

**HB**

**400**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(11) .

Date Referred to Committee: March 31, 1998

FURTHER REFERRALS:

Date of Committee Action: 4/29/98

The FINANCE Committee considered:

HB 400

HOUSE BILL NO. 400

DEPT OF COMMUNITY & ECONOMIC DEVELOPMENT

"An Act combining parts of the Department of Commerce and Economic Development and parts of the Department of Community and Regional Affairs by transferring some of their duties to a new Department of Commerce and Rural Development; transferring some of the duties of the Department of Commerce and Economic Development and the Department of Community and Regional Affairs to other existing agencies; eliminating the Department of Commerce and Economic Development and the Department of Community and Regional Affairs; relating to the Department of Commerce and Rural Development; adjusting the membership of certain multi-member bodies to reflect the transfer of duties among departments and the elimination of departments; and providing for an effective date."

recommends it be replaced with the following committee substitute CSHB 400 (C + C)  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) \_\_\_\_\_

fiscal note(s) DCED, 3/27/98

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Gene Theriault</i> Theriault	K			
<i>Edon Mulder</i> Mulder	X			
<i>Brussendorf</i> Brussendorf		X		
<i>Vic Kohring</i> Kohring	X			
<i>DAVIES</i> DAVIES		X		
<i>Davis</i> Davis			X	

CHAIR'S SIGNATURE *Gene Theriault*  
 Co-Chair Theriault

# FISCAL NOTE

Bill Version: CSHB 400 (L&C)

(H) Publish Date: 3/31/98

STATE OF ALASKA  
1998 LEGISLATIVE SESSION

Revision Date (Note if correction) \_\_\_\_\_ Dept. Affected (multiple) \_\_\_\_\_  
 Title An Act combining the Departments of Commerce BRU (multiple) \_\_\_\_\_  
and Economic Development and Community and Reg Affairs Component (multiple) \_\_\_\_\_  
 Sponsor Representative Kohring \_\_\_\_\_  
 Requester Hs Labor & Commerce Committee Component Serial No. \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	(130.5)	(130.5)	(146.9)	(146.9)	(146.9)	(146.9)
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>(130.5)</b>	<b>(130.5)</b>	<b>(146.9)</b>	<b>(146.9)</b>	<b>(146.9)</b>	<b>(146.9)</b>

<b>CAPITAL EXPENDITURES</b>	<b>1,812.5</b>					
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<b>CHANGE IN REVENUES (1007)</b>	<b>(25.8)</b>	<b>(25.8)</b>	<b>(25.8)</b>	<b>(25.8)</b>	<b>(25.8)</b>	<b>(25.8)</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,682.0	(130.5)	(146.9)	(146.9)	(146.9)	(146.9)
1005 GF/Program Receipts						
1037 GF/Mental Health						
1007 Interagency Receipts	(25.8)	(25.8)	(25.8)	(25.8)	(25.8)	(25.8)
<b>TOTAL</b>	<b>1,656.2</b>	<b>(156.3)</b>	<b>(172.7)</b>	<b>(172.7)</b>	<b>(172.7)</b>	<b>(172.7)</b>

Estimate of any current year (FY98) cost: \_\_\_\_\_

**POSITIONS**

Full-time	(2)	(2)	(2)	(2)	(2)	(2)
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

See attached analysis.

Prepared by Tom Lawson, Director  
 Division Administrative Services  
 Approved by Commissioner Deborah B. Sedwick  
 Agency Commerce and Economic Development

Phone (907)465-2506  
 Date 3/27/98  
 Date 3/27/98

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## FISCAL NOTE

STATE OF ALASKA  
1998 LEGISLATIVE SESSION

BILL NO. HB 400

ANALYSIS: (continued)

### DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

#### Fiscal Note Calculations for HB 400

HB 400 would combine the Departments of Commerce and Economic Development and Community and Regional Affairs, creating a new Department of Commerce and Rural Development, and would transfer a few programs to other state agencies, including the Departments of Labor and Health and Social Services. No existing programs are eliminated in this legislation. We estimate that it will take twelve to twenty-four months to implement this legislation, including moving staff, merging programs, etc. Following is our best estimate of the fiscal impacts.

#### **Staff Savings**

This fiscal note shows the estimated savings in staff associated with the merger of DCED and DCRA. This bill may result in the elimination of some administrative support positions. However, during a twenty-four month transition period, no administrative support staff should be eliminated. In fact, administrative workloads will increase because of the merger and transfer of financial and computer systems, personnel issues which will arise, office relocations, and budget development and implementation. Initially, one Commissioner and Executive Secretary will be eliminated in the Commissioner's Office. In addition, an Administrative Services Director will be downgraded to an assistant director and the Director of the Division of Community and Rural Development will be downgraded to a Program Coordinator. All DCED and DCRA directors are partially exempt and therefore subject to the State's Personnel Rules. One of the personnel rules requires that when a downgrade occurs, salaries must be matched and if this is not possible, salaries are to be frozen for two years. Consequently, there is no savings with the downgrade of the director of Administrative Services, however there is savings beginning in FY01 with the downgrade of the DCRD director to program coordinator. All other staff eliminations or other savings will have to await implementation of this legislation and a comprehensive evaluation by all affected agencies of the impacts. Specific positions which will need to be evaluated in the first 12 months include: a Deputy Commissioner; a Special Assistant to the Commissioner II; and division directors. In the second year of implementation, administrative support staff in divisions and administrative services personnel will be evaluated for possible elimination. Following is our estimate of personal services savings:

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Commissioner	\$ (109.5)	\$ (109.5)	\$ (109.5)	\$ (109.5)	\$ (109.5)	\$ (109.5)
Secretary	(46.8)	(46.8)	(46.8)	(46.8)	(46.8)	(46.8)
DCRD director to Program Coord.	0.0	0.0	(16.4)	(16.4)	(16.4)	(16.4)
<b>Total Personal Services Savings</b>	<b>\$ (156.3)</b>	<b>\$ (156.3)</b>	<b>\$ (172.7)</b>	<b>\$ (172.7)</b>	<b>\$ (172.7)</b>	<b>\$ (172.7)</b>

#### **Moving Costs**

DCRA and DCED offices in Juneau and Anchorage are consolidated with no additional lease costs. This fiscal note includes a total of \$1,658.4 for moving costs as a capital budget item. We estimate that a total of 253 positions will need to be moved to accommodate the departmental transfers that are entailed in this legislation. The Department of Administration, Division of General Services and Supply, has developed a cost per position moving factor of \$6.1. This factor was developed through an analysis of recent office moves in Juneau and Anchorage. Additional money (\$25.0 each for Juneau and Anchorage) will be needed to contract for the services of an architect to design office facilities for those employees who will be relocated. Finally, we foresee the need, at least on a short term basis, for new office space when current offices cannot accommodate transferred staff. Space is not available in the Anchorage Department of Health and Social Services Frontier Bldg. offices for the Child Care Assistance Program. Additional space will need to be leased in the Frontier Bldg. for this program. We have included \$65.1 to cover these costs. Because employees from two departments will be relocated to multiple departments and in order to ensure appropriate management of all moving funds, we have consolidated all moving costs into this fiscal note and recommend that the appropriation for moving costs be made to the Office of Management and Budget. Following is a summary of our moving cost estimates:

# FISCAL NOTE

STATE OF ALASKA  
1998 LEGISLATIVE SESSION

BILL NO. HB 400

ANALYSIS: (continued)

## DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT Fiscal Note Calculations for HB 400

**Moving Costs (continued)**

	FY 99	FY 00	FY01	FY 02	FY03	FY 04
Moving 260 positions at \$6.1 each	\$ 1,543.3	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	0.0
Space Design Contract	50.0	0.0	0.0	0.0	0.0	0.0
<u>New Office Space Requirement</u>						
Child Care Asst. DHSS/Anch.	65.1	0.0	0.0	0.0	0.0	0.0
<b>Total Moving Cost</b>	<b>\$ 1,658.4</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>0.0</b>

**Computer Systems One Time Costs**

Money will be needed for computer systems conversions. We estimate that \$ 125.0 as a one time capital appropriation for FY 99-FY 04 period will be needed for costs to convert DCRA computers to the DCED system or vice versa. Costs include server/hub upgrades, software upgrades and license fees. In addition, costs are estimated for separate Child Care Assistance and JTPA offices. It is assumed that programming and conversion task will be undertaken with in-house staff. Cabling costs are included in the moving cost estimate. The integration of the separate DCRA and DCED computers will speed public services and improve the ability of the public to access departmental information.

**Space Planning & Leasing**

The Department of Administration, Division of General Services will provide support to the affected agencies. This support will include: issuing ITB's/RFP's for new space requirements; enforcing space standards; negotiating lease improvements; and, coordinating building modifications with DOT/PF in State owned buildings. It is difficult to determine staff requirements due to the unknown number of bids, moves, building improvements, etc. that will be required. It is estimated that at least one Procurement Specialist III for six months will be necessary to handle the work.

	FY 99	FY 00	FY01	FY 02	FY03	FY 04
Procurement Specialist III	\$ 29.1	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	0.0

**HB 400 Space Allocation Worksheet**

**I. Juneau**

Agency/Program	Going To	Current Office Location			
		9th Flr SOB	DCRA BLDG	Plywood Palace	Vintage Park
Statewide Services Delivery	Labor		7		
Subtotal		0	7	0	0
Commissioner's Office	DCRD	5	6		
Commissioner's Office	Deleted	0	(2)		
Administrative Services	DCRD	18	20		
Banking, Sec. & Corp.	DCRD	20			
Insurance	DCRD	30			
Occupational Licensing	DCRD	37			
Trade & Development	DCRD	11			
Tourism	DCRD	10			
Investments	DCRD				39
ASMI	DCRD			10	
Data Processing	DCRD		1		
Training and Development	DCRD		2		
Statewide Assistance	DCRD		5		
Community & Economic Dev.	DCRD		5		
Energy Operations	DCRD		1		
Head Start	DHSS		3		
Subtotal		131	41	10	39
<b>Total</b>		<b>131</b>	<b>48</b>	<b>10</b>	<b>39</b>

Preferred Option

DCRA Programs to 9th Floor SOB	41	(41)		
SSD to Labor		(7)	7	
Occ. Licensing to DCRA Bldg.	(37)	37		
Net change	4	(11)	7	

Total Number of Positions Moved      85

HB 400 Space Allocation Worksheet

II. Anchorage Agency/Program	Going From	Going To	Current Office Location							
			7th Flr Frontier	13th Flr Frontier	Ak Energy Bldg	Post Office Mall	AIDEA Bldg	APUC Bldg.	UAA Diplomacy	
JTPA	DCRA	Labor					11			
Statewide Services Delivery	DCRA	Labor					3			
Subtotal			0	0			14	0	0	0
Child Care Assistance	DCRA	DHSS					10			
Subtotal			0	0			10	0	0	0
Commissioner's Office	DCED	DCRD	1							
Administrative Services	DCED	DCRD	1							
Banking, Sec. & Corp.	DCED	DCRD	5							
Insurance	DCED	DCRD		20						
Occupational Licensing	DCED	DCRD	26							
Trade	DCED	Gov	4							
Development	DCED	DCRD	9							
Investments	DCED	DCRD	5						46	
APUC	DCED	DCRD								
ATMC	DCED	DCRD	3							
ASTF	DCED	DCRD								7
AADC	DCED	DCRD			4					
AIDEA	DCED	DCRD						32		
Administrative Services	DCRA	DCRD					13			
Data Processing	DCRA	DCRD					6			
Training & Development	DCRA	DCRD					21			
State Assessor	DCRA	DCRD					2			
Local Boundary Comm	DCRA	DCRD					3			
Community Dev Assistance	DCRA	DCRD					6			
Energy Operations	DCRA	DCRD					23			
Subtotal			54	20	4		74	32	46	7
Total			54	20	4		98	32	46	7

Preferred Option

Trade staff to Gov's Office (N/C)		4								
DCRA to new DCRD office		74					(74)			
DCED to new DCRD office		74	(54)	(20)						
JTPA/SSD to Labor							(14)			
Child Care Assistance to DHSS							(10)			
Net Change		148	(54)	(20)	0		(98)	0	0	0

Total Number of Positions Moved 168

**Personal Services worksheet**

FY 99/00	GF	IA	Total	Savings	Notes
DCED Commissioner	91.4	18.1	109.5	109.5	delete
DCED Secretary	39.1	7.7	46.8	46.8	delete
<b>total savings</b>	<b>130.5</b>	<b>25.8</b>		<b>156.3</b>	
<b>FY01+</b>					
DCED Commissioner	91.4	18.1	109.5	109.5	delete
DCED Secretary	39.1	7.7	46.8	46.8	delete
DCRD director	102.0		102.0		
downgrade to R20	85.6		85.6	16.4	
<b>total savings</b>	<b>146.9</b>	<b>25.8</b>		<b>172.7</b>	

**Calculation of moving costs**

The average of \$6,100 is based on costs of Juneau and Anchorage moves of state agencies over the last several years. We have portrayed the costs in terms of both cost per position and costs per square feet.

The following cost categories are typically encountered.

	Average Cost / Position	Average Cost / Sq Ft
A.Move Property	198	1.06
B.Move Phones	239	1.38
C.Move Computers / Networks	656	3.55
D.Move Systems Furniture	1,834	9.94
E.Construct Tenant Improvements	3,166	15.71
<b>Total Estimated Cost</b>	<b>6,093</b>	<b>31.65</b>

Costs are averages based on moves of 10 to 75 positions. Smaller moves will be at a higher unit costs and larger moves at a lower unit cost.

System furniture costs include minor re-configuration and parts purchase. If additional workstations are required costs range from \$4,500 to \$5,000 per workstation.

The Tenant Improvement costs assume only minor building renovations to accommodate new tenants. These costs vary widely depending on the nature of the facility and the needs of the agency.

No costs are included for ADA or other building code requirements. Computer costs include wiring and terminations. No costs are included for hardware or software network compatibility problems.

<b>New CC office:</b>			
	<b>Cost Est.</b>	<b>Qty</b>	<b>Ext. Cost</b>
New server for CC, software, etc.	15000	1 \$	15,000
Cabling and wire centers (covered in move costs)	500	10 \$	-
State WAN connection (startup costs)	7000	1 \$	7,000
Intranetware licenses	50	10 \$	500
		\$	-
		\$	<b>22,500</b>

<b>New JTPO office:</b>			
	<b>Cost Est.</b>	<b>Qty</b>	<b>Ext. Cost</b>
New server for CC, software, etc.	15000	1 \$	15,000
Cabling and wire centers (covered in move costs)	500	14 \$	-
State WAN connection (startup costs)	7000	1 \$	7,000
Netscape Communicator Pro (or CC mail clients)	60	14 \$	840
Intranetware licenses	50	14 \$	700
		\$	-
		\$	<b>23,540</b>

<b>DCED OPTION 1: DCRA switches to Netware</b>			
	<b>Cost Est.</b>	<b>Qty</b>	<b>Ext. Cost</b>
Cabling in Anchorage (covered in move costs)	350	76 \$	-
Intranetware licenses	45	176 \$	7,920
new server for Juneau	9000	1 \$	9,000
new NTW licenses for RAS	100	10 \$	1,000
Netscape Communicator Pro	50	426 \$	21,300
Additional costs for upgrading hubs, etc.		\$	35,000
		\$	-
		\$	<b>74,220</b>

<b>DCED OPTION 2: DCED switches to NT Server/Win95</b>			
	<b>Cost Est.</b>	<b>Qty</b>	<b>Ext. Cost</b>
Cabling in Anchorage (covered in move costs)	350	76 \$	-
Win95 upgrades	80	250 \$	20,000
NT CAL	45	250 \$	11,250
Exchange CAL	45	250 \$	11,250
Additional costs for upgrading hubs, etc.		\$	35,000
		\$	-
		\$	<b>77,500</b>
<b>Total DP expenses:</b>			<b>\$ 125,000</b>

STATE OF ALASKA  
1998 LEGISLATIVE SESSION

Bill Version: CSHB 400 (L&C)  
(H) Publish Date: 3/31/98

Revision Date: first  
Title: Merger of DCED & DCRA

Department Affected: DCRA, DCED, Labor, DH  
BRU: All

Sponsor: Kohring  
Requestor: \_\_\_\_\_

Component: All \_\_\_\_\_

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	-981	-981	-981	-981	-981
TRAVEL	-35	-35	-35	-35	-35
CONTRACTUAL	-31	-31	-31	-31	-31
SUPPLIES	-7	-7	-7	-7	-7
EQUIPMENT	0	0	0	0	0
LAND & STRUCTURES					
GRANTS, CLAIMS					
MISCELLANEOUS					
<b>TOTAL OPERATING</b>	<b>-1054</b>	<b>-1054</b>	<b>-1054</b>	<b>-1054</b>	<b>-1054</b>

<b>CAPITAL</b>	192	0	0	0	0
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<b>REVENUE FUND SOURCE</b>	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-1054	-1054	-1054	-1054	-1054
FEDERAL FUNDS					
OTHER FUND SOURCE					
<b>TOTAL</b>	<b>-1054</b>	<b>-1054</b>	<b>-1054</b>	<b>-1054</b>	<b>-1054</b>

POSITIONS:

FULL-TIME	-13	-13	-13	-13	-13
PART-TIME	0	0	0	0	0
TEMPORARY	0	0	0	0	0

Estimate of current year impact: 1,054 - 192 = 862

ANALYSIS: (Attach a separate page if necessary)

see attached

Prepared By: Mike Kriebler *Mike R* 3/27/98 Phone: \_\_\_\_\_  
Division: \_\_\_\_\_ Date: \_\_\_\_\_

Approved By: Representative Vic Kohring *Vic Kohring* 3-27-98 Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

## HB 400 Fiscal Note Issue: Staff Relocations

- The administration uses an amount of \$6,100 per staff relocation. This total includes \$3,166 to "Construct Tenant Improvements" and \$1,834 to "Move Systems Furniture." These two items total \$5,000 per employee.
- The \$6,100 amount also includes \$656 per relocated employee for computer moving and networking. This cost is redundant to the \$125,000 amount in the Administration's fiscal note for computer system conversions.
- The merger of the two departments does not require significant tenant improvements nor furniture moving. For such position relocations, this fiscal note uses the amount of \$444 ( $6,100 - 5000 - 656 = 444$ ).

1. HB 400 transfers job training programs and the child care programs to other Departments. The Juneau based staff for these programs are located in the DCRA building. The physical relocation of staff would include:

### Juneau Staff

- 3 Head Start staff from DCRA building to Department of Health & Social Services building
- 7 Statewide Service Delivery (job training programs) staff from DCRA building to Department of Labor building

10 staff at \$5,455 ( $6,100 - 656 = 5,455$ ) totals \$54,550. This assumes that \$3,166 per employee is needed to "construct tenant improvements."

2. The following amounts are to relocate some Juneau based staff to consolidate the administrative services staff together, although there is considerable rationale for this move to not occur: a) Relocation should not be done before any evaluation is performed by the administration on reducing administrative support since there will be 39 fewer employees and fewer programs having associated administrative overhead, and, b) Administrative functions of the staff would not be significantly changed, only management oversight would be changed. Regardless, the following scenario is presented:

- Relocate 13 DCRA administrative staff to 9th floor State Office Building
- Relocate 11 Trade and Development to DCRA building
- If needed for sufficient space on the 9th floor (SOB), relocate the Commissioner, Deputy Commissioner and 2 Administrative Assistants to the DCRA building (space available due to DCRA Commissioner Office reduction)

28 staff @ .444 each = 12.4

### Total Moving Cost:

Scenario 1	Move 10 staff	54.4
Scenario 2 (if needed)	Move 28 staff	12.4
Computer (assumes fiscal note would remain the same for this item although original fiscal note moves 259 employees)	lump sum	<u>125.0</u>

HB 400 IMPLEMENTATION TOTAL: 191.8

## Anchorage Staff

### 1. Child Care & Job Training Programs Staff:

The Administration's fiscal note included moving Anchorage based Child Care and Job Training staff from the Post Office Mall to other locations. Anchorage based staff are located in their own suites at the Post Office Mall. They currently report to a director located in Anchorage, who in turn reports to the Commissioner's Office in Juneau. The merger would just change the management person being reported to.

The Post Office Mall lease has 3, 1-year options that extends through December 31, 2002. When the departments consolidate their offices at the Bank of America/Robert Attwood Building, the employees will be relocated there. It would be poor fiscal management to move the employees twice within a short period. Therefore, there is no need to relocate these employees until the new State Office building is available when they can be located with their respective departments.

### b. Remaining Program Staff

The merged department will have 173 staff in Anchorage, not including the independent authorities such as AIDEA, APUC, etc. The Administration's fiscal note shows a cost of 1,055. to relocate these staff in one unspecified location. They concluded that it was necessary to immediately relocate all staff, regardless of the pending move to the Bank of America/Robert Attwood Building. As stated above, this would be poor fiscal management.

## Summary:

1. Policy development needs to come from the upper management. Upper management is charged with providing focus and direction to staff. Staff do not need to be relocated in order for management to meet to discuss goals and to relay the needed tasks to staff.
2. As staff will be relocating to the Bank of America/Robert Attwood Building in a short time, it is fiscally imprudent to move staff, especially with modern telecommunications and computer networking.
3. Therefore, there is 0 cost for implementation of HB 400 for the Anchorage based staff.

#### **Section 14. Local Government Agency**

**An agency shall be established by law in the executive branch of the state government to advise and assist local governments. It shall review their activities, collect and publish local government information, and perform other duties prescribed by law.**

The agency established by this section is the Department of Community and Regional Affairs (formerly the Local Affairs Agency). It is the only executive agency mandated by the constitution (the local boundary commission created in Section 12 is one of five boards and commissions created by the constitution). Its presence here symbolizes both the importance placed on local government matters by the constitution's authors and the state interest they saw in fostering strong local self-government.

#### **Section 15. Special Service Districts**

**Special service districts existing at the time a borough is organized shall be integrated with the government of the borough as provided by law.**

At the time of the convention, school districts were the primary special service districts in existence. In keeping with the general constitutional objectives of minimizing local jurisdictions and favoring general purpose over special purpose government, the delegates voted to require school districts to be absorbed by boroughs. Under this scheme, the borough levies taxes to support education and approves the budget of the school district, which otherwise continues under the management of a local school board and separate school administration. Within general tax and budget restraints, borough school districts have substantial autonomy. A number of the delegates wanted independent school districts to remain autonomous after statehood; they were defeated by the approach adopted by convention which is reflected in this section.

Initially, the local government committee draft article stipulated that proposed changes be submitted to the legislature during the first ten days of any session and that they would "become effective at the end of the session unless disapproved by a resolution concurred in by a majority of all members of each house."<sup>54</sup> Subsequently, it was further provided that a change would be "effective forty-five days after presentation or at the end of the session, whichever is earlier . . ."<sup>55</sup> This amendment was adopted so that acceptable changes would not be unnecessarily delayed because of prolonged legislative sessions.

While the legislature is thus given the veto power and is also required to prescribe standards and methods for the establishment of boroughs, the constitution does not grant it regulatory authority over boundary commission activities.<sup>56</sup> The boundary commission has the authority, subject to law, to "establish procedures whereby boundaries may be adjusted by local action."<sup>57</sup>

#### The Local Government Agency

The prominence that the convention gave to the state role in local affairs is evidenced by the fact that the "local government agency" is the only executive agency specifically required under the constitution. Delegates generally subscribed to the principle that, unless a grave

<sup>54</sup> Committee Proposal/6/a.

<sup>55</sup> Constitution, Article X, Section 12.

<sup>56</sup> Proceedings, p. 2750.

<sup>57</sup> Constitution, Article X, Section 12. It would appear questionable, therefore, whether the legislature has any direct or implied constitutional power to authorize annexation or other boundary changes by local action, since this power rests in the boundary commission.

need existed, no agency, department, commission, or other body be specified in the constitution. As one delegate stated in regard to the local government agency, "Unless there is some very, very compelling reason given for including such an agency as proposed in Section 14 in the constitution, I think we're violating the principles and policies we've already adopted here."<sup>58</sup> However, in view of the general belief that the success of the local government plan was dependent upon the existence of an effective agency at the state level, provision for a mandatory agency was included in the constitution.

Thus, Section 14 of Article X, establishing the local government agency, provides:

An agency shall be established by law in the executive branch of the state government to advise and assist local governments. It shall review their activities, collect and publish local government information, and perform other duties prescribed by law.

The general intent was to establish an executive agency that would help assure that the new local government system became operative and that state responsibility for local affairs was properly discharged. Thus, the final language was carefully drawn to be as broad and open-ended as possible. The convention specifically avoided designating the organizational location of the agency. While at various times references were made to it being a state department,<sup>59</sup> this question was left to legislative determination.

The convention also did not stipulate the functions of the agency, but the record is replete with references to the types of activities that would properly fall within its scope:

<sup>58</sup>Proceedings, p. 2670.

<sup>59</sup>Minutes, 12th, 18th, 19th Meetings.

\*Help the people and local officials in various parts of the state obtain by their own efforts the kind of local self-government they need and can afford.<sup>60</sup>

\*Assist in establishing and organizing local government and in changing of classifications.<sup>61</sup>

\*Provide assistance and advice to cities, boroughs, service areas, etc.<sup>62</sup>

\*Provide assistance in home rule charter drafting to boroughs and cities.<sup>63</sup>

\*Provide assistance and overview with respect to local debt and obligations, particularly since no debt ceiling was established in the constitution.<sup>64</sup>

\*Provide assistance and advice to unorganized boroughs, other unorganized areas, and small communities.<sup>65</sup>

\*Represent the state in local government affairs; provide coordination between state and local government; and assist in reconciling conflicts between local home rule and state control.<sup>66</sup>

\*Collect and supply data that would help the local boundary commission in the formulation of boundaries.<sup>67</sup>

\*Collect and publish information relating to local government.<sup>68</sup>

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<sup>60</sup> Commentary, p. 3.

<sup>61</sup> Proceedings, pp. 2670, 2758.

<sup>62</sup> Proceedings, p. 2758; Minutes, 9th Meeting.

<sup>63</sup> Minutes, 12th Meeting; Proceedings, pp. 2671-2673; 3614-3615.

<sup>64</sup> Proceedings, pp. 2757-2758.

<sup>65</sup> Proceedings, p. 3621; Minutes, 23rd Meeting.

<sup>66</sup> Proceedings, p. 2757; Minutes, 16th Meeting.

<sup>67</sup> Minutes, 24th Meeting.

<sup>68</sup> Proceedings, p. 2757; Committee Proposal/6a/Enrolled.

\*Carry on continuing studies to assist the people and the legislature in determining what changes may be necessary from time to time in the interests of better local government for all.<sup>69</sup>

While suggesting several kinds of activities for the local government agency, the constitutional record is totally silent about the manner in which it is to discharge its responsibilities. The same is true generally of the agency's relationship to local government units. Several references are made to state services being provided along local unit (i.e., borough) lines,<sup>70</sup> but there is no explanation of the purpose of this intent nor of the manner in which it is to be accomplished. The convention assumed that the purposes of such an agency were sufficiently self-evident.

#### Home Rule

An oft-repeated theme of the convention, and the stated purpose of the local government article, was the provision of maximum local self-government to the people of Alaska.<sup>71</sup> As envisioned, the self-government concept applies not only to formal home rule cities and boroughs, but extends also to general law units and even to unorganized areas, where it may take the form of local participation in state policy making and the provision of state services. This home rule philosophy was held to be the vehicle for strengthening both state and local governments

<sup>69</sup> Commentary, p. 3.

<sup>70</sup> For example, Minutes, 9th Meeting.

<sup>71</sup> See Constitution, Article X, Section 1. Typical were such statements of intent as: "all units of government will be able to have the necessary authority to perform all functions needed for proper local government," Minutes, 23rd Meeting.

by permitting the people to deal with local problems at the local level. It was also to be the means for promoting local government adaptation in a state with great variations in geographic, economic, social, and political conditions.

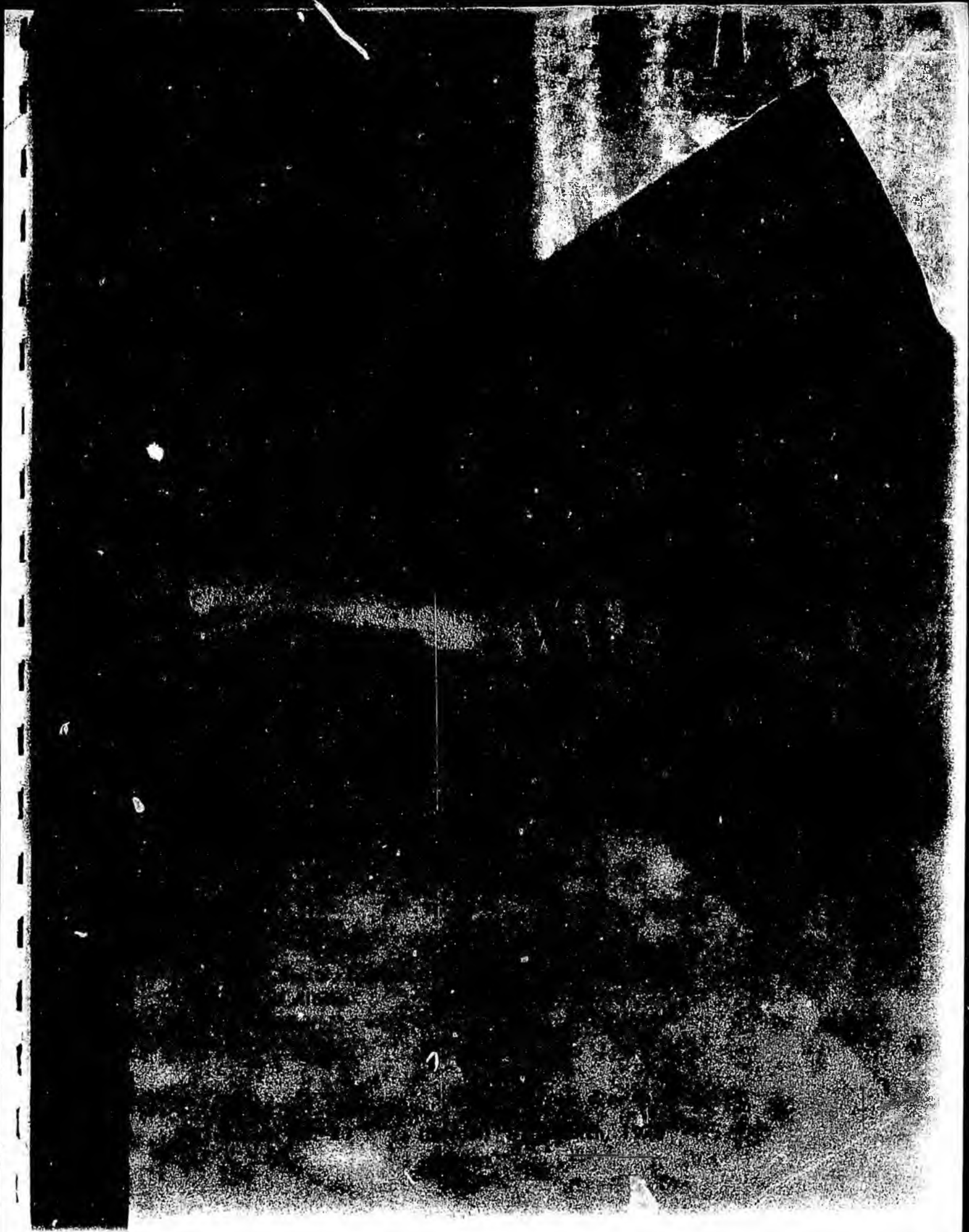
This home rule philosophy was not believed to be inconsistent with a strong state role in local affairs. As the above discussion indicates, the exercise of state authority was considered essential in matters of incorporation and boundaries, i.e., the creation of local governments and their areas of jurisdiction were felt to be matters ultimately of state responsibility. When properly established, however, their internal organization and operations were to be primarily local concerns, particularly in the case of home rule units. Moreover, a "strong state role" also meant that the state would support local governments with financial aid and technical assistance.

Before Alaska became a state, there was little self-determination either at territorial or local levels. Federal law prescribed the powers of the territorial legislature, severely limiting the scope and types of local government that could be established and restricting the powers that could be exercised by incorporated cities.<sup>72</sup> Throughout its deliberations, therefore, the local government committee emphasized the need for effective constitutional provisions for home rule and self-determination.<sup>73</sup>

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<sup>72</sup>In its effort to establish municipal home rule under the territory, the League of Alaskan Cities found that this could be done only by the U.S. Congress. Also, see Chapter III, pp. III-7 - III-15.

<sup>73</sup>Minutes, 4th, 7th, 9th, 11th, 12th, 16th, 17th, 18th, 19th, 23rd, 24th, 25th, 27th Meetings.



## House Bill 400

### **Overlapping Missions of DCED and DCRA**

The Departments of Commerce & Economic Development and Community & Regional Affairs both promote rural development. Overlapping missions and activities include:

- Rural Economic Development
- Fisheries
- Rural Tourism
- Infrastructure Planning, Funding, and Assistance
- Rural Sanitation Projects and Funding
- Energy Development
- Electrical Utility Assistance
- Assistance to Economically Distressed Regions
- Small Business Development

## HB 400

### DCRA/DCED Merger

#### Cost Savings

##### Commissioner Office Consolidation

Commissioner	110
Dep Commissioner	110
Special Assistant	87
Special Assistant	71
Executive Secretary	45
Admin Clerk	<u>35</u>

458

##### Administrative Services

Division Director	117
Admin Mgr	75
Internal Auditor III	77
Program Budget Analyst III	64
Admin Asst	44
Grant Administrator I	<u>44</u>

421

##### Division of Community and Regional Development Director

102

102

##### Miscellaneous

Travel	35
Contractual (moving, DP, transp, vehicle, etc)	31
Supplies	<u>7</u>

73

**TOTAL**

**\$1,054,000**

## HB 400

### **Overlapping Economic Development Related Activities of DCED and DCRA**

The Departments of Commerce & Economic Development and Community and Regional Affairs both promote economic development. Overlapping activities include:

<u>ACTIVITY</u>	<u>DCRA</u>	<u>DCED</u>
• Rural Economic/ Business Development	Rural Development Initiative Fund (RDIF)	Rural Development Initiative Fund (RDIF)
	Alaska Regional Development Organizations (ARDOR)	Business Assistance Program  Western Alaska Economic Development (coordinates with ARDOR)
	Alaska Rural Development Council (ARDC)	Small Business Program Evaluation Task Force  Small Business Economic Development (SBED)
• Rural Tourism	Rural Development Initiative Fund	Rural Tourism Infrastructure
	Community Block Grants	Bristol Bay/Kuskokwim Area Tourism
	Rural Development Authority Loans and Mini- Grants	
	Alaska Regional Economic Assistance Program	
• Rural Sanitation & Infrastructure Projects: Planning/Funding/ Management/Operations	Capital Matching Grant/Loan Program	Alaska Industrial Development & Export Authority
	Rural Utilities Business Advisory (RUBA)	Alaska Public Utilities Commission
	Bulk Fuel Revolving Loan Fund	Alaska Energy Authority
	Bulk Fuel System Evaluation & Upgrades	

ACTIVITY

- Energy/Electrical Development & Funding

- Utility Assistance

- Assistance to Economically Distressed Regions

- Fisheries

DCRA

Rural Electric & Power Project Loans

Rural Energy Program

Power Cost Equalization

Rebuild America

Bioenergy

Rural Bulk Fuel Tank Program

USDOE Wind Projects  
Power Project Loan Fund

Rural Electrification Revolving Loan Fund

Rural Utilities Business Advisory (RUBA)  
Circuit Rider Program  
Electrical Emergencies Program

Local Government Assistance Program

Exxon Valdez Oil Spill Unincorporated Rural Community Grant

South East Alaska Community Economic Revitalization Team

Community Development Quota

Shared Fisheries Business Tax Program

Various Economic Development Programs Listed Above

DCED

Alaska Industrial Development & Export Authority

Alaska Energy Authority

Power Cost Equalization

Alaska Science & Technology Foundation

Alaska Public Utilities Commission

AS 44.33 Article 4, Areas Impacted By Economic Disaster

Community Development Quota

Alaska Seafood Marketing Institute

Various Economic Development Programs Listed Above

## HB 400 Hearing

### Sponsor's Rebuttals To DCED

Following are Representative Kohring's rebuttals to the February 25, 1998 testimony of the Department of Commerce & Economic Development deputy commissioner.

**Item 1, Missions:** The deputy commissioner stated that the Department of Commerce and Economic Development (DCED) has a fundamentally different mission than the Department of Community and Regional Affairs (DCRA). The deputy commissioner stated that DCED programs focused on the private sector businesses, and that DCRA focused on public entities.

#### Sponsor's Rebuttal:

1. DCED provides funding for publicly owned projects. The Governor's proposed fiscal year 99 capital budget includes **\$16.8 million** of AIDEA funds. These include funds for the Departments of Administration, Community & Regional Affairs, Education, Corrections, Environmental Conservation, Transportation & Public Facilities, Revenue, Natural Resources, Military & Veteran's Affairs, Public Safety, Health & Social Services, and the University of Alaska. (These include water and sewer projects, contrary to the deputy commissioner's statement.)

2. The Alaska Public Utilities Commission (APUC) oversees private and public utilities. The APUC is inherently involved in public and private infrastructure development. These include welectric, ater, sewer, natural gas, refuse, cable television, and telecommunications utilities.

3. In the DCED's FY 1999 Operating Budget Overview document, it states that one of the functions of the Division of Trade and Development is

“...helping communities develop needed infrastructure.”

Summary: Both DCED and DCRA participate in planning and funding of public and private projects.

**Item 2, Duplication:** The DCED deputy commissioner states that there is no duplication with DCRA.

#### Sponsor's Rebuttal:

There are many overlapping functions of the two departments. These functions include rural tourism, infrastructure, community facilities, energy and electrical projects, and small business development, and the Rural Development Initiative Fund Loan (RDIF) program.

Summary: Both departments perform many overlapping functions.

**Item 3, Relocation Costs:** The DCED deputy commissioner states that many staff would have to be relocated due to the merger. This would require the need to hire two full

time "space planners." The reason stated for the office space consolidation was that department administration and management needed all staff in one location.

Sponsor's Rebuttal:

1. Presently, DCED and DCRA have staff in **many** locations. Exhibit 3 shows that DCED already houses its staff in several separate locations: 3 in Juneau, 7 in Anchorage, 2 in Fairbanks, 1 in Tok, and 1 in the state of Washington. Also, there are DCED staff located overseas in the Pacific Rim region. Modern telecommunications greatly decrease the need for housing all employees under one roof.
2. Few programs are being transferred to other departments. A total of 52 employees will be transferred to other departments, but 23 are in remote locations and will not be relocated.
  - There are 3 Headstart staff (DCRA) in Juneau that need to be relocated to the Department of Health and Social Services. Otherwise, all DCRA staff in Juneau can stay in the DCRA building, which is located within one block of the DCED headquarters office.
  - JTPA/STEP staff statewide (16) already share space with other departments. The 10 staff in Juneau are already co-located with the Department of Labor. At question are the 3 staff in Anchorage and 3 staff in Fairbanks.
  - Child Care Assistance program staff (10) are all located in Anchorage, in the "Post Office Mall." At question is whether they would need to be relocated to a site where other Department of Health staff are located. This could be accomplished when leases expire and offices can be consolidated.

Summary: The worse case scenario is that 19 staff would be relocated, although it would seem that only the 3 Headstart staff would need to relocate. "Space planners" obviously are not needed, especially two of them. Relocation costs will be minimal, **far below the \$1 million cost savings every year from the merger.** (Using the administration's estimate of \$5,000 per relocation, the cost will range from \$15,000 to \$95,000.)

**Item 4, Deputy Commissioners:** The DCED deputy commissioner states that the new department would require two deputy commissioners.

Sponsor's Rebuttal:

The new department will have a grand total of 463 employees. This includes 104 employees working in the "independent" entities (46 in APUC, 32 in AIDEA, 19 in ASMI, and 7 in ASTF). Therefore, the new commissioner will directly oversee only 359 employees, still a small department. Even with 463 employees, the new department would be the 4th smallest.

Only 3 other departments have two deputy commissioners. Additionally, there will still be a special assistant in the new department, which is currently in the DCED. This special

assistant, as well as the directors, will be able to assist the commission with duties. There is no need for two deputy commissioners.

Summary: Only one deputy commissioner is needed.

## HB 400 Hearing

### Sponsor's Rebuttals To DCRA

Following are Representative Kohring's rebuttals to the February 25, 1998 testimony and the February 27 memorandum of the Department of Community & Regional Affairs' deputy commissioner.

#### I. February 25 Testimony Rebuttal

**Item 1:** The DCRA deputy commissioner stated that the Department of Commerce and Economic Development programs funded (publicly and) privately owned projects, but that DCRA only funds public entities, not private parties.

##### Sponsor's Rebuttal:

See Exhibit 1: DCRA's Rural Development Investment Fund (RDIF) shows 34 private entity loan recipients.

DCRA's Rural Development Authority (RDA) Mini-Grants Awards list shows 6 private/public partnership grants.

**Item 2:** The DCRA deputy commissioner states that DCRA does not participate in rural tourism development.

##### Sponsor's Rebuttal:

See Exhibit 1: DCRA's Rural Development Investment Fund (RDIF) shows 13 loans for rural tourism related loans, such as charter boats, bed & breakfasts, RV parks, etc.

DCRA's Community Block Grants includes rural tourism grants to communities for salmon bakes and bed & breakfasts.

DCRA's Rural Development Authority grant applications (both funded and not funded) include rural tourism related projects, such as arts & crafts entrepreneurship and marketing, salmon bakes, bed & breakfasts, and eco-tourism guided tour development

DCRA's Rural Development Authority (RDA) Mini-Grants Awards list shows 10 rural tourism grants.

AS 44.47.900(a)(3), the Alaska Regional Economic Assistance Program clearly requires DCRA to be involved in tourism development, as well as regional economic issues and international trade.

Item 3: The DCRA deputy commissioner stated that DCRA funds mostly publicly owned infrastructure projects.

Sponsor's Rebuttal:

Exhibit 1: DCRA's Rural Development Investment Fund (RDIF) shows only 1 of 34 loans to be for infrastructure, and that one loan was for a privately owned RV parks.

DCRA's Rural Development Authority (RDA) Mini-Grants Awards list shows 0 out of 23 grants used for infrastructure.

DCRA's Community Block Grants eligible project listing includes 16 non-infrastructure projects.

Summary: DCRA and DCED both fund/administer a) private and public projects, b) rural tourism projects, and c) infrastructure/community facilities/energy and electrical projects. **Why have two separate departments perform these same tasks?**

II. February 27, 1998 DCRA Memorandum Rebuttal

**Item 1: Rural Economic & Small Business Development**

Stated in the deputy commissioner's memorandum was that DCRA has **limited** involvement in assisting communities develop a community strategy for a) health and safety, b) community infrastructure, and c) jobs/economic development. DCRA assists 3-10 communities in this **limited service**.

Further stated is that DCRA encourages a comprehensive approach to community development, rather than preparing only an economic development stately because **many issues affect the success of economic development efforts**.

Rebuttal Points:

If only a few communities are receiving only limited assistance from DCRA, will rural communities ever become independent? **HB 400 will provide the framework to have greater coordinated assistance for rural communities.**

I agree that a comprehensive approach to economic development is needed. However, it would seem that an effective strategy is needed **especially** because of the many factors that affect development. DCRA should be inherently involved in such strategy, otherwise DCRA never will focus on effective development. **HB 400 will provide that focus that appears to be currently lacking in DCRA.**

**Item 2:** DCRA states that after a development strategy is determined, they refer community officials to other agencies, including DCED.

Rebuttal Point: If DCRA is not involved with developing the strategy, and only serve as a "middle man" agency, DCRA should be merged into the DCED where such coordination

can be **far more effective**. This increased effectiveness **supports approval of HB 400**.

**Item 3:** DCRA states that their regional development efforts are primarily provided through funding and administrative support of the ARDOR program. DCRA "encourages" the ARDORs to concentrate on development initiatives.

Rebuttal Point: Not surprisingly, funding for the ARDOR program comes from interagency receipts from DCED. Under HB 400, ARDOR will be directly funded through the new Department of Commerce and Rural Development, and **DCRA's role as the "middle man" and "cheer leader" agency will cease, as will administrative duplication**. This further **supports approval of HB 400**.

**Item 4:** DCRA operates the Rural Development Initiative Fund (RDIF) loan program. DCRA states that the RDIF loan program differs from the DCED's Small Business Economic Development Revolving Loan program in that they serve different clienteles.

Rebuttal Point: As shown in Exhibit 1, DCED is also involved in the RDIF program. Obviously efficiencies in management can be achieved if the RDIF program if it was operated under one department. Further management streamlining can occur, resulting in additional savings **after HB 400 is passed**.

**Item 5:** DCRA agrees that it provides infrastructure scoping, planning, and funding. DCRA states that it also provides rural sanitation business management assistance. However, DCRA states that DCED does not perform these tasks.

Rebuttal Point: Alaska Industrial Development and Export Authority is contained within DCED. AIDEA is an important part of that department as it is an important program for economic development and international/domestic trade. According to the 1997 AIDEA annual report,

#### Development Finance Program

Through this program AIDEA may own and operate projects that bring economic benefits to the people of Alaska and are shown to be financially feasible. The projects typically provide **infrastructure** support for resource utilization and development.

In the course of funding these projects, AIDEA is inherently involved in early scoping and planning phases. Also, AIDEA is active in scoping and planning activities, as shown by their participation in the South East Alaska Community Economic Revitalization Team (SEA-CERT). Therefore, DCED is involved in infrastructure scoping, planning, and funding.

The Alaska Public Utilities Commission, within DCED, provides business management and operations technical assistance.

Obviously, both departments participate in these duties. Passage of HB 400 will provide **efficiency** by combining similar activities in one department.

## HB 400

### **Benefits to Moving Child Care & Headstart Programs into the Department of Health and Social Services**

The newly established federal Child Care & Development Fund requires states to “**serve families through a single, integrated child care system.**” By combining the Headstart and Child Care programs into the Department of Health & Social Services (DHSS), HB 400 will provide the Administration the opportunity to gain efficiencies and provide better service to Alaska’s families.

#### **1. Headstart**

HB 400 places all child care programs and Head Start into the Department of Health & Social Services. This is consistent with the federal Child Care & Development Fund initiative to have an integrated child care system.

This federal grant initiative program is designed to develop linkages of various child and health care programs to promote comprehensive services to families:

“To remain self-sufficient, many families need other services along with child care. State and local planning should link child care to the following services:

- Health
- Family Support Services
- **Head Start**
- and others

This shows that Head Start is closely linked with health, child care, and other social services. DHSS provides these other services. **By placing Head Start into DHSS, this desired linkage will be more efficient than by leaving Headstart in DCR.**

#### **2. DHSS Lead Agency for Child Care Programs**

According to the State of Alaska’s Child Care and Development Fund Plan (October ‘97 - September ‘99), the Department of Health & Social Services has been designated the lead agency. The two departments have entered a written agreement identifying areas of mutual cooperation regarding providing child care (including Head Start) in Alaska.

**Placing the Child Care programs into DHSS will eliminate cumbersome interagency coordination.**

### 3. Overlapping functions of the two departments

- HB 400 provides greater grant fund oversight: According to DCRA's budget documents,

"DCRA and the Department of Health and Social Services wish to streamline funding of the Child Care & Development Fund by better coordinating budgeting for the program. Therefore, grant fund management is transferred to DHSS from DCRA."

**This shows that the child care programs are closely linked in both departments and there are efficiencies to be gained.**

- According to the Alaska Child Care & Development Fund Plan, DHSS will provide payment to providers for parents who are required to participate in required work activities through the Division of Public Assistance. It also states that DCRA will provide funding to the parents, if the DHSS public assistance case manager makes that decision. **This shows that the two departments are doing the same task.**
- The two departments are jointly developing the Child Care Management Information System. **This also shows that the two departments are doing the same task.**
- DHSS licenses child care facilities to which DCRA provides funding.

**Summary:** Moving DCRA's Headstart and Child Care programs into the Department of Health & Social Services makes sense, and is consistent with the coordinating actions taken by the two departments. Getting these programs together in one department will better serve Alaska's families.

**House Bill 400**  
**Merger of Departments of Commerce & Economic Development**  
**with Community & Regional Affairs**

HB 400 proposes to merge two existing departments that have overlapping economic development functions. Upper administration is proposed to be cut. This will save approximately \$1 million **every year** in upper management salaries and expenses. HB 400 proposes no reductions in providing job training and child care assistance, nor any other programs. This bill reduces unneeded bureaucracy while leaving programs intact.

Currently, job training programs such as JTPA, STEP and the Business Incentive Program are located within the Department of Community and Regional Affairs (DCRA). The One-Stop program is also within DCRA. Job training programs are within the Division of Community and Rural Development, a division which also oversees Head Start and Child Care programs. HB 400 will transfer the Head Start and Child Care (day care assistance) to the Department of Health & Social Services. The Job Training programs will transfer to the Department of Labor.

- DCRA currently has many varying programs from local government operations technical assistance to energy and sanitation facilities development to economic diversification projects. Having the additional burden of job training and child care assistance programs stretches this small department in many directions; hence, rural development has been slow. With a focus on economic development in the proposed merged department, job opportunities will increase in rural and urban areas.
- The Legislature is working with every department in state government to focus on the legislative intent for each department's mission and to define each department's goals to achieve the core mission. This is the first step in realigning government functions to eliminate duplication. The goal is to provide the core mission programs at the lowest cost. The transfer of the JTPA, STEP, BIP and One Stop programs from DCRA to the DOL are consistent with the statutory intent and purpose of the departments.

According to statute, the Department of Labor's mission is:

AS 23.05.010, Purpose. The Department of Labor (DOL) shall foster and promote the welfare of the wage earners of the state, improve their working conditions and **advance their opportunities for profitable employment.**

Whereas, according to statute, DCRA's mission is:

AS 44.47.050 Purpose of department: The purpose of the department (DCRA) is to render maximum state assistance to government at the community and regional level.

- Currently, DCRA refers JTPA and STEP program trainees to employment services and to DOL. DCRA provides funding to DOL for this service.
- Both DOL and DCRA withhold job training funds to cover administration costs. Included in those costs are redundant bureaucracy costs. If the "middle man" agency is removed, more funds would be going to training Alaskans.

# ALASKA STATE LEGISLATURE



*Interim:*  
600 East Railroad Avenue  
Wasilla, Alaska 99654  
(907) 373-1842  
Fax (907) 373-4729

*Session:*  
State Capitol Building, Room 421  
Juneau, Alaska 99801-1182  
(907) 465-2186  
Fax (907)465-3818

## REPRESENTATIVE VIC KOHRING DISTRICT 26

### Sponsor Statement for HB 400

#### Representative Vic Kohring

Focusing on economic development is the main purpose for merging two existing departments into the new Department of Commerce and Rural Development. The proposed divisional structure will ensure local government assistance continues, infrastructure planning is enhanced, and that economic development strategy and project funding is centralized and optimized.

The missions of the departments of Commerce and Economic Development and the Community and Regional Affairs are similar, to promote economic development of Alaskan communities. The two departments compliment one another, however cross department coordination can be difficult. Two separate management structures and goals result in a scattered development strategy. Having a unified development vision and placing funding resources under one department will better serve all Alaskan communities, and Alaska as a whole.

Currently, the departments of Commerce and Economic Development and the Community and Regional Affairs have economic development programs, along with job training and child care programs. These non-development, non-commerce related programs will be moved to the departments of Labor and Health & Social Services, respectively. Under the new departments, these important programs can be integrated with existing programs in those departments while providing better service to Alaskans. This reorganization frees the new Department of Commerce and Rural Development to focus on economic development activities.

Alaska's fiscal crisis necessitates reengineering government. This merger will eliminate one commissioner's office, but does not eliminate services. While creating budget savings, program delivery and economic development will be enhanced and streamlined in the new Department of Commerce and Rural Development.

## HB 400

### Merger of the Department of Commerce and Economic Development with the Department of Community and Regional Affairs to form the proposed Department of Commerce and Rural Development

#### Objectives

- combines two departments that have similar economic development missions
- transfers statutory programs unrelated to economic development in job training and child care to other departments which perform similar, overlapping functions
- allows the new department to focus on economic development throughout Alaska

#### Features

- eliminates one commissioner's office and upper administrative division staff in one of the departments
- does not eliminate or cut programs, nor impacts service delivery
- unifies financial resources under one division to provide optimum funding for private or public projects and businesses
- infrastructure development will be coordinated and enhanced; infrastructure is inherent to economic development and community self-sufficiency
- places Child Assistance Programs into the Department of Health and Social Services
- places Job Training Partnership Act and other job training programs into the Department of Labor

#### Results

- **over \$1 million in savings every year** from eliminating one commissioner's office and upper administrative staff
- construction projects can receive optimum funding to minimize debt service for communities and private owners
- projects will be completed sooner due to faster project funding identification, allows for economic development to occur faster
- businesses benefit by having one-stop access to loan programs

Representative Vic Kohring  
Stater Capitol Building  
Juneau, Alaska 99801

March 2, 1998

Dear Vic,

It came as no surprise to me when I read about your "Merger Bill", HB 400. I was delighted to read that you are still attempting to bring some fiscal sanity to the Rapacious Ones of Juneau.

As I understand the bill, it would deliver the same services while deleting entire sections of upper management and their entourage, the secretaries, offices and other amenities of upper management.

I think this is a wonderful, even inspired approach. If two large departments have sections that do like functions, it makes good sense to merge them under one management. If you place Headstart under HSS, that will eliminate the potential complaint that one commissioner could not handle *all* of the efforts of both departments.

My only problem is that it seems to give the impression that the efforts of these two department are wholesome and necessary to the people of Alaska. I doubt it. If one were to carefully go through the functions of each subsection with the notion that government is to be a limited force, designed to educate and protect the citizenry, then most, if not all could be abolished.

I hope some day a majority in the Legislature will realize this and let us be free to live our own lives.

*Fred James*  
Aloha Nui Loa,

Fred James

POB 499

Palmer, AK 99645

Representative Vic Kohring  
Alaska State Legislature  
State Capitol Building, Room 421  
Juneau, Alaska 88901

March 5, 1998

Dear Representative Kohring,

HB 400 represents a wonderful opportunity for the legislature to make a statement that good cost efficient government is important to the people of Alaska. In these days of diminishing oil revenues the legislature has two clear options 1) protect big , inefficient government and cut funding for programs that impact citizens to pay for this bureaucracy or 2) reduce upper level bureaucracy and rearrange government so that it more efficiently delivers services and programs which will, in this case, result in saving one million dollars worth of programs from the budget knife.

It sounds like a simple choice cut bureaucracy or cut programs. The Department of Commerce and DCRA are ideal candidates for a merger. In the Days of excess revenues this was a luxury the State chose.

No longer can any state funded activity stand on its own merit of whether or not it is a nice idea. Today, with budget shortfalls, legislators must make tough comparative decisions. How does protecting an entrenched bureaucracy compare to cutting funding for the actual programs that department is suppose to deliver.

When any legislative effort suggests reducing funding there is always opposition from those effected. In this case the upper level bureaucracy may make an pleas to protect their empire. Let 'em squeal. The sky is not falling. Your duty as a legislator is to compare those arguments with the benefits the state could accomplish with the dollar savings.

Good government is not glamorous. The viewpoint of "if it is not broke don't fix it" ignores the benefits of efficient , effective government. Not only does HB 400 deliver better services but allows programs the financial freedom not to be cut. In some small way this bill allows the legislature to

restore credibility in state government.

  
Robert Hall

March 5, 1998

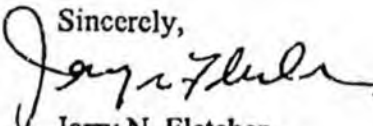
Representative Beverly Masek  
Alaska State Legislature  
State Capitol Building RM. #418  
Juneau, AK 99801

Re: Bill HB 400

Dear Ms. Masck,

We are in total support of overlapping the functions of the DCED and the DCRA. I support Bill HB 400 in order to help bring government spending under control.

Sincerely,



Jerry N. Fletcher

*Tanana Power Company, Inc.*

P.O. BOX 873509

WASILLA, ALASKA 99687

TELEPHONE 907-373-5599

OR (907) 366-7101

April 2, 1998

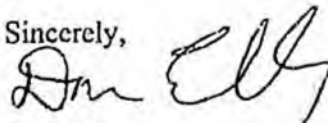
Representative Vic Kohring  
State Capitol Building, Room 421  
Juneau, Alaska 99801-1182

Representative Kohring:

Having operated a rural electrical utility for over 35 years and lived in rural Alaska for over 15 years, the need for a comprehensive approach to rural development has become very apparent. I support HB 400 because it promotes a unified and comprehensive system for rural development. The additional saving that would result from HB 400 is icing on the cake.

Thank you for time and effort.

Sincerely,



Don Eller

Representative Vic Kohring  
Alaska State Legislature  
State Capitol Building, Room 421  
Juneau, Alaska 99801

March 5, 1998

Dear Rep. Kohring:

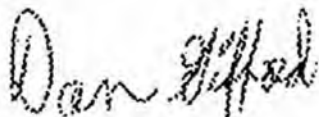
I wish to state my full support for House Bill 400, which merges the Departments of Community & Regional Affairs and Commerce & Economic Development. The concept of this legislation to essentially restructure government is something that is long overdue.

As the Legislature continues to reduce spending, it's important that you look at ways to achieve efficiencies in the delivery of services to the public. No longer should you simply cut across the board but rather you should prioritize spending and focus our resources on the essentials. Your legislation helps us to do just that, because it cuts out wasteful bureaucracy instead of programs. It also is geared toward infrastructure development-the foundation of a strong economy which is a more appropriate expenditure of state funds instead of expensive Salaries for government employees.

Most important in my mind however, is the fact that FIB 400 saves the taxpayers, like me, dollars. The estimated one million dollars a year in savings by cutting out high paid upper management positions is precisely what we need to be doing. As a small businessman, I expect my elected officials to be careful with how they spend the public's money.

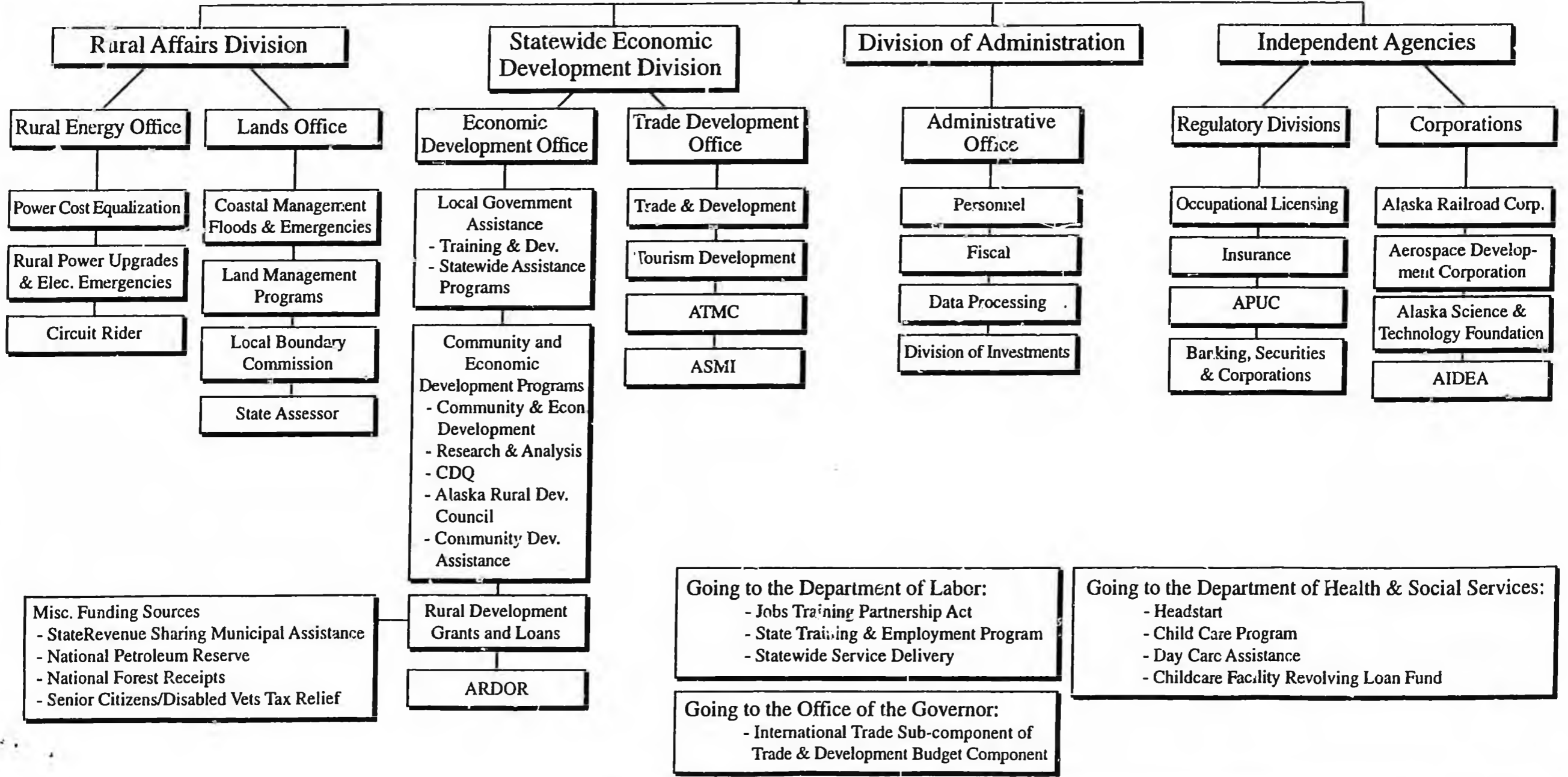
Thanks for filing this important legislation.

Sincerely,



Dan Gifford  
P.O. Box 874803  
Wasilla, Alaska 99687  
907-373-5606

# DEPARTMENT OF COMMERCE AND RURAL DEVELOPMENT



**Misc. Funding Sources**  
 - State Revenue Sharing Municipal Assistance  
 - National Petroleum Reserve  
 - National Forest Receipts  
 - Senior Citizens/Disabled Vets Tax Relief

**Going to the Department of Labor:**  
 - Jobs Training Partnership Act  
 - State Training & Employment Program  
 - Statewide Service Delivery

**Going to the Office of the Governor:**  
 - International Trade Sub-component of  
 Trade & Development Budget Component

**Going to the Department of Health & Social Services:**  
 - Headstart  
 - Child Care Program  
 - Day Care Assistance  
 - Childcare Facility Revolving Loan Fund

ROLL CALL: HOUSE FINANCE COMMITTEE

DATE 4/29/98

SUBJECT 7 HB 400 w/ fiscal note  
CED

MEMBER	YES	NO
FOSTER		
GRUSSENDORF		✓
KELLY	✓	
KOHRING	✓	
MARTIN	✓	
MOSES		✓
MULDER	✓	
DAVIES JOHN		✓
DAVIS GARY	✓	
HANLEY		
THERRIAULT	✓	

TOTAL 

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PASSED \_\_\_\_\_  
 FAILED \_\_\_\_\_

STATE OF ALASKA  
1998 LEGISLATIVE SESSION

Bill Version: CSHB 400 (L&C)  
(H) Publish Date: 3/31/98

Revision Date: first  
Title: Merger of DCED & DCRA

Department Affected: DCRA, DCED, Labor, DH  
BRU: All

Sponsor: Kohring  
Requestor: \_\_\_\_\_

Component: All \_\_\_\_\_

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	-981	-981	-981	-981	-981
TRAVEL	-35	-35	-35	-35	-35
CONTRACTUAL	-31	-31	-31	-31	-31
SUPPLIES	-7	-7	-7	-7	-7
EQUIPMENT	0	0	0	0	0
LAND & STRUCTURES					
GRANTS, CLAIMS					
MISCELLANEOUS					
<b>TOTAL OPERATING</b>	<b>-1054</b>	<b>-1054</b>	<b>-1054</b>	<b>-1054</b>	<b>-1054</b>

CAPITAL	192	0	0	0	0
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REVENUE FUND SOURCE	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-1054	-1054	-1054	-1054	-1054
FEDERAL FUNDS					
OTHER FUND SOURCE					
<b>TOTAL</b>	<b>-1054</b>	<b>-1054</b>	<b>-1054</b>	<b>-1054</b>	<b>-1054</b>

POSITIONS:

FULL-TIME	-13	-13	-13	-13	-13
PART-TIME	0	0	0	0	0
TEMPORARY	0	0	0	0	0

Estimate of current year impact:  $1,054 - 192 = 862$

ANALYSIS: (Attach a separate page if necessary)

see attached

Prepared By: Mike Kriebler *Mike Kriebler* 3/27/98 Phone: \_\_\_\_\_  
Division: \_\_\_\_\_ Date: \_\_\_\_\_

Approved By: Representative Vic Kohring *Vic Kohring* 3-27-98 Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

## HB 400 Fiscal Note Issue: Staff Relocations

- The administration uses an amount of \$6,100 per staff relocation. This total includes \$3,166 to "Construct Tenant Improvements" and \$1,834 to "Move Systems Furniture." These two items total \$5,000 per employee.
- The \$6,100 amount also includes \$656 per relocated employee for computer moving and networking. This cost is redundant to the \$125,000 amount in the Administration's fiscal note for computer system conversions.
- The merger of the two departments does not require significant tenant improvements nor furniture moving. For such position relocations, this fiscal note uses the amount of \$444 ( $6,100 - 5000 - 656 = 444$ ).

1. HB 400 transfers job training programs and the child care programs to other Departments. The Juneau based staff for these programs are located in the DCRA building. The physical relocation of staff would include:

### Juneau Staff

- 3 Head Start staff from DCRA building to Department of Health & Social Services building
- 7 Statewide Service Delivery (job training programs) staff from DCRA building to Department of Labor building

10 staff at \$5,455 ( $6,100 - 656 = 5,455$ ) totals \$54,550. This assumes that \$3,166 per employee is needed to "construct tenant improvements."

2. The following amounts are to relocate some Juneau based staff to consolidate the administrative services staff together, although there is considerable rationale for this move to not occur: a) Relocation should not be done before any evaluation is performed by the administration on reducing administrative support since there will be 39 fewer employees and fewer programs having associated administrative overhead, and, b) Administrative functions of the staff would not be significantly changed, only management oversight would be changed. Regardless, the following scenario is presented:

- Relocate 13 DCRA administrative staff to 9th floor State Office Building
- Relocate 11 Trade and Development to DCRA building
- If needed for sufficient space on the 9th floor (SOB), relocate the Commissioner, Deputy Commissioner and 2 Administrative Assistants to the DCRA building (space available due to DCRA Commissioner Office reduction)

28 staff @ .444 each = 12.4

### Total Moving Cost:

Scenario 1	Move 10 staff	54.4
Scenario 2 (if needed)	Move 28 staff	12.4
Computer (assumes fiscal note would remain the same for this item although original fiscal note moves 259 employees)	lump sum	<u>125.0</u>

HB 400 IMPLEMENTATION TOTAL: 191.8

## Anchorage Staff

### 1. Child Care & Job Training Programs Staff:

The Administration's fiscal note included moving Anchorage based Child Care and Job Training staff from the Post Office Mall to other locations. Anchorage based staff are located in their own suites at the Post Office Mall. They currently report to a director located in Anchorage, who in turn reports to the Commissioner's Office in Juneau. The merger would just change the management person being reported to.

The Post Office Mall lease has 3, 1-year options that extends through December 31, 2002. When the departments consolidate their offices at the Bank of America/Robert Attwood Building, the employees will be relocated there. It would be poor fiscal management to move the employees twice within a short period. Therefore, there is no need to relocate these employees until the new State Office building is available when they can be located with their respective departments.

### b. Remaining Program Staff

The merged department will have 173 staff in Anchorage, not including the independent authorities such as AIDEA, APUC, etc. The Administration's fiscal note shows a cost of 1,055. to relocate these staff in one unspecified location. They concluded that it was necessary to immediately relocate all staff, regardless of the pending move to the Bank of America/Robert Attwood Building. As stated above, this would be poor fiscal management.

### Summary:

1. Policy development needs to come from the upper management. Upper management is charged with providing focus and direction to staff. Staff do not need to be relocated in order for management to meet to discuss goals and to relay the needed tasks to staff.
2. As staff will be relocating to the Bank of America/Robert Attwood Building in a short time, it is fiscally imprudent to move staff, especially with modern telecommunications and computer networking.
3. Therefore, there is 0 cost for implementation of HB 400 for the Anchorage based staff.

MAR 06 1998

Representative Vic Kohring  
Alaska State Capitol, Room 421  
Juneau, Alaska 99801

Dear Representative Kohring:

I urge you to pass House Bill 400. Merging two departments that are involved in economic development throughout Alaska is a smart way to cut government. Having one department responsible for improving our economy will help all communities and businesses.

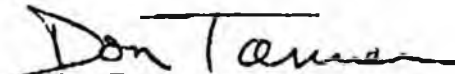
As a small businessman, providing service is important to my customers. I take every effort to minimize my overhead. State government should do the same. This merger bill is the first step in cutting unnecessary overhead.

As a former Deputy Commissioner for the Department of Community and Regional Affairs, I am aware of the economic problems faced in rural Alaska. This merger bill will increase efficiencies and greatly enhance economic growth in rural areas.

Being the Deputy Commissioner I also know that the two departments perform similar tasks. Only one commissioner and administration is needed for the activities of the two departments.

I encourage the Legislature to pass this bill. It will be good for rural Alaska, good for business, and good for the State budget.

Sincerely,

  
Don Tanner

## HB 400

### Boards and Commissions after Merger

Currently: DCED Commissioner sits on 12 Boards and Commissions  
DCRA Commissioner sits on 15 Boards and Commissions

- House Bill 400 includes a provision to allowing a designee to act for the Commissioner on these Boards and Commissions.

#### Statutory Boards and Commissions

Alaska Aerospace Development Corp. (AS 14.40.826)	
Alaska Coastal Policy Council (AS 44.19.155)	
Alaska Housing Finance Corporation (AS 18.56.030)	Designee
Alaska Industrial Dev. & Export Authority (AS 44.88.030)	Designee
Alaska Energy Authority (AS 44.83.030)	Designee
Alaska Municipal Bond Bank (AS 44.85.030)	
Alaska Railroad Corporation (AS 42.40.020)	
Alaska Royalty Oil & Gas Dev. Advisory Board (AS 38.06.025)	
Alaska State Emergency Response Commission (AS 26.23.071)	Designee
Alaska Student Loan Corporation (AS 14.42.120)	
Board of Marine Pilots (AS 08.62.010)	Designee
Power Project Loan Committee (AS 42.45.060)	Designee
State Bond Committee (AS 37.15.110)	Designee
Telecommunications Information Council (AS 44.19.502)	

Total: 14 Statutory Boards and Commissions

#### Non-Statutory Boards

Rural Alaska Community Action Program (RurAL CAP)  
Community Development Quota  
Oil & Gas Council