

S B

3 3

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: April 9, 1999

FURTHER REFERRALS:

Finance

Date of Committee Action: 4/21/99

The STATE AFFAIRS Committee considered:

CSSB 33(FIN)

CS FOR SENATE BILL NO. 33(FIN)

TASK FORCE ON PRIVATIZATION

"An Act relating to contracts for the performance of certain state functions previously performed by state employees and to the Commission on Privatization and Delivery of Government Services; and providing for an effective date."

recommends it be replaced with the following committee substitute CSSB 33 (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) _____ fiscal note(s) GOV.

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Jennette James</i>			✓	
<i>Hal Swales</i>			✓	
<i>Ben Kettler</i>		✓		
<i>John Cash</i>	✓			
<i>Bill Hudson</i>		✓		
<i>M. [unclear]</i>	✓			
<i>Scott [unclear]</i>	✓			

CHAIR'S SIGNATURE *Jennette James*

AMENDMENT #3

OFFERED IN THE HOUSE

TO: HCS CSSB 33(FIN)

By Representative
Cowdery

1 Page 2, line 20:

2 Delete "11"

3 Insert "13"

4 Page 3, line 1:

5 Delete "."

6 Insert ";

7 Page 3, following line 1:

8 Insert new paragraphs to read:

9 "(9) one public member appointed by the president of the senate;

10 (10) one public member appointed by the speaker of the house."

HOUSE AMENDMENT

to Am # 8 ✓

TO: Amend # 85833

BY: Brice

Page 2 Line 20

Delete "13"

Insert "15"

Line 10 Delete " "

Insert " "

Insert

Line 11

(11) one member from the minority caucus
~~(11)~~ of the House appointed by the
GOVERNOR

(12) one member from the minority caucus
of the Senate appointed by the Governor

Submit original amendment to the Chief Clerk.
It will then be numbered and duplicated.

✓

AMENDMENT # 9

OFFERED IN THE HOUSE
TO: HCS CSSB 33(FIN)

By Representative
Cowdery

Page 2, Line 5-6:

After "Act" Delete: "are not eligible for compensation and only the public members appointed under sec. 2(a)(6) and (a)(7)"

HOUSE AMENDMENT #10 ✓

TO: SB 33 (FIN) ~~SB~~ ~~33~~

BY: OBAN

Page 4 ~~3~~ Line 1 ~~2~~

INSERT:

(b) By January 1, 2000, the Commission on Privatization and Delivery of Government Services shall submit a written preliminary report of its findings and recommendations to the governor and the legislature.

Line 1 [(b)] (c)

Submit original amendment to the Chief Clerk.
It will then be numbered and duplicated.

This is a **DRAFT AMENDED VERSION**
of all amendments incorporated into **HCS CSSB 33(FIN) am H** as of 4/29/99

FOR YOUR INFORMATION ONLY

USE UNAMENDED VERSION WHEN DRAFTING
FUTURE AMENDMENTS

HCS CSSB 33(FIN) am H

HOUSE CS FOR CS FOR SENATE BILL NO. 33(FIN) am H

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Amended: 4/29/99

Offered: 4/29/99

DRAFT

Sponsor(s): SENATOR WARD

REPRESENTATIVE Kohring

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to contracts for the performance of certain state functions
2 previously performed by state employees and to the Commission on Privatization
3 and Delivery of Government Services; and providing for an effective date."

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

5 * Section 1. FINDINGS AND INTENT. (a) The legislature finds that

6 (1) the annual cost of state government is exceeding the annual revenue of the
7 state;

8 (2) the State of Alaska, other states, and the federal government have
9 successfully and substantially reduced government spending and increased government
10 efficiency by contracting with third parties to perform particular state or government functions;

11 (3) there may be functions of our current state government that can be
12 performed more efficiently by any or all of the following entities:

13 (A) nongovernmental or private organizations;

14 (B) local government or regional service organizations;

DRAFT

1 (4) there may be functions that state government should not continue to
2 perform, but should leave to the federal government;

3 (5) there may be state government functions that should be consolidated or
4 otherwise performed more efficiently;

5 (6) there exist state government functions that would be inappropriate to
6 contract out to nongovernmental agencies;

7 (7) there may be functions of state government that should cease.

8 (b) The legislature finds it is in the best interest of the state to make a formal
9 determination of which state government functions can and should be transferred entirely to
10 private entities or to local government agencies and whether the state should stop performing
11 some functions for the federal government. The legislature also finds that it is in the best
12 interest of the state to determine which state government functions can be consolidated or
13 otherwise made more efficient.

14 (c) The legislature intends to make the determination set out in (b) of this section in
15 order to reduce dependency on state governmental revenues for the delivery of government
16 services.

17 * **Sec. 2. COMMISSION ON PRIVATIZATION AND DELIVERY OF GOVERNMENT**
18 **SERVICES.** (a) There is created in the legislative branch of the state government the
19 Commission on Privatization and Delivery of Government Services. The commission shall
20 consist of 11 members, as follows:

21 (1) two members appointed by the governor; ✓

22 (2) one member of the senate appointed by the president of the senate who ✓
23 shall serve as co-chair;

24 (3) one member of the house appointed by the speaker of the house who shall ✓
25 serve as co-chair;

26 (4) one member appointed by the Alaska Municipal League; ✓

27 (5) one member appointed by legislators who are members of the rural bush ✓
28 caucus;

29 (6) one public members appointed by the president of the senate, one of whom
30 shall be a representative of a Native corporation established under 43 U.S.C. 1601-1628
31 (Alaska Native Claims Settlement Act);

1 (7) one public members appointed by the speaker of the house, one of whom
 2 shall be a representative of a nonprofit corporation formed by a Native corporation established
 3 under 43 U.S.C. 1601-1628 (Alaska Native Claims Settlement Act);

4 (8) one member appointed by the Alaska State Chamber of Commerce; ✓

5 (9) one member appointed by the Alaska Federation of Labor - Congress of
 6 Industrial Organizations; →

7 (10) one member appointed by the largest union representing public employees
 8 in the state. ✓

9 (b) The commission may appoint an advisory council to assist it in carrying out its
 10 duties. ✓

11 * **Sec. 3. COMPENSATION.** (a) The public members of the Commission on Privatization
 12 and Delivery of Government Services appointed under sec. 2 of this Act are not eligible for
 13 compensation and only the public members appointed under sec. 2(a)(6) and (a)(7) are entitled
 14 to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

15 (b) Members of the advisory council appointed under sec. 2(b) of this Act are not
 16 eligible for compensation, per diem, or payment of travel or other expenses by the state.

17 * **Sec. 4. MEETINGS.** The Commission on Privatization and Delivery of Government
 18 Services shall meet as frequently as the commission determines necessary to perform its work.
 19 The commission may meet and vote by teleconference.

20 * **Sec. 5. DUTIES.** (a) The Commission on Privatization and Delivery of Government
 21 Services shall

22 (1) review and evaluate the policies and recommendations of other states that
 23 are studying or have implemented recommendations to transfer the provision of government
 24 services to other entities;

25 (2) review state contracting policy and procedures, including competitive
 26 bidding procedures;

27 (3) identify state government functions capable of more efficient performance
 28 in the delivery of government services, and determine whether those identified functions could
 29 most effectively be provided by

30 (A) transferring to the private sector or contracting out;

31 (B) transferring to local governments or regional service organizations;

- 1 (C) the federal government;
 2 (D) consolidation or other efficiency changes; or
 3 (E) a combination of the approaches under (A) - (D) of this paragraph;
 4 (4) identify state government functions that should be eliminated;
 5 (5) identify present state government services that are most effectively and
 6 efficiently delivered by the state and that should remain a responsibility of the state;
 7 (6) solicit public comment about the delivery of state government services.

8 (b) By January 1, 2001, the Commission on Privatization and Delivery of Government
 9 Services shall submit a written report of its findings and recommendations to the governor and
 10 the legislature. The report must include suggested legislation that may be needed to
 11 accomplish the recommendations. The report must specify which

12 (1) state-funded functions should be transferred to the private sector or
 13 contracted out;

14 (2) state-funded functions should be transferred to local governments or
 15 regional service organizations;

16 (3) state agencies or state-funded functions should be consolidated or otherwise
 17 made more efficient;

18 (4) state-funded functions should be performed by the federal government;

19 (5) state-funded functions should be eliminated as functions of state
 20 government.

21 * Sec. 6. This Act is repealed on January 1, 2001.

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

FISCAL NOTE

No. 1
 Bill Version: SB 33

BILL (S) Publish Date: 2/1/99

**STATE OF ALASKA
 1999 LEGISLATIVE SESSION**

Revision Date/Time (Note If correction) _____ 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)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*****	*****	*****	*****	*****	*****

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 (Specify Type)						
TOTAL	*****	*****	*****	*****	*****	*****

Estimate of any current year (FY99) 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 Phone 465-4660
 Division Office of Management and Budget Date/Time 1/27/99 5:25 PM
 Approved by Commissioner Jim Ayers, Chief of Staff Date _____
 Agency Office of the Governor

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FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

NO. _____
BILL VERSION: SB 33
PUBLISH DATE: _____

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

Department Affected: Legislative Affairs Agency
BRU: Legislative Council
Component: Council & Subcommittees

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	21.8	11.0	0	0	0	0
CONTRACTUAL	4.2	2.5	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	26.0	13.5	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE FUND SOURCE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	26.0	13.5	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	26.0	13.5	0	0	0	0

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)

SB 33 establishes a thirteen member Task Force on Privatization consisting of three members appointed by the Governor, four public members appointed by the presiding officers of the Alaska State Legislature, and six Legislators. This task force will review and report to the Legislature and the Governor regarding the feasibility of privatization of some government functions. The report is due January 1, 2001.

Prepared By: Karla Schofield, Deputy Director *Karla Schofield* Phone: 465-3852
Division: Administrative Services Date: 2/19/99

Approved By: Pamela A. Varni, Executive Director *Pamela A. Varni*
Agency: Legislative Affairs Agency Date: 2/19/99

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

CONTINUATION OF FISCAL NOTE: SB 33

Travel

Travel costs for the Governor's appointees will be paid for by the Office of the Governor. FY99 travel costs for Legislators and public members will be absorbed within existing budgets. This fiscal note contains FY00 and FY01 travel funding for Legislators and public members appointed by the presiding officers.

If the task force begins work in FY99 they are expected to travel once in FY99, and three times in FY00 and twice in FY01 to hold meetings. Any other meetings of the task force will be conducted by teleconference.

For the purposes of this fiscal note, the public members of the task force appointed by the presiding officers are assumed to be 1 from Fairbanks, 2 from Anchorage and 1 from Ketchikan. The Legislators are assumed to be 3 from Anchorage, 1 from Fairbanks, 1 from Ketchikan, and 1 from Juneau. Two days of per diem are calculated for each meeting. 1 staff person from Anchorage will attend the meetings.

	<u>Per Diem</u>	<u>Travel</u>	
<u>1 Anchorage Meetings</u>			
Anchorage - 2 public members/3 Legislators/1 Staff	-	-	
Fairbanks - 1 public members/1 Legislator	852	752	
Ketchikan - 1 public member/1 Legislator	852	1,236	
Juneau - 1 Legislator	426	466	
<u>1 Fairbanks Meeting</u>			
Anchorage - 2 public members/3 Legislators/1 Staff	2,172	2,256	
Fairbanks - 1 public members/1 Legislator	-	-	
Ketchikan - 1 public member/1 Legislator	724	1,552	
Juneau - 1 Legislator	362	624	
<u>1 Juneau Meeting</u>			
Anchorage - 2 public members/3 Legislators/1 Staff	1,932	2,796	
Fairbanks - 1 public members/1 Legislator	644	1,248	
Ketchikan - 1 public member/1 Legislator	644	548	
Juneau - 1 Legislator	-	-	
	Total FY00 Travel	11,478	TOTAL
	8,608		20,086
	Total FY01 Travel		11,000

Contractual				
	Phones \$100/month	Postage \$50/month	Advertizing \$800/meeting	TOTAL
FY00	1200	600	2,400	4,200
FY01	600	300	1,600	2,500

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



SENATOR JERRY WARD

ALASKA STATE LEGISLATURE

Sponsor Statement Senate Bill 33

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

Senate Bill 33 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.

Senate Bill 33 will also look onto the State's contracting procedures to make sure Alaskans are getting the most out of every contracting dollar spent.

January-May: STATE CAPITOL • JUNEAU, AK • 99801-1182 • (907) 465-4940 • FAX (907) 465-3766
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Chairman, Senate Transportation Committee • Chairman, Senate State Affairs Committee

Senator_Jerry_Ward@legis.state.ak.us

LEGAL SERVICES

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

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

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

MEMORANDUM

March 3, 1999

SUBJECT: Legislative Task Forces and Commissions

TO: Senator Jerry Ward, Chair
State Affairs Committee
Attn: Mark Hodgins

FROM: Tamara Brandt Cook
Director

TBC

You have asked about the difference between a task force established in the legislative branch of government and a commission established in the legislative branch. There is no difference inherent in the name of the organization. It will be the enabling legislation that defines the makeup and duties of the organization.

The Uniform Rules address standing committees (Rule 20) and Special and Joint Committees (Rule 21). Note that standing committees are established under the Rule itself and special and joint committees may only be established by resolution. Furthermore, under Rule 21(d) no other committee may be established unless authorized by law or by the Uniform Rules. This rule has not in the past prevented the legislature from establishing task forces or commissions by resolution. The four existing permanent interim committees are established by statute. Note also that under the Uniform Rule 37 only standing, special, joint, and permanent interim committees may introduce legislation. These types of organizations (with the exception of the Select Committee on Legislative Ethics, which does not have the statutory right to introduce legislation) have members composed entirely of legislators.

The only reason that a statute is necessary to establish a committee, task force, or commission in the legislative branch is if something about the organization needs to have the force of law, since a resolution is not binding. If, for example, it is the desire of the legislature to have members appointed by someone outside the legislative branch, such as the governor, and there is a fear that the appointment may not be made, then it may be useful to use a bill for the creation of the organization.

Separation of powers applies in this state. (Bradner v. Hammond, 553 P.2d 1 (Alaska 1976)) The legislature may not constitutionally create in the legislative branch a committee, task force, or other organization that exercises executive branch powers, nor may legislators serve on such an organization. (See also Art. II, sec. 5, state constitution, prohibiting a legislator from holding any other office) However, an organization that is advisory to the legislator

Senator Jerry Ward
March 3, 1999
Page 2

is not exercising an executive branch function in that it is not involved in executing the laws, but, rather, is providing information. The legislature, of course, has the power to gather information that is relevant to the exercise of its legislative duties.

TBC:jdr
99-093.jdr



**Anchorage - Star of the North
Chamber of Commerce**

**In Support of Achieving State Fiscal Certainty
and Efficient and Effective Government
Anchorage Chamber of Commerce Resolution 98-99-8**

WHEREAS the health of Alaska's economy is significantly tied to the stability of the State of Alaska's revenues and spending; and

WHEREAS all forecasts project, if nothing is done, that the state is not expected to have enough traditional revenues to support the current level of spending at any time in the future and the reserve fund that currently fills this gap will be exhausted in approximately three years; and


NOW THEREFORE BE IT RESOLVED that the Anchorage Chamber of Commerce Board of Directors asks the Governor and Legislature to jointly develop and implement a written strategy that will provide fiscal certainty for Alaska's economy and future by matching spending and recurring revenues; and

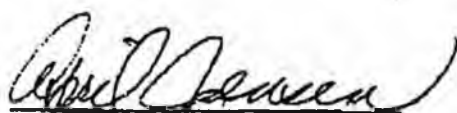
BE IT FURTHER RESOLVED that the Anchorage Chamber of Commerce Board of Directors encourages the Governor and Legislature to incorporate the following elements into the long-term strategy:

- A way Alaskans can evaluate whether state services are being provided in an effective, efficient, and quality manner.
- Prioritization of services so inadequate, ineffective or inefficient programs are eliminated.
- For programs and services that should continue, determine if an organization other than government can deliver the service i.e. through privatization or contracting out, if it results in reduced cost or increased service; and
- A fiscal system that will provide enough money on a stable basis to pay for the programs and services that have been identified as appropriate and effective.

BE IT FURTHER RESOLVED that copies of this resolution be sent to the Governor, members of the Legislature, the Mayor and Assembly of the Municipality of Anchorage, the Alaska State Chamber of Commerce, and other local chambers of commerce.

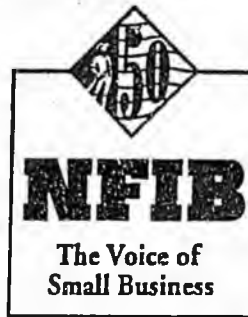
Approved this 5th day of February 1999.


Bob Bailey, 1998-99 Chair


April Jensen, President

441 West 5th Avenue, Suite 300, Anchorage, Alaska 99501-2309 (907) 272-2401 FAX (907) 272-4117
email: info@anchoragechamber.org www.anchoragechamber.org

Founded 1915



NFIB Alaska

January 27, 1999

Senator Jerry Ward
State Capitol
Juneau, Alaska 99801-1182

Subject: Support for SB 33 – Task Force on Privatization

The Alaska Chapter of the National Federation of Independent Business has 3,000 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 SB 33 would 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 SB33.

Sincerely,

Thyes J. Shaub
NFIB/Alaska Lobbyist

National Federation of Independent Business

217 Second Street, Suite 206 • Juneau, AK 99801 • 907-463-5118 • Fax 907-463-5128



...and NFIB works for small business.

Alaska Support Industry
ALLIANCE
4220 'B' Street, Suite 200
Anchorage, AK 99503
Phone 907.563.2226
Fax 907.561.8870

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Business Consultant

GENERAL MANAGER

Karen Cowart



THE ALLIANCE

... for responsible development of Alaska's Oil, Gas & Mineral Resources

March 18, 1999

Senator Jerry Ward
Chair, Senate State Affairs Committee
Alaska State Legislature
State Capitol (MS 3101)
Juneau, AK 99801-1182

RE: Senate Bill 33, Task Force on Privatization

Dear Senator Ward:

The Alaska Support Industry Alliance (The Alliance) would like you to know that we appreciate your sponsorship of Senate Bill 33, Task Force on Privatization, and we support it. As a statewide trade organization, The Alliance represents nearly 350 businesses, organizations and individuals that provide goods and services in support of oil and gas exploration, development and production.

Since its inception in 1979, The Alliance has advocated a balanced state budget. Closing the state's fiscal gap remains our *top priority* this year. Why? Because the financial status of state government will dictate our members' livelihood by either encouraging future petroleum investments, or by chasing investors away.

The Alliance supports efforts to reduce the size and cost of state government. We believe that any and all measures should be considered with an open mind, whether it be results-based budgeting, consolidation of government programs, elimination of non-essential services, use of a two-year budget cycle, and/or privatization of some government functions. Senate Bill 33 is a step in the right direction.

Sincerely,

Karen Cowart
General Manager



A Brief Overview

The Arkansas Citizens' Commission to Streamline State Government (Murphy Commission) is an independent initiative in which 100-150 citizens and business leaders are volunteering some of their time, money, brainpower, common sense and expertise—for a year to 18 months—as a volunteer, citizen-driven task force charged with *discovering ways Arkansas' state government can be made leaner, smaller, more focused, more accountable, and more efficient.* The Commission's findings will comprise written recommendations--backed with supportive data and information—to be presented, as a report, to the Governor, other officials in higher state elective offices, legislators, state business leaders, the media, and citizens at large.

To accomplish its mission, the Murphy Commission comprises *six (6) volunteer workgroups and several special committees* with specific missions relative to improving state government. Specifically, the six workgroup areas of interest are 1) defining the role and function of state government, 2) quantifying the structure of state government as it exists now, 3) detailed examination of the state budget to identify economizing opportunities, 4) identifying opportunities to privatize state services, 5) reforming state fiscal policy and creating a pro-growth, family friendly tax plan for Arkansas, 6) applying technology in state government for greater efficiency in operations and improved citizen access to government data and performance information.

Each workgroup will issue one or more *"interim" reports* as it works and finishes its assigned tasks. This will allow for a series of briefs and recommendations to flow from the Commission over the yearlong course of its work. *A final summary report with all recommendations will be issued to government leaders, citizens, and the media* once all workgroups have completed their tasks. It will be accompanied by a supporting policy paper recommending a comprehensive pro-growth and family friendly tax reduction plan for Arkansas.

The Commission will *encourage serious consideration of its proposals and recommendations* and count on many of them eventually being enacted. It will remain in tact—as a body—for up to five years, meeting at least once annually, to monitor progress on the adoption of its recommendations and report to the public on which have been implemented, which have not—and why, and which ones may need to be altered—and why. *Failing legislative action on recommendations that may have strong public sentiment...the option of ballot initiative by the people will be explored and encouraged.*

HOW TO CONTACT THE MURPHY COMMISSION...

111 Center St., Suite 1610, Little Rock, AR 72201 501-376-9967 Fax 501-376-6556

Murphy Commission Hotlines:
 376-9798-Little Rock Area
 1-888-97-IDEAS (974-3327) Statewide Toll Free



Mission Statement

The Arkansas Citizen's Commission to Streamline State Government

As Arkansas approaches the 21st. century, it is both appropriate and timely that the proper role and function of our state government be re-visited and, as needed, redefined.

Guided by this goal, the *Murphy Commission* exists to create a smaller, more cost-effective and accountable state government in Arkansas through an independent, non-partisan, and ongoing citizen review process utilizing in-depth financial and management analysis by experts in their respective fields and by other concerned citizens.

In carrying out its mission, the *Murphy Commission* will give specific attention to:

1. Recommending changes to the current structure of state government, the number and composition of boards and commissions, and government's regulatory powers.
2. Analyzing the current state budget and the process by which it is generated and targeting ways to save money and set priorities.
3. Identifying opportunities to streamline operations and generate cost savings.
4. Highlighting opportunities to privatize state government services.
5. Addressing state taxation and financial practices in order to develop reforms conducive to investment and savings, and the creation of a nationally competitive business environment.
6. Utilizing technology to make government function more efficiently and to provide greater citizen access to state information and data.

All findings and recommendations of the Commission will be supported by data, information and facts that are comprehensive, reliable and defensible. All sources will be cited. In addition, complete openness and visibility are also objectives of the *Murphy Commission*. Therefore, the public, all state-level elected officials, and the media will be continually apprised of the Commission's progress. A final report, detailing all findings and recommendations, will be released to the public. The commission will remain in place for five years to assess and report publicly on implementation and modification of all recommendations.

Expected Benefits to Arkansas:

- Greater public understanding of the role and function of state government.
- State government that is more efficient and more accountable to the citizens it serves.
- Greater opportunity for Arkansas' businesses and families to prosper and thrive through lower, fairer, taxes and the stimulation of a pro-growth and nationally competitive economic climate.

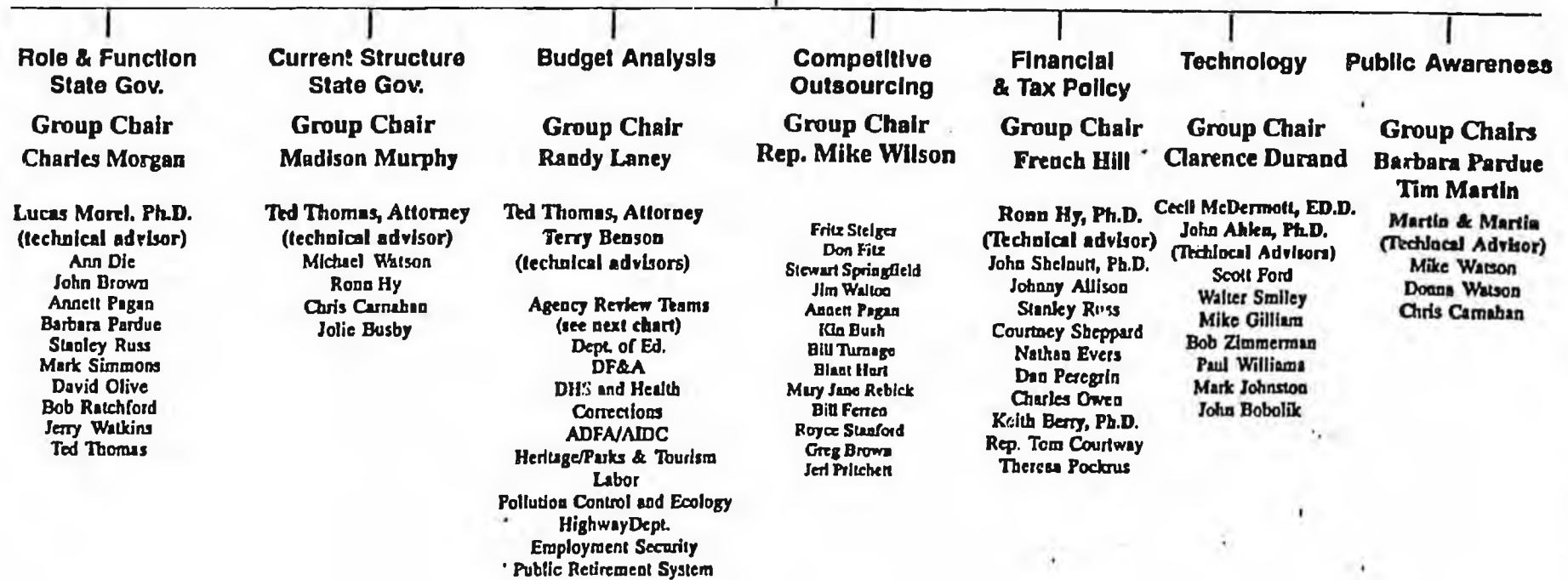
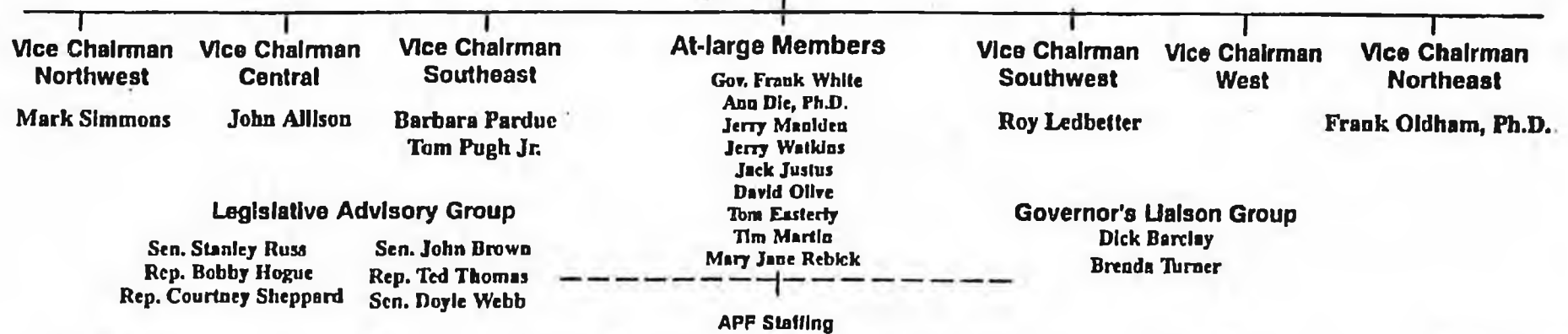
08/20/97

The Murphy Commission (A citizens' commission to streamline state government)

**CHAIRMAN
MADISON MURPHY**

**VICE CHAIRMAN
STEVE STEPHENS**

*Vacancies are still being filled
in some positions and workgroups.
Suggestions welcomed.



08/20/97

The Budget and Agency Review Workgroup

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Terry Benson--Technical Advisor

Ronn Hy--Technical Advisor

Mike Watson--Staff Director

Advisory Review and Oversight

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Anne Martin

Pattie Weed

Julie Wright

Staff Assignments:

Education:

Donna Watson

Mike Watson

Chris Carahan

DF&A:

Mike Watson

DHS/Health:

Mike Watson

Donna Watson

Chris Carahan

Corrections:

Chris Carahan

Park/Tourism/Heritage:

Donna Watson

Highway/PC&E:

Chris Carahan

AEDC/AEFA:

Mike Watson

Labor:

Chris Carahan

Employee Security/Retirement:

Donna Watson

Education

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Ch. Steve Stephens

Rebekah Lee (GL)

Scott Ford

Tim Brooker

David Dubell

Martha Adcock

Dub Solder

Ronn Hy, Ph.D.

Ann Die, Ph.D.

Bob Jolly

Marilyn Latin

Harold Witman

Jeanne Earle

Chris Pyle

Ronnie Cameron

Kin Bush

Michele Coffman

Lisenne Rockefeller

Sherrill Lee

Sister Deborah Troillett

Darrell Baker

Greg Nabholz

Greg Reed

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Peggy Jeffries

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Spencer Robinson

Jim Lay

Larry Cotton

Lee Turner

Laura Ford

Paul Schrier

Rhonda Wood

Bill Long

Buddy Hain

David Goodman

David Moore

David Rosen

Frank Duffy

Harvey Hairston

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Sandra Winston, Larry Toller (GL)

Gltrude Browning (GL)

Luther Lewis

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Mike Emis

Mike Packnett

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Judge Thomas Brown

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Dennis McNeely

Highway Dept/PC&E

Ch. Charles Mazander (Highway)

Ch. Lols Burks (PC&E)

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Tom Easterly

Bill Schmitz

Bill Stanley

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Dave Johnston

Oscar Latin

Charles Kinslow

AEDC and AEDC

Darrell Baker, Ch.

Alan McVey (GL)

Eric Munson (GL)

John Thipas

David Howell

Bill Fountain

Alton Bush

Lee Covington

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Tom Dober, Ch.

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Employment Security

Public Retirement

George Breazeal, Ch.

Tom Dober

Jerry Watkins

Tom Easterly

Mel Ingram

Rifle Shot Team One

Mickey Miller

Rifle Shot Team Two

Skip Cook

(GL) Governor's Office Liaison

005 PAGE 003

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STATE OF ALASKA

(907) 465-3808
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 400
Juneau, Alaska 99801-2105

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

Mary Pagenkopf

HSTA	4/20/99	8:01 am
HSTA	4/27/99	8:07 am

April 20, 1999

We have received 109 POMS on SB 33 to date.....

107 oppose the bill
2 want it amended
1 supports the bill.

A handwritten signature in cursive script, appearing to be 'MLM', is written below the text.

CS Version (V) does the following:

CS FOR SENATE BILL NO. 33(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 4/1/99

Referred: Rules

Sponsor(s): SENATOR WARD

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to contracts for the performance of certain state functions
2 previously performed by state employees and to the Commission on Privatization
3 and Delivery of Government Services; and providing for an effective date."

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

5 * Section 1. FINDINGS AND INTENT. (a) The legislature finds that

6 (1) the annual cost of state government is exceeding the annual revenue of the
7 state;

8 (2) the State of Alaska, other states, and the federal government have
9 successfully and substantially reduced government spending and increased government
10 efficiency by contracting with third parties to perform particular state or government functions;

11 (3) there may be functions of our current state government that can be
12 performed more efficiently by any or all of the following entities:

13 (A) nongovernmental or private organizations;

14 (B) local government or regional service organizations;

1 (4) there may be functions that state government should not continue to
2 perform, but should leave to the federal government;

3 (5) there may be state government functions that should be consolidated or
4 otherwise performed more efficiently;

5 (6) there exist state government functions that would be inappropriate to
6 contract out to nongovernmental agencies.

7 Insert: (7) There may be functions of government that should cease. tate to make a formal
8 c : transferred entirely to
9 private entities or to local government agencies and whether the state should stop performing
10 some functions for the federal government. The legislature also finds that it is in the best
11 interest of the state to determine which state government functions can be consolidated or
12 otherwise made more efficient.

13 (c) The legislature intends to make the determination set out in (b) of this section in
14 order to reduce dependency on state governmental revenues for the delivery of government
15 services.

16 * Sec. 2. AS 23.40.075 is amended to read:

17 **Sec. 23.40.075. Items not subject to bargaining.** The parties may not
18 negotiate terms contrary to the

19 (1) reemployment rights for injured state employees under
20 AS 39.25.158;

21 (2) reemployment rights of the organized militia under AS 26.05.075;

22 (3) authority of the Department of Health and Social Services under
23 AS 47.27.035 to assign Alaska temporary assistance program participants to a work
24 activity considered appropriate by the Department of Health and Social Services; [OR]

25 (4) authority for agencies to create temporary positions under
26 AS 47.27.055(c) or *(Wanted) Eliminates Collective Bargaining*

27 (5) unrestricted authority of the employer to enter into a contract
28 with an entity in the private sector of the economy to perform a function
29 previously performed by state employees. *So it's left in in (V)*

30 * Sec. 3. AS 23.40.080 is amended by adding a new subsection to read:

31 (b) If the state intends to enter into a contract with an entity in the private

Replace with
CSSB 33(FIN)

Delete

Delete all material and insert:

"(b) If the state is considering whether to enter a contract with an entity in the private sector of the economy to perform a function previously performed by state employees, the affected agency or department must prepare a written review of the contract proposal setting out its benefits and detriments. The review must address the factors of quality of service and cost effectiveness, and may include other factors. The state shall consider the review before making its decision."

... the response

7 before making its decision.

8 * Sec. 4. Nothing in secs. 2 ~~and 3~~ ^{of this Act} terminates or modifies a collective
9 bargaining agreement in effect on the effective date of this Act.

10 * Sec. 5. COMMISSION ON PRIVATIZATION AND DELIVERY OF GOVERNMENT
11 SERVICES. (a) There is created in the legislative branch of the state government the
12 Commission on Privatization and Delivery of Government Services. The commission shall
13 consist of 11 members, as follows:

14 (1) two members appointed by the governor, one of whom shall be a
15 representative of the labor unions;

16 (2) one member of the senate appointed by the president of the senate who
17 shall serve as co-chair;

18 (3) one member of the house appointed by the speaker of the house who shall
19 serve as co-chair;

20 (4) one member appointed by the Alaska Municipal League;

21 (5) one member of the local boundary commission appointed by the local
22 boundary commission;

23 (6) two public members appointed by the president of the senate;

24 (7) two public members appointed by the speaker of the house;

25 (8) one member appointed by the Alaska State Chamber of Commerce.

26 (b) The commission may appoint an advisory council to assist it in carrying out its

27 Note:

28 Tam Cook found a legal "glitch" here.

29 Version S deals ONLY with members appointed by the Senate President and House Speaker,
30 giving them per diem and travel but no other compensation.

31 It was "silent" about whether the others should receive compensation, per diem, and travel.
SOMETHING needs to be said about them.

Version V says the others receive no compensation, no per diem, and no travel.

If we want this changed so ALL members receive per diem and travel, but no other
compensation, we need to tell Tam.

ation

re not

l for

BY
WILLIAMS.

FIN)

1 (b) Members of the advisory council appointed under sec. ~~5~~(b) of this Act are not
2 eligible for compensation, per diem, or payment of travel or other expenses by the state.

3 * Sec. 7. MEETINGS. The Commission on Privatization and Delivery of Government
4 Services shall meet as frequently as the commission determines necessary to perform its work.
5 The commission may meet and vote by teleconference.

6 * Sec. 8. DUTIES. (a) The Commission on Privatization and Delivery of Government
7 Services shall

8 (1) review and evaluate the policies and recommendations of other states that
9 are studying or have implemented recommendations to transfer the provision of government
10 services to other entities;

11 (2) review state contracting policy and procedures, including competitive
12 bidding procedures;

13 (3) identify state government functions capable of more efficient performance
14 in the delivery of government services, and determine whether those identified functions could
15 most effectively be provided by

16 (A) transferring to the private sector or contracting out;

17 (B) transferring to local governments or regional service organizations;

18 (C) the federal government;

19 (D) consolidation or other efficiency changes; or

20 (E) a combination of the approaches under (A) - (D) of this paragraph;

21 Insert: (4) identify state government functions that should be eliminated. Most effectively and
22 efficiently delivered by the state and that should remain a responsibility of the state;

23 (5) solicit public comment about the delivery of state government services.

24 (b) By January 1, 2000, the Commission on Privatization and Delivery of Government
25 Services shall submit a written report of its findings and recommendations to the governor and
26 the legislature. The report must include suggested legislation that may be needed to
27 accomplish the recommendations. The report must specify which state agencies or functions
28 should be

29 (1) transferred to the private sector or contracted out;

30 (2) transferred to local governments or regional service organizations;

31 (3) consolidated or otherwise made more efficient;

1 (4) performed by the federal government.

2 * Sec. 9. Sections 1 and 5 - 8 of this Act are repealed on January 1, 2000.

3 * Sec. 10. This Act takes effect immediately under AS 01.10.070(c).

4517

am # 1

Add here too: (5) eliminated
(I am forget)
as a function of
state Gov.

HOUSE CS FOR CS FOR SENATE BILL NO. 33()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR WARD

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to contracts for the performance of certain state functions
2 previously performed by state employees and to the Commission on Privatization
3 and Delivery of Government Services; and providing for an effective date."

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

5 * Section 1. FINDINGS AND INTENT. (a) The legislature finds that

6 (1) the annual cost of state government is exceeding the annual revenue of the
7 state;

8 (2) the State of Alaska, other states, and the federal government have
9 successfully and substantially reduced government spending and increased government
10 efficiency by contracting with third parties to perform particular state or government functions;

11 (3) there may be functions of our current state government that can be
12 performed more efficiently by any or all of the following entities:

13 (A) nongovernmental or private organizations;

14 (B) local government or regional service organizations;

1 (4) there may be functions that state government should not continue to
2 perform, but should leave to the federal government;

3 (5) there may be state government functions that should be consolidated or
4 otherwise performed more efficiently;

5 (6) there exist state government functions that would be inappropriate to
6 contract out to nongovernmental agencies;

7 (7) there may be functions of state government that should cease. *Added*

8 (b) The legislature finds it is in the best interest of the state to make a formal
9 determination of which state government functions can and should be transferred entirely to
10 private entities or to local government agencies and whether the state should stop performing
11 some functions for the federal government. The legislature also finds that it is in the best
12 interest of the state to determine which state government functions can be consolidated or
13 otherwise made more efficient.

14 (c) The legislature intends to make the determination set out in (b) of this section in
15 order to reduce dependency on state governmental revenues for the delivery of government
16 services.

17 * Sec. 2. AS 23.40.080 is amended by adding a new subsection to read:

18 (b) If the state is considering whether to enter a contract with an entity in the
19 private sector of the economy to perform a function previously performed by state
20 employees, the affected agency or department must prepare a written review of the
21 contract proposal setting out its benefits and detriments. The review must address the
22 factors of quality of service and cost effectiveness, and may include other factors. The
23 state shall consider the review before making its decision.

Changed

24 * Sec. 3. Nothing in secs. 2 of this Act terminates or modifies a collective bargaining
25 agreement in effect on the effective date of this Act.

26 * Sec. 4. COMMISSION ON PRIVATIZATION AND DELIVERY OF GOVERNMENT
27 SERVICES. (a) There is created in the legislative branch of the state government the
28 Commission on Privatization and Delivery of Government Services. The commission shall
29 consist of 11 members, as follows:

30 (1) two members appointed by the governor, one of whom shall be a
31 representative of the labor unions;

1 (2) one member of the senate appointed by the president of the senate who
2 shall serve as co-chair;

3 (3) one member of the house appointed by the speaker of the house who shall
4 serve as co-chair;

5 (4) one member appointed by the Alaska Municipal League;

6 (5) one member of the local boundary commission appointed by the local
7 boundary commission;

8 (6) two public members appointed by the president of the senate;

9 (7) two public members appointed by the speaker of the house;

10 (8) one member appointed by the Alaska State Chamber of Commerce.

11 (b) The commission may appoint an advisory council to assist it in carrying out its
12 duties.

13 * **Sec. 5. COMPENSATION.** (a) The public members of the Commission on Privatization
14 and Delivery of Government Services appointed under sec. 4 of this Act are not eligible for
15 compensation and only the public members appointed under sec. 4(a)(6) and (a)(7) are entitled
16 to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

17 (b) Members of the advisory council appointed under sec. 4(b) of this Act are not
18 eligible for compensation, per diem, or payment of travel or other expenses by the state.

19 * **Sec. 6. MEETINGS.** The Commission on Privatization and Delivery of Government
20 Services shall meet as frequently as the commission determines necessary to perform its work.
21 The commission may meet and vote by teleconference.

22 * **Sec. 7. DUTIES.** (a) The Commission on Privatization and Delivery of Government
23 Services shall

24 (1) review and evaluate the policies and recommendations of other states that
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26 services to other entities;

27 (2) review state contracting policy and procedures, including competitive
28 bidding procedures;

29 (3) identify state government functions capable of more efficient performance
30 in the delivery of government services, and determine whether those identified functions could
31 most effectively be provided by

- 1 (A) transferring to the private sector or contracting out;
- 2 (B) transferring to local governments or regional service organizations;
- 3 (C) the federal government;
- 4 (D) consolidation or other efficiency changes; or
- 5 (E) a combination of the approaches under (A) - (D) of this paragraph;

- 6 (4) identify state government functions that should be eliminated; *Added*
- 7 (5) identify present state government services that are most effectively and
- 8 efficiently delivered by the state and that should remain a responsibility of the state;
- 9 (6) solicit public comment about the delivery of state government services.

10 (b) By January 1, 2000, the Commission on Privatization and Delivery of Government

11 Services shall submit a written report of its findings and recommendations to the governor and

12 the legislature. The report must include suggested legislation that may be needed to

13 accomplish the recommendations. The report must specify which state agencies or functions

14 should be

- 15 (1) transferred to the private sector or contracted out;
- 16 (2) transferred to local governments or regional service organizations;
- 17 (3) consolidated or otherwise made more efficient;
- 18 (4) performed by the federal government.

19 * Sec. 8. Sections 1 and 4 - 7 of this Act are repealed on January 1, 2000.

20 * Sec. 9. This Act takes effect immediately under AS 01.10.070(c).

am. #1

add here too

elim. as a function of state govt.

Jim wants to
see what FIN
Sills w/ Changes
STA Made to 199
before moving
SB 33 !!

OK to change
effective
date to
Jan 1, 2001?
(Yes)
(Bill Hudson)

Alaska State House of Representatives
STATE AFFAIRS COMMITTEE
Representative Jeannette James, Chair



Rm 102, Capitol Building, Juneau

Phone 465-3743, Fax 465-2381

Members:
Rep. John Coghill, Vice-Chair
Rep. Bill Hudson
Rep. Beth Kerttula
Rep. Scott Ogan
Rep. Harold Smalley
Rep. Jim Whitaker

April 26, 1999

Attached is CS for SB 33 Version V, which will be considered Tuesday morning.

It essentially does the following:

1. Deals with a legal "glitch" regarding compensation for commission members.
2. Deletes the section which would eliminate collective bargaining regarding privatizing agency functions.
3. Requires the affected state agency to prepare a report, rather than allowing the affected employees or their union to do so.
4. Adds language to include government functions which should be eliminated.

Barbara

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE HUDSON

TO: HCS CSSB 33(), Draft Version "V"

- 1 Page 4, line 10:
- 2 Delete "2000"
- 3 Insert "2001"

- 4 Page 4, line 19:
- 5 Delete "2000"
- 6 Insert "2001"

AM. # 2
Yes III
No IIII



THE WESTIN FAIRFAX
WASHINGTON, D.C.

FACSIMILE

DATE April 18 1999
 TO Representative J. Tamm COMPANY Alaska State Legislature
 FAX NUMBER (907) 465-2381 PHONE NUMBER (907) 465-3743
 FROM Tim Sampson DIVISION _____
 PHONE NUMBER _____ FAX NUMBER _____

NUMBER OF PAGES, INCLUDING COVER SHEET

Dear He,

Thank you for taking w/ me last Friday. I spoke w/ John Coughlin and he asked me to express my concerns to him in writing - I am copying you as well -

Tim

April 18, 1999

Representative John Coghill
State Capital
State of Alaska
Juneau, AK 99801

Re: CS FOR SENATE BILL NO. 33 (FIN)

Dear John:

Per your request, I am forwarding to you my concern with Senate Bill No. 33, which will be up in House State Affairs on Tuesday. As I mentioned to you late Friday afternoon, my concern is Section 2 & 3 of the bill. Section 2 gives unilateral and absolute power to the State in the:

"unrestricted authority of the employer to enter into a contract with an entity in the private sector of the economy to perform a function previously performed by state employees".

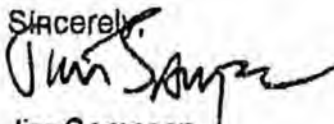
John, simply put, this language eliminates collective bargaining in the public sector in Alaska. This language, if used to its extreme, could legally allow the State to fire or layoff thousands of its Alaska workers without having the legal responsibility to bargain in good faith. It should be deleted.

Section 3. I don't know if the intent of this section is to allow labor to comment or submit a formal proposal to compete in the bidding process. Either way, I don't see the need for the section.

I am in Washington, DC from Saturday, April 17, 1999 until Thursday, April 22, 1999. If you have any questions on my comments, I can be reached at the Westin Fairfax at (202) 293-2100. I did talk with Representative James and was not able to talk with Representative Whitaker before I had to leave, so I am going to fax a copy of this letter to both of them.

Thank you all for your consideration.

Sincerely,



Jim Sampson

**Alaska Support Industry
ALLIANCE**
4220 'B' Street, Suite 200
Anchorage, AK 99503
Phone 907.563.2226
Fax 907.561.8870

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Karen Cowart

**THE ALLIANCE**

... for responsible development of Alaska's Oil, Gas & Mineral Resources

April 19, 1999

Representative Jeanette James
Chair, House State Affairs
Alaska State Legislature
State Capitol (MS 3100)
Juneau AK 99801-1182

RE: Senate Bill 33, Task Force on Privatization

Dear Representative James,

The Alaska Support Industry Alliance (The Alliance) would like you to know that we appreciate your consideration of Senate Bill 33, Task Force on Privatization and support the bill currently in your committee. As a statewide trade organization, The Alliance represents nearly 350 business, organizations and individuals that provide goods and services in support of oil and gas exploration, development and production.

Since its inception in 1979, The Alliance has advocated a balanced state budget. Closing the state's fiscal gap remains our top priority this year. Why? Because the financial status of state government will dictate our members' livelihood by either encouraging future petroleum investments, or by chasing investors away.

The Alliance supports efforts to reduce the size and cost of government. We believe there are numerous functions currently being directed and completed by state departments that could be economized through the use of private sector contractors. In many instances, private sector employment allows for the utilization of a workforce for the life of a project, rather than full time employment. There are also many other efficiencies that may be realized when a full evaluation is completed by the proposed privatization task force.

It is time for the State of Alaska to study all cost-saving tools, and look closely at each function provided by government. Just as the support industry is looking at ways to economize, so should the state. Doing "business as usual" can no longer be commonplace.

We encourage you to favorably consider Senate Bill 33.

Sincerely,

Karen Cowart
General Manager

April 19, 1999



Anchorage - Star of the North
Chamber of Commerce

The Honorable Jeannette James
Chair
House State Affairs Committee
Alaska House of Representatives
State Capitol
Juneau, AK 99801

Dear Representative James:

On behalf of the Anchorage Chamber of Commerce, I write to express our support for the concepts of privatization embodied in Senate Bill 33, which is scheduled for a hearing in your committee this week.

As you know, SB 33 establishes a commission to examine alternate ways for the State to deliver government services. Privatization has been a priority of the Chamber and has been addressed in our Resolution 98-99-8, which is attached. The Anchorage Chamber believes it is important to examine all the ways in which state services can be delivered more efficiently and effectively with privatization, where appropriate, being part of a long-term fiscal strategy for the State.

The current "results-based government" framework the Legislature has incorporated into its budget process can also be important. Establishment of performance standards will not only be useful in writing private sector contract expectations for the delivery of services, but will also place similar expectations for performance by the public sector.

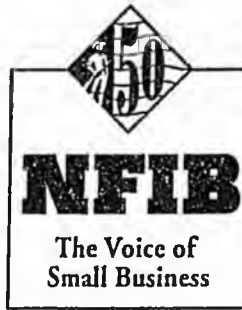
Your favorable approval of this measure is recommended.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. Samuel". The signature is stylized and somewhat cursive.

Ralph Samuel
1998-99 Chair

cc: Senator Jerry Ward
Members, House State Affairs Committee



NFIB Alaska

January 27, 1999

Senator Jerry Ward
State Capitol
Juneau, Alaska 99801-1182

Subject: Support for SB 33 – Task Force on Privatization

The Alaska Chapter of the National Federation of Independent Business has 3,000 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 SB 33 would 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 SB33.

Sincerely,

Thyes J. Shaub
NFIB/Alaska Lobbyist

National Federation of Independent Business

217 Second Street, Suite 206 • Juneau, AK 99801 • 907-463-5118 • Fax 907-463-5128



...and NFIB works for small business.



SENATOR JERRY WARD

ALASKA STATE LEGISLATURE

April 9, 1999

Representative Jeannette James, Chair
House State Affairs Committee

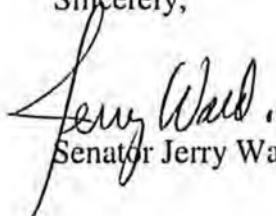
Representative Jeannette James,

Please schedule SB 33 for a hearing in the House State Affairs Committee at your earliest convenience.

SB 33 will establish a commission that will review functions of state government to determine those services that can be transferred to the private sector. The commission will have members from the public, legislative and executive branches of government.

Thank you for your consideration.

Sincerely,


Senator Jerry Ward

April 20

Interim:
716 West 4th Ave., Suite 320
Anchorage, AK 99501
Phone: 907-269-0222
Fax: 907-269-0223
Toll Free: 1-888-269-3879



Session:
State Capitol Bldg., Suite 204
Juneau, AK 99801
Phone: 907-465-3879
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Toll Free: 1-888-269-3879

House Rules Committee
Representative John Cowdery, Chair

MEMORANDUM

Date: April 14, 1999

To: Rep. Gene Therriault
Rep. Jeanette James

From: Rep. John J. Cowdery *JJC*

RE: SB 33, Task Force on Privatization

Senate Leadership has asked me to carry SB 33 on the House side.

It has committee referrals to State Affairs and Finance.

This is the bill the governor vetoed last year. In order to get it back to him before the veto deadline on April 30, 1999, we must expedite scheduling.

I would like to request your assistance by scheduling SB 33 during the week of April 20th to April 23rd. Finance Committee would have to give public notice tomorrow (Thursday, April 15th) pending referral, from State Affairs Committee.

If you can't do this, please let me or Marco know, so that we can try to work something else out. I know that your calendar is probably plugged so I really appreciate your trying to accommodate this schedule.



SENATOR JERRY WARD

ALASKA STATE LEGISLATURE

Sponsor Statement Senate Bill 33

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

Senate Bill 33 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 selected 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.

Senate Bill 33 will also look onto the State's contracting procedures to make sure Alaskans are getting the most out of every contracting dollar spent.

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 the governments only goal. Government must balance the pursuit of efficiency with effectiveness, while maintaining the confidence of the people it represents.

Alaska Support Industry
ALLIANCE
 4220 'B' Street, Suite 200
 Anchorage, AK 99503
 Phone 907.563.2226
 Fax 907.561.8870

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GENERAL MANAGER

Karen Cowart



THE ALLIANCE

... for responsible development of Alaska's Oil, Gas & Mineral Resources

March 18, 1999

Senator Jerry Ward
 Chair, Senate State Affairs Committee
 Alaska State Legislature
 State Capitol (MS 3101)
 Juneau, AK 99801-1182

RE: Senate Bill 33, Task Force on Privatization

Dear Senator Ward:

The Alaska Support Industry Alliance (The Alliance) would like you to know that we appreciate your sponsorship of Senate Bill 33, Task Force on Privatization, and we support it. As a statewide trade organization, The Alliance represents nearly 350 businesses, organizations and individuals that provide goods and services in support of oil and gas exploration, development and production.

Since its inception in 1979, The Alliance has advocated a balanced state budget. Closing the state's fiscal gap remains our *top priority* this year. Why? Because the financial status of state government will dictate our members' livelihood by either encouraging future petroleum investments, or by chasing investors away.

The Alliance supports efforts to reduce the size and cost of state government. We believe that any and all measures should be considered with an open mind, whether it be results-based budgeting, consolidation of government programs, elimination of non-essential services, use of a two-year budget cycle, and/or privatization of some government functions. Senate Bill 33 is a step in the right direction.

Sincerely,

Karen Cowart
 General Manager

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

NO. _____
BILL VERSION: SB 33
PUBLISH DATE: _____

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

Department Affected: Legislative Affairs Agency
BRU: Legislative Council
Component: Council & Subcommittees

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	21.8	11.0	0	0	0	0
CONTRACTUAL	4.2	2.5	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	26.0	13.5	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE FUND SOURCE	0	0	0	0	0	0
---------------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	26.0	13.5	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	26.0	13.5	0	0	0	0

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)

SB 33 establishes a thirteen member Task Force on Privatization consisting of three members appointed by the Governor, four public members appointed by the presiding officers of the Alaska State Legislature, and six Legislators. This task force will review and report to the Legislature and the Governor regarding the feasibility of privatization of some government functions. The report is due January 1, 2001.

Prepared By: Karla Schofield, Deputy Director *Karla Schofield* Phone: 465-3852
Division: Administrative Services Date: 2/19/99

Approved By: Pamela A. Varni, Executive Director *Pamela A. Varni*
Agency: Legislative Affairs Agency Date: 2/19/99

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

CONTINUATION OF FISCAL NOTE: SB 33

Travel

Travel costs for the Governor's appointees will be paid for by the Office of the Governor. FY99 travel costs for Legislators and public members will be absorbed within existing budgets. This fiscal note contains FY00 and FY01 travel funding for Legislators and public members appointed by the presiding officers.

If the task force begins work in FY99 they are expected to travel once in FY99, and three times in FY00 and twice in FY01 to hold meetings. Any other meetings of the task force will be conducted by teleconference.

For the purposes of this fiscal note, the public members of the task force appointed by the presiding officers are assumed to be 1 from Fairbanks, 2 from Anchorage and 1 from Ketchikan. The Legislators are assumed to be 3 from Anchorage, 1 from Fairbanks, 1 from Ketchikan, and 1 from Juneau. Two days of per diem are calculated for each meeting. 1 staff person from Anchorage will attend the meetings.

	<u>Per Diem</u>	<u>Travel</u>	
<u>1 Anchorage Meetings</u>			
Anchorage - 2 public members/3 Legislators/1 Staff	-	-	
Fairbanks - 1 public members/1 Legislator	852	752	
Ketchikan - 1 public member/1 Legislator	852	1,236	
Juneau - 1 Legislator	426	466	
<u>1 Fairbanks Meeting</u>			
Anchorage - 2 public members/3 Legislators/1 Staff	2,172	2,256	
Fairbanks - 1 public members/1 Legislator	-	-	
Ketchikan - 1 public member/1 Legislator	724	1,552	
Juneau - 1 Legislator	362	624	
<u>1 Juneau Meeting</u>			
Anchorage - 2 public members/3 Legislators/1 Staff	1,932	2,796	
Fairbanks - 1 public members/1 Legislator	644	1,248	
Ketchikan - 1 public member/1 Legislator	644	548	
Juneau - 1 Legislator	-	-	
	Total FY00 Travel	11,478	TOTAL
	8,608		20,086
	Total FY01 Travel		11,000

Contractual

	Phones \$100/month	Postage \$50/month	Advertizing \$800/meeting	TOTAL
FY00	1200	600	2,400	4,200
FY01	600	300	1,600	2, 10

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

April 16, 1999

Attention: House State Affairs Committee

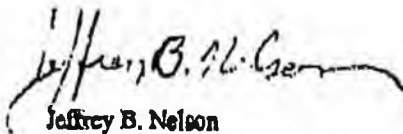
Senate Bill 33 is a short-sighted attempt to make some Alaskans rich at the expense of others. Doesn't Jerry Ward understand that if you cut wages or do away with state government the economy will slump? State dollars go right back into our local economy. Any privatization attempts would funnel money out of the state, even if only 10-15% left the state - that's a lot of cash.

Who do they think they are kidding? Privatization won't save the state money, the contractor will bid the job low at first and then the price will go up and the amount of service will go down. History has proven that. Many times in the past I've talked to private contractors and some not all can't wait to get a state contract so they can, (and I quote) "get over on the State". If you want to do a study on privatization why don't you see how many law suits the State has lost and how many times some nit-picky contractor has held up a project on a stupid little change order. Most of the time the State just pays because it is cheaper in the long run, if this happens now just think of how it will be if privatization occurs.

State agencies are in place for a reason with out them kickbacks and backroom deals will run unchecked resulting in a lower standard of living for our children.

I am a State employee and proud of it. My future, my families and the state's is on the line, "WAKE UP!" we need a sales tax with a cap on it so everyone pays their way.

I urge you to vote "NO" on Senate Bill 33!



Jeffrey B. Nelson
2012 Central Ave
Fairbanks, Alaska 99709

Privatization:

Privatization is the plan to look for new ways to cut the cost of Government while continuing to deliver services.

With the fiscal problems of recent years privatization forces Government to examine avidly various types of potential cost-saving miracles.

Privatization is the fundamental political and economic rethinking that today is reassessing the role of government and the private sector in the modern state.

A general definition is that privatization is a variety of management techniques and activities to promote more involvement of the private sector in providing traditional government services.

EXAMPLES

The first is the sale of government's assets, publicly owned facilities or enterprises. The private buyer assumes the obligation of providing the service to the public, although the government may keep a minority interest or veto power over certain actions. Asset sales may include the sale of airports, and heavy industrial sales of garages for maintenance of government owned vehicles.

The second form of privatization is private development infrastructure, which includes roads, bridges, public transit, water, waste water treatment, solid waste management, and institutional buildings like prisons, schools, hospitals. Private business may provide a turn key service where they design and build the facility and then lease it to government for operation or they may also operate the facility, or they may operate it under a short or long term contract.

The third form of privatization is contracting out. It is believed that the private sector can provide services cheaper than the public sector because of the advantages of competition and the reduced costs of labor and regulations. This form of privatization is the most contentious because of the threat it poses to public employees.

In spite of the debate almost every type of public service can be contracted out.

TRENDS

Privatization is one way to help reshape government. While cost savings are the most important factor, other factors have to be considered such as providing a higher quality of service, for shorter implementation time for service provision, and the ability to provide additional services not available.

1. Contracting out at least some of the health and social services is being done by 90% of all states, as well as various community health and mental health services, child enforcement
2. Corrections. Prison support services and inmate work programs are being obtained by private firms.

The most likely candidates for privatization are those for which the services are readily available in the private market, such as towing, tree trimming, street repairs, data processing, etc. Also those that are the most likely to be contracted out are at the core of government mission police, fire, water, sewage treatment, . These are the areas that government resists the most, partly because they are core of basic services of government.

Four key areas that offer immediate opportunity for privatization are:

1. Highway infrastructure which consists of private construction and maintenance
2. Corrections facilities by awarding private operating contracts for existing prisons or by private construction of new prisons.
3. Fleet and highway maintenance are highly successful because there is history of contracting out for road and bridge maintenance
4. The fourth area is the idea that significant cost savings could be achieved if state legislation required local governments to open selected services to competitive bidding.

The state or federal government should not compete with the private sector in the provision of commercially available goods and services, and that contracting out through the competitive bidding process should be pushed more aggressively. Further, commercial activities should not be contracted out without appropriate in-house competition; and savings should be used as incentives to pursue further competition and contracting. With regard to employees,

adequate safeguards against employee displacement and that all staff reductions should be through attrition

Government needs to become a "SMART BUYER" able to determine what it wants to buy, to know how to get it, and be able to recognize and judge what it has bought.

Keep in mind that private markets are efficient only when they are competitive. Efficiency is not government's only goal; it must balance off the pursuit of efficiency with effectiveness, the need to maintain capacity, responsiveness, and trust and confidence in government. People must keep in mind that contracts are the most common and lucrative source of corruption in government.

One of the first states to form a state commission on privatization was Virginia in 1984. Since that time 22 other states have created such bodies. Michigan issued a report that included all state agencies and all types of services. Of its 200 plus recommendations those departments housing the most interest were transportation, natural resources, and management and budget. Other recommendations were to contract out financial services, inspecting/testing, and data processing.

The State of Mississippi suggested privatization in the areas of transportation, mental health, economic/community development, facilities management, education/training, financial management services, and economic /business promotion.

The State of Illinois's report recommended that more than 60 government activities be studied for privatization. It also recommended a continual review of new and existing programs for likely candidates for privatization, continual performance monitoring, and development of employee relations strategies related to the process. The recommended areas occur in six functional areas: general government, economic development, environment, human services, public services, public safety, and regulatory.

The New Jersey report recommended eight agencies: agriculture, community affairs, environmental and energy, higher education, public advocate, state, transportation, and treasury. Inspecting and permitting processes were also high on the list to be considered under privatization as well as grants in some areas.

The New York report recommends requiring competitive bidding for a specific list of government functions and the use of vouchers, deregulation, and asset sales.. The report recommends that airports be sold as shareholder owned companies. For education decentralizing the school system and giving students their choice about which to attend are considerations recommended.

The Oregon report assesses successful privatization in the state are contracting out of janitorial services, building maintenance, training, data processing, and professional services.

The Massachusetts report differs from the rest as it is issued under the governor's name to support his activities in this area. Rather than a neutral document setting out the arguments, it points to the dollars saved by the process, the benefits received, and the rigorous procedures used in making such decisions. The results are in eight functional areas: prison health care, hospital consolidation, recreational facilities, highway maintenance, housing, child support enforcement, management of child welfare revenue, and housekeeping and revenue services.

Voters have expressed clear discontent with an oversized, bureaucratic government. Smaller, smarter government is the goal of the legislative body today. Our goal is to accelerate the elimination of unnecessary bureaucracy and red tape in government. We hope to shift the emphasis of every department and agency to customer service....And we will be bold in eliminating things that don't work, that have outlived their usefulness, that can be done better by the private sector and in the process we will save money.

We need to examine the basic mission of government, looking at every single government program and agency to find and eliminate things that don't need to be done by government.

As Governor George Pataki of New York said "Let there be no mistake: to preserve and protect personal freedom, to restore individual responsibility, to create a government which is smaller, more effective and more efficient is the challenge of the '90s."

In Massachusetts under Governor William Weld an anti-privatization law was passed by the legislature. This new law established burdensome paperwork requirements. For example, agencies must

certify to the State Auditor that none of the bidder's supervisory employees has ever violated the Federal Clean Water Act or any OSHA regulations. Before the anti-privatization law, state officials estimated that privatization under Weld had saved \$237 million. Services already privatized were not affected by the legislation.

In 1994 Maryland had privatized nearly 30 functions with the state estimating a savings of about \$21 million. One of the largest privatization's was the transfer of the University of Maryland-College Park graduate apartment to the private sector, which yielded savings of \$17 million and additional operating costs of \$600,000 annually. The privatization of inmate food services saved \$1 million.

New Jersey's Governor Christine Todd Whitman's FY 1996 budget contained a number of privatization initiatives: contracting out state day care facilities, adult activity centers, a veterans home, state property management, job placement for welfare recipients and the sale of their state health plan.

The Province of British Columbia offered an opportunity for their highway employees to bid against the private sector to keep government services with the government employees. The government employees were successful in keeping several areas of service, while private enterprise took over in other areas. Government employees were able to implement cuts in areas of duplication and nonessential costs through their operational experience.

Privatization, in some instances, will allow government dollars to better serve their constituency. During times of economic downturn, the savings of revenues could be the difference in the ability to offer critical services at an optimum level. Privatization will not work in every situation. However, the potential savings needs to be discussed.

I.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

March 3, 1999

SUBJECT: Legislative Task Forces and Commissions

TO: Senator Jerry Ward, Chair
State Affairs Committee
Attn: Mark Hodgins

FROM: Tamara Brandt Cook
Director

TBC

You have asked about the difference between a task force established in the legislative branch of government and a commission established in the legislative branch. There is no difference inherent in the name of the organization. It will be the enabling legislation that defines the makeup and duties of the organization.

The Uniform Rules address standing committees (Rule 20) and Special and Joint Committees (Rule 21). Note that standing committees are established under the Rule itself and special and joint committees may only be established by resolution. Furthermore, under Rule 21(d) no other committee may be established unless authorized by law or by the Uniform Rules. This rule has not in the past prevented the legislature from establishing task forces or commissions by resolution. The four existing permanent interim committees are established by statute. Note also that under the Uniform Rule 37 only standing, special, joint, and permanent interim committees may introduce legislation. These types of organizations (with the exception of the Select Committee on Legislative Ethics, which does not have the statutory right to introduce legislation) have members composed entirely of legislators.

The only reason that a statute is necessary to establish a committee, task force, or commission in the legislative branch is if something about the organization needs to have the force of law, since a resolution is not binding. If, for example, it is the desire of the legislature to have members appointed by someone outside the legislative branch, such as the governor, and there is a fear that the appointment may not be made, then it may be useful to use a bill for the creation of the organization.

Separation of powers applies in this state. (*Bradner v. Hammond*, 553 P.2d 1 (Alaska 1976)) The legislature may not constitutionally create in the legislative branch a committee, task force, or other organization that exercises executive branch powers, nor may legislators serve on such an organization. (See also Art. II, sec. 5, state constitution, prohibiting a legislator from holding any other office) However, an organization that is advisory to the legislator

Senator Jerry Ward

March 3, 1999

Page 2

is not exercising an executive branch function in that it is not involved in executing the laws, but, rather, is providing information. The legislature, of course, has the power to gather information that is relevant to the exercise of its legislative duties.

TBC:jdr
99-093.jdr



PRIVATIZATION WATCH

REASON PUBLIC POLICY INSTITUTE ♦ PRIVATIZATION CENTER

No. 265 ♦ January 1999



Email the editor at tsnell@reason.org



Call the Privatization Hotline at 310/391-6525



Check out the new privatization web site at www.privatization.org

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- HOT/HOV Lanes 4
- Privatization Briefs 7
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THREE STATES LEADING THE WAY IN CHILD WELFARE PRIVATIZATION

That "America's child welfare system is cumbersome, inefficient, and costly" and that "paperwork and protocol often overshadow the best interests of children" are among the findings in "Blueprint for the Privatization of Child Welfare," a study recently released by the Reason Public Policy Institute.

Three states—Texas, Michigan, and Kansas—have taken the lead in remedying these and other problems through privatization. Although their programs differ, their goals are the same: to better serve the needs of the children and families in their care.

Texas

In Texas, the child welfare department was having problems with its outdated management information system (MIS). As the study points out, "a child in foster care whose file is misplaced, whose health records are kept in an office across the state from his foster family's home, whose court dates are repeatedly postponed because the state cannot adequately gather records pertinent to his case, is left adrift in a system. This is the human cost of a very limited MIS that can amount to months, even years, of a child's life."

Until as recently as 1989, the Texas child welfare department tracked nearly 8,000 children with a system of three-by-five cards and nine separate computer systems. It took nearly seven years for the department to upgrade its antiquated system with a centrally located and efficient information system. They accomplished this by employing a qualified private contractor to meet their four primary goals:

- Goal 1: Reduce the risk of harm to children and vulnerable adults and improve services by enhancing caseworker productivity and efficiency.
- Goal 2: Improve the quality, timeliness, and utilization of information for all levels of staff.
- Goal 3: Support management of resources to maximize client outcome.
- Goal 4: Provide electronic interface ability with agencies and service providers outside the Texas Department of Protective and Regulatory Services to facilitate data exchanges and verification.

The child welfare department not only met these goals but also realized substantial savings as well. They expect to cut costs over the first

PRIVATIZING MARINAS, PART 1: TRENDS AND METHODS

This is the first report in a two-part series on marina privatization. It is condensed with permission from a series of articles written by Neil Ross in the May 1998 issue of Boating Industry Magazine.

Public marinas in the United States are converting to private management at an increasing rate. According to boating-industry experts, most of the existing publicly operated marinas in the nation may be heading toward privatization over the next 10 to 15 years.

Why Privatize?

1. Taxpayers do not want to further subsidize "rich yachtsmen." The day of government money being available for boaters has largely disappeared. Public officials are looking for other ways to get better service at lower cost and even generate income.

2. Many publicly built facilities are getting old and more expensive to maintain. Most need major modernization because they were built for a type of boat that is very different from what most boaters have now.

3. Government agencies are notoriously weak on maintenance budgets. As a result, many public marinas are showing their age and are increasingly in disrepair. And the coastal and environmental restrictions on marinas have grown so much that governments increasingly

See PRIVATIZING on page 6

See PUBLIC on page 5

PUBLIC MARINAS FOR PRIVATE USE?

have trouble complying with—and paying for the studies required by—their own regulations and those of other levels of government.

4. Marinas are really a hospitality business that must cater to and serve customers. This is not a strong feature of government agencies or their employees. Government workers are paid the same whether the marina does well or not, and are not rewarded when they do a great job. Some public marinas even close their offices on major holidays such as Labor Day, when their facilities are most in demand.

For many local governments, privatization appears to be the best long-term solution. Unlike public bodies, profit-seeking business managers tend to make quick decisions to solve problems as they occur. They can easily spend cash to fix problems.

Under privatization, the government can sell the marina outright or remain in the loop by owning the land/water and overseeing contracts for operation. Taxpayers benefit from reduced cost and revenue from the marina, boaters get superior service and better facilities.

Trends

The National Marine Manufacturers Association estimates that there are more than 10,000 marinas across the United States; of these, about 70 percent are private and about 30 percent are public.

The four most active states in marina privatization are California, Illinois, Wisconsin, and Florida. Almost all the marinas currently (or soon to be) under private management are in the coastal areas, but the trend will likely move inland to lake and river facilities over the next decade.

"Most of all the big public marinas in California have been approached by private management corporations," says John Corrough, marina consultant and port master planner for the Corrough Consulting Group, in Newport Beach, California. "Many of the municipalities are considering private management and have studies ongoing. Eight to 12 major public marinas are actively planning to take this step."

Corrough says California's Proposition 20 absolutely restricted the flow of money for marina development and capital improvements and that the state and local governments just have no money available for marinas. He also notes that the U.S. Army Corps of Engineers has largely withdrawn from marina dredging and construction and that the big push of the '60s and '70s to build major harbors and public marina facilities is over.

Much of the bidding to lease and manage public marinas is being done by two national companies: Westrec Marinas (Encino, California) and newcomer Marina Management International, owned by dock manufacturer Bellingham Marine Industries (Bellingham, Washington). In regional markets, there is competition from several other management companies, including Almar (Palos Verdes, California); Hoty En-

terprises (Westlake, Ohio); and Skipper Marine Development (Winthrop Harbor, Illinois).

Types of Privatization

According to William Anderson, president of Westrec Marinas, the two main methods of marina privatization are:

Direct Management Contract. This is the preferred method when the government wants to retain ownership of the marina or when a charter or state law prevents a lease. The length of typical marina management contracts varies from 3 to 20 years, with 10 years common. Renewal is based on good revenues and performance. Generally, the government pays an annual management fee, which increases each year by a certain percentage, plus a percentage of revenues. However, if there is any nontaxable bond money involved in the marina, IRS regulations prohibit giving a percentage of its income to private corporations.

Long-Term Lease. This is the preferred method when a public marina needs major repair and the government doesn't have the money to pay for it. A long-term lease allows cost recovery plus profit for the private operator.

"Each conversion is different because of differing laws and regulations, and we need to customize our packages to meet the municipal needs," Anderson says. "I see this as a long-term trend for all levels of government—federal, state and local."

Examples

In Wisconsin, Sheboygan City Development Director Robert Peterson says: "We built and opened our public marina in 1994. Working with 28 business CEO advisors, the city decided it didn't

have the expertise or skills to run marinas and sent out a Request for Proposals (RFP) for management help during construction and operation."

The city received three bids and gave a 10-year renewable management contract to Skipper Marine Development to run the city's marina. Skipper put up \$320,000 of its own money and constructed a Harbor Clubhouse, a swimming pool, and other amenities.

According to Peterson, Skipper gets an annual management fee, which increases 3 percent per year, plus 13.5 percent of net operating profit. The marina has 255 slips now, and Skipper is adding 56 more this year.

"We expect to total 466 slips in a few more years," says Peterson. "The marina is exceeding our projections on slip occupancy, transient visitors, fuel sales and other services. Good security and cleanliness are the two most common compliments we get from boaters."

Cabrillo Marina in the Port of Los Angeles is a public marina in the process of converting to private management. It has 1,180 slips that were built when federal, state, and city money was available.

"This type of public/public/public (federal/state/city) partnership is out the window now," Corrough says. "The private contract will include payment of a flat rental fee plus a percent of various gross revenues to the port. Cabrillo has been widely known for its low rates—well below market—and this will change. In return, slip rates will change from \$8 per foot per month across the board to a graduated rate system of \$10 to \$15 per foot."

See next month's *Privatization Watch* for "Privatizing Marinas, Part II: Lessons Learned and Best Practices."

PRIVATIZING CHILD WELFARE IMPROVES SERVICES

10 years of the contract by more than half, from \$199 million to \$97 million—over \$100 million in tangible savings, along with increased quality and efficiency gains.

Michigan

The primary goal of child welfare officials in Michigan is to have children adopted as quickly and efficiently as possible, minimizing the amount of time in foster care. In 1987 they implemented a program that relies heavily on private agencies. They altered their child welfare policy to allow (1) imposing time limits on moving children out of foster care and into adoption, (2) a tighter definition of abandonment, thereby reducing the number of children entering the system unnecessarily, (3) economic incentives for quicker adoptions, and (4) making information on adoptable children more available. Since then, the rate of adoptions has steadily increased, with considerable growth in the adoption of "special needs," or "hard to place," children. The success of Michigan's adoption program is detailed in Table 1.

By offering financial incentives for placing children more quickly, Michigan has created a "culture of adoption," that rewards successful adoptions and penalizes warehousing.

Kansas

Kansas has engaged in the most-comprehensive child welfare privatization program to date. A variety of problems and legal pressures in the late 1980s and early 1990s led the state to consider privatization as a means of meeting its obligations and providing the best possible service. Although it was the legislature that recommended privatization, it was the agency itself that took up the cause and pushed reform forward.

Cost savings were not the primary focus. As Gov. Bill Graves put it, "This isn't about saving money. In fact, it may very well cost us more money, and that is OK in the long run if the results are more positive for the children of our state." Their goals were fourfold:

- Establish clearly defined program goals that must be met.

Under the old method, the state was not held accountable if a child lingered in foster care.

- Achieve quality and cost-effectiveness through competition. Under the old method, the state ran everything—for better and for worse.
- Ensure that children and families are assigned to a single case manager throughout the service-delivery process. Under the old method, a family could have several caseworkers from all the various parts of the system, sometimes working at cross-purposes.
- Make availability of services equal across the state. Under the old method, the type and quality of service a family received varied, depending on where they lived.

Similar to Michigan's system, Kansas officials evaluate the program with an outcome-based service-delivery system; they use pooled funding to ensure that de-

isions are based on clinical need rather than funding streams; and they set a dollar amount that is tied to achieving measurable outcomes and is to be paid per child/family. The results were even better than the state expected—the private contractors exceeded their target levels for several outcome measures, as shown in Table 2.

The secretary of the Kansas Department of Social and Rehabilitative Services summarized the change: "The old-world incentive was to keep the beds filled; now it is performance."

Although these three states engaged in privatization of differing types and to varying degrees, they all shared the same goals and expectations—to better care for children and families. All three achieved their goals and serve as models for the rest of the nation on the benefits of private-sector involvement in child welfare services.

—Wade Hudson
[whudson@reason.org]

Table 1: Michigan: Then and Now

Year	Black children adopted	Disabled children adopted	Children adopted (all)	Percentage of available children adopted	Children available for adoption
1991	439	708	1,320	1,976	66.8
1997	1,213	1,428	2,378	3,058	77.8

Source: Susan Orr, "Child Welfare Services," in Annual Privatization Report (Los Angeles: Reason Public Policy Institute, 1998), p. 27.

Table 2: Privatizing Foster Care in Kansas

Outcome measures	Target set by state	Target met by providers
■ Safety of the child	95%	99.9%
■ Minimal number of placements	90%	99.5%
■ Maintenance of family and community ties	70%	37%
■ Placement with a brother or sister	65%	69.6%

Source: Susan Orr, "Child Welfare Services," in Annual Privatization Report (Los Angeles: Reason Public Policy Institute, 1998).

PRIVATIZATION BRIEFS

Military Payroll Competition

In January the U.S. Department of Defense will solicit proposals from the private sector to handle military pay processing operations now performed by 500 civilian employees at the Defense Finance and Accounting Service (DFAS) in Cleveland. The work involves processing monthly checks for about 1.9 million military retirees. The DFAS center will prepare a proposal that will compete with those submitted by the private-sector firms. Ken Redding, program manager for the DFAS, said that three previous competitions between the DFAS and private companies in other cities have not resulted in any outsourcing or privatization of Pentagon jobs. However, he also said that those competitions resulted in annual savings of \$2 million and the elimination of about 400 government jobs as officials restructured their operations to reduce costs. Business Executives for National Security, a group in Washington, D.C., that has been urging the Pentagon to get out of the payroll processing and accounting business, has cited studies showing that the Defense Department could save a minimum of \$350 million annually by outsourcing about half the DFAS functions. The proposals are scheduled to be completed next summer, and the winner could be selected by next October.

Los Angeles Considers Private Child-Support Collection

Los Angeles County Supervisor Mike Antonovich has proposed privatizing District Attorney Gil Garcetti's child-support agency. The *Los Angeles Times* has reported that Garcetti's office fails to collect the child support 9 times out of 10 and knowingly bills men who are not biological fathers of children they are ordered to support. Antonovich's plan calls for county staff to draft proposals for bids from private companies that would handle "the investigation and payments" of child support. It will be considered by the Los Angeles County Board of Supervisors. Garcetti will also present a plan for improving his child-support unit. State law vests sole authority for running child-support programs at the county level with the district attorney. A spokeswoman for Garcetti said that although the district attorney is supportive of using private companies to supplement his office, he would oppose attempts to privatize his unit "lock, stock and barrel."

University Bookstores Go Private

In June the University of Miami (UM), following a national trend, contracted with Follett Corporation, which runs 580 campus bookstores in North America, to run its bookstore. Follett bought UM's existing inventory for \$2.3 million, assumed all operating costs of the bookstore, and will provide \$800,000 for bookstore renovations. Follett will also pay UM a minimum of \$775,000 per year and up to 9.1 percent of gross revenues.

Students have also benefited from the arrangement. A UM spokesman, Alan Fish, reported that students have saved \$190,000 in the first semester alone because Follett brought in thousands of used textbooks from its main Chicago-area warehouse.

Barnes & Noble runs the bookstore at Florida International University (FIU). As part of a contract renewal, Barnes & Noble is negotiating to build a two-story superstore on the West Dade campus. Barnes & Noble would pay \$2.1 million of the construction costs, and FIU would pay \$1.5 million. The new bookstore would be called Florida International University Bookstore but would have the look and feel of a Barnes & Noble store—right down to the café. Cynthia Curry, FIU vice president for business and finance, said that FIU now gets 8.5 percent of the Barnes & Noble gross revenues—about \$1 million last year. A superstore would bring in far more for the university.

Although outside companies have been running college bookstores for years, a mass-merchandising transformation is occurring, similar to the appearance of food courts on college campuses in the early 1990s.

College officials say the biggest selling point to turning bookstores over to corporations like Follett and Barnes & Noble is that they have nationwide on-line operations. These companies allow students to reserve books on the Internet without making a trip to the college bookstore.

As UM's Alan Fish notes, "We couldn't match the technology, the expertise and the used books. The bottom line: the University doesn't have to worry about inventory or staff, yet still collects a share of the store's revenue."

—Lisa Snell [lsnell@reason.org]

Continued from Page 2

BLOCKING TOLL ROADS

14 percent said yes. Not asked, of course, was whether—in order to prevent their highways from deteriorating—Arkansas residents would rather have an increase in fuel taxes, which they would pay whenever they use any roads, or the addition of tolls to selected high-cost, high-traffic routes that need the largest amount of rebuilding work. Also ignored was today's electronic and video technology that permits tolling without any toll booths at all, as on Toronto's highly successful (and popular) Highway 407 Electronic Toll Road.

—Robert W. Poole, Jr.
[bobp@reason.org]

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WHO, WHAT, WHERE



Conferences

U.S. Water & Wastewater Summit, January 25-26, Grand Hyatt Hotel, Washington, D.C. Organized by The Center for Business Intelligence, Call 800/817-8601 for more information.

Best Practices in Government Procurement, January 25-27, The Crowne Plaza Hotel, Las Vegas, Organized by the World Research Group, Call 800/647-7600 for more information.

The Outsourcing World Summit, February 23-25, 1999, Desert Inn, Las Vegas. For more information call 914/463-1110.

RPPI Studies

How to "Build Our Way Out of Congestion": Innovative Approaches to Expanding Urban Highway Capacity, Peter Samuel, Policy Study No. 250, January 1999.

Improving Transportation in the San Fernando Valley, Peter Gordon, James E. Moore, II, Robert W. Poole, Jr, and Thomas A. Rubin, Policy Study No. 249, January 1999.

Blueprint for the Privatization of Child Welfare, Conna Craig, et al., Policy Study No. 248, December 1998.

A Baker's Dozen: 13 Questions Most Frequently Asked Questions, People Ask About the Science of Climate Change, Kenneth Green, D.Env., October 1998. Most Frequently Asked Questions, by the Commonwealth Competition Council. Call 804/786-0240 or email competition@state.va.us.

Pennsylvania School Finance: Out of the Courts, Into the Legislature, Richard C. Seder, Policy Brief No. 10, October 1998.

Urban Transit Myths: Misperceptions About Transit and American Mobility, Randal O'Toole, Policy Study No. 245, September 1998.

Myths of Light Rail Transit, James V. DeLong, Policy Study No. 244, September 1998.

Publications

Privatization International Yearbook, 1998. Edited by Mark Bader. IFR Publishing, London. To order call +44/(0)171-369-7330 or email pipub@compuserve.com.

The Privatization/Competition Manual: Answers to Some of the

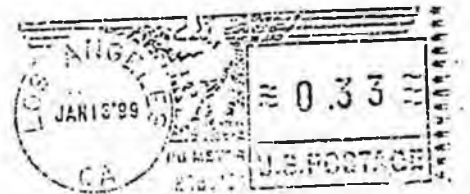
Privatization in Arizona's Largest Cities, by Robert Franciosi. Published by the Witzeman Center for Privatization at the Goldwater Institute. To order call 602/256-7018.

Privatization of Public Assembly Facility Management: A History and Analysis, by Don Jewell. Price, \$18.50. To order call 407/727-7270.

Globalization, Privatization, and the Free Market Economy, by C.P. Rao. Published by Quorum Books. See www.amazon.com/exec/obidos/ ISBN=1567200753/e.

Privatization and Capital-Market Development: Strategies to Promote Economic Growth, Dr. Michael McLindon. Available from the Institute for Public-Private Partnerships, 202/466-8930.

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Pamela LaBolle
Alaska State Chamber of Commerce
210 Second St., Suite 201
Juneau AK 99801

The Alaska Drilling Contractors
7620 Wildwood Circle
Anchorage, Alaska 99516

January 14, 1998

Senator Jerry Ward
Room 423
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Ward,

The drilling contractors of the State of Alaska, listed below, are very much in support of the formation of a privatization task force that you are proposing. The time to get government out of competition with private enterprize is long overdue. Our members are fully prepared to assist in your efforts in any way possible. Please keep us informed as to how we may be of help.

Sincerely,

Kyle Brown
Alaska Drilling Contractors

The Alaska Drilling Contractors are:

Tester Drilling Services - Mr. Pete Tester - (907) 349-7214
American Arctic Company - Mr. Rocky McDonald - (907) 451-4350
Aurora Drilling - Mr. Rocky McDonald - (907) 456-6712
Johnson Drilling - Mr. Steve Thomas - (907) 246-3304
Homestead Drilling - Mr. Gary Halmstead - (907) 479-8850
Hughes Drilling - Mr. John Hughes - (907) 262-6639
Discovery Drilling - Mr. Kyle Brown - (907) 344-6431
Denali Drilling - Mr. Hal Ingalls - (907) 562-2312
Oosik Drilling - Mr. John Lambe - (907) 262-5611
Fairbanks Drilling - Mr. Mike Lecorchick - (907) 479-0600
G.F. Back Drilling - Mr. Gerry Back - (907) 479-5554
Airborne Exploration - (907) 474-8121

ALASKA STATE

HOSPITAL & NURSING HOME

ASSOCIATION

January 16, 1998

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

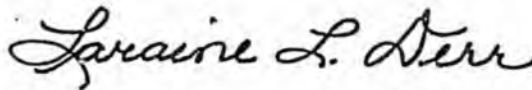
Re: Support, SB209, Task Force on
Privatization

Dear Senator Ward:

Members of the Alaska State Hospital & Nursing Home Association support SB 209, relating to the task force on privatization. We want to thank you for bringing this matter to the attention of the Legislature and Governor.

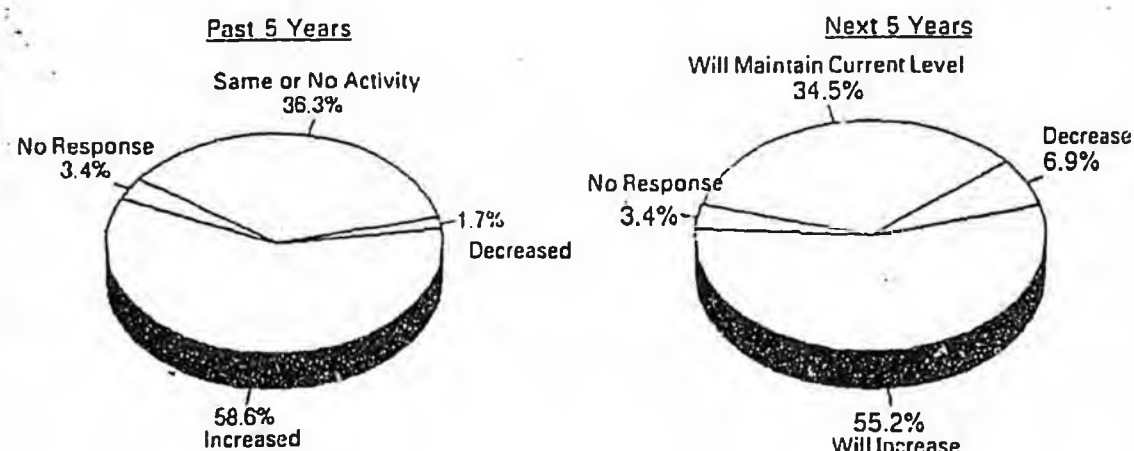
The challenge that the annual cost of state government is exceeding the annual revenue of the state is as true in the area of health care as in any other area. Because health care is such a big part of the state government cost's, the members of the Association would like to have one of their members 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

Figure 1-4: State Privatization Trends



Source: CSG survey on privatization in state government, 1997.

Table 4-1: Results of Michigan's Outsourced Foster-Care/Adoption Services: Then & Now

Year	Available for adoption	Black adopted	Disabled adopted	Total adopted
1991	—	439	708	1,320
1997	3,100	1,213	1,428	2,641

Table 4-2: Privatizing Foster Care in Kansas

Outcome	Target set by state	Target met by provider
Safety of the child	95%	99.9%
Minimal number of placements	90%	99.5%
Maintenance of family and community ties	70%	87%
Placement with a brother or sister	65%	69.6%

Welfare Privatization Hotspots

State	Scope
TX	Eligibility/information systems
WI	Intake to Placement (Milwaukee)
AZ	Intake to Placement (Maricopa Co.)
IN	Jobs Services
FL	Various depending on county

Types of Welfare Contracts

Pure Performance: Payment only for each client placed (America Works)

Partial Performance: Base payment plus bonus per placement (Maximus)

Performance Pegs: Bonus payments depending on job retention (Indiana contracts)

Flat Fee for Full Service: Flat fee, regardless of number of clients. Contractor assumes all risks. (Wisconsin privatizations in Milwaukee Co.)

Group wants Alaskans first in line for DOT work

Continued from Page 10

reduce state government growth.

"Our goal in doing this survey is to reduce the cost of projects so that more pavement hits the roads," said state chamber President Pam LaBolle.

LaBolle said the idea for the survey sprang from a 1996 chamber forum and was patterned after efforts by other states that found their transportation departments could be refined, reduced and made more efficient.

"We are not picking on DOT," she said. "Other states targeted their DOTs as places where the private sector could, in some cases, do a job cheaper and more efficiently, without harming important DOT services already in place."

The chamber asked firms for the number and classifications of their employees by DOT region, whether employees could be moved from region to region, and whether the firm could accommodate increased workloads or increase qualified employees to cover additional contracts.

"We were overwhelmed with the response, said LaBolle.

"Before we even had the survey faxed out to all of the firms, we were getting return responses. I think we hit a

nerve here."

The chamber of commerce is committed to the privatization of government services, she said, and maintains that Alaska transportation and public facilities contracts can be done by private con-

sulting engineers already here.

Results from the survey will be presented to the state Legislature this session, according to La Bolle.

Reporter Rob Stapleton can be reached at 907-762-1423.

Chamber surveys engineers

By Rob Stapleton:
Journal Reporter



A windfall of federal funds to the state through the Department of

Transportation and Public Facilities has Alaska State Chamber of Commerce members concerned enough to activate a statewide survey about the department's growth and use of local engineering firms.

The chamber sent a letter

Jan. 26 to engineering firms statewide to advise them of the nearly \$900 million the state will receive this year for transportation-related projects as its share of the Transportation Equity Act for the 21st Century.

Legislators last year funded the \$46.5 million state match for work budgeted in the 1999 federal fiscal year, which began Oct. 1. Legislators would have to appropriate another \$50.6 million to provide matches for projects scheduled for fiscal 2000.

The chamber intends for its survey to inform the Legislature of the capabilities of Alaska's private-sector businesses, and help



Continued on Page 11

AK Journal of Commerce 2/22/99



Headquarters:
217 2nd Street, Suite 201
Juneau, AK 99801
(907) 586-2323 FAX(907) 463-5515
e-mail ascjuno@ptialaska.net

January 26, 1999

Re: Participation in future Alaska DOT & PF projects

Dear Alaskan Engineering Consulting Firm:

As a result of the work of Senators Stevens and Murkowski and Congressman Young, Alaska will be receiving a substantial increase in federal transportation funds for road building and other transportation infrastructure over the next 3-5 years. The total amount of work will be in the billions of dollars. This will also require a substantial increase in engineering work.

The question arises: Should this increase in engineering work be met by hiring additional state employees in the Alaska Department of Transportation and Public Facilities, or should this work be done by private consulting engineers?

The Alaska State Chamber of Commerce is committed to the privatization of government services when it is feasible and cost efficient. In this case, we believe it is clearly in the public interest that this work be privatized. Several Alaskan engineering firms are very capable in the area of transportation infrastructure and have performed this work cost-efficiently under contract with federal, state, and local agencies in the past.

In addition, we cannot be assured of this same level of funding in the future. If this were to turn out to be a spike in federal funding, we don't think it makes sense to hire additional state workers for whom the state may incur future unfunded liabilities, such as future medical coverage and other benefits. Many companies in the private sector staff for peak workloads through outsourcing to avoid the cost, hardship and disruption of laying off permanent employees that were hired to meet a relatively short term need.

The question then also legitimately arises: Are Alaskan consulting engineering firms capable of handling this additional workload? If you would please answer the following questions, it will give the State Chamber the information we need to advocate on behalf of privatization of this work. Please return this information to us by fax or by email no later than Wednesday, February 3. This is an important opportunity for your firm, and we hope you will take this request seriously and give it prompt attention.

1. What are the number and classifications of your employees by DOT region?
2. Can you move people from one region to another to cover the workload?

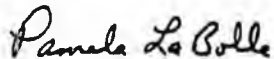
3. Can you handle more work than you are currently doing, either by increased utilization of your current personnel or by hiring additional personnel? Could you acquire these additional people quickly to respond to the contracting needs of Alaska DOT&PF?

When we have compiled the data, we will make it available to all of you who participated in this survey. We will keep you informed on deliberations on this issue in the Alaska Legislature this session. We will also let you know when we feel the time is right for you to communicate with legislators and the administration on this issue, such as Finance Committee hearings, etc.

If you have questions regarding this request, I can be reached at our Juneau headquarters at (907)586-2323. Please provide your information to us by fax, (907) 463-5515, or email at asccjuno@ptialaska.net.

The Alaska State Chamber of Commerce is the only statewide lobbying organization promoting the interests of all of Alaska's business community. Attending to and advancing legislation or administrative action on topics such as this is what we do best on behalf of business. Our strength is in the size and diversity of our membership. If you are not a member, please consider joining us. Thank you for taking the time to participate in this survey.

Sincerely,



Pamela La Bolle
President

South Central Region	
Unclassified	123
Registered Engineers	
Electrical	15
Mechanical	5
Civil	71
Structural	1
Geological	2
Chemist	1
Soil	3
Earthquake/sesismic	1
Enviromental	2
Hydrogeogist	3
Staff	
EIT	3
Admin/clerical	21
Other	
Technican	7
Urban/ regional Planners	2
Testing Tech.	8
Materials Supervisor	1
Enviromental Specialist	2
Land/Techincal	48
Electrical Designer	2
CADD/Drafter	17
Licenced Architect	1
Designer Tech.	18
Archeologist/cultural Specialist	1
Geologist	1
Asbestos Tech	1
Plumbing Designer	1
Contstruction Inspector	4
Total	365
Question # 2	14 Yes
Question # 3	8 Yes

South East Region	
Unclassified	9
Registered Engineers	
Electrical	1
Mechanical	1
Civil	22
Structural	2
Geological	1
Chemist	
Soil	
Earthquake/sesismic	
Enviromental	6
Hydrogeogist	
Staff	
EIT	2
Admin/clerical	11
Other	
Technican	8
Urban/ regional Planners	
Testing Tech.	
Materials Supervisor	
Enviromental Specialist	
Land/Techincal	7
Electrical Designer	
CADD/Drafter	7
Licenced Architect	
Designer Tech.	
Archeologist/cultural Specialist	
Geologist	
Asbestos Tech	
Plumbing Designer	
Contstruction Inspector	
Total	77
Question # 2	16 Yes, 2 No
Question # 3	18 Yes

Northern Region	
Unclassified	48
Registered Engineers	
Electrical	
Mechanical	
Civil	
Structural	
Geological	
Chemist	
Soil	
Earthquake/sesismic	
Enviromental	1
Hydrogeogist	
Staff	
EIT	
Admin/clerical	1
Other	
Technican	1
Urban/ regional Planners	
Testing Tech.	
Materials Supervisor	
Enviromental Special	1
Land/Techincal	
Electrical Designer	
CADD/Drafter	
Licenced Architect	
Designer Tech.	4
Archeologist/cultural Specialist	
Geologist	
Asbestos Tech	
Plumbing Designer	
Contstruction Inspector	
Total	56
Question # 2	2 Yes
Question # 3	2 Yes

Question 1: What are the number and classifications of your employees by DOT region

Question 2: Can you move people from one region to another to cover the workload?

Question 3: Can you handle more work than you are currently doing, either by increased utilization of your current personnel or by hiring additional personnel? Could you acquire these additional people quickly to respond to the contracting needs of Alaska DOT&PF.

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Privatization

Eggers directs the Privatization Center, and Moore is the Associate Director of Economic Studies, at the Reason Foundation.

Privatization: A Growing Trend in Child Welfare

Available on PolicyFax.

Replacing Welfare in Wisconsin
The "Wisconsin Works" program, the state's alternative to AFDC, contracts on a competitive basis with public and private organizations for welfare services. (Hudson Institute, July 1996, 8 pp.)

Call 847/202-4888
Request document #9275402

Last December, President Clinton issued a bold challenge to the states: By the year 2002, double the number of children moved from foster care to adoptive homes each year. "The public child-welfare system was created to provide a temporary haven for children," he said, "not let them languish forever in foster care."

Many states are trying to meet the Clinton challenge by turning their child-welfare programs over to the private sector. A recent survey by the Child Welfare League of America (CWLA) reports that of the 40 states responding to the survey, 35 were moving towards managed care or other privatization strategies in their child-welfare programs. Of those 35 states, over 75 percent are currently implementing management or service delivery changes, or plan to implement changes in the next three years. The CWLA also reports that 36 percent of the reform initiatives call for the delivery of better and more appropriate services through privatization, and 21 percent hope to achieve reduced costs and high-end or out-of-home care using private providers.

Kansas has recently become the first state in the nation to fully privatize its adoption, foster-care, and family preservation services. Kansas's Department of Social and Rehabilitation Services, previously the state's largest provider of adoption and foster-care services, now purchases these services from a network of private providers. It no longer does the state recruit foster-care or adoptive parents or send in social workers to assist families in crisis. These responsibilities—along with administration, placement, counseling, and follow-up services—have been turned over to private, nonprofit organizations.

Michigan has also emerged as a leader in foster care and adoption reform, with privatization as a key ingredient in the state's changes. About two-thirds of foster care and placements in Michigan are made by private agencies. The private agencies have lower child-to-caseworker ratios than the state (21:1 versus 30:1) yet cost less per day per child.

Other states are following the Michigan and Kansas leads, applying managed care principles and methods to their child-welfare systems. Wisconsin and New Jersey will experiment with pilot managed care programs within the next year. Sarasota County, Florida, has launched one of five such pilot programs in the state in 1996, turning over its problem-ridden foster care and adoption programs to a group of nonprofit agencies led by Sarasota YMCA.

West Virginia is also turning to managed care to improve quality and control costs in the state's entire child-welfare program. State officials are in the process of designing a plan

to move services over to private providers, as well as change or eliminate regulatory barriers to managed care implementation.

Performance Requirements Are Key

One advantage of privatization is that it gives public officials the freedom to creatively design contractor payments to correspond with certain performance goals. For example, Michigan is using a three-tiered payment system of performance incentives to reward and penalize private agencies. If an agency fails to place a child in a qualified home within eight months after the child has been freed for adoption, it loses over \$2,000 in payments from the state. On the other hand, if an agency finds a home for a difficult-to-place, special-needs child, it receives an additional \$3,000.

Michigan is using a three-tiered payment system of performance incentives to reward and penalize private child welfare agencies.

In Kansas, the adoption contract shifts nearly all the cost risks onto the private provider. The private agency receives \$13,500 for each child, out of which it must pay for foster care and counseling services for as long as the child remains in foster care. If the agency fails to place the child in an adoptive home within a year, it will lose money. If the adoptive home placement fails, the agency must place the child again—but with no additional state money.

Kansas's performance standards are quite demanding, especially in comparison to the track record of the state's social services department. The state was placing only about one-fourth of children in homes within six months after they were freed for adoption—but it wants the private providers to place 70 percent within six months and 90 percent within a year.

National groups like the Children's Defense Fund have expressed support for the general concept of a privatized, managed care model for child-welfare services. "When you look at the goals of managed care and the goals that have been behind the child-welfare reforms we have supported, there are a lot of similarities," says Mary Lee Allen, the director of child welfare and mental health for CDF. "The movement is in the right direction." □

Privatization

Eggers directs the Privatization Center, and Moore is the Associate Director of Economic Studies, at the Reason Foundation.

Privatizing the Information Highway

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The winning proposal is expected to be chosen in the first quarter of 1998. Cost savings are expected to be in the range of \$50 million a year.

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Looking Out For Business...

A Report from the Alaska State Chamber of Commerce - the Voice of Alaska Business



About sixty members of the Alaska State Chamber of Commerce (ASCC) were in Juneau recently to meet with Governor Knowles and the Legislature on behalf of business, commerce, jobs, and economic development. The primary topic of discussion was the \$1.2 billion budget deficit and what to do about it.

The Governor received praise for his leadership in opening the debate by putting his budget plan on the table. And, although the Legislature had yet to put forth its version of a plan for discussion, it was obvious that a lot of work was going on behind the scenes - sorting ideas and developing options for a plan that a majority of them could commit themselves to. The position presented by the Chamber was that a plan is needed this year - a plan for state government that emphasizes efficiency, consolidation, streamlining, and privatization.

"Any ideas on how this should be done?" was a question asked by many Legislators. Well, maybe this is a good time to look back in Alaska's history and see how another governor and another set of Alaska business leaders tackled a similar task - an assignment to reduce state costs by streamlining various government operations.

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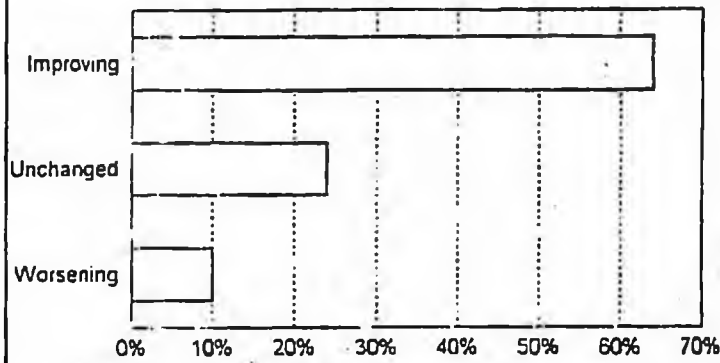
Pete Leathard, Chairman, ASCC

Many cities are responding by expanding service levels (see Figure 1-2). Moreover, this represents the continuation of a trend—according to the Municipal League of Cities, over two-thirds of cities report that the range of services they provide has expanded over the last five years, 32 percent of the cities expect increased service levels in 1998, and only 5 percent expect a decrease. Most anticipate increasing taxes to fund the service expansions.”

One impact of this trend is a dramatic increase in the number of government employees. In spite of the oft-heard rhetoric about cutting back bureaucracy, state government employment increased 5 percent and local government employment increased 11 percent between 1990 and 1996, according to the Bureau of Labor Statistics (see www.bls.gov/data/home.htm). That makes local government the nation's third-largest employment sector. And each year, new government employees cost taxpayers more than they did before—average pay for public employees is growing far faster than average pay in the private sector (see Figure 1-3).

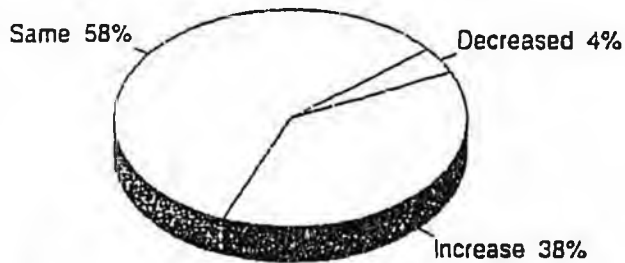
Interestingly, state and local government employment growth are in each case driven mainly by one sector. For state governments, employment in prisons accounts for a large portion of total state government employment growth. For many states, though, increasing employment of information-technology personnel to support more high-tech service delivery also accounted for many new employees. At the local level, the key growth area is schools. An increase of more than 5 million public-school students, compared to 1986, has meant nearly 400,000 new teaching jobs.

Figure 1-1: Municipal Economic Conditions



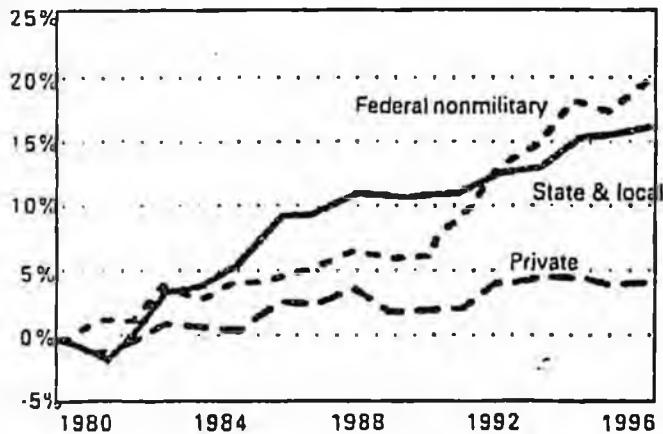
Source: National League of Cities, 1998.

Figure 1-2: Changes in Municipal Service Level



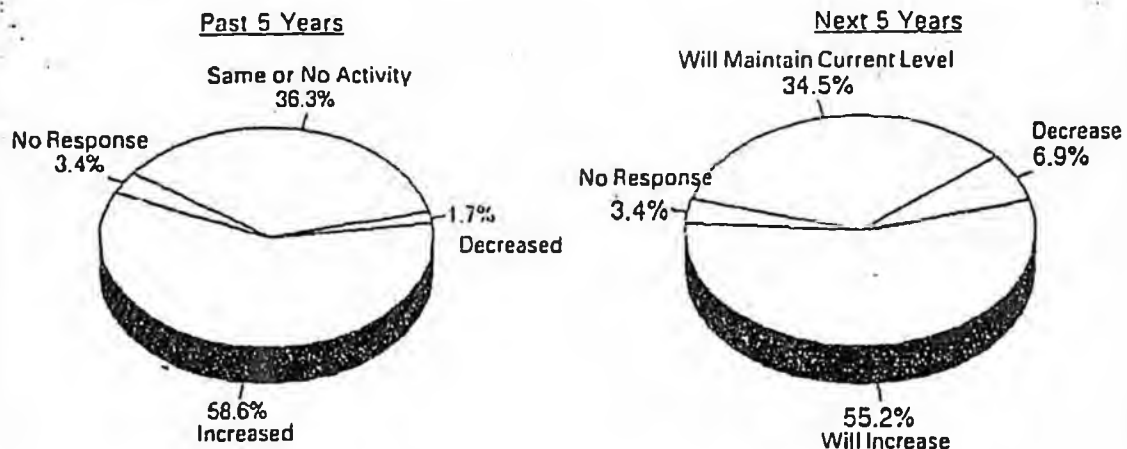
Source: Council of State Government (CSG), 1997.

Figure 1-3: Change in Average Annual Employee Compensation (Inflation Adjusted)



Source: *The Public Purpose*, www.publicpurpose.com

Figure 1-4: State Privatization Trends



Source: CSG survey on privatization in state government, 1997.

Table 4-1: Results of Michigan's Outsourced Foster-Care/Adoption Services: Then & Now

Year	Available for adoption	Black adopted	Disabled adopted	Total adopted
1991	—	439	708	1,320
1997	3,100	1,213	1,428	2,641

Table 4-2: Privatizing Foster Care in Kansas

Outcome	Target set by state	Target met by provider
Safety of the child	95%	99.9%
Minimal number of placements	90%	99.5%
Maintenance of family and community ties	70%	87%
Placement with a brother or sister	65%	69.6%

Welfare Privatization Hotspots

State	Scope
TX	Eligibility/information systems
WI	Intake to Placement (Milwaukee)
AZ	Intake to Placement (Maricopa Co.)
IN	Jobs Services
FL	Various depending on county

Types of Welfare Contracts

Pure Performance: Payment only for each client placed (America Works)

Partial Performance: Base payment plus bonus per placement (Maximus)

Performance Pegs: Bonus payments depending on job retention (Indiana contracts)

Flat Fee for Full Service: Flat fee, regardless of number of clients. Contractor assumes all risks. (Wisconsin privatizations in Milwaukee Co.)

Group wants Alaskans first in line for DOT work

Continued from Page 10

reduce state government growth.

"Our goal in doing this survey is to reduce the cost of projects so that more pavement hits the roads," said state chamber President Pam LaBolle.

LaBolle said the idea for the survey sprang from a 1996 chamber forum and was patterned after efforts by other states that found their transportation departments could be refined, reduced and made more efficient.

"We are not picking on DOT," she said. "Other states targeted their DOTs as places where the private sector could, in some cases, do a job cheaper and more efficiently, without harming important DOT services already in place."

The chamber asked firms for the number and classifications of their employees by DOT region, whether employees could be moved from region to region, and whether the firm could accommodate increased workloads or increase qualified employees to cover additional contracts.

"We were overwhelmed with the response, said LaBolle.

"Before we even had the survey faxed out to all of the firms, we were getting return responses. I think we hit a

nerve here."

The chamber of commerce is committed to the privatization of government services, she said, and maintains that Alaska transportation and public facilities contracts can be done by private con-

sulting engineers already here.

Results from the survey will be presented to the state Legislature this session, according to La Bolle.

Reporter Rob Stapleton can be reached at 907-762-1423.

Chamber surveys engineers

By Rob Stapleton:
Journal Reporter



A windfall of federal funds to the state through the Department of Transportation and Public Facilities has Alaska State Chamber of Commerce members concerned enough to activate a statewide survey about the department's growth and use of local engineering firms.

The chamber sent a letter



Jan. 26 to engineering firms statewide to advise them of the nearly \$900 million the state will receive this year for transportation-related projects as its share of the Transportation Equity Act for the 21st Century.

Legislators last year funded the \$46.5 million state match for work budgeted in the 1999 federal fiscal year, which began Oct. 1. Legislators would have to appropriate another \$50.6 million to provide matches for projects scheduled for fiscal 2000.

The chamber intends for its survey to inform the Legislature of the capabilities of Alaska's private-sector businesses, and help

Continued on Page 11

AK Journal of Commerce 2/22/99

Headquarters:
217 2nd Street, Suite 201
Juneau, AK 99801
(907) 586-2323 FAX(907) 463-5515
e-mail asccjuno@ptialaska.net



January 26, 1999

Re: Participation in future Alaska DOT&PF projects

Dear Alaskan Engineering Consulting Firm:

As a result of the work of Senators Stevens and Murkowski and Congressman Young, Alaska will be receiving a substantial increase in federal transportation funds for road building and other transportation infrastructure over the next 3-5 years. The total amount of work will be in the billions of dollars. This will also require a substantial increase in engineering work.

The question arises: Should this increase in engineering work be met by hiring additional state employees in the Alaska Department of Transportation and Public Facilities, or should this work be done by private consulting engineers?

The Alaska State Chamber of Commerce is committed to the privatization of government services when it is feasible and cost efficient. In this case, we believe it is clearly in the public interest that this work be privatized. Several Alaskan engineering firms are very capable in the area of transportation infrastructure and have performed this work cost-efficiently under contract with federal, state, and local agencies in the past.

In addition, we cannot be assured of this same level of funding in the future. If this were to turn out to be a spike in federal funding, we don't think it makes sense to hire additional state workers for whom the state may incur future unfunded liabilities, such as future medical coverage and other benefits. Many companies in the private sector staff for peak workloads through outsourcing to avoid the cost, hardship and disruption of laying off permanent employees that were hired to meet a relatively short term need.

The question then also legitimately arises: Are Alaskan consulting engineering firms capable of handling this additional workload? If you would please answer the following questions, it will give the State Chamber the information we need to advocate on behalf of privatization of this work. Please return this information to us by fax or by email no later than Wednesday, February 3. This is an important opportunity for your firm, and we hope you will take this request seriously and give it prompt attention.

1. What are the number and classifications of your employees by DOT region?
2. Can you move people from one region to another to cover the workload?

3. Can you handle more work than you are currently doing, either by increased utilization of your current personnel or by hiring additional personnel? Could you acquire these additional people quickly to respond to the contracting needs of Alaska DOT&PF?

When we have compiled the data, we will make it available to all of you who participated in this survey. We will keep you informed on deliberations on this issue in the Alaska Legislature this session. We will also let you know when we feel the time is right for you to communicate with legislators and the administration on this issue, such as Finance Committee hearings, etc.

If you have questions regarding this request, I can be reached at our Juneau headquarters at (907)586-2323. Please provide your information to us by fax, (907) 463-5515, or email at ascjuno@ptialaska.net.

The Alaska State Chamber of Commerce is the only statewide lobbying organization promoting the interests of all of Alaska's business community. Attending to and advancing legislation or administrative action on topics such as this is what we do best on behalf of business. Our strength is in the size and diversity of our membership. If you are not a member, please consider joining us. Thank you for taking the time to participate in this survey.

Sincerely,



Pamela La Bolle
President

South Central Region	
Unclassified	123
Registered Engineers	
Electrical	15
Mechanical	5
Civi	71
Structural	1
Geological	2
Chemist	1
Soil	3
Earthquake/sesismic	1
Enviromental	2
Hydrogeogist	3
Staff	
EIT	3
Admin/clerical	21
Other	
Technican	7
Urban/ regional Planners	2
Testing Tech.	8
Materials Supervisor	1
Enviromental Specialist	2
Land/Techincal	48
Electrical Designer	2
CADD/Drafter	17
Licenced Architect	1
Designer Tech.	18
Archeologist/cultural Specialist	1
Geologist	1
Asbestos Tech	1
Plumbing Designer	1
Contstruction Inspector	4
Total	365
Question # 2	14 Yes
Question # 3	8 Yes

South East Region	
Unclassified	9
Registered Engineers	
Electrical	1
Mechanical	1
Civil	22
Structural	2
Geological	1
Chemist	
Soil	
Earthquake/sesismic	
Enviromental	6
Hydrogeogist	
Staff	
EIT	2
Admin/clerical	11
Other	
Technican	8
Urban/ regional Planners	
Testing Tech.	
Materials Supervisor	
Enviromental Specialist	
Land/Techincal	7
Electrical Designer	
CADD/Drafter	7
Licenced Architect	
Designer Tech.	
Archeologist/cultural Specialist	
Geologist	
Asbestos Tech	
Plumbing Designer	
Contstruction Inspector	
Total	77
Question # 2	16 Yes, 2 No
Question # 3	18 Yes

Northern Region	
Unclassified	48
Registered Engineers	
Electrical	
Mechanical	
Civil	
Structural	
Geological	
Chemist	
Soil	
Earthquake/sesismic	
Enviromental	1
Hydrogeogist	
Staff	
EIT	
Admin/clerical	1
Other	
Technican	1
Urban/ regional Planners	
Testing Tech.	
Materials Supervisor	
Enviromental Specialis	1
Land/Techincal	
Electrical Designer	
CADD/Drafter	
Licenced Architect	
Designer Tech.	4
Archeologist/cultural Specialist	
Geologist	
Asbestos Tech	
Plumbing Designer	
Contstruction Inspector	
Total	56
Question # 2	2 Yes
Question # 3	2 Yes

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Privatization

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Privatization: A Growing Trend in Child Welfare

Available on PolicyFax

Replacing Welfare in Wisconsin: The "Wisconsin Works" program, the state's alternative AFDC, contracts on a competitive basis with public and private organizations for welfare services. (Hudson Institute, July 1996, 8 pp.)

Call 847/202-4888

Request document #9275402

Last December, President Clinton issued a bold challenge to the states: By the year 2002, double the number of children moved from foster care to adoptive homes each year. "The public child-welfare system was created to provide a temporary haven for children," he said, "not let them languish forever in foster care."

Many states are trying to meet the Clinton challenge by turning their child-welfare programs over to the private sector. A recent survey by the Child Welfare League of America (CWLA) reports that of the 40 states responding to the survey, 35 were moving towards managed care or other privatization strategies in their child-welfare programs. Of those 35 states, over 75 percent are currently implementing management or service delivery changes, or plan to implement changes in the next three years. The CWLA also reports that 36 percent of the reform initiatives call for the delivery of better and more appropriate services through privatization, and 21 percent hope to achieve reduced costs and high-end or out-of-home care using private providers.

Kansas has recently become the first state in the nation to fully privatize its adoption, foster-care, and family preservation services. Kansas's Department of Social and Rehabilitation Services, previously the state's largest provider of adoption and foster-care services, now purchases these services from a network of private providers. No longer does the state recruit foster-care or adoptive parents or send in social workers to assist families in crisis. These responsibilities—along with administration, placement, counseling, and follow-up services—have been turned over to private, nonprofit organizations.

Michigan has also emerged as a leader in foster care and adoption reform, with privatization as a key ingredient in the state's changes. About two-thirds of foster care and placements in Michigan are made by private agencies. The private agencies have lower child-to-caseworker ratios than the state (21:1 versus 30:1) yet cost less per day per child.

Other states are following the Michigan and Kansas leads, applying managed care principles and methods to their child-welfare systems. Wisconsin and New Jersey will experiment with pilot managed care programs within the next year. Sarasota County, Florida, has launched one of five such pilot programs in the state in 1996, turning over its problem-ridden foster care and adoption programs to a group of nonprofit agencies led by Sarasota YMCA.

West Virginia is also turning to managed care to improve quality and control costs in the state's entire child-welfare program. State officials are in the process of designing a plan

to move services over to private providers, as well as change or eliminate regulatory barriers to managed care implementation.

Performance Requirements Are Key

One advantage of privatization is that it gives public officials the freedom to creatively design contractor payments to correspond with certain performance goals. For example, Michigan is using a three-tiered payment system of performance incentives to reward and penalize private agencies. If an agency fails to place a child in a qualified home within eight months after the child has been freed for adoption, it loses over \$2,000 in payments from the state. On the other hand, if an agency finds a home for a difficult-to-place, special-needs child, it receives an additional \$3,000.

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In Kansas, the adoption contract shifts nearly all the cost risks onto the private provider. The private agency receives \$13,500 for each child, out of which it must pay for foster care and counseling services for as long as the child remains in foster care. If the agency fails to place the child in an adoptive home within a year, it will lose money. If the adoptive home placement fails, the agency must place the child again—but with no additional state money.

Kansas's performance standards are quite demanding, especially in comparison to the track record of the state's social services department. The state was placing only about one-fourth of children in homes within six months after they were freed for adoption—but it wants the private providers to place 70 percent within six months and 90 percent within a year.

National groups like the Children's Defense Fund have expressed support for the general concept of a privatized, managed care model for child-welfare services. "When you look at the goals of managed care and the goals that have been behind the child-welfare reforms we have supported, there are a lot of similarities," says Mary Lee Allen, the director of child welfare and mental health for CDF. "The movement is in the right direction." □

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Privatizing the Information Highway

Available on PolicyFax

Privatization '97: Public Sector Overview. Excerpted from Reason Foundation's most recent annual privatization report, offering detailed descriptions of privatization initiatives at the federal, state, and local levels.

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"The State Chamber is united in the position that we need to get the budget problem behind us now, so that we can concentrate all our energies on building Alaska for the future."

Pete Leathard, Chairman, ASCC

PUBLIC-PRIVATE FAIR COMPETITION ACT

Summary

This act prohibits government from engaging in any commercial activity of any goods or services to or for government agencies or for public use which are also offered by private enterprise. It establishes a Private Enterprise Advisory Committee to act in conjunction with the state auditor to review and make determinations concerning state agencies engaged in or proposed to be engaged in activities which unfairly compete with the private sector. It also establishes a system to resolve complaints from the private sector regarding unlawful government activity established in this Act. (An example of this bill is Oregon HB #2776, 1993)

Model Legislation

{Title, enacting clause, etc}

Section 1.

This Act shall be known and may be cited as the Public-Private Fair Competition Act.

Section 2. {Statement of purpose}

The Legislative Assembly finds and declares that the growth of private enterprise is essential to the health, welfare, and prosperity of this state and that government competes with the private sector when it provides goods and services to the public. It is the intent of the Legislative Assembly and the purpose of this Act to protect economic opportunities for private industry against unfair competition by government agencies and enhance the efficient provision of public goods and services. It is also the intent of the Legislative Assembly that issues and complaints regarding competition between government and the private sector be addressed by the state auditor, with advice from the Public Enterprise Advisory Committee created by this Act.

Section 3. {Definitions}

(A) "Commercial Activity" means performing services or providing goods which can normally be obtained from private enterprise.

(B) "Committee" means the Private Enterprise Advisory Committee

(C) "Competitive impact statement" means a cost analysis using uniform accounting standards accepted by private enterprise to determine the total cost of commercial activity. The cost analysis shall include a comparison of impact of commercial activity on state and local tax revenues. The private enterprise cost figures in the cost analysis shall be determined by obtaining one or more bids for performing or providing commercial activity.

(D) "Government agency" means the state, any unit of state government and any local government or other subdivision or district of the state, and shall not be construed to exclude any entity which is not majority owned as private property and which established under the Constitution, statutes, ordinances or any other order or action by any such entity or its officers.

(E) "Private enterprise" means an individual, firm, partnership, joint venture, corporation, association or any other legal entity engaging in the manufacturing, processing, sale, offering for sale, rental, leasing, delivery, dispensing, distributing or advertising of goods or services for profit.

(F) "Uniform accounting standards" means an accounting method which allows government agencies to identify the true and total cost to supply goods and services in the same manner as private enterprise would identify true and total cost, including but not limited to the following:

- (1) Labor expenses, including direct wage and salary costs, training costs, overtime and supervisory overhead,

Part III: Competitiveness ■

- (2) Total employee fringe and other personnel expenses;
- (3) Operating costs including vehicle maintenance and repair, marketing, advertising, and other sales expenses, office expenses, billing and insurance expenses;
- (4) Real estate and equipment costs, debt service costs and a proportionate amount of other agency overhead and capital expenses including vehicle depreciation and depreciation of other fixed assets such as buildings and equipment;
- (5) Contract management costs;
- (6) The imputed tax impact of the activity if such entity were required to pay federal state and local taxes; and
- (7) Any other cost particular to the business or industry supplying the goods or services.

(G) "Government agency" means the state, any unit of state government and any local government or other subdivision or district of the state, and shall not be construed to exclude any entity which is not majority owned as private property and which established under the Constitution, statutes, ordinances or any other order or action by any such entity or its officers.

Section 4. {Government activity prohibitions and exceptions }

(A) Except as provided in this act, a government shall not engage in any commercial activity, including, but not limited to, the manufacturing, processing, managing, sale, offering for sale, rental, leasing, delivering, dispensing, distributing, or advertising, in whole or part, of any goods or services to or for government agencies or for public use which are also offered by private enterprise.

(B) Notwithstanding any other provision of law, a government agency is authorized to perform or provide a commercial activity only when:

- (1) The activity is authorized by state law
- (2) Use of a private enterprise source would cause unacceptable delay or disruption of an essential program.
- (3) The agency can provide or is providing goods or services to government agencies or the public on a continuing basis at a lower cost than if such goods or services were obtained from private enterprise as determined by cost comparison as outlined in the competitive impact statement relating to the specific good or service.

Section 5 {Competitive Impact Statement }

(A) A government agency shall not be required to perform more than one competitive impact statement within one year for the same good or service as specified in a complaint under this act.

Section 6 {Committee governance}

(A) The state auditor in consultation with the Public Enterprise Advisory Committee, shall review and make determinations concerning state statutes, state rules and practices of state agencies relating to activities engaged in or proposed to be engaged in by government agencies which may be affected by this act and shall enforce the provisions of this act.

(B) The state auditor, in consultation with the committee, shall determine final uniform accounting standards to be used for cost analysis in this Act in at least as strict a form as the definition of uniform accounting standards in this Act.

(C) The state auditor, in consultation with the committee, shall adopt rules:

- (1) Necessary to govern the public bidding process by private enterprise

Part III: Competitiveness ■

(2) Establishing procedures for hearing and resolving complaints filed under this Act.

(D) The state auditor shall report activities and determinations made under this Act to the Governor and Legislative Assembly not later than [deadline].

(E) The Private Enterprise Advisory Committee is created in the Department of Insurance and Finance. The committee shall advise the state auditor in the implementation and enforcement of this Act. The committee shall consist of nine unpaid members who shall be appointed as follows:

(1) The Governor, Speaker of the House of Representatives and President of the Senate shall each appoint two members from private enterprise who are business owners or officers.

(2) Two members who shall be chief executive or administrative officers of a government agency and who shall be appointed by the Governor.

(3) One member of the Legislative Assembly who shall be appointed by the Speaker of the House of Representatives.

(4) The chairperson of the committee shall be appointed by the Governor from the members representing private enterprise.

(F) All initial appointments to the committee shall be made no later than January 1 of the year following enactment. Terms of office for all members of the committee shall be two years and members may be reappointed up to an additional four terms. Each member who is a state agency employee shall remain on the committee until the end of the member's term of office, but only so long as the person remains a state agency employee. A vacancy on the committee shall be filled within 60 days of the date the vacancy occurred in the same manner as the original appointment. Any member appointment to fill a vacancy occurring prior to the expiration of the term for which the member's predecessor was appointed shall hold office for the remainder of the term. Each member shall continue in office until a successor is appointed and qualified.

(G) Five members of the committee shall constitute a quorum. No action shall be taken by the committee without the concurrence of at least three members.

(H) The state auditor shall adopt rules necessary to govern proceedings of the committee. Members of the committee shall serve without compensation but shall be entitled to expenses.

Section 7 {Complaints}

(A) Any person who believes that a government agency has engaged in or is proposing to engage in commercial activity in violation of this Act may file a written complaint with the state auditor stating the grounds for the complaint. Upon receipt of the complaint the state auditor shall immediately transmit a copy of the complaint to the head of the government agency which is the subject of the alleged violation and to the committee.

(B) The head of the government agency named in the complaint shall respond to the state auditor in writing within 30 days after receipt of a complaint. The state auditor shall transmit a copy of the response to the committee. The government agency shall either admit or deny the allegations made in the complaint and indicate whether remedial action will be taken.

(C) If a government agency denies the allegations made in the complaint, the government agency shall:

(1) Prepare and submit to the state auditor a competitive impact statement concerning the commercial activity that is the subject of the complaint; and

(2) Prepare a detailed request for proposal which will be widely disseminated within segments of private enterprise which normally engages in the commercial activity that is the subject of the complaint in order to obtain firm bids.

Part III: Competitiveness ■

or proposal for the activity requested. All bidding processes shall be a matter of public record. A reasonable time period shall be given to private enterprise to submit bids or proposals. Bids received from the request for proposal shall be made available upon request of the state auditor. Bids received from request for proposal shall be used in the preparation of the competitive impact statement.

(D) The state auditor shall establish a deadline for submission of the competitive impact statement by the government agency.

(E) The state auditor shall hold a public hearing on the complaint where all parties are afforded an opportunity to present evidence. The hearing shall be held:

(1) Within 30 days after receipt of the agency's response under this section, if the agency admits the allegations in the complaint but does not indicate whether remedial action will be taken, or

(2) Within 30 days after the state auditor receives the competitive impact statement prepared under this section.

(F) After considering the competitive impact statement, bids received from private enterprise under this Act and other evidence presented, the state auditor, after consulting with committee, shall determine whether the government agency is in violation of the provisions of this Act. If a government agency is found to be in violation of this Act, the state auditor shall take the necessary steps to terminate the commercial activity.

(G) Within 30 days after the public hearing, the state auditor shall issue a report of its findings to the complainant and the government agency.

(H) If the government agency's commercial activity is to be terminated, the termination shall take place within three months of the state auditor's report or under a schedule set by the state auditor.

(I) The state auditor shall establish by rule fees for filing complaints which will supply the operating funds of the committee. The fee shall not be less than \$2,000 per complaint. In the case where the state auditor finds in favor of the complainant, the government agency shall pay the filing fee, and the complainant shall be reimbursed by the state auditor.

(J) If the government agency fails to comply with the state auditor's order, the state auditor may file an action to restrain and enjoin the government agency from engaging in the activity.

(K) A private enterprise that suffers economic loss as a result of a government agency violating this Act has a cause of action for injunctive relief or damages, or both, in the county where the government agency is located. Any damages awarded in a cause of action brought under this Act shall be assessed against the specific government agency and specifically assessed against its budget. Court costs shall be awarded to any private enterprise prevailing under this section. A private enterprise shall not have standing to seek injunctive relief or damages or to challenge violations of this Act in the courts of this state until the private enterprise has first made a complaint to the state auditor and has received the decision of the state auditor.

Section 8. {Severability clause.}

Section 9. {Repeals.}

Section 10. {Effective date.}



A Brief Overview

The Arkansas Citizens' Commission to Streamline State Government (Murphy Commission) is an independent initiative in which *100-150 citizens and business leaders are volunteering* some of their time, money, brainpower, common sense and expertise--for a year to 18 months--as a volunteer, citizen-driven task force charged with *discovering ways Arkansas' state government can be made leaner, smaller, more focused, more accountable, and more efficient.* The Commission's findings will comprise written recommendations--backed with supportive data and information--to be presented, as a report, to the Governor, other officials in higher state elective offices, legislators, state business leaders, the media, and citizens at large.

To accomplish its mission, the Murphy Commission comprises *six (6) volunteer workgroups and several special committees* with specific missions relative to improving state government. Specifically, the six workgroup areas of interest are 1) defining the role and function of state government, 2) quantifying the structure of state government as it exists now, 3) detailed examination of the state budget to identify economizing opportunities, 4) identifying opportunities to privatize state services, 5) reforming state fiscal policy and creating a pro-growth, family friendly tax plan for Arkansas, 6) applying technology in state government for greater efficiency in operations and improved citizen access to government data and performance information.

Each workgroup will issue one or more "*interim*" reports as it works and finishes its assigned tasks. This will allow for a series of briefs and recommendations to flow from the Commission over the yearlong course of its work. *A final summary report with all recommendations will be issued to government leaders, citizens, and the media* once all workgroups have completed their tasks. It will be accompanied by a supporting policy paper recommending a comprehensive pro-growth and family friendly tax reduction plan for Arkansas.

The Commission will *encourage serious consideration of its proposals and recommendations* and count on many of them eventually being enacted. It will remain in tact--as a body--for up to five years, meeting at least once annually, to monitor progress on the adoption of its recommendations and report to the public on which have been implemented, which have not—and why, and which ones may need to be altered—and why. *Failing legislative action on recommendations that may have strong public sentiment...the option of ballot initiative by the people will be explored and encouraged.*

HOW TO CONTACT THE MURPHY COMMISSION...

111 Center St., Suite 1610, Little Rock, AR 72201 501-376-9967 Fax 501-376-6556

Murphy Commission Hotlines:
376-9798-Little Rock Area
1-888-97-IDEAS (974-3327) Statewide Toll Free



Mission Statement

The Arkansas Citizen's Commission to Streamline State Government

As Arkansas approaches the 21st. century, it is both appropriate and timely that the proper role and function of our state government be re-visited and, as needed, redefined.

Guided by this goal, the *Murphy Commission* exists to create a smaller, more cost-effective and accountable state government in Arkansas through an independent, non-partisan, and ongoing citizen review process utilizing in-depth financial and management analysis by experts in their respective fields and by other concerned citizens.

In carrying out its mission, the *Murphy Commission* will give specific attention to:

1. Recommending changes to the current structure of state government, the number and composition of boards and commissions, and government's regulatory powers.
2. Analyzing the current state budget and the process by which it is generated and targeting ways to save money and set priorities.
3. Identifying opportunities to streamline operations and generate cost savings.
4. Highlighting opportunities to privatize state government services.
5. Addressing state taxation and financial practices in order to develop reforms conducive to investment and savings, and the creation of a nationally competitive business environment.
6. Utilizing technology to make government function more efficiently and to provide greater citizen access to state information and data.

All findings and recommendations of the Commission will be supported by data, information and facts that are comprehensive, reliable and defensible. All sources will be cited. In addition, complete openness and visibility are also objectives of the *Murphy Commission*. Therefore, the public, all state-level elected officials, and the media will be continually apprised of the Commission's progress. A final report, detailing all findings and recommendations, will be released to the public. The commission will remain in place for five years to assess and report publicly on implementation and modification of all recommendations.

Expected Benefits to Arkansas:

- Greater public understanding of the role and function of state government.
- State government that is more efficient and more accountable to the citizens it serves.
- Greater opportunity for Arkansas' businesses and families to prosper and thrive through lower, fairer, taxes and the stimulation of a pro-growth and nationally competitive economic climate.

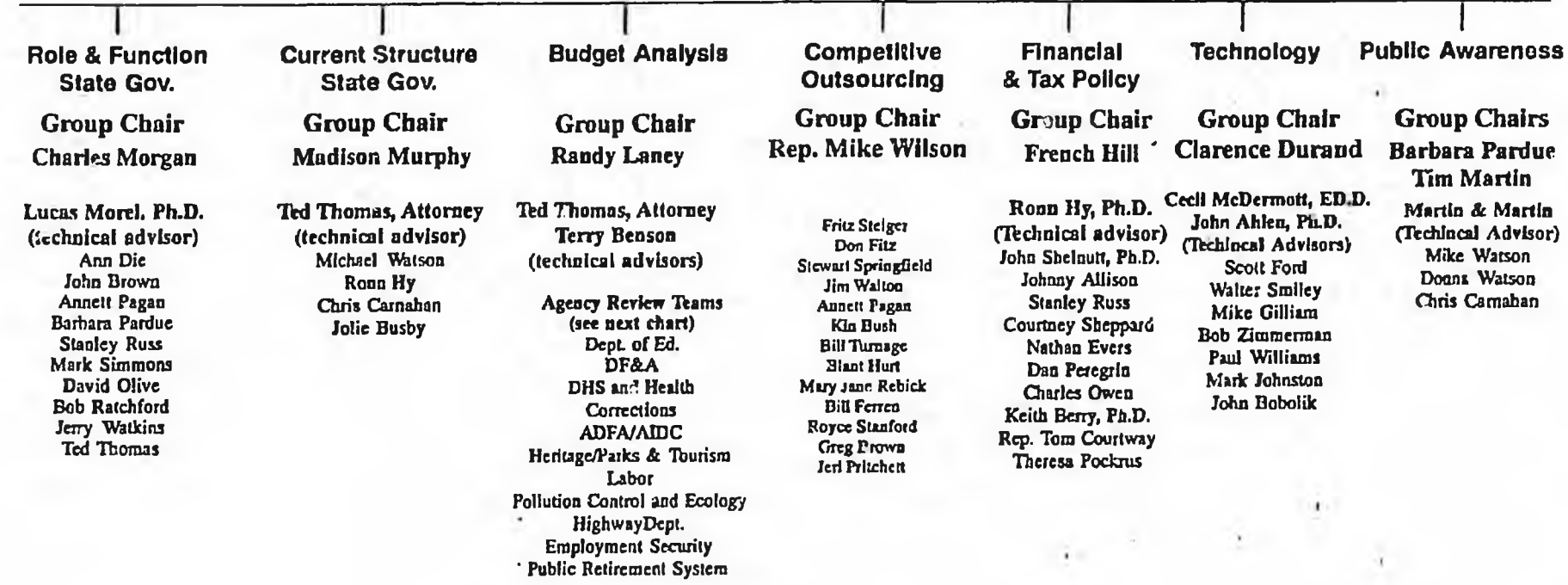
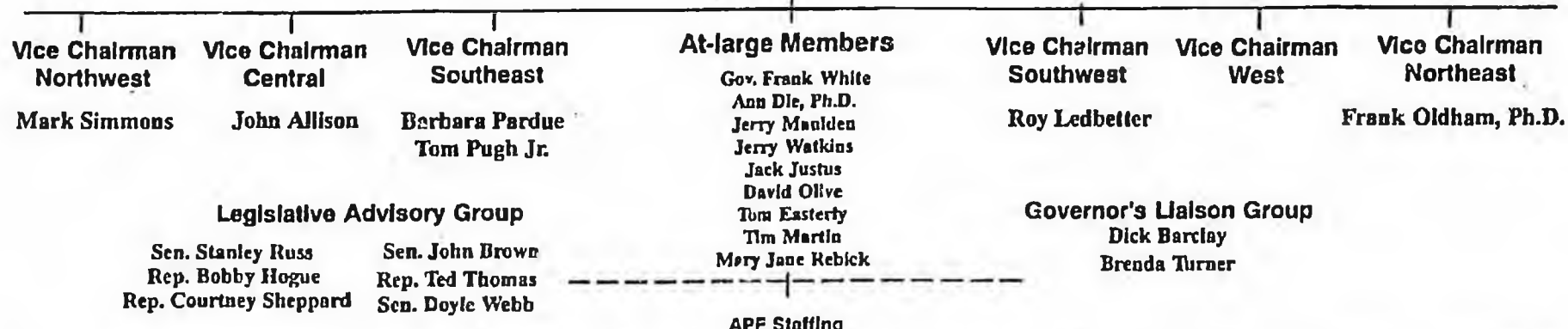
08/20/97

The Murphy Commission (A citizens' commission to streamline state government)

**CHAIRMAN
MADISON MURPHY**

**VICE CHAIRMAN
STEVE STEPHENS**

*Vacancies are still being filled
in some positions and workgroups.
Suggestions welcomed.



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08/20/97

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Ted Thomas--Technical Advisor

Terry Benson--Technical Advisor

Ronn Hy--Technical Advisor

Mika Watson--Staff Director

Advisory Review and Oversight

Mike Haigh: Chair
Dorsey Jackson, Co-chair
Keith Conine
George Breazeal
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Marc Buxton
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Mike Watson
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Mike Watson
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Mike Watson
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Donna Watson

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Mel Ingram

Rifle Shot Team One

Mickey Miller

Rifle Shot Team Two

Skip Cool

(GL) Governor's Office Liaison

April 18, 1999

Representative John Coghill
State Capital
State of Alaska
Juneau, AK 99801

Re: CS FOR SENATE BILL NO. 33 (FIN)

Dear John:

Per your request, I am forwarding to you my concern with Senate Bill No. 33, which will be up in House State Affairs on Tuesday. As I mentioned to you late Friday afternoon, my concern is Section 2 & 3 of the bill. Section 2 gives unilateral and absolute power to the State in the:

"unrestricted authority of the employer to enter into a contract with an entity in the private sector of the economy to perform a function previously performed by state employees".

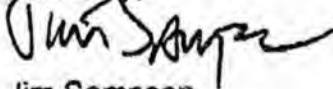
John, simply put, this language eliminates collective bargaining in the public sector in Alaska. This language, if used to its extreme, could legally allow the State to fire or layoff thousands of its Alaska workers without having the legal responsibility to bargain in good faith. It should be deleted.

Section 3. I don't know if the intent of this section is to allow labor to comment or submit a formal proposal to compete in the bidding process. Either way, I don't see the need for the section.

I am in Washington, DC from Saturday, April 17, 1999 until Thursday, April 22, 1999. If you have any questions on my comments, I can be reached at the Westin Fairfax at (202) 293-2100. I did talk with Representative James and was not able to talk with Representative Whitaker before I had to leave, so I am going to fax a copy of this letter to both of them.

Thank you all for your consideration.

Sincerely,



Jim Sampson



PRIVATIZATION WATCH

REASON PUBLIC POLICY INSTITUTE ♦ PRIVATIZATION CENTER

No. 265 ♦ January 1999



[Email the editor at nsnell@reason.org]



[Call the Privatization Hotline at 310/391-6525]



[Check out the new privatization web site at www.privatization.org]

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THREE STATES LEADING THE WAY IN CHILD WELFARE PRIVATIZATION

That "America's child welfare system is cumbersome, inefficient, and costly" and that "paperwork and protocol often overshadow the best interests of children" are among the findings in "Blueprint for the Privatization of Child Welfare," a study recently released by the Reason Public Policy Institute.

Three states—Texas, Michigan, and Kansas—have taken the lead in remedying these and other problems through privatization. Although their programs differ, their goals are the same: to better serve the needs of the children and families in their care.

Texas

In Texas, the child welfare department was having problems with its outdated management information system (MIS). As the study points out, "a child in foster care whose file is misplaced, whose health records are kept in an office across the state from his foster family's home, whose court dates are repeatedly postponed because the state cannot adequately gather records pertinent to his case, is left adrift in a system. This is the human cost of a very limited MIS that can amount to months, even years, of a child's life."

Until as recently as 1989, the Texas child welfare department tracked nearly 8,000 children with a system of three-by-five cards and nine separate computer systems. It took nearly seven years for the department to upgrade its antiquated system with a centrally located and efficient information system. They accomplished this by employing a qualified private contractor to meet their four primary goals:

- Goal 1: Reduce the risk of harm to children and vulnerable adults and improve services by enhancing caseworker productivity and efficiency.
- Goal 2: Improve the quality, timeliness, and utilization of information for all levels of staff.
- Goal 3: Support management of resources to maximize client outcome.
- Goal 4: Provide electronic interface ability with agencies and service providers outside the Texas Department of Protective and Regulatory Services to facilitate data exchanges and verification.

The child welfare department not only met these goals but also realized substantial savings as well. They expect to cut costs over the first

PRIVATIZING MARINAS, PART 1: TRENDS AND METHODS

This is the first report in a two-part series on marina privatization. It is condensed with permission from a series of articles written by Neil Ross in the May 1998 issue of Boating Industry Magazine.

Public marinas in the United States are converting to private management at an increasing rate. According to boating-industry experts, most of the existing publicly operated marinas in the nation may be heading toward privatization over the next 10 to 15 years.

Why Privatize?

1. Taxpayers do not want to further subsidize "rich yachtsmen." The day of government money being available for boaters has largely disappeared. Public officials are looking for other ways to get better service at lower cost and even generate income.

2. Many publicly built facilities are getting old and more expensive to maintain. Most need major modernization because they were built for a type of boat that is very different from what most boaters have now.

3. Government agencies are notoriously weak on maintenance budgets. As a result, many public marinas are showing their age and are increasingly in disrepair. And the coastal and environmental restrictions on marinas have grown so much that governments increasingly

PUBLIC MARINAS FOR PRIVATE USE?

have trouble complying with—and paying for the studies required by—their own regulations and those of other levels of government.

4. Marinas are really a hospitality business that must cater to and serve customers. This is not a strong feature of government agencies or their employees. Government workers are paid the same whether the marina does well or not, and are not rewarded when they do a great job. Some public marinas even close their offices on major holidays such as Labor Day, when their facilities are most in demand.

For many local governments, privatization appears to be the best long-term solution. Unlike public bodies, profit-seeking business managers tend to make quick decisions to solve problems as they occur. They can easily spend cash to fix problems.

Under privatization, the government can sell the marina outright or remain in the loop by owning the land/water and overseeing contracts for operation. Taxpayers benefit from reduced cost and revenue from the marina, boaters get superior service and better facilities.

Trends

The National Marine Manufacturers Association estimates that there are more than 10,000 marinas across the United States; of these, about 70 percent are private and about 30 percent are public.

The four most active states in marina privatization are California, Illinois, Wisconsin, and Florida. Almost all the marinas currently (or soon to be) under private management are in the coastal areas, but the trend will likely move inland to lake and river facilities over the next decade.

"Most of all the big public marinas in California have been approached by private management corporations," says John Corrough, marina consultant and port master planner for the Corrough Consulting Group, in Newport Beach, California. "Many of the municipalities are considering private management and have studies ongoing. Eight to 12 major public marinas are actively planning to take this step."

Corrough says California's Proposition 20 absolutely restricted the flow of money for marina development and capital improvements and that the state and local governments just have no money available for marinas. He also notes that the U.S. Army Corps of Engineers has largely withdrawn from marina dredging and construction and that the big push of the '60s and '70s to build major harbors and public marina facilities is over.

Much of the bidding to lease and manage public marinas is being done by two national companies: Westrec Marinas (Encino, California) and newcomer Marina Management International, owned by dock manufacturer Bellingham Marine Industries (Bellingham, Washington). In regional markets, there is competition from several other management companies, including Almar (Palos Verdes, California); Hoty En-

terprises (Westlake, Ohio); and Skipper Marine Development (Winthrop Harbor, Illinois).

Types of Privatization

According to William Anderson, president of Westrec Marinas, the two main methods of marina privatization are:

Direct Management Contract. This is the preferred method when the government wants to retain ownership of the marina or when a charter or state law prevents a lease. The length of typical marina management contracts varies from 3 to 20 years, with 10 years common. Renewal is based on good revenues and performance. Generally, the government pays an annual management fee, which increases each year by a certain percentage, plus a percentage of revenues. However, if there is any nontaxable bond money involved in the marina, IRS regulations prohibit giving a percentage of its income to private corporations.

Long-Term Lease. This is the preferred method when a public marina needs major repair and the government doesn't have the money to pay for it. A long-term lease allows cost recovery plus profit for the private operator.

"Each conversion is different because of differing laws and regulations, and we need to customize our packages to meet the municipal needs," Anderson says. "I see this as a long-term trend for all levels of government—federal, state and local."

Examples

In Wisconsin, Sheboygan City Development Director Robert Peterson says: "We built and opened our public marina in 1994. Working with 28 business CEO advisors, the city decided it didn't

have the expertise or skills to run marinas and sent out a Request for Proposals (RFP) for management help during construction and operation."

The city received three bids and gave a 10-year renewable management contract to Skipper Marine Development to run the city's marina. Skipper put up \$320,000 of its own money and constructed a Harbor Clubhouse, a swimming pool, and other amenities.

According to Peterson, Skipper gets an annual management fee, which increases 3 percent per year, plus 13.5 percent of net operating profit. The marina has 255 slips now, and Skipper is adding 56 more this year.

"We expect to total 466 slips in a few more years," says Peterson. "The marina is exceeding our projections on slip occupancy, transient visitors, fuel sales and other services. Good security and cleanliness are the two most common compliments we get from boaters."

Cabrillo Marina in the Port of Los Angeles is a public marina in the process of converting to private management. It has 1,180 slips that were built when federal, state, and city money was available.

"This type of public/public/public (federal/state/city) partnership is out the window now," Corrough says. "The private contract will include payment of a flat rental fee plus a percent of various gross revenues to the port. Cabrillo has been widely known for its low rates—well below market—and this will change. In return, slip rates will change from \$8 per foot per month across the board to a graduated rate system of \$10 to \$15 per foot."

See next month's *Privatization Watch* for "Privatizing Marinas, Part II: Lessons Learned and Best Practices."

PRIVATIZING CHILD WELFARE IMPROVES SERVICES

10 years of the contract by more than half, from \$199 million to \$97 million—over \$100 million in tangible savings, along with increased quality and efficiency gains.

Michigan

The primary goal of child welfare officials in Michigan is to have children adopted as quickly and efficiently as possible, minimizing the amount of time in foster care. In 1987 they implemented a program that relies heavily on private agencies. They altered their child welfare policy to allow (1) imposing time limits on moving children out of foster care and into adoption, (2) a tighter definition of abandonment, thereby reducing the number of children entering the system unnecessarily, (3) economic incentives for quicker adoptions, and (4) making information on adoptable children more available. Since then, the rate of adoptions has steadily increased, with considerable growth in the adoption of "special needs," or "hard to place," children. The success of Michigan's adoption program is detailed in Table 1.

By offering financial incentives for placing children more quickly, Michigan has created a "culture of adoption," that rewards successful adoptions and penalizes warehousing.

Kansas

Kansas has engaged in the most-comprehensive child welfare privatization program to date. A variety of problems and legal pressures in the late 1980s and early 1990s led the state to consider privatization as a means of meeting its obligations and providing the best possible service. Although it was the legislature that recommended privatization, it was the agency itself that took up the cause and pushed reform forward.

Cost savings were not the primary focus. As Gov. Bill Graves put it, "This isn't about saving money. In fact, it may very well cost us more money, and that is OK in the long run if the results are more positive for the children of our state." Their goals were fourfold:

- Establish clearly defined program goals that must be met.

Under the old method, the state was not held accountable if a child lingered in foster care.

- Achieve quality and cost-effectiveness through competition. Under the old method, the state ran everything—for better and for worse.
- Ensure that children and families are assigned to a single case manager throughout the service-delivery process. Under the old method, a family could have several caseworkers from all the various parts of the system, sometimes working at cross-purposes.
- Make availability of services equal across the state. Under the old method, the type and quality of service a family received varied, depending on where they lived.

Similar to Michigan's system, Kansas officials evaluate the program with an outcome-based service-delivery system; they use pooled funding to ensure that de-

isions are based on clinical need rather than funding streams; and they set a dollar amount that is tied to achieving measurable outcomes and is to be paid per child/family. The results were even better than the state expected—the private contractors exceeded their target levels for several outcome measures, as shown in Table 2.

The secretary of the Kansas Department of Social and Rehabilitative Services summarized the change: "The old-world incentive was to keep the beds filled; now it is performance."

Although these three states engaged in privatization of differing types and to varying degrees, they all shared the same goals and expectations—to better care for children and families. All three achieved their goals and serve as models for the rest of the nation on the benefits of private-sector involvement in child welfare services.

—Wade Hudson

[whudson@reason.org]

Table 1: Michigan: Then and Now

Year	Black children adopted	Disabled children adopted	Children adopted (all)	Percentage of available children adopted	Children available for adoption
1991	439	708	1,320	1,976	66.8
1997	1,213	1,428	2,378	3,058	77.8

Source: Susan Orr, "Child Welfare Services," in Annual Privatization Report (Los Angeles: Reason Public Policy Institute, 1998), p. 27.

Table 2: Privatizing Foster Care in Kansas

Outcome measures	Target set by state	Target met by providers
■ Safety of the child	95%	99.9%
■ Minimal number of placements	90%	99.5%
■ Maintenance of family and community ties	70%	87%
■ Placement with a brother or sister	65%	69.6%

Source: Susan Orr, "Child Welfare Services," in Annual Privatization Report (Los Angeles: Reason Public Policy Institute, 1998).

PRIVATIZATION BRIEFS

Military Payroll Competition

In January the U.S. Department of Defense will solicit proposals from the private sector to handle military pay processing operations now performed by 500 civilian employees at the Defense Finance and Accounting Service (DFAS) in Cleveland. The work involves processing monthly checks for about 1.9 million military retirees. The DFAS center will prepare a proposal that will compete with those submitted by the private-sector firms. Ken Redding, program manager for the DFAS, said that three previous competitions between the DFAS and private companies in other cities have not resulted in any outsourcing or privatization of Pentagon jobs. However, he also said that those competitions resulted in annual savings of \$2 million and the elimination of about 400 government jobs as officials restructured their operations to reduce costs. Business Executives for National Security, a group in Washington, D.C., that has been urging the Pentagon to get out of the payroll processing and accounting business, has cited studies showing that the Defense Department could save a minimum of \$350 million annually by outsourcing about half the DFAS functions. The proposals are scheduled to be completed next summer, and the winner could be selected by next October.

Los Angeles Considers Private Child-Support Collection

Los Angeles County Supervisor Mike Antonovich has proposed privatizing District Attorney Gil Garcetti's child-support agency. The *Los Angeles Times* has reported that Garcetti's office fails to collect the child support 9 times out of 10 and knowingly bills men who are not biological fathers of children they are ordered to support. Antonovich's plan calls for county staff to draft proposals for bids from private companies that would handle "the investigation and payments" of child support. It will be considered by the Los Angeles County Board of Supervisors. Garcetti will also present a plan for improving his child-support unit. State law vests sole authority for running child-support programs at the county level with the district attorney. A spokeswoman for Garcetti said that although the district attorney is supportive of using private companies to supplement his office, he would oppose attempts to privatize his unit "lock, stock and barrel."

University Bookstores Go Private

In June the University of Miami (UM), following a national trend, contracted with Follett Corporation, which runs 580 campus bookstores in North America, to run its bookstore. Follett bought UM's existing inventory for \$2.3 million, assumed all operating costs of the bookstore, and will provide \$800,000 for bookstore renovations. Follett will also pay UM a minimum of \$775,000 per year and up to 9.1 percent of gross revenues.

Students have also benefited from the arrangement. A UM spokesman, Alan Fish, reported that students have saved \$190,000 in the first semester alone because Follett brought in thousands of used textbooks from its main Chicago-area warehouse.

Barnes & Noble runs the bookstore at Florida International University (FIU). As part of a contract renewal, Barnes & Noble is negotiating to build a two-story superstore on the West Dade campus. Barnes & Noble would pay \$2.1 million of the construction costs, and FIU would pay \$1.5 million. The new bookstore would be called Florida International University Bookstore but would have the look and feel of a Barnes & Noble store—right down to the café. Cynthia Curry, FIU vice president for business and finance, said that FIU now gets 8.5 percent of the Barnes & Noble gross revenues—about \$1 million last year. A superstore would bring in far more for the university.

Although outside companies have been running college bookstores for years, a mass-merchandising transformation is occurring, similar to the appearance of food courts on college campuses in the early 1990s.

College officials say the biggest selling point to turning bookstores over to corporations like Follett and Barnes & Noble is that they have nationwide on-line operations. These companies allow students to reserve books on the Internet without making a trip to the college bookstore.

As UM's Alan Fish notes, "We couldn't match the technology, the expertise and the used books. The bottom line: the University doesn't have to worry about inventory or staff, yet still collects a share of the store's revenue."

—Lisa Snell [lsnell@reason.org]

Continued from Page 2

BLOCKING TOLL ROADS

14 percent said yes. Not asked, of course, was whether—in order to prevent their highways from deteriorating—Arkansas residents would rather have an increase in fuel taxes, which they would pay whenever they use any roads, or the addition of tolls to selected high-cost, high-traffic routes that need the largest amount of rebuilding work. Also ignored was today's electronic and video technology that permits tolling without any toll booths at all, as on Toronto's highly successful (and popular) Highway 407 Electronic Toll Road.

—Robert W. Poole, Jr.
[bobp@reason.org]

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Conferences

U.S. Water & Wastewater Summit, January 25-26, Grand Hyatt Hotel, Washington, D.C. Organized by The Center for Business Intelligence, Call 800/817-8601 for more information.

Best Practices in Government Procurement, January 25-27, The Crowne Plaza Hotel, Las Vegas, Organized by the World Research Group, Call 800/647-7600 for more information.

The Outsourcing World Summit, February 23-25, 1999, Desert Inn, Las Vegas. For more information call 914/463-1110.

PPPI Studies

How to "Build Our Way Out of Congestion": Innovative Approaches to Expanding Urban Highway Capacity, Peter Samuel, Policy Study No. 250, January 1999.

Improving Transportation in the San Fernando Valley, Peter Gordon, James E. Moore, II, Robert W. Poole, Jr, and Thomas A. Rubin, Policy Study No. 249, January 1999.

Blueprint for the Privatization of Child Welfare, Conna Craig, et al., Policy Study No. 248, December 1998.

A Baker's Dozen: 13 Questions People Ask About the Science of Climate Change, Kenneth Green, D.Env., October 1998.

Pennsylvania School Finance: Out of the Courts, Into the Legislature, Richard C. Seder, Policy Brief No. 10, October 1998.

Urban Transit Myths: Misperceptions About Transit and American Mobility, Randal O'Toole, Policy Study No. 245, September 1998.

Myths of Light Rail Transit, James V. DeLong, Policy Study No. 244, September 1998.

Publications

Privatization International Yearbook, 1998. Edited by Mark Bader. IFR Publishing, London. To order call +44/(0)171-369-7330 or email pipub @compuserve.com.

The Privatization/Competition Manual: Answers to Some of the

Most Frequently Asked Questions, by the Commonwealth Competition Council. Call 804/786-0240 or email competition@state.va.us.

Privatization in Arizona's Largest Cities, by Robert Franciosi. Published by the Witzman Center for Privatization at the Goldwater Institute. To order call 602/256-7018.

Privatization of Public Assembly Facility Management: A History and Analysis, by Don Jewell. Price, \$18.50. To order call 407/727-7270.

Globalization, Privatization, and the Free Market Economy, by C.P. Rao. Published by Quorum Books. See www.amazon.com/exec/obidos/ISBN=1567200753/e.

Privatization and Capital-Market Development: Strategies to Promote Economic Growth, Dr. Michael McLindon. Available from the Institute for Public-Private Partnerships, 202/466-8930.

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Pamela LaBolle
Alaska State Chamber of Commerce
210 Second St., Suite 201
Juneau AK 99801

The Alaska Drilling Contractors
7620 Wildwood Circle
Anchorage, Alaska 99516

January 14, 1998

Senator Jerry Ward
Room 423
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Ward,

The drilling contractors of the State of Alaska, listed below, are very much in support of the formation of a privatization task force that you are proposing. The time to get government out of competition with private enterprise is long overdue. Our members are fully prepared to assist in your efforts in any way possible. Please keep us informed as to how we may be of help.

Sincerely,

Kyle Brown
Alaska Drilling Contractors

The Alaska Drilling Contractors are:

Tester Drilling Services - Mr. Pete Tester - (907) 349-7214
American Arctic Company - Mr. Rocky McDonald - (907) 451-4350
Aurora Drilling - Mr. Rocky McDonald - (907) 456-6712
Johnson Drilling - Mr. Steve Thomas - (907) 246-3304
Homestead Drilling - Mr. Gary Halmstead - (907) 479-8850
Hughes Drilling - Mr. John Hughes - (907) 262-6639
Discovery Drilling - Mr. Kyle Brown - (907) 344-6431
Denali Drilling - Mr. Hal Ingalls - (907) 562-2312
Oosik Drilling - Mr. John Lambe - (907) 262-5611
Fairbanks Drilling - Mr. Mike Lecorchick - (907) 479-0600
G.F. Back Drilling - Mr. Gerry Back - (907) 479-5554
Airborne Exploration - (907) 474-8121

ALASKA STATE

HOSPITAL & NURSING HOME

ASSOCIATION

January 16, 1998

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

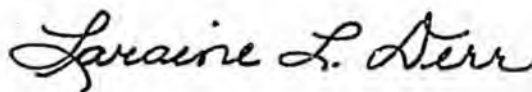
Re: Support, SB209, Task Force on
Privatization

Dear Senator Ward:

Members of the Alaska State Hospital & Nursing Home Association support SB 209, 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

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

NO. _____
BILL VERSION: SB 33
PUBLISH DATE: _____

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

Department Affected: Legislative Affairs Agency
BRU: Legislative Council
Component: Council & Subcommittees

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	21.8	11.0	0	0	0	0
CONTRACTUAL	4.2	2.5	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	26.0	13.5	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE FUND SOURCE	0	0	0	0	0	0
---------------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	26.0	13.5	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	26.0	13.5	0	0	0	0

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)

SB 33 establishes a thirteen member Task Force on Privatization consisting of three members appointed by the Governor, four public members appointed by the presiding officers of the Alaska State Legislature, and six Legislators. This task force will review and report to the Legislature and the Governor regarding the feasibility of privatization of some government functions. The report is due January 1, 2001.

Prepared By: Karla Schofield, Deputy Director *Karla Schofield* Phone: 465-3852
Division: Administrative Services Date: 2/19/99

Approved By: Pamela A. Varni, Executive Director *Pamela A. Varni*
Agency: Legislative Affairs Agency Date: 2/19/99

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

CONTINUATION OF FISCAL NOTE: SB 33

Travel

Travel costs for the Governor's appointees will be paid for by the Office of the Governor. FY99 travel costs for Legislators and public members will be absorbed within existing budgets. This fiscal note contains FY00 and FY01 travel funding for Legislators and public members appointed by the presiding officers.

If the task force begins work in FY99 they are expected to travel once in FY99, and three times in FY00 and twice in FY01 to hold meetings. Any other meetings of the task force will be conducted by teleconference.

For the purposes of this fiscal note, the public members of the task force appointed by the presiding officers are assumed to be 1 from Fairbanks, 2 from Anchorage and 1 from Ketchikan. The Legislators are assumed to be 3 from Anchorage, 1 from Fairbanks, 1 from Ketchikan, and 1 from Juneau. Two days of per diem are calculated for each meeting. 1 staff person from Anchorage will attend the meetings.

	<u>Per Diem</u>	<u>Travel</u>	
<u>1 Anchorage Meetings</u>			
Anchorage - 2 public members/3 Legislators/1 Staff	-	-	
Fairbanks - 1 public members/1 Legislator	852	752	
Ketchikan - 1 public member/1 Legislator	852	1,236	
Juneau - 1 Legislator	426	466	
<u>1 Fairbanks Meeting</u>			
Anchorage - 2 public members/3 Legislators/1 Staff	2,172	2,256	
Fairbanks - 1 public members/1 Legislator	-	-	
Ketchikan - 1 public member/1 Legislator	724	1,552	
Juneau - 1 Legislator	362	624	
<u>1 Juneau Meeting</u>			
Anchorage - 2 public members/3 Legislators/1 Staff	1,932	2,796	
Fairbanks - 1 public members/1 Legislator	644	1,248	
Ketchikan - 1 public member/1 Legislator	644	548	
Juneau - 1 Legislator	-	-	
			TOTAL
Total FY00 Travel	8,608	11,478	20,086
Total FY01 Travel			11,000

Contractual

	Phones \$100/month	Postage \$50/month	Advertizing \$800/meeting	TOTAL
FY00	1200	600	2,400	4,200
FY01	600	300	1,600	2,500

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

FISCAL NOTE

No. 1
Bill Version: SB 33

BILL (S) Publish Date: 2/1/99

STATE OF ALASKA
1999 LEGISLATIVE SESSION

Revision Date/Time (Note if correction) _____ 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)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*****	*****	*****	*****	*****	*****

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 (Specify Type)						
TOTAL	*****	*****	*****	*****	*****	*****

Estimate of any current year (FY99) 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 *Annalee McConnell* Phone 465-4660
 Division Office of Management and Budget Date/Time 1/27/99 5:25 PM
 Approved by Commissioner Jim Ayers, Chief of Staff *Paul R. Johnson* Date _____
 Agency Office of the Governor

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