

**ALASKA STATE LEGISLATURE  
HOUSE STATE AFFAIRS STANDING COMMITTEE**

March 13, 2001

8:01 a.m.

**MEMBERS PRESENT**

Representative John Coghill, Chair  
Representative Jeannette James  
Representative Hugh Fate  
Representative Gary Stevens  
Representative Peggy Wilson  
Representative Harry Crawford  
Representative Joe Hayes

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

Representative Norman Rokeberg

**COMMITTEE CALENDAR**

HOUSE BILL NO. 3

"An Act relating to deposits to the Alaska permanent fund from mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), federal mineral revenue sharing payments received by the state from mineral leases, and bonuses received by the state from mineral leases, and limiting deposits from those sources to the 25 percent required under art. IX, sec. 15, Constitution of the State of Alaska; and providing for an effective date."

- MOVED HB 3 OUT OF COMMITTEE

HOUSE BILL NO. 149

"An Act relating to correctional facility space and to authorizing the Department of Corrections to enter into an agreement to lease facilities for the confinement and care of prisoners within the Kenai Peninsula Borough."

- HEARD AND HELD

CONFIRMATION HEARING:

Commissioner of Public Safety

Glenn G. Godfrey

- CONFIRMATION ADVANCED

**PREVIOUS ACTION**

BILL: HB 3

SHORT TITLE:DEPOSITS TO THE PERMANENT FUND

SPONSOR(S): REPRESENTATIVE(S)ROKEBERG

Jrn-Date	Jrn-Page		Action
01/08/01	0024	(H)	PREFILE RELEASED 12/29/00
01/08/01	0024	(H)	READ THE FIRST TIME - REFERRALS
01/08/01	0024	(H)	STA, JUD, FIN
02/28/01	0473	(H)	COSPONSOR(S): MURKOWSKI, DAVIES,
02/28/01	0473	(H)	HUDSON
03/08/01		(H)	STA AT 8:00 AM CAPITOL 102
03/08/01		(H)	Heard & Held MINUTE(STA)
03/09/01	0529	(H)	COSPONSOR(S): STEVENS
03/13/01		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 149

SHORT TITLE:PRIVATE PRISON IN KENAI

SPONSOR(S): REPRESENTATIVE(S)CHENAULT

Jrn-Date	Jrn-Page		Action
02/26/01	0437	(H)	READ THE FIRST TIME - REFERRALS
02/26/01	0437	(H)	STA, FIN
02/26/01	0437	(H)	REFERRED TO STATE AFFAIRS
03/13/01		(H)	STA AT 8:00 AM CAPITOL 102

**WITNESS REGISTER**

JANET SEITZ, Staff  
to Representative Rokeberg  
Alaska State Legislature  
Capitol Building, Room 118  
Juneau, Alaska 99801

POSITION STATEMENT: Provided information on HB 3.

CHUCK LOGSDEN, Chief Petroleum Economist

Department of Revenue  
550 West Seventh Avenue, Suite 500  
Anchorage, Alaska 99501-3566  
POSITION STATEMENT: Provided information on HB 3.

REPRESENTATIVE MIKE CHENAULT  
Alaska State Legislature  
Capitol Building, Room 432  
Juneau, Alaska 99801  
POSITION STATEMENT: Spoke as sponsor of HB 149.

DALE BAGLEY, Mayor  
Kenai Peninsula Borough  
144 North Binkley Street  
Soldotna, Alaska 99669  
POSITION STATEMENT: Testified in favor of HB 149.

MARGOT KNUTH, Assistant Attorney General  
Office of the Commissioner  
Department of Corrections  
431 North Franklin Street, Suite 203  
Juneau, AK 99801  
POSITION STATEMENT: Testified on HB 149.

GLENN G. GODFREY, Commissioner  
Department of Public Safety  
P.O. Box 111200  
Juneau, Alaska 99811-1200  
POSITION STATEMENT: Testified as appointee for confirmation.

ALFRED MCKINLEY, SR.  
Executive Committee Member, Grand Camp  
Alaska Native Brotherhood  
P.O. Box 21713  
Juneau, Alaska 99802  
POSITION STATEMENT: Testified on HB 149.

RICHARD SEGURA, President and CEO  
Kenai Native Association, Inc.  
215 Fidalgo Avenue  
Kenai, Alaska  
POSITION STATEMENT: Testified in favor of HB 149.

MAKO HAGGERTY  
P.O. Box 2001  
Homer, Alaska 99603  
POSITION STATEMENT: Testified in opposition to HB 149.

MARVIN WIEBE, Senior Vice President  
Cornell Companies, Inc.  
188 Via Baja  
Ventura, California 98023  
POSITION STATEMENT: Testified on HB 149.

DANIEL BROWN  
[No address provided]  
Juneau, Alaska  
POSITION STATEMENT: Testified in support of a private prison in  
Alaska.

FREDERICK BELL  
336 Gold Street  
Juneau, Alaska 99801  
POSITION STATEMENT: Testified in support of Native cultural  
programs for prisoners and in favor of bringing all inmates back  
to Alaska.

#### **ACTION NARRATIVE**

TAPE 01-20, SIDE A  
Number 0001

CHAIR JOHN COGHILL called the House State Affairs Standing  
Committee meeting to order at 8:01 a.m. Representatives  
Coghill, James, Fate, Stevens, Wilson, and Crawford were present  
at the call to order. Representative Hayes arrived as the  
meeting was in progress.

#### HB 3-DEPOSITS TO THE PERMANENT FUND

Number 0256

CHAIR COGHILL announced the first order of business would be  
HOUSE BILL NO. 3, "An Act relating to deposits to the Alaska  
permanent fund from mineral lease rentals, royalties, royalty  
sale proceeds, net profit shares under AS 38.05.180(f) and (g),  
federal mineral revenue sharing payments received by the state  
from mineral leases, and bonuses received by the state from  
mineral leases, and limiting deposits from those sources to the  
25 percent required under art. IX, sec. 15, Constitution of the  
State of Alaska; and providing for an effective date."

Number 0282

JANET SEITZ, Staff to Representative Rokeberg, Alaska State Legislature, sponsor of HB 3, came forward. She called committee members' attention to a workbook provided by Representative Rokeberg concerning the revenue impact of HB 3 on the general fund. The material had been prepared by Chuck Logsden, Chief Petroleum Economist, Department of Revenue.

CHAIR COGHILL noted that the information had just been given to committee members, who had not had a chance to study it before the meeting. He asked why the year 2006 was such a significant one for income.

Number 0430

CHUCK LOGSDEN, Chief Petroleum Economist, Department of Revenue, testified by teleconference. Two new fields are beginning production and increasing the amount of oil coming from new leases (potentially contributing a greater percentage into the general fund than the old leases do. He stressed that the older fields will continue to dominate production over the next 10-15 years. By 2005, 20 percent of the state's oil royalties would be coming from new leases that could be impacted by HB 3. He stressed that revenue forecasts are very much impacted by the price of oil.

MR. LOGSDEN turned his attention to the fiscal note. He pointed out that the amount of revenue coming into the general fund could be anywhere between \$25 million and \$45 million, depending upon oil prices.

MR. LOGSDEN noted that the fiscal note projections extend through 2007. Any production resulting from exploration going on today will not occur until after 2007, and possibly not until 10-12 years from now.

Number 0799

CHAIR COGHILL observed, "It really does come down to a policy decision" about whether the legislature wishes to return to the constitutionally mandated 25 percent of oil royalties going into the Permanent Fund or allow the current 50 percent allocation, authorized by statute, to remain in effect. Because HB 3 also will be heard by the House Judiciary and Finance Committees, he said he did not want the State Affairs Committee to scrutinize all the dollars, but to "discover the policy."

Number 0888

REPRESENTATIVE JAMES expressed her support for HB 3. She said she was hesitant to support anything short of a long-term revenue plan, "and if we inch our way along, we may never get there." However, she thinks HB 3 is a piece of the larger solution. The state has been taking in less money than it is spending every year, and in the past five years, the legislature has worked very hard to reduce general fund spending and thereby to close that fiscal gap. Yet there is an automatic growth in government every year just to cover cost-of-living pay increases and the growing number of participants that affect formula funding. To close the fiscal gap and maintain the economies that have been achieved, "we have to have a lot of different pieces," she said.

REPRESENTATIVE JAMES noted that the principal of the Permanent Fund is untouchable as a source of money; that is constitutionally mandated. But also according to the constitution, the earnings reserve of the Permanent Fund is not untouchable. It is the legislature's prerogative to decide what to do with the earnings reserve. She said it would be better to give that fund a different name because the public perceives the Permanent Fund as all one piece, and so thinks it all should be protected. She noted that the Permanent Fund [principal] has a lot of money in it, providing the state with long-term income from interest earnings. She also thinks it is a good thing to give the people a dividend out of those earnings, "because that gives us the constituency to protect the fund."

REPRESENTATIVE JAMES said a long-range fiscal plan will be made up of "a little [from] taxes here and there -- fair ... and equitable taxes across the board ... [so] everyone pays a little -- and also some more reduction ... in the cost of government, [including] maybe even not doing some of the things we're doing."

REPRESENTATIVE JAMES noted, "The amount of money that we've been putting into the Permanent Fund over and above the constitutional mandate was made when we were rolling in bucks. We're not rolling in bucks any more." She said it doesn't make a lot of sense to keep putting in more money than is mandated. She thinks HB 3 is an excellent first step that the legislature should take toward long-range fiscal stability.

Number 1223

REPRESENTATIVE JAMES moved to report HB 3 out of committee with individual recommendations and the accompanying fiscal notes.

Number 1242

REPRESENTATIVE WILSON agreed with Representative James. She observed that the people of the state are used to high income from oil royalties, and "don't believe us when we say that we're in a crunch and that we're having to be very careful about how we budget the finances of the state right now." She cautioned, "When we do something like this [HB 3]..., they're saying, 'See, we aren't in that bad a shape. See, they pulled the money from somewhere and they always do.'"

Number 1356

CHAIR COGHILL objected to Representative James's motion for purposes of discussion.

Number 1369

REPRESENTATIVE STEVENS concurred that HB 3 was a good first step toward good fiscal management, but he acknowledged that "it is just putting off the day when we have to consider other taxation."

Number 1394

REPRESENTATIVE FATE agreed that there is a public perception that Alaska has a lot of money. True, the state has about \$21 billion in the principal of the Permanent Fund. But that's protected by the constitution, and the people helped vote that into the constitution, he pointed out. "So we simply don't have that money available," he emphasized. "We have the earnings from that money available, and the earnings simply don't go far enough to run government once you take out the inflation-proofing ...[and] the dividends, [both of] which we want to continue." The state does have a lot of money but it is unavailable and it was made unavailable by the vote of the people. He concluded by voicing support for HB 3.

Number 1479

REPRESENTATIVE CRAWFORD said:

I feel really pulled because I don't believe that our generation is paying our fair share. We're the only

state in the union [in which people do not] pay their share of the cost of government today. We completely fund our government off of non-recurring, one-time revenues. I believe that ... if we pass this bill, we're taking money away from future generations. I believe it's time now for us to realize our responsibilities and use some of our recurring revenues to fund the cost of government, and I believe that this is just a very small step toward [a] long-term fiscal plan and our stepping up to the plate and doing what really needs to be done. I don't concur with this.

Number 1547

REPRESENTATIVE JAMES said the numbers tell the story. The fiscal note for HB 3 projects an increase in revenue of about \$40 million. "We're anticipating in the budget this year a shortage of somewhere near \$400-500 million. If we would yield to all of the demands out there that are reasonable, ... we could raise that deficit from \$400-500 million to a billion in a heartbeat. We can anticipate, if we have a broad-based income tax similar to what we had before ..., bringing in somewhere between \$400 [million] and \$500 million at the most."

REPRESENTATIVE JAMES continued:

My point is that this \$40 million is a very small contribution. This has no effect whatsoever on whether or not we need a broad-based tax, because we're going to need a broad-based tax. We're going to need some more economic development to increase the amount that we can receive from a broad-based tax. We're going to have to use some of the earnings of the Permanent Fund, and we're quite likely going to have to change the way we calculate the Permanent Fund dividend although we can maintain a healthy dividend over the long term.

REPRESENTATIVE JAMES reiterated that the potential income from HB 3 is a very little piece of what is needed. Nevertheless, she said, it a piece that should be put in place.

Number 1712

CHAIR COGHILL confessed that he struggles with HB 3, which has been called a "no brainer." He is disturbed by the insatiable

appetitive of government. "We are a service government; we are a service-delivery government," he stated. "I object to that." Just because there is a need in society, it doesn't necessarily mean that government should step up and fill that need. He thinks government has been too many things to too many people, and the question needs to be asked about whether government should even be doing some of the things it is doing now. Chair Coghill concluded that he is going to vote against HB 3 but he thinks it would be unfair of him as a chairman to hold the bill in committee.

Number 1845

CHAIR COGHILL removed his objection to HB 3. There being no further objection, HB 3 was passed out of the House State Affairs Standing Committee.

HB 149-PRIVATE PRISON IN KENAI

Number 1874

CHAIR COGHILL announced that the next order of business would be HOUSE BILL NO. 149, "An Act relating to correctional facility space and to authorizing the Department of Corrections to enter into an agreement to lease facilities for the confinement and care of prisoners within the Kenai Peninsula Borough."

Number 1920

REPRESENTATIVE MIKE CHENAULT came forward to speak as sponsor of HB 149. He noted that progress toward a private prison in Delta Junction has been stalled for several years. Meanwhile, Alaska is spending more than \$20 million to house many if its prisoners in Arizona. He thinks it is time to bring those dollars back to Alaska and help to diversify the economy here. The project proposed in HB 149 would provide work for Alaskans.

Number 2030

DALE BAGLEY, Mayor, Kenai Peninsula Borough, testified by teleconference. He said the prison project proposed in HB 149 is important to those on the Kenai Peninsula. It is a big construction project, creates 300 permanent jobs and many more secondary jobs, and would add a fourth strong industry to the region's economic diversity. The Kenai Borough assembly and administration both support the project. There have been many public hearings as part of a competitive Request for Quotes

(RFQ) process. "There has been some opposition, but by and large, there has been strong support for this prison project," he said.

CHAIR COGHILL asked Mr. Bagley to characterize the opposition.

MR. BAGLEY said the majority of the opposition he has heard has dealt with the private/public prison issue. The question the borough has been asking the public is, "If the legislature wants a private prison built somewhere in Alaska, shouldn't the Kenai Peninsula try to do that?" Most of the opposition has come from people who do not support the concept of a private prison instead of a public one.

CHAIR COGHILL asked him to describe the RFQ process.

MR. BAGLEY said the borough followed the RFQ process because although the Department of Corrections has been helpful, the borough didn't "have a lot of the nuts and bolts that we needed to do a Request for Proposals (RFP) process." So the borough developed this RFQ process instead. There were four responses, which were narrowed down to two through an administration selection committee. Then the assembly listened to presentations by the finalists. The Cornell/Kenai Native Association proposal was the one the assembly selected. The process took two months, and Mr. Bagley said he thought it was a good one.

CHAIR COGHILL wanted to know how much money the municipality has put into it.

MR. BAGLEY said the assembly appropriated \$150,000, and he thinks about \$50,000 of that has been spent so far.

Number 2232

REPRESENTATIVE STEVENS asked Mr. Bagley what advantages he sees in having a private prison.

MR. BAGLEY said he was willing to let others debate the private/public issue. He has heard that private prisons are less expensive while allowing the Department of Corrections to have a great deal of control over what happens to those prisoners.

Number 2284

REPRESENTATIVE JAMES recalled that a few years ago, the Seward Community had expressed interest in expanding the Spring Creek Correctional Center there. She asked if anything had been heard from Seward since then.

MR. BAGLEY said the RFQ process did not limit the location to the Kenai area, but allowed it to be any place in the Kenai Peninsula Borough [which includes Seward]. Those in Seward were aware of the opportunity and did not submit a proposal. He added that he had heard talk of expansion at Spring Creek, and he thought it would be great if that were to happen, too. He said there is a desire for a strong prison industry on the Kenai Peninsula.

Number 2373

REPRESENTATIVE CRAWFORD wanted to know why the decision was made to have a for-profit prison instead of a nonprofit one.

REPRESENTATIVE CHENAULT said it was decided three years ago with House Bill 53 that the state would look at funding a private prison rather than a public one. He recalled that projected cost savings were the main reason for that decision.

REPRESENTATIVE CRAWFORD said he thought the same cost savings could be realized from a privately operated prison without it being a for-profit institution. He wondered why the consortium that has put together the proposal [in HB 149] had decided to take the for-profit approach.

REPRESENTATIVE CHENAULT said he could not answer for the consortium, but assumed that the decision was made because the consortium is made up of private businesses, and that they are in business to make money.

CHAIR COGHILL asked if that was part of the discussion when the Kenai Borough came up with the RFQ process.

MR. BAGLEY said it was not, and that this is the first time he has heard that brought up.

CHAIR COGHILL said that would be part of the discussion, and that those who are participating in the discussion might want to keep it in mind.

Number 2475

REPRESENTATIVE CRAWFORD asked what the prison would cost.

REPRESENTATIVE CHENAULT said he did not know the exact dollar amount, but that he thought the prison would cost between \$60 million and \$80 million.

CHAIR COGHILL apologized for not having a fiscal note ready, and said the committee would have it before making a decision on HB 149.

Number 2531

REPRESENTATIVE JAMES observed that HB 149 has a referral to the Finance Committee.

CHAIR COGHILL said that was a good point, and referred to his earlier comment about the Finance Committee being the place where the number crunching goes on.

Number 2621

MARGOT KNUTH, Assistant Attorney General, Office of the Commissioner, Department of Corrections, came forward to testify. She explained that several years ago, HB 53 authorized both a jail replacement project in Anchorage and a private prison in Delta Junction on the Fort Greely site. She said the current bill, HB 149, is virtually identical to the part of HB 53 that authorized the Commissioner of Corrections to enter into a lease with the City of Delta Junction. However, HB 149 includes a provision that repeals the authorization for the prison at Delta Junction.

MS. KNUTH read from a letter by the governor to Mr. Bagley in which the governor said that the legislature's intent in HB 53 was to develop a private prison at the Fort Greely site. "The state has been working to do so ever since," she read. "There is no doubt that any change of focus or development of a new private prison plan will involve legislative action." She thought that was what Mr. Bagley was alluding to when he said that the Department of Corrections has been able to provide only limited assistance to them. That is because in HB 53, the administration was directed to work with the community of Delta Junction, and they are doing so to this day, Ms. Knuth said.

MS. KNUTH said the other issue the governor addressed in his letter to Mr. Bagley was that early on, his administration had developed an approach to prison expansion based on five

principles. Those five principles, discussed in conjunction with HB 53, were: Protecting the public safety, addressing statewide and regional needs, consistency with best correctional practices, community participation through government-to-government transactions, and cost-effectiveness. "We must use those principles when we're looking at any proposals to expand existing facilities or create new facilities," Ms. Knuth said.

MS. KNUTH noted that when Governor Knowles signed HB 53, he called it a good first step in addressing the needs of the state. At that time he had submitted legislation proposing expansion of the correctional facilities in Bethel and in Sutton. "We have very urgent need to expand the jail at Bethel and also the jail at Fairbanks," she said. "Those two facilities have been ... our weak links in trying to resolve overcrowding problems. The prison, albeit at Delta Junction or at ... Kenai, will not solve the problems that we have of overcrowding in our jails."

MS. KNUTH explained that very different populations are served by jails and by prisons. "A jail is where you're holding pre-trial people or people who have very short sentences; it's for misdemeanants," she said. "It's not economical to send somebody to a facility that is either several hundred or several thousand miles away if the amount of time that they can spend is only going to be three days and then you have to bring them back." She told the committee that Alaska needs to address not only its prison needs, but also its local jail needs.

Number 2871

MS. KNUTH said a second item of concern is "the vagueness of the terms that are in this legislation [HB 149]." For the Anchorage jail proposal, the legislation specified a dollar amount for the capital project and how much could be spent per bed. House Bill 149 is virtually identical to the one for Fort Greely except that it is silent in that regard. "It's unusual in this state to suggest that a commissioner of department ... is going to be authorized to enter into a transaction where no dollar figures are specified," she said. "It would be more traditional and I think it would set the transaction up for greater success if we were to have very clear guidance on what the cost of the project is to be ..."

TAPE 01-20, SIDE B

Number 0001

MS. KNUTH also sought clarification about operating costs. "Is the payment that is anticipated ... meant to be just for the lease of the space, which is what the state is accustomed to doing, or is it anticipated that the 20-year lease is going to include the cost of operating the facility?" she asked.

MS. KNUTH went on to describe Internal Revenue Service limitations. For the bonds that are being sold to be tax-exempt, a private operator cannot be involved in the project for a period longer than five years. The Kenai proposal includes using property owned by the Kenai Native Association. The Native association's status as either a for-profit or a nonprofit corporation makes a difference in whether the bonds that are involved are tax-exempt or not, she said. Also, there are financial consequences if the transaction is structured as partnership between KNA and the Borough of Kenai or if, instead, the Borough of Kenai enters into a long-term lease with KNA for the use of the land. "These are factors that can have a very significant impact on the cost of the transaction and so I think the vagueness that surrounds the proposal at this point is understandable but should be addressed," she said.

MS. KNUTH noted that HB 53, which dates back to 1998, included both the Anchorage jail project (which was set out in fairly traditional, specific terms) and the Fort Greely proposal. Construction of the Anchorage jail is now 65 percent complete and the jail is scheduled to open a year from now. "I believe that part of the reason for that success is because the parties knew what the transaction was that was being contemplated and there was a meeting of minds and an agreement on it," she said. "Unfortunately, the prison proposal at Delta Junction is still in just the planning stages, and ... we still don't have a clear understanding of what that proposal was."

Number 2797

CHAIR COGHILL challenged that characterization, saying that the community in Anchorage was more unanimously supportive of the project there than was the community of Delta Junction.

MS. KNUTH concurred that an important factor in the success of a project is the community's willingness to embrace it and go forward. "I agree with you entirely on that," she said.

Number 2777

REPRESENTATIVE FATE volunteered that the mayor of Delta Junction two days ago had told him that they considered that project "kaput," and no planning is being done at this time.

Number 1751

REPRESENTATIVE JAMES read from HB 159, "The agreement to be entered into ... is predicated on and must provide for an agreement between the Kenai Peninsula Borough and a private, third-party contractor under which the private third-party contractor constructs and operates the facility by providing for custody, care, and discipline services for persons held by the commissioner of corrections under authority of ... law." She thought all of that has to be determined and that "it would come down to a daily bed rate. It sounds to me ... like they're leasing the whole thing."

REPRESENTATIVE JAMES pointed out that numbers are available for what each of the correctional facilities currently is costing. She also noted that the interest rate usually is adjusted to reflect whether the bonds are tax-exempt or taxable, so that the cost is similar. She agreed with Representative Faith that the Delta Junction project has been the topic of more community discussion than has the Kenai project.

REPRESENTATIVE JAMES, speaking from her perspective as an accountant, said the difference between nonprofit and profit does not necessarily mean the cost goes up or down. A for-profit undertaking has an incentive to keep costs down so that there is a profit.

Number 2578

CHAIR COGHILL expressed concern about time constraints, noting that a confirmation hearing was scheduled to begin. He suggested that Ms. Knuth respond to Representative James' concerns, after which the committee would turn its attention to the confirmation hearing.

Number 2503

MS. KNUTH said she did not have all of the answers to Representative James' questions, but she noted that the Department of Revenue has advised the Department of Corrections that tax-exempt bonds are considerably cheaper for the state, and that that was a factor in the Anchorage jail project. She did not think the issue of cost was resolved by the daily bed

rate. Bonds issued by the Borough of Kenai can only be for capital costs. She thought that capital costs for the Kenai project needed to be separated from the operating costs.

REPRESENTATIVE JAMES said she is philosophically opposed to state-owned properties within a municipality because there is no property tax derived from them. That did not seem fair to the local community. If there is no property tax, there can be some savings -- but that comes out of the borough.

CHAIR COGHILL suspended testimony, stating his intent to return to the discussion of HB 149 following the confirmation hearing.

CONFIRMATION HEARING:

Commissioner of Public Safety

Number 2207

GLENN G. GODFREY, Commissioner, Department of Public Safety, came forward. In response to Chair Coghill's opening question about his background, Mr. Godfrey said he had been appointed commissioner by the governor in August 2000. Prior to that he was director of the Division of Alaska State Troopers for 5.5 years and acting director for a year before that. He served with the Division of Alaska State Troopers for a total of 30 years.

CHAIR COGHILL asked Mr. Godfrey about his vision for the Department of Public Safety.

MR. GODFREY focused first on the largest division in the Department of Public Safety, the Division of Alaska State Troopers, which has 237 commissioned troopers. Emphasis now is on recruitment of Alaskans to join the department. Recruitment efforts so far have been successful and standards are high. This will continue to be a focus in both the Division of Fish and Wildlife and the Division of Alaska State Troopers. He acknowledged that successful recruiting costs money, and expressed appreciation to the legislature for its support.

MR. GODFREY noted that it is a challenge to deliver public safety to rural Alaska. Only 86 Division of Fish and Wildlife "brown shirts" are providing service to "some of the best fish and game resources in the world," he said. Their jurisdiction includes all commercial and sport fishing and hunting. "We've always tried to do the best with what we have and do more with

less, but we're at the point in this department where we are doing less with less," he said. That is frustrating to him as well as to the men and women in the division.

MR. GODFREY referred to an ongoing lawsuit filed by the Native American Rights Fund against the State of Alaska regarding the state's enforcement efforts or lack thereof throughout the rural areas of the state. "We definitely do need more resources in rural Alaska, but I feel very strongly that with the resources we have, we're doing the best job we can statewide, whether it's on the highway system, in the urban areas, or in the rural areas," he said. "We have our manpower allocated where we feel is best for the citizens of the state of Alaska."

CHAIR COGHILL noted that the job that has to be done is larger in Alaska, not only with public safety, but also with education and in other areas. He noted that public safety is a high priority in this legislature.

MR. GODFREY described joint efforts with the commissioners of Corrections, Health and Social Services, Education, and the Attorney General's Office to look at public safety and justice concerns in a holistic manner. "We continuously are having meetings discussing ... alcohol and drug abuse, [and] abuse of children ... with an emphasis on rural Alaska," he said. The proposed public safety components of that joint effort include re-establishing the constable program to put officers at the level of Alaska State Troopers in rural Alaska, focusing on hiring people who come from the region they will serve, increasing the number of Village Public Safety officers by 20 and increasing their salaries by 15 percent, and hiring another 10 blue-shirt and 10 brown-shirt troopers.

CHAIR COGHILL asked the commissioner what he would like to say to Alaska as a community.

MR. GODFREY said a law-enforcement agency has a responsibility not only to lock up people when that is appropriate, but also to try to prevent crimes from taking place. An important component of that is effective "community-based policing," working with communities throughout the state to respond to what the community wants from law enforcement. He said the vast majority of the calls he gets are not complaints about the quality of work the troopers do, but the fact that troopers don't get to rural communities fast enough. He said his vision is for the troopers to become better in community-based policing including getting into the schools, spending time with the children, and

as first responders to incidents, doing a better job of addressing the needs of the victims.

Number 1627

REPRESENTATIVE STEVENS praised the Village Public Safety Officer (VPSO) program and asked Mr. Godfrey to comment on it.

MR. GODFREY explained to the committee that he was in Bethel when the program began there. The VPSO program is, in his opinion, the best program in state government today. "We've taken this program to other countries, and it is very interesting to other law enforcement entities," he said. The program was started "to get some teeth into law enforcement in rural Alaska." What he saw in Bethel was dedicated local police officers who, because the state had no responsibility to support them, were powerless to remove a perpetrator from the community or to follow up.

MR. GODFREY explained that now, the program establishes a partnership of three entities: the Alaska State Troopers, the nonprofit Native corporation for the area, and the particular village. Villages set the priorities for public safety and enforcement efforts. The Native corporation receives state funds and actually employs and pays the VPSOs, and the troopers provide the "extra teeth." The troopers also provide the VPSOs' initial training at the police academy in Sitka, on-the-job training throughout the year, and technical support.

MR. GODFREY said the VPSOs get "a lot of respect" in their communities. They go into the schools, teach snow machine and boating safety, and are involved in fire prevention and response. The VPSO program has expanded throughout the state, and Mr. Godfrey said he is very proud of the men and women in the program and that the relationship between them and the troopers is "very, very close throughout the state of Alaska."

Number 1361

REPRESENTATIVE JAMES expressed appreciation and recommended confirmation of Mr. Godfrey's appointment.

REPRESENTATIVE FATE thanked Mr. Godfrey for his many years of service to State of Alaska and concurred with the recommendation for confirmation.

There being no objection, the recommendation for confirmation was advanced to the full body. [CONFIRMATION ADVANCED]

HB 149-PRIVATE PRISON IN KENAI

Number 1304

CHAIR COGHILL redirected committee attention to HOUSE BILL NO. 149, "An Act relating to correctional facility space and to authorizing the Department of Corrections to enter into an agreement to lease facilities for the confinement and care of prisoners within the Kenai Peninsula Borough."

Number 1284

REPRESENTATIVE HAYES expressed a desire to hear from Delta Junction before taking action on HB 149, which would change a law specific to that area.

CHAIR COGHILL said that was an excellent point. He then indicated concern about hearing from those who had come to testify that day.

Number 1216

ALFRED McKINLEY, SR., Executive Committee Member, Grand Camp, Alaska Native Brotherhood (ANB), and delegate to the Central Council of Tlingit-Haida Indians of Alaska, came forward to testify. He summarized resolutions passed by the ANB Grand Camp and the Tlingit-Haida Central Council related to HB 149. He said it is immaterial to them where the prison is built or whether it is a nonprofit or for-profit enterprise so long as it is in Alaska. "Our people are unique people," he said. Alaska Natives have a culture that is different in the way it handles conflicts and discipline. It is important to keep Alaska Native prisoners in Alaska rather than sending them to Arizona where they are picking up undesirable habits and behavior from outsiders. It is important for them to be where they can be visited. "If you don't visit your people who are in prison, they'll ... think you don't care for them and they'll say, 'To heck with the world!'" he said.

CHAIR COGHILL asked Mr. McKinley if he saw the central issue as having the facility in Alaska where the inmates can be visited.

MR. MCKINLEY confirmed that was the Native organizations' primary concern. He expressed hope that work can start right away and that the project can be completed.

Number 0692

CHAIR COGHILL said he thought the committee was in agreement with Mr. McKinley about the importance of visiting prisoners, as family ties and cultural ties are important to rehabilitation.

Number 0591

RICHARD SEGURA, President and CEO, Kenai Native Association, came forward to testify in support of HB 149. The prison proposed in HB 149 would be built on Kenai Native Association property. But more important to him personally and as an Alaska Native is the disproportionate percentage of Alaska Natives incarcerated. "We're not making any excuses," he said. "We have a problem with substance abuse and alcohol, and it's something that is a sad legacy for us to leave to our children." The Kenai prison proposed in HB 149 has the support of Native leaders throughout the state, including those of the Alaska Federation of Natives, all of the regional corporations, and many of the smaller native and village corporations and tribes. "We have a personal stake in this as a people," he concluded. "We want to help ourselves. If we don't, nobody else is going to do it."

CHAIR COGHILL asked Mr. Segura how he sees HB 149 helping to do that.

MR. SEGURA observed that many of the state rehabilitation programs don't seem to be working. One prisoner who had been held in Arizona told him, "They want us to heal, but they don't give us the means to do that." Mr. Segura acknowledged that there are some good programs, but said he thinks many of them are not geared culturally to Native needs. The Cook Inlet Tribal Council is interested in putting together a Native task force to address these issues and try to institute some programs. He added that having the prison on Native land may not be very important to many people, but to Native people, it is. It is also important that "it's in Alaska, it's home."

CHAIR COGHILL affirmed that one of the key issues was keeping Alaska prisoners at home, and that the Native culture issue is an important one.

Number 0155

REPRESENTATIVE HAYES wanted to better understand the benefit of the prison to the Native corporation. "Are you leasing out the land to the state, the private company? How did your land get selected to be the site for the new prison?"

MR. SEGURA explained that the Native corporation, a for-profit entity, saw the prison as a business opportunity and contacted Cornell Companies, Inc. [the potential prison provider] and the Department of Corrections and "things just evolved from there."

TAPE 01-21, SIDE A

Number 0001

REPRESENTATIVE JAMES commented that she is very concerned about the high percentage of Native Alaskans in the prison population. "You're absolutely right," she told Mr. Segura. "We can't fix it without you. We can help, but you have to guide us."

CHAIR COGHILL again emphasized that the State Affairs Committee's job is to make a policy decision, leaving to other committees the issues related to bonding and financing.

Number 0189

MAKO HAGGERTY, of Homer, who identified himself as "a concerned citizen of the Kenai Peninsula and of Alaska," testified by teleconference that he is opposed to HB 149. "If you could just eliminate 'private' and build a prison, that's fine," he said. "But a private prison ... is going to cause more problems than what it's supposed to solve." He said his objections to private prisons include that statistics do not bear out that private prisons save any money, they're not accountable to the community, and they are run for profit and not for rehabilitation. In addition, he said, private prisons do not pay their employees well and there is a high rate of staff turnover. Private prisons have failed in other states, and the private prison industry in the United States is rife with problems. He called it an "outrage" that so many Alaskans are incarcerated in Arizona and does not object to building a prison, but does not think a private prison is the way to go. "I think the legislature really needs to look at building a public facility," he said.

Number 0554

MARVIN WIEBE, Senior Vice President, Cornell Companies, Inc., came forward to testify. He said the firm is happy to have been selected to partner with the Kenai Peninsula Borough in working with the Kenai Native Association, and that he was available to answer questions.

CHAIR COGHILL asked him to describe the qualifications of the Cornell Companies.

Number 0626

MR. WIEBE said Cornell began in 1990, not as an operator of prisons, but with their design, building, and financing. The founder, David Cornell, decided to get into operation and bought a company that had operated secure correctional facilities on a for-profit basis. That company had been in business since 1977 and was the first private operator of a secure facility for the State of California and for the federal Bureau of Prisons. Cornell has since acquired a variety of other companies and won many projects through a competitive bid process, negotiated many contracts, and currently operates about 14,450 beds in a total of 72 facilities. Many of those are juvenile facilities. Cornell also operates halfway houses in Alaska and elsewhere. "The company is committed not only to intervene early on where people don't go to prison but also in the transition out of prison which is a critical phase," he said.

MR. WIEBE said the institutional part of the company (in terms of prison beds) represents about 40 percent of the business. The rest is divided between juvenile facilities and those for adults who are coming out of prison. The juvenile division dates back to 1973, and other providers that are now part of the company have long histories going back nearly three decades. Cornell is the third-largest provider of these kinds of facilities in the United States today.

Number 0791

REPRESENTATIVE STEVENS asked Mr. Wiebe to comment on allegations about rehabilitation not occurring in a private prison, employees not being paid well, and there being a high rate of turnover.

MR. WIEBE noted that every company is different. He said:

I'm not saying that private prisons haven't had some difficulties. "Anecdotally, you can come up with lots of illustrations both on the public sector and the private sector. Corrections is a very tough business, and we applaud and support not only those who are in privatization with us, but also the efforts of the departments of corrections. ... Cornell as a company has tried to set itself apart by really putting out time and energy and money into doing a quality job .... We understand that there has to be retribution. We understand that there has to be punishment and incapacitation, but we recognize, too, that ... 90 percent of [the inmates] come back. There needs to be some program of rehabilitation, of making a change in what's happening ...

MR. WIEBE said the three highest priorities at Cornell are accountability, competency development, and community safety. He said:

There has to be accountability for inmates, accountability to acknowledge that they've done something wrong and that they owe something back to the community... Then we've got to give them resources, vocational programs, a variety of skills, as well as cognitive behavioral therapies and other treatment programs that change how they think is the second major component. And the third [priority] is community safety. If communities aren't safe, if we let people out in the community and people are injured, we're going to not operate any longer.

Number 1055

REPRESENTATIVE STEVENS said he appreciated the comments on rehabilitation but would like responses on employees' pay and the rate of staff turnover.

MR. WIEBE said that during the startup time of a facility, there typically is higher turnover. "Believe me, not everyone is cut out to be a correctional officer or to work with prisoners, and so there is a winnowing out that goes on," he said. But after a couple of years, Cornell facilities become very stable in their staffing. "Our staff are paid competitive wages, but frankly, they may not be paid as highly as government workers sometimes are, particularly on the benefits side. Our benefits are commensurate with the private sector," he said.

Number 1145

CHAIR COGHILL said it had been his intention to move HB 149 out of committee that day, but "I just don't feel like we have scratched as far as we want to scratch on this."

Number 1206

REPRESENTATIVE CRAWFORD asked Mr. Wiebe the amount of investment Cornell intends to make and the rate of return they intend to make from that investment.

CHAIR COGHILL said that was a good question for the committee but its discussion would require more time than the four minutes remaining.

Number 1262

REPRESENTATIVE WILSON said she saw something very special that the Native community could gain from the prison plan. She asked Mr. Wiebe if he felt Cornell could work with the Native community in a way that would work their culture into a rehabilitation program that would have apparent results.

MR. WIEBE replied, "I know we can do it ... because we're doing it all over ... the country."

CHAIR COGHILL invited testimony from anyone who would not be able to come next time.

Number 1359

DANIEL BROWN, of Juneau, introduced himself as a full-blooded Tlingit, directly descended from the people of Glacier Bay and a lifelong resident of Alaska. He said he has "seen what happens at all different levels in Alaska" as a Village Public Safety Officer in Holycross, as a 25-year member of the International Union of Operating Engineers, and as a teacher at Dzantik'i Heeni Middle School.

MR. BROWN said it is unconstitutional to take a rural resident who has committed a crime out of the village and out of state. "I'm strongly for privatization and I'm also strongly for having you guys build a prison here in Alaska," he said. "I think the best thing for Alaska is to bring [its] people back and to work with the people that are willing to work with them and to make

[the prison] a strong asset within the community ... [and] keep our funds in Alaska."

Number 1464

FREDERICK BELL, of Juneau, began his testimony by stating, "I'm one of those inmates you guys are talking about and I was in the facility down there in Arizona. Personally, I think they should bring all the boys home that are down there." He alluded to abuse issues and described an intimidating personal experience with a "shakedown" in March of 2000.

MR. BELL said he had been active in the Native culture club there, and felt it had helped him a lot. He wanted to assure that inmates would have that type of opportunity. The problem in Arizona was, "They'd offer it to us, and then it was taken away," he said. "From week to week it would change."

CHAIR COGHILL said he thought the consistency could be managed a little better if the prison were closer to home.

Number 1622

REPRESENTATIVE HAYES said he would like to hear from somebody in Delta Junction about whether they are out of the picture as far as building a prison, and he volunteered to find someone to testify next week.

#### **ADJOURNMENT**

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 10:00 a.m.