SCOMM

122:24

COMMISSION ON PRIVATIZATION AND DELIVERY OF GOVERNMENT SERVICES
Anchorage, Alaska
October 28, 1999
9:08 a.m.

MEMBERS PRESENT

Representative John Cowdery, Co-Chair
Senator Al Adams

PUBLIC MEMBERS PRESENT

Commissioner Bill Allen
Commissioner Tom Fink
Commissioner Kathryn Thomas
Commissioner George Wuerch
Commissioner Emil Notti
Commissioner Michael Harper

MEMBERS ABSENT

Senator Jerry Ward, Co-Chair
Representative Tom Brice
Commissioner Don Valesko

DEPARTMENT OF REVENUE SUBCOMMITTEE MEMBERS PRESENT

Mary Ann Pease, Chair
Leisa Roberts
Leonard Steinberg
John Main
Dana Owen - Department of Revenue Liaison (via teleconference)

COMMITTEE CALENDAR

Department of Revenue Subcommittee Draft Report

PREVIOUS ACTION

See Privatization Commission minutes dated 7/20/99, 8/16/99 and 9/20/99.

ACTION NARRATIVE
TAPE 99-7, SIDE A

CO-CHAIR COWDERY called the Commission on Privatization and Delivery of Government Services meeting to order at 9:08 a.m. Members present at the call to order were Representative Cowdery

and Senator Adams and Commissioners Allen, Fink, Harper, Notti, Thomas and Wuerch.

CO-CHAIR COWDERY noted the approval of minutes would be delayed until Mr. Pignalberi's return from the Legislative Ethics Committee meeting which he is attending to verify that no Commissioner has a conflict of interest in his or her participation on the Commission.

CO-CHAIR COWDERY introduced a new Commission member, Emil Notti.

COMMISSIONER NOTTI informed Commission members that he was raised on the Yukon and trained as an electronics engineer. He brings experience to the Commission as a person who has been on both the government and private sector sides of the workforce. He served as the Commissioner of the Department of Community and Regional Affairs and as a board member of Cook Inlet Region Incorporated, and he has been serving as a board member of a bank for 26 years.

Number 055

CO-CHAIR COWDERY asked Mary Ann Pease, Chair of the Department of Revenue Subcommittee, to present the subcommittee's draft report.

MARY ANN PEASE introduced Department of Revenue Subcommittee members Leonard Steinberg, Leisa Roberts and John Main, and made the following comments. The Department of Revenue Subcommittee had some very dedicated members and, although not all could be present today, they unanimously supported the draft report. At the subcommittee's first meeting, members looked at government functions that could be transferred to the private sector via contract, transferred to other levels of government, and/or consolidated to make efficiency changes. The draft reports prepared on the Child Support Enforcement Division (CSED), the Alcohol Beverage Control (ABC) Board, the Income and Excise Audit Division, the Oil and Gas Audit Division, the Treasury Division, the Permanent Fund Division, the Alaska Municipal Bond Bank Authority, the Alaska Permanent Fund Corporation, the Alaska Housing Finance Corporation (AHFC), the Alaska Mental Health Trust Authority, and the State Pension Investment Board are contained in Commissioner's packets. Subcommittee members were unable to do an exhaustive audit on any of the divisions with the limited time and participation available and therefore concentrated on certain areas that are identified in the draft report. Members reviewed all divisions but focused their recommendations on CSED and the ABC Board. Subcommittee members believe that before any of their recommendations on privatization can be carried out, a detailed audit should be done with a primary emphasis placed on the areas brought forward in the subcommittee's report.

MS. PEASE asked Leisa Roberts to present the subcommittee's findings on CSED to Commission members.

CO-CHAIR COWDERY noted it is his intention to extend the sunset date of the Commission on Privatization of Government Services during the next legislative session for the purpose of continuing the work the subcommittees have started. He acknowledged that he is aware that the subcommittees could not get their hands around everything they wanted to look at in the given time frame.

MS. PEASE commented that Ms. Roberts put many hours into her review of CSED and has become an expert in this field. She urged Commissioners to direct any questions about that agency to Ms. Roberts.

LEISA ROBERTS introduced herself to Commissioners and informed them that she is representing ARCO on the subcommittee. She made the following remarks about her review of CSED. CSED is a very large organization that has undergone many changes in the recent past, the most notable change being the implementation of a system of staff retraining. Of CSED's 47,000 cases, 37,000 cases have orders in which the child support obligor has been established, and 27,000 of the cases with orders are in arrears. CSED has no clear definition of cases in arrears and its arrearage accounts are not aged in the way typical accounts are. Because of the magnitude of the caseload and the difficulty reviewing the agency, she looked at sections within CSED that might benefit from privatization. Those areas are the investigations section, the locate section, and any area that does not provide direct case work.

MS. ROBERTS commented that in order to get a complete understanding of CSED's operations, a thorough business process review should be undertaken. She stated that one area that stood out is that some employee tasks could be done more efficiently if mechanized.

CO-CHAIR COWDERY asked Ms. Roberts to expand on that statement.

MS. ROBERTS indicated that the data for new hire information received from employers around the state is manually keyed in to a computer program by CSED employees. The same information is reported to other divisions and could easily be mapped out of those divisions' systems and uploaded to CSED so that potential matches could be identified. Second, other data is extracted from the mainframe system and entered onto an excel spreadsheet by CSED employees. A very inexpensive computer program is available that can download the data from the mainframe system onto an excel spreadsheet. She noted that CSED has put forth some effort to reduce its manual data input. For example, a small number of

payments are now received via electronic funds transfer. CSED could encourage more payers to use that system and also implement a system in which recipients receive payments via electronic transfer, thus eliminating check printing and file sorting and updating. If some of the inefficiencies are more thoroughly investigated, checked for compliance with laws and regulations and corrected, better client service is likely to result.

While doing her review of CSED, MS. ROBERTS said that she found a general feeling of discontent among people involved in the process. MS. ROBERTS pointed out that modifications of cases are backlogged to the point that a payer might be required to make more child support payments after a child turns 18 because the backlog prevented review of the modification while the child was a minor, a scenario that agitates payers. In a good many cases, paternity has not yet been established. CSED's immense caseload requires as many employees as possible to work the active cases but CSED must figure out what to do with the cases in arrears and privatization might be the answer. CSED did solicit proposals for collection of some cases in arrears, however restructuring the proposal might attract more bidders from the private sector. She added that the state might get more "bang for the buck" if some of the services provided to CSED by other government agencies, such as legal services, are provided by the private sector.

MS. ROBERTS acknowledged that she did not have time to thoroughly review the implications of some of the recommendations but she believes that basic business process changes would make CSED a lot more efficient.

Number 212

COMMISSIONER WUERCH commended Ms. Roberts on her excellent report and asked, regarding interagency assistance, whether the divisions have a general overlay of costs for the services they provide, regardless of the amount of assistance each provides, or whether they charge on a per-task basis.

MS. ROBERTS explained that legal services are billed in a manner similar to that of a law firm, however the divisions work closely together so that they "staff up" and determine how many attorneys will be needed for the caseload. To change that number, an attorney has to be reassigned to another division or agency, which does not allow for the flexibility available in the private sector.

COMMISSIONER WUERCH asked about the number of CSED cases.

MS. ROBERTS replied that of the 37,000 child support orders, 27,000

are in arrears. The total number of cases is 47,000, however 10,000 of those do not have orders established as of yet, and that could be a matter of establishing paternity or locating the non-custodial parent.

COMMISSIONER ALLEN asked Ms. Roberts to expand on the arrearage and collections situation.

MS. ROBERTS explained that CSED does not age its accounts, therefore a case in arrears is defined as anything past due over one day. She suggested that the first action that should be taken before considering outsourcing any of the collection function is to establish criteria with which to consider cases in arrears. Typically, private industry ages accounts by 30, 60, and 90 days. Accounts delinquent for more than 90 days receive the most attention. She noted the amount of outstanding child support payments equals about $561 million. Much of that amount is uncollectible because the amounts are based on forced orders, in other words some orders are not reasonable considering the payers' income. CSED has no method to clearly identify the cases that are uncollectible, nor can it identify those accounts that are seriously in arrears. She recommended that CSED determine what can be collected and that it prioritize collection of cases in arrears. She pointed out that in cases in which the custodial parent is a public assistance recipient and child support payments are collected, CSED is reimbursed by the federal government and it receives a special incentive as well.

COMMISSIONER ALLEN asked at what point judicial remedies kick in, and whether there is a point of time when the collection should be outsourced.

MS. ROBERTS replied that she was unable to establish that based on the fact that she has no idea of the number of cases in that category. CSED has about 221 employees plus some temporary employees, and just managing the ongoing cases, catching up, and changing some of the business processes would probably keep every employee very busy. She guessed that any account in arrears beyond 90 days should be outsourced.

COMMISSIONER ALLEN asked how efficient CSED is in garnishment and attaching, in particular permanent fund dividend checks.

MS. ROBERTS said she did not have adequate time to compare potential collections to the amount that CSED actually collected, specifically permanent fund dividends, but CSED appears to do relatively well in the area of garnishment when the payer is active in the system.

Number 287

SENATOR ADAMS noted that Ms. Roberts recommended that a cost-benefit analysis be performed on CSED and asked if she was suggesting that the cost-benefit analysis be outsourced.

MS. ROBERTS answered that CSED is working very hard to implement processes and systems to improve its performance, but she wonders if the agency is capable of determining when implementation of a new process is guaranteed to be of benefit versus when it is trying a good idea to see if it works.

SENATOR ADAMS asked Ms. Roberts if she looked at restructuring settlements. He noted that the interest on some of the arrearage accounts can amount to $10,000 and the arrearage might be due to health or employment problems. He questioned whether Ms. Roberts looked at the possibility of reaching settlements with obligors before an account is outsourced for collection.

MS. ROBERTS said she did not but thinks that is a great idea. She suspected that a comprehensive review would identify those areas and isolate such cases.

COMMISSIONER THOMAS questioned whether figures are available to determine the amount spent to collect child support payments in cases that are current versus cases in arrears.

MS. ROBERTS thought she could come up with those figures but said she had trouble determining what should be included in that figure in terms of staff costs, for example whether paternity determination and investigations should be included. When she took a first look at it on a per dollar collected basis, the State of Alaska falls within the mid-range nationwide.

CO-CHAIR COWDERY asked other subcommittee members to comment if they wished to do so at any time.

COMMISSIONER WUERCH asked whether Ms. Roberts was able to do any bench marking against other states on a cost per case basis.

MS. ROBERTS replied that she only did bench marking against cost per dollar collected and, again, Alaska fell in the mid-range. She pointed out that many states have incorporated private industry into their CSED processes.

COMMISSIONER WUERCH asked if Ms. Roberts could recall the cost per dollar collected.

MS. ROBERTS did not recall but said it is in the report.

CO-CHAIR COWDERY asked the number of states that have privatized some of their CSED functions.

MS. ROBERTS indicated that data from 1995 shows that at least 20 states privatized one or more of their child support services statewide; 18 states privatized services at the local office level; and another study reported that 21 contracts were awarded for full service child support operations.

Number 346

SENATOR ADAMS asked if any of those states reverted to using government agencies again to provide the service.

MS. ROBERTS said that she cannot answer that question with assurance, but she heard that a few states have had negative experiences with privatizing services.

MR. JOHN MAIN, the representative of the Alaska Public Employees Association and the chief investigator of CSED, noted that several states have withdrawn from their contracts with private entities, especially in the area of locate. He added that the IRS announced at a conference he attended the previous week that it will start withdrawing information from those states that have privatized CSED functions that use IRS information. The IRS is particularly concerned about 1099 information because of the confidentiality issue.

COMMISSIONER THOMAS noted that as an employer, she was just hit with the federal mandate regarding the new hire notification requirement. She asked how the government can justify mandating businesses to provide new hire information immediately while the IRS is backing away.

MR. MAIN replied that the IRS is an entity unto itself and makes its own rules. He added that the Office of Child Support Enforcement in Washington, D.C. is challenging some of those rules, including the IRS rule about non-cooperation with private businesses. He suspects the IRS will come out ahead, however, because it controls the information. He noted that his section uses the new hire data and that employers are given 20 days to submit to CSED the names of new hires and re-hires. That gives CSED five days to check its system to determine if the person is in the system and to set up a garnishment process. That information is then sent to Washington, D.C. where it is checked for arrearage in other states. Alaska then receives the information about

payments due in other states.

MR. MAIN said one reason the federal government mandated the new hire information is that the labor department collects quarterly wage information but it was taking too long to disburse that information to effectively help the CSED collections process. Congress then passed a law requiring employers to notify their state CSED office within a month when a person is employed, so that CSED can garnish wages immediately. Some states have contracted out with private contractors to do the new hire reporting, others use their state departments of labor. The State of Alaska decided that CSED should conduct the program in-house because Department of Labor notification would have cost an additional $1 million.

Number 412

MARCO PIGNALBERI, Commission staff, asked Mr. Main to write a memo to the Commission regarding the late-breaking information about the IRS ruling so that the Commission can research that change before it gives its recommendations to the Legislature. He asked which of the discrete steps in the CSED process the 1099 problem affects.

MR. MAIN replied that it affects almost every section except the case maintenance team. The locate section has access to 1099 information, as does the caseworker, but all 1099 files must be kept in cabinets with IRS-approved locks. The IRS is very concerned about access to its confidential information.

MR. PIGNALBERI asked if the federal office that oversees the distribution of funds to the states is challenging the IRS on the new policy.

MR. MAIN said it is challenging some aspects of that ruling. The IRS has said that if a private contractor currently has access to 1099 information, the state cannot renew the contract when it expires. If the state has no contract, it advises against going in that direction. He offered to write a memo of explanation to Commission members.

MS. PEASE asked Leonard Steinberg to talk about the Income and Excise Audit Division and the Oil and Gas Audit Division.

Number 445

LEONARD STEINBERG, Department of Revenue Subcommittee member, noted that he would first like to respond to a question asked by Senator Adams about who should do a cost benefit analysis of CSED. After discussing the issue, the subcommittee thought it would be

beneficial to use an outside agency with experience in privatization and consolidation to do the analysis because such expertise and insight could benefit CSED's program.

MR. STEINBERG explained that the Department of Revenue Subcommittee met several times and that 10 to 12 individuals participated on a regular basis. The different agencies within the Department of Revenue were divided up among subcommittee members to review and investigate with an eye toward privatization, consolidation, and opportunities for cost saving efficiencies. Each individual prepared a written report on his or her agency, and the draft reports were discussed among the entire subcommittee and members of the public. The subcommittee adopted the recommendations supported by a majority of its members; many of the recommendations received unanimous support. Those recommendations then became the body of the draft report presented to the Commission. The consensus of the subcommittee was that the highest areas of opportunity for efficiency improvements within the Department of Revenue are with CSED and the ABC Board.

Regarding the Oil and Gas Audit Division and the Income and Excise Audit Division, MR. STEINBERG said that during his review, he learned that the two divisions plan to merge into one agency in the Spring of 2000. Some efficiencies will be gained by that merger. Some functions of both divisions are currently being outsourced, however the subcommittee recommended that the divisions explore further opportunities to outsource. For the most part, the subcommittee feels that the two divisions are on the right track. He noted that the Administration and division directors were very cooperative in this process.

COMMISSIONER FINK stated that the Subcommittee's mission statement does not include the investigation of government functions that should be eliminated, which was part of the Commission's enabling legislation. Also, the Subcommittee's report recommends that AHFC be looked into. He noted that AHFC is a big ticket item while the other recommendations are small ticket items. He maintained that if the state got out of the secondary mortgage business, it could accrue $1 billion, and that it is a service that most states do not provide. He asked if the subcommittee discussed that concept at all.

MS. PEASE replied that the subcommittee did discuss that specific subject and realized it is a key area that could be eliminated, however it did not have the resources nor the expertise to review AHFC in depth. The subcommittee member with that expertise who was assigned to that area was unfortunately unable to do the work. The subcommittee's report instead says that it recognizes that it

lacked the resources to do a full audit of AHFC but it wholly believes that is the one function that could be eliminated or changed substantially.

COMMISSIONER FINK asked if there was any particular reason why the elimination of government functions was not listed in the subcommittee's mission statement.

MS. PEASE replied that the omission was an oversight and that it should have been included because the subcommittee certainly did address the subject.

MR. PIGNALBERI pointed out that the report is a draft and that the subcommittee will make any changes it feels are appropriate to the final.

COMMISSIONER THOMAS indicated that oil and gas functions are carried out in other departments. She asked whether the subcommittee looked at any cross-department functions.

MR. STEINBERG said the subcommittee did not look at the oil and gas functions within the Departments of Law and Natural Resources except that the Oil and Gas Audit Division performs royalty audits for the Department of Natural Resources.

Number 538

CO-CHAIR COWDERY commented that during the House floor debate on the Commission's enabling legislation, many legislators felt that the time line to achieve the Commission's task was too short. For that reason, he initially asked subcommittees to focus on what they could get their hands around with their limited resources and time. He expects a further review of certain agency functions to take place, possibly next year.

MS. PEASE stated that John Main was able to bring his expertise to the review of the ABC Board and she noted the subcommittee unanimously supported Mr. Main's recommendations. She asked Mr. Main to discuss the details of his report with the Commission.

MR. MAIN made the following comments about the ABC Board. One thing that stood out when he began his review of the ABC Board is that the board has a very limited function. He has spoken with ABC Board investigators over a period of years, and he believes the ABC Board's functions could be expanded to govern the regulation of tobacco use and gaming, two functions currently housed under two other divisions. At present, two investigators focus on gaming violations, and three or four investigators focus on alcohol

violations, while no investigators focus on tobacco violations. The state contracts with a few police departments to enforce tobacco regulations and laws.

MR. PIGNALBERI noted that one page had inadvertently been omitted from the ABC Board section of the draft report and that a corrected version had been distributed to Commissioners.

Number 570

SENATOR ADAMS commented that when functions are merged within one agency, that agency often becomes less efficient in carrying out each individual function. He noted that the Legislature has not provided enough funds to the ABC Board so that its investigators can handle their own duties around the state now.

MR. MAIN maintained that he believes the combining of functions will improve efficiency because the investigators will be able to look into all three types of violations when they travel to areas throughout Alaska. He agreed with Senator Adams in that the number of ABC Board investigators needs to be increased and that some of the laws governing the ABC Board need to be changed. He pointed out that the ABC Board estimates it needs 10 investigators to adequately cover the entire state. At the present time, three people work in the tobacco prevention program, one solely contracts out the enforcement aspect.

TAPE 99-7, SIDE B

SENATOR ADAMS asked who would prioritize the cases on alcohol, gaming, or tobacco violations for the 10 investigators. He noted that gaming violations are very difficult to investigate.

MR. MAIN replied that it would be up to the ABC Board to determine, but at the same time, most investigators have law enforcement backgrounds as well as economic crime backgrounds. He believes any new hires should have a background in both, because investigators will need a knowledge of how violators of the gaming regulations operate. He believes the investigators, if given the enforcement ability to look at all three areas, would do so with diligence.

MR. PIGNALBERI called Commissioners' attention to the conclusion paragraph on page 6 of the draft report which offers an alternative solution that would vest the ABC Board with the statutory authority to do the enforcement without actually combining the agencies.

MS. PEASE pointed out the subcommittee's first choice is to combine the functions but, if that is not possible, the subcommittee's

second choice is to modify Title 4 to allow the ABC Board to enforce tobacco and gaming laws under contract.

Number 556

SENATOR ADAMS asked if, out of all of the recommendations for the Department of Revenue, only one statutory change is recommended and that is to Title 4.

MS. PEASE said that is correct.

COMMISSIONER FINK asked whether Mr. Main determined a dollar amount that might be saved from combining the three functions.

MR. MAIN replied that he did not, although he looked at the current cost of enforcement for tobacco violations. The federal government pays the state to contract out for that enforcement, and police officers are paid about $60 per hour under those contracts.

MR. PIGNALBERI asked if that is federal pass-through money.

MR. MAIN said it is.

AN UNIDENTIFIED COMMISSIONER asked what strings are attached to that federal money.

MR. MAIN explained that the contractors have to ensure that they are in compliance with the number of visits they make to establishments and the number of violations they find.

MR. PIGNALBERI asked whether the federal dollars could be used for simultaneous enforcement of alcohol or gaming violations.

MR. MAIN replied that he believes the state could have offered the enforcement dollars to any state agency with such authority, but instead the state offered it to the various police departments.

CO-CHAIR COWDERY asked Elmer Lindstrom to comment on the tobacco prevention program.

Number 540

MR. ELMER LINDSTROM, Special Assistant to the Department of Health and Social Services (DHSS), informed Commission members that he has not had a chance to review the recommendation related to the ABC Board. Mr. Lindstrom commented that the Division of Public Health in the DHSS receives about $300,000 per year from the Food and Drug Administration to enforce tobacco violations, which DHSS has passed

through to local police agencies. He is unsure whether the ABC Board is aware of what DHSS is doing in this area. He pointed out that tobacco enforcement activity is not centered around liquor stores or bars because its focus is on preventing youth from purchasing tobacco products, an activity that centers around grocery stores. He noted that he is not aware of all of the constraints on those federal funds, however they are significant. Although DHSS is very aware of the need for more ABC Board investigators for enforcement of alcohol violations, he asked Commissioners to look at this recommendation very closely. DHSS's tobacco control team is a public health program of which law enforcement is only one element. The program also looks at a host of prevention activities put together by the Center for Disease Control. DHSS would be reluctant to carve up that comprehensive tobacco control program.

MR. PIGNALBERI asked Mr. Lindstrom to provide the Commission with a written response to the ABC Board recommendation.

MR. LINDSTROM agreed to do so.

COMMISSIONER HARPER asked if the total budget is about $600,000.

MR. MAIN replied that the ABC Board has $600,000.

COMMISSIONER HARPER asked if the $300,000 in contract money would be added.

MR. MAIN said yes, plus the amount of funds allocated to the gaming section for its investigations. He noted that he does not have that figure but that section has only three investigators.

COMMISSIONER HARPER said he is struck by Commissioner's Fink concern about AHFC's involvement in the secondary mortgage market and that the $600,000 and $300,000 is probably the equivalent of three to five homes that AHFC has secondary mortgages on. He suggested that Commissioners take some time to speak to the AHFC chairman about why the state does not save $1 million from AHFC.

CO-CHAIR COWDERY agreed that further discussion about AHFC is important.

MS. PEASE stated that the subcommittee is aware that AHFC is a huge area that needs to be investigated at a much more thorough level than the subcommittee was able to do. The subcommittee did not mean to short AHFC, however it is an enormous organization, and the subcommittee member dedicated to do that report was unable to do so. Ms. Pease maintained that the subcommittee would be more

than happy to review AHFC if the time line was extended but it believes a professional audit would be well warranted.

COMMISSIONER WUERCH thanked Ms. Pease and subcommittee members for all of the hours they put into this project. He said as a postscript to Commissioner Harper's comment about the importance of looking at some of the big dollar issues, he believes that rather than focusing on a detailed audit, the fundamental question of which state services should be provided in an era of declining revenues needs to be addressed. Although it would be nice to continue to provide all of the services the state has offered over the last 20 years, it may not be able to afford to do so anymore. He asked Commissioners to think about some of the bigger policy issues in addition to the detailed reports before the Commission adjourns in December.

MR. PIGNALBERI indicated that the Commission could ask the subcommittee to do a further review of AHFC or the Commission could create a subcommittee of Commissioners to review that agency.

COMMISSIONER FINK stated that he intends to pursue this issue before the Commission adjourns and that he agrees with Commissioner Wuerch that this issue is a policy question. He maintained that he was in the Legislature when AHFC was created and that it was appropriate at the time because Alaska had very poor secondary markets and was being mistreated by the "outside." He maintained that is no longer the case as an adequate private sector market now exists. He indicated that AHFC has $3 to $4 billion in net assets, and it pays out about $106 million per year. By liquidating the mortgages or letting them run out over a period of ten years, $3 or $4 billion dollars would be freed up. He repeated that the continuation of AHFC is a policy question. Rather than conducting an audit, he suggested getting a copy of AHFC's balance sheet. He believes the quarrelsome area of this issue for the Commission will be the advisability of getting out and whether an adequate private sector secondary mortgage market exists. He suggested that because the Commission's work is supposed to be completed by the end of December, the topic be discussed by the full Commission.

MR. PIGNALBERI asked Commissioners if they want to extend an invitation to AHFC to have a full discussion at the next Commission meeting.

COMMISSIONER HARPER thought the Commission should look at AHFC's balance sheet and revenue statements. He also suggested getting more information from the financial sector on the secondary mortgage market.

COMMISSIONER NOTTI commented that Alaska used to be the borrower, but conditions have changed, and Alaska is now exporting cash all over the country therefore it may be a good time for review.

COMMISSIONER WUERCH agreed that it would be useful to get financial statements from AHFC because it sounds as though AHFC's yield is about three percent. If the Legislature could take that same $3 or $4 billion and invest it in the CBR fund or Permanent Fund and get six to seven percent, the revenue stream would double.

COMMISSIONER THOMAS suggested that since Ms. Pease offered to review AHFC, the Commission should ask the subcommittee to take a look at it and report back.

MS. PEASE agreed the subcommittee would be happy to do that. She noted the subcommittee might reconvene as a smaller group but members would be focussing solely on AHFC and could review the financial statements of AHFC and look at the impact to the state of reallocating that money.

COMMISSIONER HARPER asked that the subcommittee recommend whether AHFC is a necessary government function or whether the private sector could offer those services. He repeated that he does not believe an audit is necessary.

MS. PEASE commented that speaking to local bankers would be helpful.

CO-CHAIR COWDERY acknowledged the Commission would like the subcommittee to review the policy question.

Number 408

MR. PIGNALBERI stated, for the record, that the Department of Revenue Subcommittee will do an additional report on AHFC.

COMMISSIONER HARPER suggested writing a letter to Mr. Cuddy and Mr. Rasmussen informing them that the Commission is looking at ways of streamlining and saving money by doing away with AHFC.

COMMISSIONER HARPER noted that he was limiting his remarks to the secondary mortgage market because he does not want to get involved with the ASHA aspect.

MS. PEASE asked Commissioner Fink to contact Jerry Anderson and ask him to lend his expertise to the Subcommittee in this venture.

CO-CHAIR COWDERY noted his appreciation for the thoroughness and professionalism of subcommittee members and thanked them on behalf of the Legislature.

MS. PEASE asked about the time line for reporting back to the Commission.

MR. PIGNALBERI asked for the report before the November 18 Commission meeting.

Regarding approval of the minutes from the previous meeting, MR. PIGNALBERI noted two corrections, and Commissioner Wuerch noted the correct spelling of his name.

SENATOR ADAMS moved that the September 20, 1999 minutes be approved with the noted corrections. There being no objection, the motion carried.

MR. PIGNALBERI announced that the subcommittees on the Departments of Corrections, Law, Labor, Environmental Conservation, and Courts will present their draft reports to the Commission at the November 4th meeting.

CO-CHAIR COWDERY informed Commissioners that the Commission will be very active in the next few weeks listening to the subcommittee recommendations and preparing a final report for the Legislature.

MR. PIGNALBERI thanked Dana Owen from the Department of Revenue for his cooperation and asked him to submit comments on the subcommittee's draft report to the Commission before the next meeting. He suggested that the Commission consider accepting the draft report, or parts of it, at the next meeting after it receives the department's comments. He asked Mr. Owen if he is aware of the department's position on the two major recommendations concerning the CSED privatization proposal and the consolidation of the investigative functions within the ABC Board.

MR. OWEN replied that in general, the Department of Revenue does not object to any of the recommendations if they are focused on studying the matters further. CSED is an extremely complex and technical matter and some areas deserve to be looked at, particularly the business processes. He warned that everyone be very cautious about unintended consequences when studying CSED because of problems like changes in IRS policies. He thought that overall the Department of Revenue will be neutral on the recommendations and that there will be no surprises.

CO-CHAIR COWDERY commented that, for the most part, the staff from

the Administration have been very cooperative and he expressed appreciation for that cooperation.

Number 315

SENATOR ADAMS asked that the agencies' responses be included with the presentation of the subcommittee reports, and that once a report is accepted by the Commission, the recommendations be provided to Commissioners on one sheet of paper. He also expressed hope that the Commission does not lose sight of the Legislature's intent when it passed the Commission's enabling legislation. He said it will be Anchorage, not the rural areas, that take the brunt of the cuts in services that may result from privatization.

With no further business to come before the Commission, CO-CHAIR COWDERY adjourned the meeting at 10:20 a.m. until November 4.