

SCOMM

122:21

COMMISSION ON PRIVATIZATION AND DELIVERY OF GOVERNMENT SERVICES
Anchorage, Alaska
July 20, 1999
8:15 a.m.

COMMISSION MEMBERS PRESENT

Representative Cowdery, Co-Chair
Senator Ward, Co-Chair
Representative Brice
Senator Adams
Bill Allen, Former Mayor of Fairbanks
Tom Fink, Former Mayor of Anchorage
Helvi Sandvik, President - NANA Development Corporation
Kathryn Thomas, Former Chair of Alaska State Chamber of Commerce
George Wuerch, Alaska Municipal League
Don Valesko, Business Manger of Public Employees Local 71

COMMISSION MEMBERS ABSENT

William Prosser, Chairman of the Board - Cook Inlet Region, Inc.

COMMITTEE CALENDAR

Privatization of State Government Services

PREVIOUS ACTION

No previous action to record.

WITNESS REGISTER

MARCO PIGNALBERI, Legislative Assistant
to Representative Cowdery

Alaska State Legislature
716 West 4th Avenue, Suite 320
Anchorage, Alaska 99501-2133
Telephone: (907) 268-0222

POSITION STATEMENT: Provided the commission with information and answered questions.

MIKE ABBOTT, Economic Development Special Assistant
to Governor Knowles

3601 C Street, Suite 758
Anchorage, Alaska 99505-5990
Telephone: (907) 269-7461

POSITION STATEMENT: Offered his services and answered questions.

ANDY CLARY, Staff
to Senator Ward
Alaska State Legislature
716 West 4th Avenue, Suite 450
Anchorage, Alaska 99501-2133
Telephone: (907) 269-0106
POSITION STATEMENT: Reviewed the commission's website.

BRIAN HARRIS
7151 Chester Court
Anchorage, Alaska 99504
POSITION STATEMENT: Discussed technology.

ANDREE McLEOD
Address not provided.
POSITION STATEMENT: Suggested an anonymous mechanism for public input.

JOSEPH HENRI, Former Commissioner of Administration
9921 Mar Point Drive
Anchorage, Alaska 99507
POSITION STATEMENT: Discussed the need to continue the momentum of the commission.

LEO MARK ANTHONY, Prospector and Miner
Address not provided.
POSITION STATEMENT: Commented that this is about cost-benefit analysis.

DONN LISTON, ASEA
400 Willoughby, Number 201
Juneau, Alaska 99801
POSITION STATEMENT: Commented on honoring contracts.

DAN PATTERSON
PO Box 512
Palmer, Alaska 99645
POSITION STATEMENT: Discussed privatization.

ACTION NARRATIVE

TAPE 99-1, SIDE A

CO-CHAIR WARD called the Commission on Privatization and Delivery of Government Services meeting to order at 8:15 a.m. Members present at the call to order were Representatives Cowdery, Brice and Senators Ward, Adams and Commissioners Allen, Fink, Sandvik,

Wuerch, Thomas, and Valesko. Commissioner Prosser was not present.

CO-CHAIR COWDERY explained that the purpose of the committee is to review government overall with the possibility of privatization in mind. Co-Chair Cowdery commended Senator Ward on his work. He announced that the commission would be reviewing many departments through various subcommittees that will be formed.

CO-CHAIR WARD noted that his legislation was practically copied word for word from the Alaska State Chamber of Commerce. This legislation is not new, similar legislation was worked on during the Thirteenth Alaska State Legislature and therefore. He thanked everyone for their part in this issue. The committee members introduced themselves and noted their affiliations.

CO-CHAIR COWDERY pointed out that Mike Abbott, Economic Development Special Assistant to Governor Knowles was present. He noted that Mr. Abbott would be the contact person for those on the commission needing information from the Administration.

MIKE ABBOTT, Economic Development Special Assistant to Governor Knowles, offered his services to those on the commission. He commented that the Governor is interested in the outcome of this process.

CO-CHAIR WARD noted that Ketchikan and Juneau were on teleconference.

MARCO PIGNALBERI, Legislative Assistant to Representative Cowdery, Alaska State Legislature, reviewed the information book provided to the commission members. The first item in the book is the authorizing legislation which in Section 5 specifies the duties of the commission to be carried out by January 2000. The book also includes an address section for commission members. There is a copy of the solicitation that was faxed to 700 individuals across the state. The response from that fax resulted in the member composition of the various subcommittees of the commission.

MR. PIGNALBERI turned to Tab 4 of the book which is a bibliography list of a few of the many articles discussing privatization. The first article discusses "the depth and breadth of privatization activity not only in the United States, but elsewhere in the world." The article entitled, "What is Privatization?" includes the commonly accepted definitions regarding privatization. There is also an article discussing 12 types of privatization. Privatization is most commonly thought of as contracting out such as is the case with the radio maintenance for the state troopers. There is a variation of that called management contracts which

would be a situation in which the state maintains ownership of a facility while its operation is contracted out. There is also public-private competition. For example, the Department of Transportation & Public Facilities (DOT/PF) could farm out its design functions. In such a case, the in-house engineers of DOT/PF would have to compete with the private sector engineering firms for the design work on projects. This is being done in the Lower 48 and with the Army Corp of Engineers. The Alaska Army Core of Engineers was not aware of management contracts, but will forward information regarding the areas where such is practiced.

MR. PIGNALBERI moved on to the franchise variation of privatization. With a franchise, a firm is given exclusive rights to provide a service in a geographical area. It could be utilized with road maintenance. Internal markets are also a variation of privatization. Internal markets involve a state agency competing against the private sector. Vouchers is a form of privatization which is being debated statewide with regards to education. Commercialization, another form of privatization, or service shedding can result in the elimination of services. Another variation of privatization is self-help in which a nonprofit or neighborhood organization takes over a service the government now provides. He cited the Alaska State Fairs as an example of where such self-help privatization could be utilized. Volunteerism is also a form of privatization which is illustrated in the litter pickup programs in the state. Corporatization is another type of privatization which the Alaska Aerospace Development Corporation will ultimately be an example of as it will be funded privately. Mr. Pignalberi stated that the sale of assets or long-term leases is another way in which the government can eliminate assets that it shouldn't have. For example, there has been controversy surrounding whether Alaska should own the Alaska Railroad or other businesses such as Matanuska Maid which the state inherited due to defaulted state loans. He moved to the final type of privatization, private infrastructure development in which a private entity does something the state would do such as the Knik Arm Crossing.

MR. PIGNALBERI continued with his review of the commission's book. The book contains several articles from the 1999 Privatization Magazine which summarizes privatization activities at federal, state, and local levels. This would be helpful in performing the commission's charge to discover what other levels of government are doing. The book also includes a report requested from the National Council of State Governments. That report is the most comprehensive article on the trends in state government privatization. The report includes sections with regard to cost savings and the decision making process that should be followed by

governments in determining whether privatization is the best course of action. The report also addresses the barriers to privatization. There is also an article included which speaks against privatization.

MR. PIGNALBERI pointed out that the book includes a report from Commonwealth North which did a state-owned asset study, about a year ago. The study intended to develop a set of unifying principles in order to guide the management of Alaska's public assets while maximizing the returns for Alaskans. In the process, an appendices was developed which lists each discreet state asset which should be helpful for the commission. The book includes several articles of general interest and a list of those who have volunteered for the various subcommittees.

ANDY CLARY, Staff to Senator Ward, Alaska State Legislature, informed the commission that he was responsible for building the web page for the commission. Mr. Clary demonstrated and reviewed what can be found on the web page which can be accessed at www.privatizealaska.org.

CO-CHAIR WARD invited every commissioner to review the website and make any suggestions for changes.

MR. PIGNALBERI commented that the website has been designed such that one link can lead to another. He requested that commission members inform Mr. Clary of sites that they find so that those sites can be added to the website.

CO-CHAIR WARD announced that now would be the appropriate time for comments and questions.

SENATOR ADAMS turned to the laws pertaining to privatization. He asked if there is enough political strength to change labor laws which he believed to be a large issue. He suggested that there should be a review of what activities being done by state departments should be done by municipalities and the success and failure with privatization in other states. Senator Adams expressed concern with regard to the delivery of services under privatization. He was also concerned with the politics of privatization and hoped that if there is to be action with privatization that it be done in the next legislative session.

TAPE 99-1, SIDE A

REPRESENTATIVE BRICE expressed the need to maintain the ability to contact a commissioner when the needs of his constituents are not met. Furthermore, the money must be spent in the best possible

way. He noted that the delivery of service, public accountability, and the recognition that certain areas should be maintained by the state should be addressed. There should also be review of those areas in which the state has been successful with privatization.

COMMISSIONER ALLEN inquired as to how the subcommittee members were selected.

CO-CHAIR COWDERY reiterated that more than 700 e-mails were sent out seeking subcommittee volunteers. Anyone who is interested in serving should contact the staff. He commented that he was pleased with the current turnout. He hoped that the commission members will attend subcommittee meetings of interest to them because the subcommittee will make a report to the commissioners who will pen the final report to the legislature.

CO-CHAIR WARD pointed out that the vast majority of those present today have volunteered for subcommittee work and he believed more would volunteer. He thanked all the volunteers. Co-Chair Ward noted that this process is copied from other states.

COMMISSIONER ALLEN expressed interest in the state services provided by sources other than local residents in rural communities. He cited the various circuit writers that provide services to rural communities. Commissioner Allen inquired as to the possibility of out sourcing or contracting such to local village corporations or training and employing local residents.

COMMISSIONER SANDVIK said that it would be worthwhile, early on, to begin with some views and recommendations from the Administration.

CO-CHAIR COWDERY noted that he had spoken with the Governor. As the process proceeds, he expected the subcommittee members and the commission members to make comments and requests of the Administration. He reiterated that Mr. Abbott will be the contact for the Administration.

MR. ABBOTT indicated agreement with Commissioner Sandvik's comments. He said that the departments are prepared to work with the subcommittees. Therefore, he expected such conversations as eluded to by Commissioner Sandvik to occur at the subcommittee level. He noted that there has already been discussion regarding a possible overview of the budget for the full commission.

CO-CHAIR COWDERY referred to Tab 3 of the commission booklet which includes a memorandum from Representative Cowdery to Governor Knowles regarding the development of this commission. The memorandum requested a list of the agencies with services that are

already privatized. The memorandum also suggested that the Governor designate a single point of contact as a liaison to the commission which is Mr. Abbott.

CO-CHAIR WARD noted that there is information available from the legislative branch as well. He acknowledged that this is a large task.

COMMISSIONER THOMAS commented that some subcommittees have lots of volunteers while others do not.

MR. PIGNALBERI informed everyone that there are seven departments for which committee membership has not been filled. Those committees are the Alaska Department of Fish & Game, the Department of Corrections, the Department of Labor, the Department of Law, the Department of Military & Veterans' Affairs, the Office of Management & Budget, and the Department of Public Safety. He predicted that those committees would be filled over the next few weeks. Departments such as the Department of Transportation and the Department of Health & Social Services have a dozen or more members listed. That is allowed so that the subcommittee can divide itself further. For example, there has been a suggestion that the Department of Transportation have separate subcommittees for the Alaska Marine Highway System, airports, and one for the remainder of DOT/PF issues. The same scenario would be utilized with the Department of Health & Social Services.

CO-CHAIR WARD stated that this process is now in the hands of the commissioners. As much participation as possible is necessary.

MR. PIGNALBERI commented that he had a list of interested folks as well as their phone numbers. After one person requested that their phone number not be publicized, it has been decided to provide the contact list of home and work phone numbers, faxes and e-mails of the committee members only to those in the committee.

CO-CHAIR WARD requested that Mr. Clary contact everyone in order to determine who would not want which particulars to be publicized.

COMMISSIONER THOMAS suggested that a mailing address be added to the list because volunteers would probably prefer receiving letters of opinion versus phone calls. Commissioner Thomas commented that consideration should be given to the concern regarding "whether business in the private sector is taking an offensive position against government employees and the bureaucracy of government." She expressed the need to remember that private sector employees view this as an opportunity for jobs. Some of these jobs may not be eliminated, but may merely change ownership. There may be some

shifts in the business sector due to privatization. As a contractor, Commissioner Thomas acknowledged that at times the concept of a project may be different from the scope of the work and the ability to build the project. Upon completion of this task, she emphasized the need to reflect on how it can be successfully implemented. Although the commission may determine what can be privatized, if the scope of the privatization is not written correctly it will not happen. A third party to review or help write contract specifications or consult the agencies may be a recommendation of the commissioner.

COMMISSIONER VALESKO expressed the need for the commission to be cautious in the recommendations that are made. He commented that basically privatization is profitization in that government services are turned over to someone in order to make a profit on those services. Such will not work unless the situation is profit-making for private organizations. He stressed the need for protections to be written in so that Alaskans are not overcharged for items. Commissioner Valesko commented, "My main concern ... that the working people of Alaska are protected, the people that take these jobs ... that they're able to make a living to support their family and educate their kids and we have a standard of living in this state that we can look up to. And I'm very sad and disappointed to say in the last six, seven, eight years the standard of living for Alaskans, and I'm part of the system that is trying to do something about it and failing, has gone down hill in comparison to ... most of the rest of the states in the United States." He suggested the need to review legislation because there are laws that apply to public employees such as the requirement for public employees to receive health insurance and retirement benefits. If there is to be a change from public sector employees to private sector employees, the aforementioned benefits should be protected no matter who performs the job. Commissioner Valesko stressed that he did not want a work force of temporary employees. He noted that there are those in privatization who profit tremendously. Why should one person reap all the profits? Commissioner Valesko used the snow removal system in Anchorage as an example of the state working in tandem with the private sector. In conclusion, Commissioner Valesko stated that he supported reviewing those places where privatization would make sense. Furthermore, there should be review of those areas where privatization has already occurred in order to determine if it is working.

COMMISSIONER WUERCH commented that the Alaska Municipal League is very appreciative of being included in this commission. The league has offered to be a resource for the commission. He acknowledged the trend of local governments having to provide some of the

services previously provided by the state. Through this commission, there is the opportunity to open up new partnerships between state and local government to deliver services. However, there are obstacles. Therefore, Commissioner Wuerch expressed the need to uncover common solutions. One such solution would be to allow local governments to bid on state work.

COMMISSIONER WUERCH thanked all the volunteers and the staff recruiting these volunteers. He offered his services in helping to fill in the gaps. He asked if there would be a point during which the commission would meet with each subcommittee.

MR. PIGNALBERI noted that there is a sign up sheet for advisory councils. It is anticipated that each commissioner will be on at least one of the subcommittees. Therefore, there should be some continuity between the work of the subcommittees and the commission. With regard to Commissioner Wuerch's question, Mr. Pignalberi believed that to be up to the discretion of the commission. He turned to the outline of subcommittee reports which is fairly standard, but can be changed by the commission.

COMMISSIONER ALLEN inquired as to the role the commissioners would play sitting on the subcommittees.

MR. PIGNALBERI clarified that the commissioners would be a working member of the committee.

CO-CHAIR WARD noted that a proposed schedule was being provided to the members and that teleconferencing is available. He explained the need to begin work in the subcommittees as efforts continue to fill up those subcommittees not yet full. He announced that the next proposed meeting of the full commission is on August 16, 1999. He explained that there should be subcommittee work that happens between this meeting and the proposed August 16, 1999 commission meeting. The individual chairs of the subcommittees will decide upon a meeting time and utilize the room and teleconference network. Then the subcommittee representatives would present the commission with a progress report at the August meeting.

CO-CHAIR COWDERY clarified that there are a few rooms available to the subcommittees, but those rooms must be scheduled ahead of time. He urged the commissioners to attend as many subcommittee meetings as possible.

COMMISSIONER WUERCH inquired as to how the subcommittee chairs will be chosen.

CO-CHAIR WARD informed everyone that names are being accepted for

more volunteers. He explained that the first person that requested to be the chair of a subcommittee was made so.

CO-CHAIR COWDERY interjected that these positions may change.

CO-CHAIR WARD explained that the chair of the subcommittee will decide when meetings occur and conduct those meetings. The only vote that determines what will be recommended to the legislature will come from the commission.

TAPE 99-2, SIDE A

UNIDENTIFIED SPEAKER expressed the need to include topics of interest for the subcommittee on the home page in order to spur subcommittee discussion on those.

CO-CHAIR WARD agreed that would be appropriate and noted that it would be up to the subcommittees.

COMMISSIONER THOMAS suggested that the chairs of the advisory councils be used for organizational purposes. This would allow them to choose their own chair which would be advantageous to all.

CO-CHAIR WARD stated that nothing precludes the commission from anything. The subcommittees can break down further, but the current structure allows for the process to begin. He indicated that the subcommittees have much flexibility.

COMMISSIONER THOMAS asked if the commission would have the capability to have listen-only teleconference hook-ups.

CO-CHAIR COWDERY answered yes. He mentioned that the need for those interested in the Alaska Marine Highway to be from Southeast Alaska.

COMMISSIONER FINK inquired as to when the commission would meet again.

CO-CHAIR WARD announced that the intention was for the commission to meet once a month.

SENATOR ADAMS clarified that the commission will be meeting as will the subcommittees. Each commissioner will sign up for an agency for which he/she will attend those subcommittee meetings. He hoped that time would be spent on the subcommittee report outline in order to develop an outline format for each agency.

The committee took a brief at-ease to 9:50 a.m.

CO-CHAIR WARD called the committee back to order and announced that Fairbanks was also on teleconference.

MR. PIGNALBERI explained the subcommittee report outline is based on his experience with past reports. The outline is an attempt to place the subject before the subcommittees in order to think about what the end product would be from the subcommittees.

SENATOR ADAMS referred to number five on the outline which speaks to identifying constitutional and statutory provisions governing agency operations. He agreed that each subcommittee should understand their agency, however statutory changes also need to be reviewed because that needs to be included in the recommendation from the subcommittee.

SENATOR ADAMS referred to number nine on the outline which speaks to listing existing agency contracts and the procurement methods. He recommended the need to have a time line on the contracts and the benefits. He turned to the next number nine which speaks to identifying existing privatization practices, if any. Senator Adams agreed with Commissioner Valesko that review of whether current privatization is working or not should be evaluated by the subcommittees.

COMMISSIONER WUERCH commented that a question comes to mind regarding the balance of effort; how much effort will come from subcommittee members and from the Administration.

MR. PIGNALBERI explained that each departmental commissioner will be given this outline so as to provide the subcommittee with the information prior to its first meeting.

SENATOR ADAMS anticipated that the co-chairs' staff will obtain the resource contact for each agency. He noted that each agency has been audited and therefore, there will be a contact with Legislative Budget & Audit. He pointed out that each agency has a legislative liaison that can be utilized as a resource for the statutory guidelines, missions, goals, objectives, and contracts.

CO-CHAIR WARD said that he believed there would be a great deal of cooperation between the commission and the Administration.

COMMISSIONER ALLEN indicated that it would be appropriate for the subcommittees to ask departmental commissioners to provide the subcommittee with a briefing on the department. Furthermore, the departmental commissioner could provide any recommendations with regards to privatization. He also agreed with Commissioner Valesko's and Commissioner Sandvik's comments.

CO-CHAIR WARD agreed that could be part of the subcommittee presentation.

CO-CHAIR COWDERY interjected that the Governor fully intends for the commissioners to fully participate with the subcommittees.

COMMISSIONER SANDVIK pointed out that many agency activities are governed by their funding sources. Therefore, she suggested that the subcommittees consider the limitations placed on the agencies by the funding sources. That should be included in the subcommittee report as well as recommendations in that area.

COMMISSIONER ALLEN commented that those agencies receiving enterprise funds within a department would stand out during subcommittee review. He hoped those would be highlighted.

COMMISSIONER THOMAS suggested that the subcommittee should define which grant money could be administered by the private sector.

CO-CHAIR COWDERY emphasized that there are certain mandates in the union contracts which will be honored, although there could be changes in future negotiations.

BRIAN HARRIS informed the committee that he is a Communications Engineer with MicroAge Corporation (ph), although he is not present representing that corporation. However, he is present to provide the committee with information regarding a report he is doing for Commissioner Poe, Department of Administration. The report is reviewing the infrastructure of the Anchorage based telecommunications system and how to utilize technology to redirect some telecommunication costs. One of the items to be reviewed is with regard to who would be the best to manage and run such a system. He informed the committee that a 1994 Wolfe & Associates (ph) study found that the state is basically its own telephone company. If that is correct, the state would need to be prepared to move into the new century with the technology to do so. As a private citizen, Mr. Harris expressed concern with the incredible pace of technology. The state needs to view technology as a potential asset for savings or privatization.

ANDREE McLEOD pointed out that this commission is the Commission of Privatization and Delivery of Government Services. She hoped that the delivery of government services is not over looked. She expressed the need to have a nonretaliatory, anonymous mechanism for citizens and employees to provide some information to this commission. Ms. McLeod was concerned that this is a "top down type of commission." She suggested that viewing this from the bottom up may be advantageous. Ms. McLeod stressed that the outline does not

COMMISSION ON PRIVATIZATION AND DELIVERY OF GOVERNMENT SERVICES
Anchorage, Alaska
August 16, 1999
9:20 a.m.

COMMISSION MEMBERS PRESENT

Representative Cowdery, Co-Chair
Senator Ward, Co-Chair
Representative Brice - via teleconference
Bill Allen, Former Mayor of Fairbanks - via teleconference
Tom Fink, Former Mayor of Anchorage
Kathryn Thomas, Former Chair of Alaska State Chamber of Commerce
George Wuerch, Alaska Municipal League
Don Valesko, Business Manger of Public Employees Local 71

COMMISSION MEMBERS ABSENT

Senator Adams
William Prosser, Chairman of the Board - Cook Inlet Region, Inc.
Helvi Sandvik, President - NANA Development Corporation

COMMISSION CALENDAR

Privatization of State Government Services

PREVIOUS ACTION

See Commission on Privatization minutes dated 7/20/99.

ACTION NARRATIVE

TAPE 99-3, SIDE A

CO-CHAIR WARD called the Commission on Privatization and Delivery of Government Services meeting to order at 9:20 a.m. Members present at the call to order were Co-chairs Ward and Cowdery, Representative Brice (via teleconference), and Commissioners Allen (via teleconference), Fink, Wuerch, Thomas, and Valesko. Commissioners Prosser and Sandvik and Senator Adams were not present. Co-Chair Ward thanked everyone present for attending and informed participants that Commissioner Sandvik was absent due to a death in her family. Co-Chair Ward announced the intent of today's meeting is to bring together the subcommittee chairpersons and the corresponding representatives from the Administration to facilitate a dialog about the best way to proceed with the commission's work.

The subcommittee chairs of the Joint House and Senate Commission on Privatization made the following introductory remarks.

DAVID MORRISON, Chairperson of the Subcommittee on the Department of Corrections (DOC), stated he worked in the Canadian Ministry of Justice for 25 years on corrections matters. He is a seven year resident of Alaska and currently works for Cornell Corrections, a private company.

CRAIG JOHNSON, Chairperson of the Subcommittee on the Department of Community and Economic Development (DCED), informed participants he is the general manager and publisher of the Alaska Journal of Commerce, as well as other publications. He was previously employed as a legislative assistant.

VIRGIL NORTON, a former contractor and an experienced environmental cleanup project manager, stated he is chairing the Subcommittee on the Department of Environmental Conservation (DEC).

WAYNE ROSS, an attorney, stated he is chairing the Subcommittee on the Office of the Governor.

MEAD TREADWELL, Chairperson of the Subcommittee on the Department of Fish and Game (ADFG), stated he was a deputy commissioner of the Department of Environmental Conservation, and is currently the Vice-Chair of the Prince William Sound Oil Spill Recovery Institute which conducts ecological research related to fisheries management.

JOSEPH HENRI, Chairperson of the Subcommittee on the Department of Administration (DOA), stated he is a member of the Alaska Bar Association and has practiced law in Alaska for about 35 years. He was the Commissioner of the Department of Administration during former Governor Bill Egan's third term.

KEN PEAVYHOUSE, Chairperson of the Subcommittee on the Alaska Court System, stated he has retired from the insurance business and has been an Alaska resident for 40 years.

LEO MARK ANTHONY informed participants he is a retired University of Alaska School of Mines [indisc.] prospector and is the Chair of the Subcommittee on the Department of Natural Resources (DNR). Several subcommittees will review DNR because of the size of its budget. DNR has already given an overview of its missions to the subcommittees however, the subcommittees have requested more information. He maintained that if the subcommittees are unable to get that information, the legislature should request it and every few years review and revise DNR's budget so that, "We know some way where we stand on costs."

MARYANN PEASE, Chairperson of the Department of Revenue (DOR), stated she was formerly employed by the Municipality of Anchorage as the director of the Office of Management and Budget and, while in that position, she looked into privatization of many of the functions associated with the municipality. She is currently the Vice President of Aurora Power, a natural gas marketing entity.

CO-CHAIR WARD asked subcommittee chairpersons to join commission members at the table. He asked representatives from the Administration to provide commission members with department mission statements during their presentations.

COMMISSIONER BILL ALLEN interjected and asked for clarification of Mr. Mark Anthony's statement that DNR has been split into subcommittees.

MR. MARK ANTHONY explained that DNR has been split along budget lines into ten or eleven parts. Each subcommittee member will review one part of the budget.

COMMISSIONER ALLEN asked if anyone else spoke as a Chairperson of the Subcommittee on DNR.

CO-CHAIR WARD replied that Dale Urich is a Chairperson of the Forestry Subcommittee. Co-Chair Ward announced it is the prerogative of each subcommittee's chair to break the subcommittee down further.

CO-CHAIR WARD took testimony from members of the Administration.

PAT POURCHOT, Office of the Governor, informed commission members that he is filling in for Mike Abbott, who has been working with Co-Chair Ward's staff. He noted it was his understanding that the purpose of today's meeting was to hear from subcommittee chairs, not for the departments to make presentations. He stated some of the department representatives have given information to the individual subcommittees, but some have not, depending on the meeting schedules of the subcommittees. He noted that representatives of DOC, the Department of Public Safety (DPS), the Department of Law (DOL), DNR and DEC were present to answer questions. He stated a bill before the legislature contains formalized mission statements that might be of interest to the commission. He noted each department representative will share a mission statement with the commission.

CO-CHAIR WARD agreed the purpose of the meeting is not to listen to formal presentations by Administration representatives and noted the purpose of the meeting is to make sure the commission is on the

right track. He recalled that the mission statements from each department were introduced in a separate bill in the legislature because those mission statements were removed from the operating budget. He indicated staff will provide a copy of that legislation to the subcommittee chairs.

CO-CHAIR COWDERY mentioned that he only has two staff people employed during the interim taking care of all of his work, including that of the commission. He said the large number of subcommittees prevents his staff from doing anything but the most necessary work for each. He asked each department representative to provide subcommittee chairs with mission statements.

CO-CHAIR WARD asked the department liaisons to introduce themselves to commission members.

The following representatives of the Administration introduced themselves:

DEL SMITH, Deputy Commissioner of the Department of Public Safety.
MARTY RUTHERFORD, Deputy Commissioner, Department of Natural Resources.

BRUCE RICHARDS, Special Assistant, Department of Corrections.

DOUG WOOLIVER, Administrative Attorney, Alaska Court System.

JOAN KASSON, Special Assistant, Department of Law.

DAVID WIGGLESWORTH, Department of Environmental Conservation.

GREG WOLF, Director of Trade and Development, Department of Community and Economic Development.

MARY MCDOWELL, Commercial Fisheries Entry Commission.

KURT PARKAN, Deputy Commissioner, Department of Transportation and Public Facilities.

ALISON ELGEE, Deputy Commissioner, Department of Administration.

DWIGHT PERKINS, Deputy Commissioner, Department of Labor.

MIKE CONWAY, Director of the Division of Statewide Public Services, Department of Environmental Conservation.

KAREN REHFELD, Department of Education and Early Development.

JANET CLARK and ELMER LINDSTROM, Department of Health and Social Services.

GERON BRUCE, Special Assistant, Department of Fish and Game.

[PORTION OF TAPE INAUDIBLE DUE TO TELECONFERENCE EQUIPMENT MALFUNCTION.]

CO-CHAIR WARD acknowledged that the legislature received overall mission statements from each department but none for agencies such as the Alaska Public Offices Commission. He asked what agency level the mission statements should be requested for.

AN UNIDENTIFIED COMMISSIONER replied the commission should have mission statements for all major components of each department so that the subcommittees can do a cost benefit analysis.

REPRESENTATIVE BRICE pointed out that the House version of SB 169 contained mission statements for divisions.

CO-CHAIR WARD noted that copies of SB 169 would be distributed to participants shortly.

MIKE TAURIANAN joined the meeting and informed commission members he is the interim Chair of the Department of Health and Social Services (DHSS) subcommittee. He noted he was promised information which he has not yet received.

MARYANN PEASE asked Co-Chair Ward if a liaison from the Department of Revenue was on line.

CO-CHAIR WARD said no representative from the Department of Revenue was on line but that Pat Pourchot would be coordinating contacts.

CO-CHAIR WARD asked subcommittee chairs to inform participants of their activities so far.

VIRGIL NORTON stated that the Subcommittee on DEC has met twice and has a third meeting scheduled on August 18. Dave Wigglesworth represented DEC at the first meeting, which was primarily an organizational meeting. At the second meeting, the subcommittee was briefed by Larry Dietrick and Jim Hayden on contaminated sites and storage tanks. The subcommittee received a lot of information on those topics and will be briefed on the Village Safe Water Program on Wednesday.

LEO MARK ANTHONY indicated that the Subcommittee on DNR has met once and subdivided itself along budget lines. They have heard from DNR regarding its mission, and the subcommittee has requested more information. The subcommittee will meet again this evening.

COMMISSIONER KATHERINE THOMAS said she sat in on the DNR subcommittee meeting. She asked if DNR has transmitted the requested information to the subcommittee.

MR. MARK ANTHONY replied it has, and that copies will be made available to subcommittee members at the evening meeting.

JOE HENRI informed participants that the Subcommittee on DOA has met once. DOA now has 1,300 employees and is one of the largest departments; its mission is endless. Subcommittee members have 2½

months in which to recommend to the legislature ways to save money. He plans to zero in on a few services that DOA provides, rather than to canvas everything DOA does.

CO-CHAIR WARD said he is in total agreement with that approach and, in his opinion, the direction the subcommittees take should be up to the chairpersons.

COMMISSIONER THOMAS stated that because privatization has been a priority with the Alaska State Chamber of Commerce for so many years, she feels an awesome responsibility to this commission. When in Anchorage, she sat in on several subcommittee meetings. Some of the subcommittees have focussed on the directives in the Senate bill (SB 33), others have not. She felt the subcommittees should review and formulate their work around Section 5 of SB 33.

TAPE 99-3, SIDE B

MARYANN PEASE informed participants that within the last year Commonwealth North did a return on assets study. Each division of the state was studied in detail and interviews with department staff were conducted. Part of that study pertained to the appropriateness of services being performed by specific departments. She suggested that copies of that report be made available to the subcommittee chairs.

CO-CHAIR WARD noted that study has been distributed to the commissioners and he will make sure it is distributed to all members of the subcommittees.

COMMISSIONER VALESKO expressed serious concern, as a member of the commission, that subcommittee chairs have been given the authority to pick and choose which areas to look into. His concern reaches back to the method of selecting the chairs which required no consensus among commission members. He noted that he asked, at the last meeting, how the chairs were selected for the various subcommittees and was told that the first person who volunteered to be a chairperson was selected to do so. After that meeting, he returned to his office and asked a staff person to volunteer to be on a subcommittee on the Department of Military and Veterans Affairs (DMVA). She called and offered to act as the chairperson but was told that DMVA was not under review for privatization. He repeated his concern that the Commissioners have not decided, as a group, on a selection method. He expressed further concern that the Chair of the Subcommittee on the Department of Corrections is affiliated with Cornell Corrections which may constitute a very serious conflict of interest because Cornell has already entered into a privatization agreement with the Delta prison. He said he

feels his integrity is on the line because the lack of a selection process for subcommittee chairs by commission members jades the whole process.

CO-CHAIR WARD explained that he and Co-Chair Cowdery met and decided to begin a massive volunteer effort to get the public involved. They instructed staff to appoint the first people who volunteered to be chairs of subcommittees as such, and, if no one volunteered, to call subcommittee members and ask for a volunteer. He asked Commissioner Valesko for further information about the woman who volunteered to act as the chair of the DMVA Subcommittee.

MARCO PIGNALBERI, Legislative Assistant to Co-Chair Cowdery, Alaska State Legislature, explained that he made the decision to not review every department because of the commission's limited time and resources. He selected which departments would be reviewed. After speaking about the issue with the Co-Chairs, they decided every department should be reviewed. He appointed Valerie Baffone because he got a message that she would be interested in one of the three committees, including the Department of Labor committee.

CO-CHAIR WARD maintained that every participant has a conflict of interest because all participants are touched by state government. He said, as a real estate agent, he cares about the Alaska Housing Finance Corporation. He noted the possibility of keeping certain professionals off of certain subcommittees was discussed; however, it was decided all participants needed to be considered as Alaskans first. He added that is why positions were left open and as many volunteers as possible have been recruited.

COMMISSIONER THOMAS commented that confirmation of subcommittee chairs was an agenda item at the last meeting; however, official action was not taken and she believes that they were accepted by an unspoken consensus. She noted that at that time she suggested that the subcommittee members choose their own chairpersons for two reasons: the members would tend to find the strongest among themselves, and the subcommittees are operating without staff or financial help and might need a chair who has staff available to help do the work.

COMMISSIONER FINK remarked that because time is of the essence, the commission needs to move forward, and if the commission is not satisfied with the work of a subcommittee, it does not need to support its report. He offered to make a motion to support the subcommittee chairpersons who have been appointed. Regarding Mr. Henri's request to limit the areas that his subcommittee reviews, Commissioner Fink said he thinks all subcommittees need to take that approach. He noted many subcommittee members have ideas about

ways to privatize which should be discussed first because the subcommittees will not have time to review every budget item. He indicated that the final report should zero in on about six areas and then list others for future review.

COMMISSIONER ALLEN seconded Commissioner Fink's motion and said he agrees with Commissioner Fink's comment, and that there is no way that a conflict of interest can be avoided if Alaskans are asked to come forward and volunteer in their areas of expertise. Second, he believes problems within the subcommittees will surface and the Commissioners can take appropriate action at that time. He asked participants to not get bogged down on this issue because so much work needs to be done.

COMMISSIONER WUERCH spoke in favor of the motion because Section 2 of SB 33 provides that the commission appoint people to assist and advise it.

CO-CHAIR WARD stated that the motion is to approve the subcommittee chairperson and membership appointments that exist as of today. He noted two other participants wanted to speak to the motion.

AN UNIDENTIFIED COMMISSIONER asserted that he understood the motion to allow the Chair of the commission the authority to appoint the subcommittee chairpersons.

COMMISSIONER FINK clarified that he moved that the commission approve the actions the Co-Chairs have taken.

AN UNIDENTIFIED COMMISSIONER asked how future appointments should be handled.

COMMISSIONER FINK said he would make another motion at a later date, after other people have been appointed.

COMMISSIONER VALESKO spoke against the motion because what precipitated it was the discussion about giving the subcommittee chairpersons the authority to pick and choose what parts of each department budget the subcommittee will look into. He expressed concern that the commission is deciding to do a partial, rather than a thorough, job of looking at state government.

CO-CHAIR WARD replied that he does not believe that the Chairperson of the Subcommittee on the Department of Administration was saying that his subcommittee would not do a thorough job.

MR. NORTON stated his support of Commissioner Fink's motion.

AN UNIDENTIFIED COMMISSIONER called for a point of order and noted that only the Commissioners should speak to the motion.

CO-CHAIR WARD called for the question and clarified the motion as: the commission's acceptance of the Chairpersons and members of all subcommittees and committees in existence at this time and that appointment of future vacancies be dealt with in the same manner.

REPRESENTATIVE BRICE asked if the motion is to establish the current Chairpersons of Subcommittees as those who have been appointed to date.

CO-CHAIR WARD said that is correct.

REPRESENTATIVE BRICE asked if he can be involved in any committee he is interested in as a Commissioner.

CO-CHAIR WARD said that is correct and that all Commissioners are encouraged to sit in on all meetings.

CO-CHAIR WARD asked if there was any objection to the motion.

COMMISSIONER VALESKO objected, for the record.

CO-CHAIR WARD asked Commissioner Valesko if he wanted the motion rescinded so that a roll call vote could be taken.

COMMISSIONER VALESKO said he did not.

THEREFORE, the motion passed.

CO-CHAIR WARD remarked that Commissioner Valesko's concern is well noted and valid.

MR. NORTON asked Commissioner Valesko whether he objects to the subcommittee chairpersons or the members.

CO-CHAIR WARD explained that Commissioner Valesko's concern is with the selection process and that Chairman Henri plans to focus on a few areas of the Department of Administration's budget because that budget is so massive.

COMMISSIONER VALESKO expressed concern that all division budgets be reviewed so that subcommittee members get a total picture.

CO-CHAIR WARD said although that concern is valid, the commission's task is very large.

MR. NORTON remarked the work of the commission will not end in October because the legislature will continue to look at ways to privatize beyond the commission's report.

CO-CHAIR WARD agreed, but said the commission's final report will carry a lot of weight.

AN UNIDENTIFIED SPEAKER thought a simple amendment to the report, saying that further work is needed and that commission members will follow up to see if their recommendations were followed, would solve the problem.

COMMISSIONER ALLEN asked Mr. Norton if his subcommittee would be looking at the maintenance expense and the function of the systems when it reviews the Village Safe Water Program.

MR. NORTON said they would and that he has already spoken with Greg Capito of DEC. He also plans to speak with Marla Berg of Senator Adams' office and anyone else involved with Village Safe Water contracts, and with Public Health Service officials. The subcommittee is trying to determine where the program stands today, after spending millions of dollars, and what the maintenance costs will be once all systems have been established.

COMMISSIONER ALLEN asked Mr. Norton to add his name to the subcommittee list as he is very interested in that topic. He asked that the subcommittee explore all sources of revenue available to maintain those systems.

MR. NORTON said he plans to do so, and that he plans to explore staff training to prevent systems from failing.

CO-CHAIR WARD asked Mr. Pignalberi why minutes are not available from the last meeting.

MR. PIGNALBERI explained that the tapes of the meeting were sent to Juneau for transcription and that they would be completed by the next meeting. CO-CHAIR WARD said he has been assured that minutes will be completed in a timely manner in the future.

COMMISSIONER THOMAS expressed concern that some subcommittees have not scheduled meetings yet.

MR. PIGNALBERI informed commission members that its website contains a schedule of all meetings and that some subcommittees have not yet met because the chairpersons have been unable to schedule time to meet with him for a preliminary briefing and because subcommittee members have had schedule conflicts. He noted

that Mr. Taurianan came on board just last week and has been unable to arrange a meeting yet.

COMMISSIONER THOMAS asked whether all subcommittees have scheduled a first meeting.

MR. PIGNALBERI replied about four or five subcommittees have not yet scheduled a first meeting.

CO-CHAIR WARD noted that he has talked to most of the chairpersons who were confused about what to do, therefore, today's meeting was scheduled to inform them of how to proceed. He anticipated that those subcommittees who have not met would be doing so within the next week and that schedules will be posted on the internet immediately when available.

MR. PIGNALBERI informed commission members that the commission's website address is: "www.privatizealaska.org".

CO-CHAIR WARD offered the Co-Chairs' office staff as another source of information for those without access to the website.

CO-CHAIR WARD announced that the next agenda item is the consideration of state employee air travel mileage.

MR. PIGNALBERI explained that several commission members have noted an interest in reviewing the possibility of creating one mileage account to collect mileage points for state employee travel; an issue that transcends any one department. He suggested that such issues be forwarded to the full commission for direction. He recommended that the airline mileage issue be taken up by the Subcommittee on the Office of the Governor.

COMMISSIONER THOMAS suggested that the Subcommittee on the Office of the Governor comment on that issue but that it then be taken up by the full commission.

AN UNIDENTIFIED COMMISSIONER said this issue has come before the legislature and is outside of the bounds of the commission.

CO-CHAIR WARD said former Representative Terry Martin's bill on that subject included a provision to charter flights out of Anchorage which would have saved a lot of money. He recommended that the issue be taken up by the Subcommittee on the Office of the Governor who can advise the full commission.

DEPUTY COMMISSIONER ALISON ELGEE, Department of Administration, informed commission members that DOA has studied the airline

mileage issue at length. She suggested that the Subcommittee on DOA review it.

COMMISSIONER THOMAS remarked that she was unsure whether the issue of airline mileage is within the purview of SB 33 and that it will be a time consuming issue to review.

CO-CHAIR WARD contended that the Chair of the Subcommittee on DOA can decide whether to take it up.

COMMISSIONER ALLEN agreed with Co-Chair Ward.

COMMISSIONER FINK asked that any participant or member of the public who believes a particular government service should be privatized to talk to him about it.

CO-CHAIR WARD asked that any suggestions be submitted to staff as well for distribution to all Commissioners.

AN UNIDENTIFIED COMMISSIONER moved to add the Alaska Industrial Development and Export Authority (AIDEA) as one of the areas the subcommittees look into.

CO-CHAIR WARD seconded the motion but said it is already with the Department of Community and Economic Development's budget.

THE UNIDENTIFIED COMMISSIONER said he would also like to see the commission review the Alaska Science and Technology Fund, the Alaska Housing Finance Corporation, and the Alaska Permanent Fund Dividend Corporation.

CO-CHAIR WARD pointed out those three agencies are housed within departments. He added that it is important that Commissioners be informed of subcommittee schedules so that those who want to can attend. Co-Chair Ward said that he and Co-Chair Cowdery decided to review all departments for that reason.

COMMISSIONER VALESKO commented that he attended the Subcommittee on DOT/PF meeting and was concerned that the Chairperson decided against reviewing the largest dollar parts of that budget: design and construction, planning, and rights-of way. He moved that the commission direct the DOT/PF Subcommittee to look into all facets of DOTPF's budget.

REPRESENTATIVE BRICE seconded that motion. There being no objection, the motion carried.

COMMISSIONER THOMAS requested that commission members receive the

agenda prior to the meetings. She informed Co-Chair Ward that the State Chamber of Commerce will set up a fax network for all commission and subcommittee members by the end of the week.

REPRESENTATIVE BRICE remarked the commission needs to look into how the teleconferencing system is set up because Fairbanks participants have been disconnected several times.

CO-CHAIR WARD agreed to do so and notified participants that he was informed by the teleconference operators that today's problem have been caused by sun spots.

COMMISSIONER WUERCH said he supports the approach to allow each subcommittee to choose which areas of the budget it will address but cautioned that the fact that a subcommittee opts not to address a topic should not mean that the topic should drop forever from the radar screen as a possibility for privatization. He believes it should be made clear to the legislature that the fact that an area was not included in the report does not mean it is not worth review.

COMMISSIONER ALLEN brought up two items. Regarding Commissioner Fink's suggestion that ideas for privatization be directed to commission members, he thought the commission should publicize a "need to know." Second, he asked where the University of Alaska fits into privatization review.

CO-CHAIR WARD replied the University of Alaska is a complete component.

MR. PIGNALBERI added the University is doing an in-house study as a result of the passage of SB 33. The University will provide its study results to the commission after which subcommittee hearings will be held.

CO-CHAIR WARD asked if every state government entity is under review by a subcommittee except for the University of Alaska.

MR. PIGNALBERI said a University subcommittee is planned however its membership has not been appointed and no meetings have been scheduled as of yet. That subcommittee will meet after the University completes its report.

CO-CHAIR WARD asked Commissioner Allen if he would like to serve on that subcommittee.

COMMISSIONER ALLEN said not as the chairperson but that he is certainly interested in it.

CO-CHAIR WARD asked Mr. Pignalberi to write a memo to all Commissioners informing them of the procedure established for review of the University of Alaska.

MR. TAURIANAN asked Mr. Pignalberi to call him to discuss the Subcommittee on the Department of Health and Social Services.

AN UNIDENTIFIED SPEAKER asked if the subcommittees are subject to the open meeting laws and whether subcommittees can conduct business without a quorum.

MR. PIGNALBERI replied that, according to the Division of Legal Services, the subcommittees are comprised of volunteer citizens and therefore are not subject to the Open Meetings Act. Regarding a quorum, he stated that is a matter the commission could determine.

CO-CHAIR WARD asked subcommittee chairs to come back to the commission with recommendations if they want the commission to make such decisions.

MR. NORTON asked how elaborate the reports should be. He said he assumes they should contain brief recommendations with a short summary of how to facilitate the transfer of a service to the private sector.

TAPE 99-4, SIDE A

CO-CHAIR WARD stated that the documents will have to be created at the subcommittee level; however, the commission could make changes to it. Co-Chair Ward said one advantage is that citizens do not have to jump through the same hoops as bureaucrats and politicians. He added the commission will have to filter the information out and then legislators will have to meet with the Department of Law to figure out how to implement the recommendations.

ADJOURNMENT

There being no further business before the committee, the Commission on Privatization and Delivery of Government Services meeting was adjourned at an unspecified time.