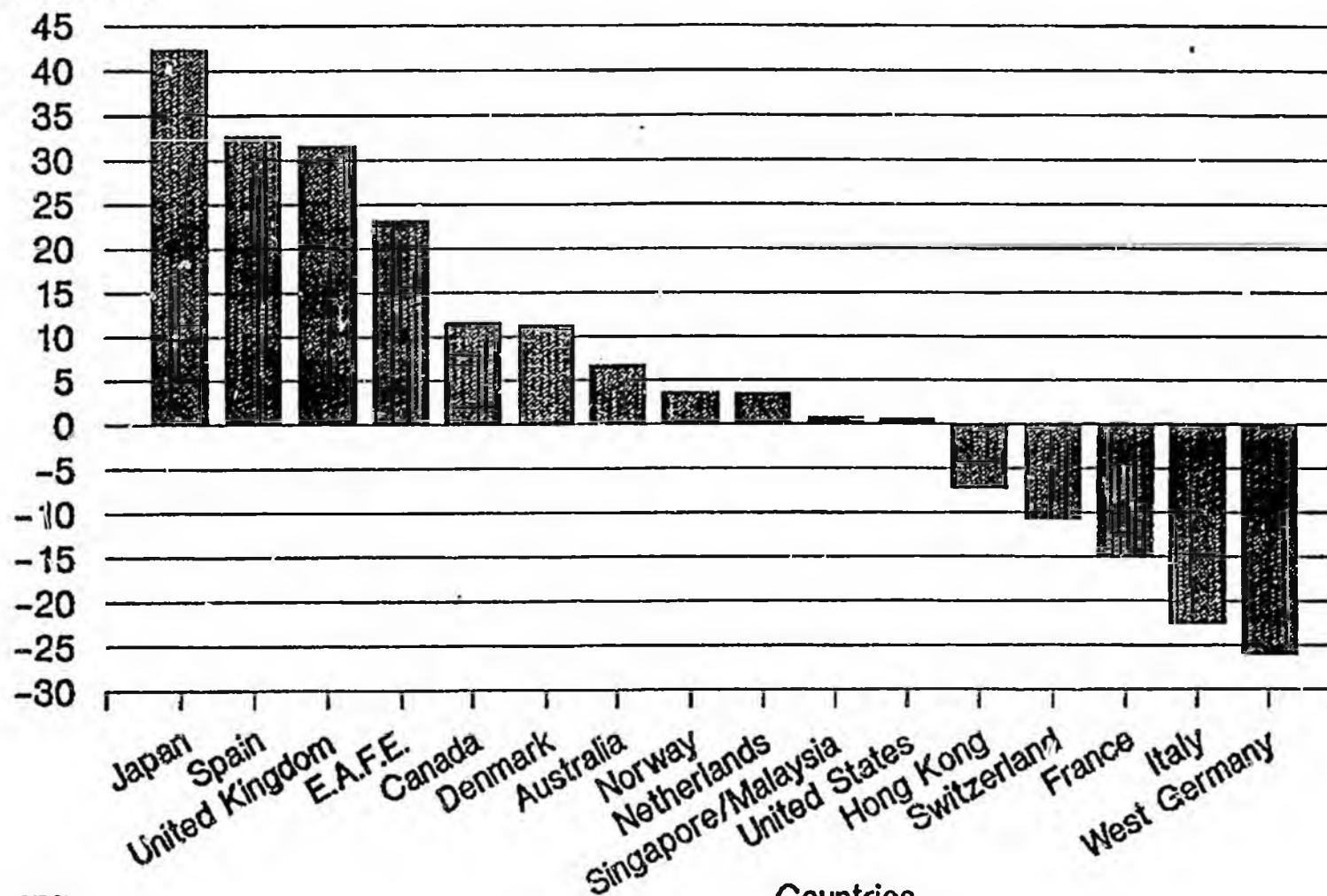
Yearly Percentage Change
January 1, 1970 to December 31, 1987



Source: MSCI

1987 World Equity Market Performance

Total Return
(U.S. Dollars)



Source: MSCI

Countries