

**SB**

**68**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 23, 1997

FURTHER REFERRALS:

Date of Committee Action: 5/5/97

The FINANCE Committee considered:

CSSB 68(FIN)

CS FOR SENATE BILL NO. 68(FIN)

TASK FORCE ON PRIVATIZATION

"An Act relating to the Task Force on Privatization; and providing for an effective date."

recommends it be replaced with the following committee substitute HES CS SB 68 (STA)  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) \_\_\_\_\_ 3 (7) fiscal note(s) Law (a) Gov  
3/26/97

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

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Theriault</i>	Theriault	✓			
<i>Gordon Mulder</i>	Mulder	✓			
<i>Terry Martin</i>	Martin	X			
<i>Jim Kohring</i>	Kohring	X			
<i>John Dabies</i>	Dabies	X			
<i>R. Kelly</i>	Kelly				
<i>John Foster</i>	Foster			X	

CHAIR'S SIGNATURE *Gene Theriault*

# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

NO. \_\_\_\_\_  
BILL No. 1  
PUBLISHER: Bill Verson: CS SB 68 (FIN)  
(S) Publish Date: 3-26-97

Revision Date: \_\_\_\_\_  
Title: "An Act relating to the Task Force on Privatization: and providing for an effective date."  
Sponsor: Senator Ward  
Requestor: Senate Finance Committee

Department Affected: Legislative Affairs Agency  
BRU: All  
Component: All

COMPONENT SERIAL NO:

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

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	13.1	10.0	0	0	0	0
CONTRACTUAL	4.8	2.4	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>17.9</b>	<b>12.4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>CAPITAL</b>	0	0	0	0	0	0
----------------	---	---	---	---	---	---

<b>REVENUE FUND SOURCE</b>	0	0	0	0	0	0
----------------------------	---	---	---	---	---	---

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	17.9	12.4	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE						
<b>TOTAL</b>	<b>17.9</b>	<b>12.4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**POSITIONS:**

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

Estimate of current year impact: \_\_\_\_\_

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

CS SB68(FIN) establishes a 13 member Task Force on Privatization consisting of 3 members appointed by the Governor, 2 of whom are public members, 4 public members appointed by the presiding officers of the Alaska State Legislature and 6 Legislators. The task force will review and report to the Legislature and the Governor regarding the feasibility of privatization of some government functions.

Prepared By: Karla Schofield, Deputy Director *Karla Schofield* Phone: 465-3852  
Division: Administrative Services Date: 3/23/97

Approved By: Pamela A. Varni, Executive Director *Pamela A. Varni*  
Agency: Legislative Affairs Agency Date: 3/23/97

Distribution (by preparer): Leg. Finance, Legislative Sponsor, Requestor, OMB, Gov., & Impacted Agency(ies).

**Travel**

Travel costs for one Governor's appointee will be paid for by the Office of the Governor. FY 97 travel costs for the two public members appointed by the Governor, Legislators and public members appointed by the presiding officers will be absorbed within existing Legislative budgets. This Fiscal note contains FY98 and FY99 travel amounts for the public members.

If the task force begins work in FY97 it is expected to travel once in FY97, 4 times in FY98, and 3 times in FY99 to hold meetings. Any other meetings of the task force will be conducted by teleconference.

For the purposes of this fiscal note, 2 public members are assumed to be from Fairbanks, 3 from Anchorage, and 1 from Ketchikan. 2 days of per diem are calculated for each meeting.

	Per Diem	Travel	
<b><u>FY 98</u></b>			
<b>2 Anchorage Meetings</b>			
3 Anchorage members	0	0	
2 Fairbanks members	1,736	1,328	
1 Ketchikan member	868	1,240	
<b>1 Fairbanks Meeting</b>			
3 Anchorage members	1,026	996	
2 Fairbanks members	0	0	
1 Ketchikan member	342	690	
<b>1 Juneau Meeting</b>			
3 Anchorage members	1,026	1,398	
2 Fairbanks members	684	1,148	
1 Ketchikan member	342	268	
 <b>Total FY98 Travel</b>	 6,024	 7,068	 13,092

<b><u>FY99</u></b>			
<b>2 Anchorage Meetings</b>			
3 Anchorage members	0	0	
2 Fairbanks members	1,736	1,328	
1 Ketchikan member	868	1,240	
<b>1 Juneau Meeting</b>			
3 Anchorage members	1,026	1,398	
2 Fairbanks members	684	1,148	
1 Ketchikan member	342	268	
 <b>Total FY99 Travel</b>	 4,656	 5,382	 10,038

<b>Contractual</b>				
	Phones \$100/month	Postage \$50/mcnth	Advertisizing 750/meeting	TOTAL
FY98	1,200	600	3,000	4,800
FY99	700	350	1,500	2,550

Teleconference charges and expenses for printing the report will be absorbed by the Agency.

# FISCAL NOTE No. 2

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

Bill Version: C95B 68 (FIN)

(S) Publish Date: 3-26-97

Revision Date: 2/24/97

Dept. Affected: See analysis below

Title: An Act relating to the Task Force on Privatization.

BRU: \_\_\_\_\_

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

Sponsor: Senator Ward

Requester: Senate State Affairs Committee

COMPONENT SERIAL NO. \_\_\_\_\_

### Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	*****	*****	*****	*****	*****	*****

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

### FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	*****	*****	*****	*****	*****	*****

Estimate of any current year (FY97) cost: \$ \_\_\_\_\_

### POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

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

This bill would establish a Task Force on Privatization, which would, among other tasks, "identify functions of our state government that could economically and appropriately be privatized, if any."

Most of the state's labor agreements include provisions which require the state to conduct feasibility studies determining potential costs and benefits before any decisions are made on contracting out work currently performed by state employees. Therefore, before any decisions are made on implementation of the Task Force's recommendations to privatize state functions covered by these labor agreements, the feasibility studies required by the labor agreements would need to be conducted.

Prior feasibility studies of this type have cost from approximately \$20,000 to \$50,000 per study. However, because the need for feasibility studies will depend on the recommendations of the Task Force, these costs, and the departments affected, cannot be estimated now. This is why asterisks are shown on this fiscal note.

In addition to feasibility studies, the labor agreements require other procedures to be followed before work can be contracted out.

Prepared by: Annalee McConnell, Director

Division: Office of Management and Budget

Phone: 465-4660

Date: 2/24/97

Approved by Commissioner: \_\_\_\_\_

Jim Ayers, Chief of Staff

Date: 2/24/97

Agency: \_\_\_\_\_

Office of the Governor

**PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE**

For further distribution information, call the Governor's Legislative Office

# FISCAL NOTE

No. 3

**STATE OF ALASKA  
1997 LEGISLATIVE SESSION**

Bill Version: CSSB 68 (FIN)

(S) Publish Date: 3-26-97

Revision Date: \_\_\_\_\_ Dept. Affected: Office of the Governor  
 Title: \*An Act relating to the Task Force on BRU: Executive Operations  
 Privatization: ... \_\_\_\_\_ Component: Executive Office  
 Sponsor: Senators Ward, Wilken  
 Requester: Senate Finance Committee COMPONENT SERIAL NO. 6

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL	*****	*****				
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>*****</b>	<b>*****</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	*****	*****				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	<b>*****</b>	<b>*****</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY97) cost: \$ 0.0

**POSITIONS**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

The composition of the task force envisioned by the bill involves both executive and legislative membership. This involves constitutional issues, for which the Administration may urge changes in this bill. However, as written the bill states that two of the three members appointed by the Governor will be public members. It is assumed that travel expenses will be incurred by members to attend meetings. Traditionally such costs are budgeted by the agency or branch housing the task force. This fiscal note assumes that the travel costs for all public members are included in the Legislative Affairs fiscal note.

Due to the nature of the subject in this bill, it is likely that the Administration's third appointee would be a state official in the Executive Branch. Historically, agencies involved pay the costs of Executive Branch state official participation. Should this be the case, fiscal impact in travel funding for FY98 would be 2.0, and .6 in FY99.

Prepared by: Michael Nizich, Administrative Director  
 Division: Administrative Services  
 Approved by Commissioner: Jim Ayers, Chief of Staff  
 Agency: Office of the Governor

Phone: 465-3876  
 Date: 3/24/97  
 Date: \_\_\_\_\_

**PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE**  
 For further distribution information, call the Governor's Legislative Office

Fiscal note assumes one of the Governor's appointees will be from the Executive Branch and a resident of Juneau. After discussion with Legislative Affairs, the note further assumes travel costs for this appointee to attend task force meetings as follows:

**FY98****2.0**

4 meetings total:

2 Anchorage:

airfare -	\$444 x 2 trips =	\$ 888
per diem, lodging, grd. trans.	\$194 x 2 =	\$ 388

1 Fairbanks:

airfare -	\$574 x 1 trip =	\$ 574
per diem, lodging, grd. trans.	=	\$ 194

1 Juneau: no cost

**FY99****0.6**

1 Anchorage:

airfare -	\$444 x 1 trip =	\$ 444
per diem, lodging, grd. trans.	=	\$ 194

1 Juneau: no cost

failed 1-5

#1

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE DAVIES

TO: HCS CSSB 68 (STA)

Page 2, line 3:

Delete "three"

Insert "four"

Page 2, line 5:

Delete "and"

Page 2, line 7, following "trades"

Delete ";

Insert ", and the commissioner of the department of commerce and economic development or the commissioner's designee;"

Page 2, line 12:

Delete "two"

Insert "one"

Page 2, line 13:

Delete "two"

Insert "one"

Page 2, lines 14 - 18:

Delete all material

Insert "The task force shall select a member to serve as chair of the task force and a member to serve as vice chair."

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

## MEMORANDUM

April 17, 1997

**SUBJECT:** Task Force on Privatization (CSSB 68(FIN))

**TO:** Senator Jerry Ward  
Attn: Craig Johnson

**FROM:** Tamara B. Cook  
Director TBC

The Task Force on Privatization is established in the legislative branch and consists of members appointed by the president of the senate, speaker of the house, and governor. You have asked whether the appointment authority granted to the governor violates the separation of powers doctrine. While the question is not entirely free from doubt, I do not believe that a court is likely to find a violation of the separation of powers doctrine.

The court has recognized that the separation of powers doctrine applies in Alaska and that appointment of executive officers is an executive function. (Bradner v. Hammond, 553 P.2d 1 (Alaska 1976)) However, the power to appoint to office is not exclusively an executive function, at least not so exclusively an executive function that it may not be exercised by the legislature or by the courts as an incident to the discharge of functions properly within their respective spheres. (16 C.J.S. 216) Furthermore, the ordinary constitutional distributive clause providing for the complete separation of governmental powers has generally been held insufficient to vest the appointing power solely in the executive. Creation of a commission with some members appointed by the legislature and some by the governor has been held in other states not to violate the separation of powers doctrine when the commission is performing legislative and executive functions as a cooperative venture. (16 C.J.S. 135)

The Task Force on Privatization is charged with studying the issue of privatizing governmental functions, a topic of interest to both the legislative and executive branches. The Task Force is strictly advisory. It cannot exercise any legislative power, despite its location in the legislative branch of government. Generally, in order to rise to the level of a constitutional question, a conflict between the executive and legislative branches must be clear. (16 C.J.S. 217) Because the Task Force is advisory only and because it is involved in studying a matter of concern to both branches of government, I do not see the clear conflict between the branches necessary to create a separation of powers violation.

TBC:lmb  
97-060.lmb

# Alaska State Legislature

## Senate

**JERRY WARD**

State Capitol  
Juneau, AK 99801-1182  
Phone (907) 455-4940  
Fax (907) 463-3766

716 W 4th Ave., Ste. 450  
Anchorage, AK 99501-2133  
Phone (907) 258-8133  
Fax (907) 258-0820

145 Main Street Loop  
Kenai, AK 99611  
Phone (907) 283-7996  
Fax (907) 283-3075

### Sponsor Statement CS for Senate Bill 68

**"An Act relating to the Task Force on Privatization;  
and providing for an effective date"**

Privatization is the fundamental political and economic reassessment of the role of government and the private sector in the modern state. It is a variety of management techniques and activities encouraging more involvement of the private sector in providing government services. Markets are efficient only when they are competitive, however efficiency should not be government's only goal. Government must balance the pursuit of efficiency with effectiveness, while maintaining the confidence of the people it represents.

CSSB 68 was introduced to establish a task force that will review functions of state government that could easily be transferred to the private sector. The task force will have members from the public, legislative and executive branches of government.

This will be the first all encompassing look at privatizing governmental services in Alaska. Forty-eight other states, including Alaska, have privatized some governmental services. When enacted, this bill will evaluate which services could be provided more efficiently by the private sector as well as highlight those services that are better provided by the government. The report should provide a road map for reducing the size and cost of state government, without reducing service, while providing options for the future.

CSSB 68 will also look into the State's contracting procedures to make sure Alaskans are getting the most out of every contracting dollar spent.

This bill has been endorsed by the Alaska Trucking Association, Gold Belt Inc., Local 71 and several others. Privatization of governmental services is one of the top priorities of the Alaska State Chamber of Commerce.

Board keeps controversial  
book in schools

PAGE 3

Ever plan all dried up

PAGE 3

Cougars  
slide to  
the top

PAGES 17

State eyes privatization

PAGE 3

Elect the attorney general?

PAGE 4

Legislators report in

PAGE 20



PUBLISHED  
WEEKLY

# Alaska Star

Serving Anchorage, Eagle River and the Valley

50¢

VOLUME XXVII, Number 7

24 pages plus inserts Successor to Chugiak-Eagle River Alaska Star

February 20, 1997

## Privatization movement gains momentum in Juneau

By DEANNA THOMAS  
Alaska Star Reporter

Pledging to make state government "smarter and smaller", Sen. Jerry Ward has introduced a bill that would require the state to start looking at privatizing all departments of state government.

If the bill is passed, the Legislature will form a task force that will be charged with analyzing the possibility of privatization in state government. To ensure all areas of government and the private sector are fairly represented, the composition of the task force would have to be approved by the governor.

"The public's interest is foremost. With budget deficits facing Alaska in recent years, privatization would force government to examine various types of cost-saving ideas," Ward said. "This will help deter the need for new taxes while making government more effective."

Ward said the task force will only recommend privatization if the service can be "done cheaper and as well as or better than private businesses."

While Ward said he doesn't expect entire departments to be turned over to private businesses, he said jobs within the departments would probably be better done through contracting.

For example, Ward said the state could contract out catering services for Alaskan prisons or snow plowing services for state highways. This, he said, could save the state money in maintenance fees and employee overhead.

Although Ward said he expects some state employees to be upset with his plan, he said the Alaska State Employees Association has been supportive of the bill and has only requested that a representative of the union be on the task force.

"They have no fear whatsoever of matching themselves against private enterprise," he said.

Ward said he has made it clear to the union that the bill's goal is "not to eliminate state employees." Instead, Ward said he only wants the task force to "get the hard dollars and take a look at them."

The task force would split its work into two years. This year, the task force would look at privatization in the departments of corrections, transportation, health and human services and public facilities. All totalled, the state spends \$1.4 billion on these four departments, Ward explained.

The second year, the committee would analyze the remaining state departments. Once the task force has come up with its results, Ward said "the report will be a road map for the future."

If approved, Alaska would be the 42nd state to create a privatization task force. Meanwhile, debates have been brewing over whether prisons and the Alaska Railroad should remain in state hands or be turned over to private enterprise.

# ALASKA TRUCKING ASSOCIATION, INC.

3443 Minnesota Drive • Anchorage, Alaska 99503 • PHONE (907) 276-1149 • FAX (907) 274-1946

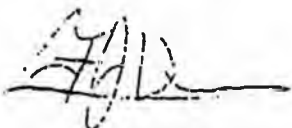
---

February 12, 1997

Madam Chair and Members of the Committee:

My name is Frank Dillon. I am the Executive Director of Alaska Trucking Association, a 38 year old trade association, representing Alaska's truck users. We are testifying today in support of Senate Bill No. 68. We would like to thank the sponsor for his introduction of this bill and are hopeful that it will quickly pass through the legislative process and be enacted. Over the past 30 to 40 years government has taken on many roles that rightfully belong in the private sector. We believe that in certain areas privatization will provide efficiencies, cost savings, and improved service to the citizens of Alaska. We are aware of a number of examples throughout the United States where privatization has worked and we are also enthused by examples here in the state where privatization is working. One example of this is in the area of commercial driver's licensing. The division of motor vehicles has entered into agreement with some private companies to provide licensing services to commercial vehicle drivers. Currently ATA is also working with the division of motor vehicles to privatize the issuance of truck and trailer registration through the association. We believe there are many examples where privatization makes sense and again would ask that you pass this bill. Thank you very much for your consideration and we would be happy to answer any questions.

Sincerely,



Frank J. Dillon  
Executive Director



**PUBLIC  
EMPLOYEES**



February 11, 1997

**DON VALESKO**  
Business Manager

**VALERIE K. BAFFONE**  
Secretary/Treasurer

**HEADQUARTERS**  
2510 Arctic Blvd.  
Anchorage, Alaska 99503  
FAX (907) 279-7171  
(907) 276-7211

2122 Airport Way  
Fairbanks, Alaska 99701  
FAX (907) 456-1771  
(907) 452-5024

710 West 9th Street  
Juneau, Alaska 99801  
FAX (907) 586-5757  
(907) 586-6993

**Senator Jerry Ward**  
**State Capital**  
**Juneau, Alaska**

Dear Senator Ward:

Public Employees Local 71 has looked at your proposed legislation for a Privatization Task Force, SB 68. We are willing to support SB68 but would like to see language to seat representatives from the affected labor organizations on the task force.

Local 71 believes that with fair representation from all concerned with privatization on the Task Force, the issue should be resolved.

Local 71 looks forward to working with the Task Force if SB68 is enacted.

Sincerely,

Don Etheridge, Business Representative

ALASKA STATE

**HOSPITAL & NURSING HOME**

ASSOCIATION

February 13, 1997

Senator Jerry Ward  
Alaska State Senate  
State Capitol  
Juneau, AK 99801-1182

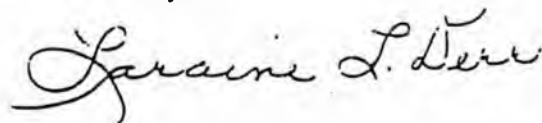
Re: Support, SB68, Task Force on  
Privatization

Dear Senator Ward:

Members of the Alaska State Hospital & Nursing Home Association support SB 68, relating to the task force on privatization. We want to thank you for bringing this matter to the attention of the Legislature and Governor.

The challenge that the annual cost of state government is exceeding the annual revenue of the state is as true in the area of health care as in any other area. Because health care is such a big part of the state government cost's, the members of the Association would like to have one of their members sit on the Task Force. They are willing to spend the necessary time it will take to investigate the possibilities. We all need to work together in this time of declining resources.

Sincerely,



Laraine L. Derr  
President/CEO

A L A S K A



**NFIB**  
National Federation of  
Independent Business

---

**April 22, 1997**

**Senator Jerry Ward  
State Capitol  
Juneau, Ak 99801-1182**

**Subject: Support for SB 68 - Task Force on Privatization**

---

The Alaska Chapter of the National Federation of Independent Business has 4,500 members, making it the largest small-business advocacy group in the state. NFIB/Alaska supports efforts to make government more efficient and less costly and opposes unwarranted government competition with the private sector. The privatization task force proposed in SB68 will evaluate these issues in Alaska.

The state should encourage private business initiative whenever possible. When feasible, the state should contract with businesses instead of providing services through state agencies. Full transfer of services to the private sector is warranted when the private sector can deliver equal or better service at less cost.

Senator Ward, your pledge to make state government "smarter and smaller" is a good one. Your efforts are greatly appreciated. Please add NFIB/Alaska to your list of supporters of SB 68.

Sincerely,

Thyres J. Shaub  
on behalf of NFIB/Alaska