

SCOMM

122:25

COMMISSION ON PRIVATIZATION AND DELIVERY OF GOVERNMENT SERVICES
Anchorage, Alaska
November 4, 1999
9:10 a.m.

COMMISSION MEMBERS PRESENT

Representative Cowdery, Co-Chair
Representative Brice (via teleconference)
Senator Ward, Co-Chair (via teleconference)
Senator Adams
Bill Allen, Former Mayor of Fairbanks (via teleconference)
Tom Fink, Former Mayor of Anchorage
Emil Notti
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

Mike Harper, President, Kuskokwim Corporation

OTHER HOUSE MEMBERS PRESENT

Representative Gail Phillips

COMMITTEE CALENDAR

Reports from the following Privatization Subcommittees:

Department of Labor
Department of Environmental Conservation
Department of Corrections

PREVIOUS ACTION

See Commission on Privatization minutes dated 7/20/99, 8/16/99, 9/20/99 and 10/28/99.

WITNESS REGISTER

VALERIE BAFFONE, Chair
Department of Labor Subcommittee
POSITION STATEMENT: Presented the subcommittee's report.

DWIGHT PERKINS, Deputy Commissioner
Department of Labor & Workforce Development
PO Box 21149

Juneau, Alaska 99802-1149

POSITION STATEMENT: Provided additional information with regard to the Department of Labor.

VIRGIL NORTON, Chair

Department of Environmental Conservation Subcommittee

POSITION STATEMENT: Presented the subcommittee's recommendations.

MARY SIROKY, Manager

Information Education & Coordination

Division of Statewide Public Service

Department of Environmental Conservation

410 Willoughby Avenue, Suite 105

Juneau, Alaska 99801

Telephone: (907) 465-5355

POSITION STATEMENT: Provided information with regard to when the Department of Environmental Conservation would have its final comments to the subcommittee's recommendations.

GREG MAGEE, Member

Department of Environmental Conservation Subcommittee

POSITION STATEMENT: Provided additional information.

BOB GILFILIAN, Member

Department of Environmental Conservation Subcommittee

POSITION STATEMENT: Provided additional information.

BILL LAWRENCE, Member

Department of Environmental Conservation Subcommittee

POSITION STATEMENT: Provided additional information.

MIKE ABBOTT, Economic Development Assistant

Office of the Governor

500 West 7th Avenue, Suite 1700

Anchorage, Alaska 99503

Telephone: (907) 269-7450

POSITION STATEMENT: Provided comments from the Administration.

GREG HORNER, Member

Department of Environmental Conservation Subcommittee

POSITION STATEMENT: Provided additional information.

JERRY BROOKMAN, Member

Department of Environmental Conservation Subcommittee

POSITION STATEMENT: Provided additional information.

SHARON ANDERSON, Chair

Department of Corrections Subcommittee

POSITION STATEMENT: Presented the DOC Subcommittee's recommendations.

GREG PEASE, Member

Department of Corrections Subcommittee

POSITION STATEMENT: Provided additional information.

GARLAND WARREN, Member

Department of Corrections Subcommittee

POSITION STATEMENT: Provided additional information.

BRUCE RICHARDS, Program Coordinator

Department of Corrections

4500 Diplomacy Drive, Suite 207

Anchorage, Alaska 99508-5918

Telephone: (907) 269-7394

POSITION STATEMENT: Provided additional information.

BILL PARKER, Deputy Commissioner

Department of Corrections

4500 Diplomacy Drive, Suite 207

Anchorage, Alaska 99508-5918

Telephone: (907) 269-7397

POSITION STATEMENT: Provided additional information.

ACTION NARRATIVE

TAPE 99-8, SIDE A

CO-CHAIR COWDERY called the Commission on Privatization and Delivery of Government Services meeting to order at 9:10 a.m. Members present at the call to order were Representatives Cowdery and Brice, Senators Ward and Adams, and Commissioners Allen, Fink, Notti, Wuerch, Thomas, and Valesko. Commissioner Harper was not present.

CO-CHAIR COWDERY announced that the first order of business would be to approve the minutes from the October 28, 1999, meeting.

MARCO PIGNALBERI, Legislative Assistant to Representative Cowdery, Alaska State Legislature, informed the commission that a copy of the minutes had been sent to the chairman of the Department of Revenue Subcommittee for review. Since he had not yet received word from that subcommittee, he requested that approval of the minutes be held until the Department of Revenue Subcommittee has reported back. Therefore, the approval of the minutes from the October 28, 1999, meeting was postponed.

MR. PIGNALBERI informed the commission that the packet includes a summary of recommendations taken from the report from the Department of Revenue Subcommittee. He noted that the commission did not vote on the Department of Revenue Subcommittee recommendations at the last meeting in order to have more time to review those recommendations.

Number 068

COMMISSIONER FINK suggested that the commission could take action on the recommendations after all the reports have been provided.

MR. PIGNALBERI explained that the idea was to vote on the recommendations while the subcommittee was present, while information was fresh in the minds of the commissioners.

COMMISSIONER FINK commented that adopting all the recommendations would be terribly bulky. Perhaps after hearing from all the subcommittees, the commission could decide on some of the recommendations and leave the remaining to be supplemental recommendations.

COMMISSIONER THOMAS stated that she would like to wait until all the information from the Department of Revenue Subcommittee was available before deciding on that subcommittee's recommendations.

MR. PIGNALBERI reminded the commission that the Alaska Housing Finance Corporation is being treated as a separate subcommittee. He informed the commission that additional information has been provided regarding the Child Support Enforcement Division (CSED) and a report on CSED should be arriving this morning. Returning to approval of the recommendations, the recommendations could be preliminarily approved today and [addressed formally] at the final meeting.

COMMISSIONER WUERCH commented that the commission, by endorsement, could simply forward all the recommendations. He indicated the need, near the end of the process, to focus on a priority list of recommendations. Therefore, Commissioner Wuerch agreed with Commissioner Fink with regard to the need to adopt a strategy that would lead to some focus at the end.

COMMISSIONER FINK suggested that it may mean that at the last two hearings the commission would digest each report and make decisions on the recommendations.

Number 145

SENATOR ADAMS noted that he would like to see each agency's response to the corresponding subcommittee recommendations. He hoped that the commission doesn't lose focus with regard to what privatization is about. He emphasized the need to remain focused on effective government and cost-savings measures as well as good service to Alaska. Senator Adams didn't object to returning to any recommendations at the end of the process.

CO-CHAIR COWDERY recalled Commissioner Thomas' point at the last hearing in which she cautioned everyone to stick to Section 5 of SB 33.

MR. PIGNALBERI discussed the difficulty in providing all the information to all the commissioners at the same time. The complete record will not always be available at the time the recommendations are offered, especially for these early reports. That would seem to support having a final vote at the end in order to obtain and digest all the information. If that were the case, commission members could move to accept a particular recommendation thought worthwhile. If a recommendation is not moved by a member, then that particular recommendation would die. Mr. Pignalberi offered that as a suggestion.

COMMISSIONER FINK moved that the commission not finalize the content of the report, until the commission has received all the subcommittee reports.

UNIDENTIFIED COMMISSIONER seconded the motion.

COMMISSIONER VALESKO spoke in favor of the motion. He commented that there is little time left. He pointed out that other states have taken years to deal with privatization. At best, he believed that the commission would have to look at a few of the recommendations.

CO-CHAIR WARD said that he didn't object to the motion.

THEREFORE, THE MOTION CARRIED.

REPRESENTATIVE BRICE stated that he believed [that approach] is appropriate. However, he expressed concern that there hasn't been agency response to some of the recommendations. Representative Brice echoed Senator Adams concern with regard to the need for those agencies to respond.

CO-CHAIR COWDERY commented that, for the most part, the agencies have been responsive to requests by the commission.

MR. PIGNALBERI informed the commission that the Department of Revenue's response is being faxed to the commission. The commission packet should include responses from the Department of Environmental Conservation and the Department of Corrections. He believed the Department of Labor's response has been submitted.

REPRESENTATIVE BRICE clarified that his concern with the Department of Revenue was in regard to CSED information as well as some of the other recommendations.

Number 311

VALERIE BAFFONE, Chair, Department of Labor Subcommittee, provided copies of the subcommittee's report. She began by noting that Commissioner Flanagan, Department of Labor, contacted her early on and offered the full cooperation of the department. Furthermore, Deputy Commissioner Perkins was assigned to work directly with the subcommittee. She informed the commission that members should have the agency responses attached to items I-IX as well as memorandums that are responses to subcommittee member questions.

MS. BAFFONE informed the commission that the Department of Labor's budget includes a "vast" percentage of funds which are "pass through" dollars, funding received from the federal government. Those funds are used to provide benefits and services consistent with federal laws, mandates or quotas. These funds are primarily used to pay for unemployment benefits, provide job training, vocational rehabilitation, safety inspections, et cetera. Ms. Baffone explained that the subcommittee first reviewed the current contracting practices in order to determine whether federal law would need to be enacted to move forward with privatization. Further review occurred regarding whether federal funding would be reduced or eliminated by contracting. At that point, the subcommittee determined if a cost savings and/or better services could be obtained by contracting. Although the subcommittee took notice of areas where services could be better provided and/or provided at a cost savings by state agencies versus current contracting, the subcommittee determined such was beyond the scope and intended purpose of the subcommittee. Therefore, such review was not pursued.

MS. BAFFONE informed the commission that the subcommittee suggested no changes in the Office of the Commissioner, the Division of Administrative Services, Employment Securities Division, Division of Labor Standards and Safety. Although the subcommittee had no recommended changes in the Division of Labor Standards and Safety, there was concern regarding the mechanical inspections backlog in this division. She noted that improvements may occur with the

recent changes that allow plumbing inspectors to conduct some of the boiler inspections. Furthermore, potential changes to program receipts may help fund more inspectors by using the funds generated by these inspections. The subcommittee found that the state's cost for providing these inspections to be surprisingly low. The subcommittee also found it unlikely that privatization would occur without increasing the cost of the inspection. She stated that recruiting and maintaining state inspectors is an ongoing concern.

MS. BAFFONE informed the commission that industry representatives on the subcommittee expressed the need to maintain the state's voluntary safety program. The subcommittee believed the voluntary safety program to be a wise investment which would maximize federal matching dollars in order for the program to achieve a safe workplace in a cooperative and nonpenalizing manner. Such is accomplished largely through the consultation and training sessions of this agency. She also expressed the concern of all the subcommittee members regarding the stability of the state's safety compliance program. The subcommittee strongly feels that attempts to return this program to the federal Occupational Safety and Health Administration (OSHA) program would not be in the best interest of Alaskan workers or Alaskan industry.

SENATOR ADAMS turned to the issue of mechanical inspections. He asked if the subcommittee gave any consideration to recommending that more inspectors be funded through increased program receipts or through the state's budget.

MS. BAFFONE noted that the subcommittee heard testimony from the Chairman of the Professional Boilers Association who expressed concern with regard to the backlog. The testimony further indicated that the program receipts pay for the inspectors, however there are not enough inspectors.

REPRESENTATIVE BRICE inquired as to how much money is returned to the state from those inspections. Is the state adequately reinvesting those fees into inspection?

Number 378

DWIGHT PERKINS, Deputy Commissioner, Department of Labor & Workforce Development, informed the commission that the Mechanical Inspection Division takes in approximately \$250,000 more in program receipts than it's authorized to spend through the budget process. He pointed out that last year legislation was passed which allowed plumbing inspectors to perform, although to a lesser degree, some of the boiler inspections. That legislation should help with the backlog.

CO-CHAIR COWDERY noted that he has sat on the House Finance Standing Committee, Department of Labor subcommittee. From sitting on that subcommittee, he learned that state inspections achieve far greater oversight than would be the case if the program returned to the federal government. Would that be correct?

MR. PERKINS answered that is correct. He pointed out that last year the House did delete OSHA funding for that, but the Senate restored that funding. Industry and "user groups" expressed concern regarding the possibility of the OSHA funding being returned to the federal government. The industry and "user groups" preferred to deal with Alaskan inspectors versus Washington, D.C. inspectors.

CO-CHAIR COWDERY interjected that if Alaskan inspectors are utilized, then there is an avenue for which to deal with them.

MR. PERKINS stressed that the first priority is to have workplace safety. He explained the process in which a contractor, after the department specifies what needs to be cleaned up, is given a certain length of time to perform that. If that time is not met, a fine structure is established. However, even with the fine structure [the department] has the ability to negotiate reduced fines for a first-time offense. In Mr. Perkins' opinion, the federal government is present to collect fines and seems to have real difficulties negotiating down fines.

Number 431

COMMISSIONER ALLEN requested that Mr. Perkins brief the commission on the necessary qualifications for boiler inspectors. He informed everyone that he represented a company that owns several buildings for which the company inspects its own boilers annually. Then the state inspector performs an inspection. The company pays for both inspections. Commissioner Allen suggested that the private sector could be turned to in order to deal with the backlog.

MR. BAFFONE informed the commission that in the State of Kansas there was a drastic increase in property insurance rates when that state moved away from a state-maintained program. She noted that currently, there are mechanical inspections being performed by some private companies and insurance representatives.

COMMISSIONER ALLEN clarified that his company has three inspections, one inspection the company performs itself and the insurance company and the state perform the other two inspections. He suggested that one inspection by a certified individual should suffice for certification under the state's criteria.

MS. BAFFONE returned to the subcommittee report. The subcommittee had no suggested changes to the Division of Workers' Compensation. She noted that all subcommittee members commented on the trend of reduced workers' compensation insurance rates and thus felt no need to delve into the program. However, Ms. Baffone, as an appointed member of the Alaska Workers' Compensation Board, was concerned with the high turnover being experienced with hearing officers on the board. She explained that the hearing officer positions are very specialized positions which require knowledge of a complex body of laws and regulations. She emphasized that it is imperative for the integrity of this system to recruit and maintain qualified legal staff in these positions.

MS. BAFFONE turned to the Division of Vocational Rehabilitation (DVR) for which the subcommittee had no suggested changes. She pointed out that recent legislation has placed DVR in the Department of Labor which appears to be appropriate. The subcommittee closely reviewed the feasibility of privatizing the duties of the vocational rehabilitation counselors. However, the subcommittee's findings indicated that the private sector vocational rehabilitation counselors utilized by the Division of Workers' Compensation come at a higher cost. The hourly rate for the state's DVR counselors is typically under \$18 per hour, while the hourly rate for the Division of Workers' Compensation private sector rehabilitation specialists range from \$90 to \$140 per hour. She specified that the private sector rehabilitation specialists are basically paid for by insurance companies whereas within DVR the state agency pays for the services. Even factoring in the payroll costs, the subcommittee found no justification to pursue privatization in this area.

MS. BAFFONE concluded by saying that the subcommittee finds the Department of Labor to currently practice a great deal of privatization. She provided the commission with the documents utilized by the subcommittee, which illustrate the areas reviewed by the subcommittee.

CO-CHAIR COWDERY noted that during Finance hearings he had inquired and received much response from the private sector regarding keeping the federal government out of inspections.

Number 503

COMMISSIONER WUERCH commented that one of the challenges of reviewing a privatization decision is to cost-value the services. He referred to the next to the last page of the report which refers to the cost per hour and inquired as to how that hourly rate was arrived at.

MS. BAFFONE explained that there are a couple of ranges for DVR counselors. The \$17 per hour range is where the lion share of DVR rehabilitation counselors fall. There were a few that received a higher hourly rate. Ms. Baffone clarified that she did not mean to infer that to be the total cost. In further response to Commissioner Wuerch, Ms. Baffone explained that the private sector rehabilitation specialist wage was the amount billed to the insurance company. She agreed that the private specialist wage she mentioned earlier did include employee benefits, overhead and profit.

COMMISSIONER WUERCH asked if Ms. Baffone felt the two wages were comparable.

MS. BAFFONE replied no. She believed the state wage represents a lower cost for a comparable service.

COMMISSIONER WUERCH emphasized that these two wages are not comparable because the numbers are based on different assumptions.

MS. BAFFONE explained that taking the \$18 per hour state wage and attempting to equalize the assumptions, the subcommittee did review what those additional costs would be to the \$18 wage. Even with a \$20 wage, a high estimate of 50 percent more would still not arrive near the Division of Workers' Compensation wage.

COMMISSIONER WUERCH asked if Ms. Baffone really believed that there are counselors with a salary of \$30,000 per year.

MS. BAFFONE stated that she had no reason to doubt that the information provided to the subcommittee is inaccurate.

COMMISSIONER ALLEN commented that he didn't believe that anyone who worked for the state made \$18 per hour. He indicated that the only way to determine what the private sector would charge would be to "test the waters." He added that other elements, payroll and overhead, need to be included in the wage in order to have an appropriate comparison.

Number 552

COMMISSIONER THOMAS asked if, in the comparison of the wages, there was a factor for the telephone, building maintenance, and electricity which would all factor into the hourly rate for the department.

TAPE 99-8, SIDE B

MS. BAFFONE explained that the subcommittee didn't seek an exact or specific overhead cost per DVR counselor. The subcommittee felt that even applying the most ludicrous measures to the state DVR counselors would result in a more cost efficient wage. With regard to Commissioner Allen's comment, Ms. Baffone noted, perhaps, there is a major misconception with regard to the wages of state employees. In response to Commissioner Thomas, Ms. Baffone said, "So, not specifically, but yes we did include what would include all overhead costs more than direct or indirect payroll costs - we looked at those type of items."

MS. BAFFONE clarified that the subcommittee did take into consideration the qualifications of both the DVR and the Division of Workers' Compensation counselors in order to ensure the qualifications were comparable. The subcommittee found the education backgrounds to be comparable.

COMMISSIONER THOMAS asked the agency whether it had a total cost allocation.

MR. PERKINS said that the agency did have that information. Mr. Perkins informed the commission that DVR has formed strong partnerships with the private sector. The Rehabilitation Act requires the program to utilize services provided by the private sector rehabilitation programs for consumers who need such services to assist them in maintaining or obtaining employment. In federal fiscal year 1998, DVR paid an additional \$860,900 to private sector service providers. He pointed out that the [state] rehabilitation specialists left oversee the private sector which is required in the federal legislation. Mr. Perkins said that he could provide the commission with any information regarding the breakdown or dollar value.

Number 565

COMMISSIONER VALESKO understood Commissioner Allen's earlier comment regarding state wages to mean that he didn't realize that anyone earned as much as \$18 per hour working for the state. If that is not the case, then the commission needs to educate itself because there are some state employees who earn less than \$10 per hour.

COMMISSIONER VALESKO wondered whether the subcommittee had given any consideration to a recommendation that the Division of Workers' Compensation should perform the rehabilitation counselors' duties in-house. He recalled that Mr. Perkins may have indicated that to be restricted by federal law.

MS. BAFFONE said that was an area reviewed by the subcommittee with regard to whether the state agency could provide the services at a cost savings over the private sector. However, that was not the scope or purpose of the subcommittee. The subcommittee was directed to review areas in which there could be a savings through the private sector. On that point, Ms. Baffone expressed frustration.

COMMISSIONER ALLEN commented that there is something wrong with this picture. He agreed that almost anything could be added to this base hourly rate and the result would not near the minimum wage of \$90 in the private sector. With regard to the educational requirements, he understood Ms. Baffone to say the educational requirements are the same in reference to the counselors.

MS. BAFFONE replied that is correct. She informed the commission that DVR counselors are primarily range 16 and are required to have a Masters degree, a minimum of three years experience, and the certified rehabilitation counselor credential - a national credential. Ms. Baffone understood that the Division of Workers' Compensation rehabilitation specialists do not have a requirement to meet or exceed the aforementioned standards. Although the DVR credentials may be a bit tighter, she believed the comparison to be fair.

COMMISSIONER ALLEN commented that the state is receiving quite a bargain.

MR. PERKINS, in response to Commissioner Thomas, offered to provide the commission with the overhead cost of the department and the allocation.

Number 509

CO-CHAIR COWDERY announced that the commission would now hear from the Department of Environmental Conservation Subcommittee.

VIRGIL NORTON, Chair, Department of Environmental Conservation Subcommittee, informed the commission that the subcommittee had 35 recommendations which would all result in cost savings and efficiencies. He noted that the subcommittee did not have the time to research the actual cost savings. He referred the commission to the preface on page 17 of the subcommittee's report. Mr. Norton commented that although the subcommittee was fortunate in that some members work on a daily basis with the Department of Environmental Conservation (DEC), it took time to bring everyone up to speed. Mr. Norton pointed out that the subcommittee's recommendations did not increase any expenditure of state general fund, with the

exception of the recommendation to perform an audit. An audit would provide the legislature with more suggestions regarding savings in the department.

The following subcommittee members were introduced: Greg Horner, (indisc.) Environment; Bob Gilfilian, Gilfilian Engineering; Keith Bucklin, Audio Video; and Jerry Brookman, Chair of Oil Spill Prevention and Response Committee in the Prince William Sound Region Advisory Council and member of the (indisc.) Cook Inlet Region Advisory Council; Bill Lawrence, Government Affairs Consultant and Contractor; Stephanie Madsen, Alaska Vice President for the Pacific Seafood Processors Association.

MARY SIROKY, Manager, Information Education & Coordination, Division of Statewide Public Service, DEC, noted her presence as well.

Number 443

MR. NORTON explained that the subcommittee approached everything as a group. Each of the six divisions of the DEC presented an overview of the division. He reviewed those who helped make this report possible. Mr. Norton pointed out that following the preface is the subcommittee's general recommendations. Although the department has responded, it has not responded to the final report.

MR. PIGNALBERI inquired as to when DEC would provide a response to the final recommendations.

MS. SIROKY explained that the department submitted preliminary recommendations about a week and a half ago. She estimated that DEC could provide final recommendations by the coming Monday or Tuesday. The department has been reviewing the report. She appreciated the fact that the subcommittee considered the department's preliminary recommendations.

MR. NORTON referred to Recommendation 9 which recommends that the legislature should authorize and fund a thorough audit of DEC. Furthermore, "The audit should include the intent of SB 33 and the scope of work defined in Section 5." Mr. Norton informed the commission that he had received many calls from folks within the department. From those calls, he believed there to be many ideas within the department to implement the intent and scope of SB 33.

MR. NORTON, in response to Representative Brice, noted that in the Division of Spill Prevention & Response (SPAR) the department utilizes many outside companies. To that extent, there is a

recommendation to broaden the base in order to allow more participation by smaller Alaska companies.

REPRESENTATIVE BRICE commented that the department seems to have more areas of privatization than recommended by the subcommittee. Therefore, he asked whether the process was working fairly well.

MR. NORTON said that he believed the department is trying to privatize. He referred to page 15 of the subcommittee report entitled, "Privatization Primer."

SENATOR ADAMS referred to Recommendations 29-35, which speak to the Division of Facility Construction & Operation. He asked if any subcommittee members met with the Rural Sanitation Task Force to assist in these recommendations.

MR. NORTON requested that subcommittee member Greg Magee speak to that as he developed those recommendations.

Number 313

GREG MAGEE, Member, Department of Environmental Conservation Subcommittee, answered that he did not personally consult with anyone on the Rural Sanitation Task Force. However, he did review the task force's documents and the 2005 plan.

COMMISSIONER FINK inquired as to whether any subcommittee member suggested that any of these areas should be eliminated.

MR. NORTON replied no. He explained that by the time each division had given its presentation, the subcommittee did not have the time to carefully examine each program for reductions. Mr. Norton commented that he did so, to some extent, in Recommendation 12. Recommendation 12 states, "All employees of DEC that are classified as information officers, or whose work involves press relations or public information, should be transferred to the Division of Statewide Public Service." Therefore, the Division of Administrative Services would be left to perform only the programs essential to it: the human resources programs, the financial programs, and the budget programs. He commented that the legislature may want to encourage the department to move to a public service officer concept. With the public service officer concept, the employees could be trained to provide one-stop shopping and coordination with the other technical sections.

COMMISSIONER VALESKO referred to the recommendation to perform an audit. He asked if the subcommittee reviewed the cost of such an audit.

MR. NORTON answered no. The subcommittee could not address that in the specified time frame.

COMMISSIONER VALESKO asked if the subcommittee reviewed the total budget of DEC.

MR. NORTON responded that DEC's total budget is on page 3 of the subcommittee report. He believed that DEC had a total budget of \$47 million or so. With regard to the general fund use of money, much of the department is being funded from the Response Fund. He explained, "That Response Fund is a 'split the nickel' fund and its the two cents side stops on the prevention side at \$50 million and doesn't go any further." He commented that the department exists partly because there is big oil in the state. Mr. Norton suggested that perhaps, the legislature may want to consider not having a cap at that \$50 million - if the department is to be funded from that.

COMMISSIONER VALESKO inquired as to how much of DEC's budget is currently going to the private sector through various services and contracts in order to provide a benchmark.

MR. NORTON pointed out that the department has provided a summary of privatization activities, but there are no dollar breakdowns attached. The subcommittee did not request such a breakdown. The summary of privatization activities is located on page 12 of the report. Furthermore, page 7 of the report notes how many employees there are in DEC.

COMMISSIONER VALESKO referred to Recommendation 22 which speaks to sanitary surveys. Part of Recommendation 12 says:

However, the Department field staff also provides the save services at a relatively low cost to the owner of the water system. Consequently, the Department often finds itself in competition with the private sector. To avoid the conflict of services, the Department should require all public water system owners to seek services rendered by the private sector.

Commissioner Valesko asked if the subcommittee's recommendation was that the public water system owners should pay more to get their systems inspected.

MR. NORTON answered yes. He deferred to Mr. Gilfilian.

Number 190

BOB GILFILIAN, Member, Department of Environmental Conservation

Subcommittee, agreed with Commissioner Valesko's assessment. He informed the commission that the department's services cost about \$500, while the private sector charges about \$750 for that service. What the department charges, \$500, is difficult to compete against.

COMMISSIONER WUERCH asked Mr. Gilfilian if the department is not recovering other costs in that \$500 charge.

MR. GILFILIAN indicated that to probably be the case. With regard to sanitary surveys in the Bush, he commented that the private sector simply cannot compete. He didn't know how the department arrived at the \$500, but he didn't believe that amount accounted for overhead and other costs.

COMMISSIONER WUERCH directed the commission's attention to page 24, Recommendation 26. He commented that one of the most far reaching impacts on every village and municipality in Alaska is the Clean Water Act, Section 401 [the wetland's issue]. Recommendation 25 is surprising in that the recommendation seems to imply that DEC no longer reviews wetland permits. Commissioner Wuerch requested elaboration on this matter.

BILL LAWRENCE, Member, Department of Environmental Conservation Subcommittee, stated that he made Recommendation 26. He understood that DEC has internally decided not to perform 401 certifications on federal permits. He explained this to be because these are federal permits and DEC is going to reorganize its priorities. Mr. Lawrence noted that he has been personally involved with the regulated community. This reprioritization within DEC could have some significant affects on the mining, the timber, and the seafood industries through the 402 permits. There could also be affects to the 404 permits for wetlands. He pointed out that there are two provisions in the state's water quality standards which provide the state with the authority to issue a mixing zone and a zone of deposit. He explained that a mixing zone is an area at the end of a pipe where the effluent doesn't have to meet the standards. The zone of deposit is a small area where accumulation of materials is allowed. Mr. Lawrence stressed that the federal government can't do those provisions. Therefore, if the state can't issue those two provisions, then the state can't have a mixing zone or a zone of deposit. That will seriously affect Alaskan industry. Mr. Lawrence explained that the recommendation grew out of his belief that an Alaskan department regulating the environment should first look at Alaskan concerns.

COMMISSIONER WUERCH requested that the commission keep this issue in mind for the final wrap-up. He commented that the list of recommendations seem to imply that DEC is putting resources in

areas that could be well served by the private sector. However, this important issue has been neglected.

TAPE 99-9, SIDE A

MIKE ABBOTT, Economic Development Assistant, Office of the Governor, said he did not think the Department of Administration or the Knowles Administration would be at odds with this recommendation in terms of the fact that the state should be doing more in the area of Clean Water Act certification. Commissioner Brown, as a result of unallocated budget reductions in DEC, recently decided to prioritize DEC programs for which no federal programs or oversight exists and she would agree that the state should do more in regard to water quality. Mr. Abbott asserted that the Administration will be working with the legislature next year to find a way to get funding for DEC to get back into this core business.

MS. SIROKY informed the commission that DEC has established a water quality permit working group, and it has been working with industry to identify potential solutions to this significant problem.

Number 040

MS. MADSEN stated, in response to Commissioner Fink's earlier question regarding whether the Subcommittee looked at elimination of DEC programs, that the subcommittee did discuss eliminating positions, primarily those of the public information office. The discontinuance of the 401 program sparked a lot of discussion about eliminating other DEC positions to reinstate the 401 certification program. She emphasized that the subcommittee did discuss reprioritizing programs within DEC to allow the 401 certification program to continue. She noted that she is a member of the Water Quality Stakeholder Group, which is also reviewing options and the possibility of re-prioritizing the cuts for this fiscal year.

CO-CHAIR COWDERY asked if two DEC employees work with the press and disseminate information to the public.

MS. SIROKY clarified that three people work in DEC's Public Information Office: one works exclusively on DEC's website; the other two work with DEC staff to effectively communicate technical information to the public. She commented that the public information officers do more than put out press releases. Ms. Siroky explained that DEC is an organization that uses technical lingo that is unfamiliar to others so the public information staff help DEC staff to communicate better.

MR. NORTON stated that, in regard to 401 certifications, Recommendation 5 suggests that federal environmental regulations for Alaska should be DEC's top priority. That recommendation also suggests that the legislature set DEC's priorities, particularly how and where DEC is to cut its budget when it experiences future budget cuts. When DEC's budget was cut last year, the Division of Air and Water Quality took the hit.

Number 030

COMMISSIONER VALESKO expressed concern about Recommendation 28, and in particular the last sentence which reads, "These functions have been successfully privatized by CSRP without reducing ADEC's responsibility to make final cleanup decisions, or in AWQ's case, permit decisions." He asked whether "successfully privatized" implies that the subcommittee investigated that function and concluded that it is now privatized at a savings to the state. He noted that "successfully privatized" could imply that the success was in the transition to privatization itself.

GREG HORNER, Member, Department of Environmental Conservation Subcommittee, replied that he made Recommendation 28 from direct experience. He did not do a cost-benefit analysis as to whether his private firm can perform the function less expensively than the state therefore he cannot answer that question. He added that DEC does successfully hire private firms to evaluate documents prepared by other consultants for reviews. He said he is confident that the private sector can evaluate documents much more quickly than DEC because DEC project managers often have to handle multiple projects at one time.

REPRESENTATIVE GAIL PHILLIPS joined the commission at the table.

Number 074

MR. NORTON stated that the subcommittee did not have time to determine the actual dollars that would be saved by implementing the recommendations, but it believes that all 35 recommendations are valid. Subcommittee members put a lot of time and thought into the recommendations and they are anxious to see the response of DEC staff. He noted that Recommendation 26, which pertains to 401 certifications, responds to an issue raised by Commissioner Wuerch, as well as many other people who called him at home. He encouraged the legislature to direct DEC in how and where it is to take budget cuts in the future. Mr. Norton stated that an audit of DEC would examine each program to determine which overlap or could be eliminated. He suggested examining the existing programs in every department, not only DEC, and branch of government to prioritize

programs and to determine which programs are absolutely necessary.

CO-CHAIRMAN COWDERY expressed appreciation for Mr. Norton's hard work as the subcommittee chair.

SENATOR ADAMS pointed out that subcommittee members have made individual recommendations. He asked if all 35 recommendations were voted on by the full DEC Subcommittee.

MR. NORTON answered the full subcommittee discussed each recommendation at length and all voted on each recommendation.

SENATOR ADAMS said he appreciated the work done by the subcommittee, but he was concerned about the large number of recommendations made by individuals. Some subcommittee members may have grudges against DEC.

MR. NORTON acknowledged that he is the subcommittee member who was accused by the Governor's Office of "carrying a hatchet" against DEC. He didn't believe that any other subcommittee member has a particular axe to grind with DEC. Mr. Norton maintained that nothing in the subcommittee's report reflects the issue that he would like to take DEC to task for.

SENATOR ADAMS expressed appreciation for Mr. Norton's remarks, however he didn't want to carry the final report on the Senate floor to be criticized because some members are accused of having grudges. He acknowledged that the subcommittee has worked hard on the report and he hopes that all Alaskans can appreciate it.

MR. NORTON maintained that is what the subcommittee tried to do.

Number 142

JERRY BROOKMAN, Member, Department of Environmental Conservation Subcommittee, informed the commissioner that all subcommittee members tried to do a fair and objective job, although they had differing viewpoints to some extent. He noted that he originally suggested the management audit for the specific reason that such an audit would be performed by an outside firm with no axe to grind. He acknowledged that an audit would be expensive, but would likely result in a savings to the state in the long run.

CO-CHAIR COWDERY commented that he expects that some of the subcommittee members will be asked to testify at hearings in Juneau during the legislative session. He hoped some of the subcommittee members will be able to participate. He noted that he has already received requests for subcommittee information that members of the

House Finance Committee want to review.

COMMISSIONER THOMAS asked that the subcommittee give the Commission an idea of what should be reviewed in an audit of DEC or what should be established by doing an audit.

MR. NORTON responded that, if he were to write the criteria for the audit, he would be looking at the intent and scope of all of SB 33, which could be quite an undertaking when dealing with a technical department. He also suggested examining statutes to determine whether any can be streamlined or eliminated. He suggested doing a thorough program review to determine whether certain programs need to be enlarged or whether some could be incorporated into other programs so that more focus could be put on the technical side of the programs. He pointed out that he authored the recommendation to consolidate all of the information in statewide public service. He noted that good management is the key to good government and that all management decisions should be reviewed. He reiterated that it may be time for the legislature to mandate where future budget cuts are taken within DEC.

Number 211

COMMISSIONER ALLEN asked Mr. Norton if the recommendations in the report are prioritized within each division. He also asked commissioners whether the recommendations should be short-listed after they are prioritized.

MR. NORTON replied that the members of the DEC subcommittee would be happy to prioritize the recommendations under each division. Given the scope and intent of SB 33, which is to look at ways to make government more efficient and productive, all of the recommendations will save money.

COMMISSIONER ALLEN noted the DEC subcommittee has done an outstanding job, however he asked the members to prioritize the recommendations of each division in order of importance.

CO-CHAIR WARD thanked DEC subcommittee members for doing a very thorough job.

MR. PIGNALBERI asked Mr. Norton if the DEC subcommittee plans to meet again to prioritize the recommendations.

MR. NORTON noted he would talk to subcommittee members and get Mr. Pignalberi a prioritized list. Mr. Norton contended that the request for a prioritized list confirms his belief in the need for

an audit because the 35 recommendations, as well as others, would come to light in an audit.

Number 249

COMMISSIONER VALESKO noted his appreciation for the time and effort that all subcommittee members have put in.

The commission took an at-ease from 11:00 a.m. to 11:05 a.m.

Number 261

CO-CHAIR COWDERY announced that the commission would next hear from the Department of Corrections Subcommittee.

SHARON ANDERSON, Chair, Department of Corrections Subcommittee, introduced Garland Warren and noted that other subcommittee members may arrive later. Ms. Anderson informed the commission that the subcommittee met every Tuesday during the months of August and September. Bruce Richards, DOC Special Assistant, participated in all meetings and Deputy Commissioner Parker was able to attend all meetings, but one. The Department of Corrections' (DOC) staff participation was very useful to subcommittee members. Subcommittee members believe a cost-benefit analysis of DOC would be very beneficial.

MS. ANDERSON informed the commission that the subcommittee narrowed its recommendations to 12. She pointed out that the recommendations are not listed in any ranked order. Subcommittee members were concerned that they had no mechanism with which to evaluate the effectiveness of many of the DOC programs currently privatized. The DOC information system does not provide for measuring the recidivism rate of offenders in general nor after prisoners have completed some of treatment programs. The department is implementing a new system, and hopefully the Offender Based State Corrections Information System (OBSCIS) number assigned to each offender who comes into the system could be tracked to determine if the person is a repeat offender. The lack of a method to measure recidivism rates was an overriding theme in each of the subcommittee's reviews.

MS. ANDERSON pointed out that the DOC recommendations are listed on page 3 of the report, and the rationale for each recommendation begins on page 4 of the report. The subcommittee first recommends that all of the correctional industries' programs be transferred to the Department of Community and Economic Development (DCED), and that all contracts be privatized.

SENATOR ADAMS asked why the state should privatize something that is successful. He noted that only one state privatizes this sort of thing while other states keep it in-house, in their departments of corrections or departments of public safety. He didn't buy the location argument.

Number 334

MS. ANDERSON replied that the subcommittee felt DCED might be more in tune with job retraining programs or businesses that would have potential for employing offenders once they come out of the system. Many offenders move through the corrections' system quickly because of overcapacity. Therefore, subcommittee members felt it would make more sense economically to place correctional industries under DCED.

REPRESENTATIVE BRICE asked whether any discussion with DCED ensued about that department's familiarity with security and the other aspects of dealing with prisoners.

CO-CHAIR COWDERY noted that Section 8 of the report contains the DOC's comments and answers.

MS. ANDERSON indicated that subcommittee members did not speak directly to DCED staff. She asked Senator Adams to direct his question about Recommendation 1 to Mr. Pease.

SENATOR ADAMS stated that the Alaska Correctional Industries program is a successful one. He questioned why Alaska should privatize that program when 49 other states keep that program in-house. He believed Florida is the one state whose program is not in-house. He added that he is not familiar with the Fairfax County program so he feels unwilling to respond to that. He added that the factor of location should not be the reason for moving the program.

GREG PEASE, Member, Department of Corrections Subcommittee, asked why Senator Adams considers the Alaska Correctional Industries program to be a successful one. He noted that it only has two businesses and that most of their efforts are aimed at eliminating "dead" time. He added that Alaska is in the stage of corrections where most people are transitioning out of the institutions back into the community, and need meaningful training that could occur in partnership with the private sector. He noted that Alaska Correctional Industries has a laundry operation in Juneau, however inmates could not get a job at the local dry cleaner because it has no openings. Many private sector businesses are now moving into the institutions and using that arena for publicly-funded jobs for

hard-to-employ people, including many who might end up on welfare. He believes that turning it over to the Alaska Human Resources Investment Council (AHRIC) who already has people with business expertise, the unions, the WIC, and the JTPA at the table might result in a program that takes inmates out of prison and places them in meaningful jobs in the community. Therefore, Mr. Pease believed the Human Resources Investment Council can make Alaska Correctional Industries a viable operation.

Number 406

SENATOR ADAMS maintained that it is very difficult to find such programs because the state has to watch out for competition within the private sector. If technology is the focus, he suggested setting up computers in prisons so that offenders can be trained to run a travel agency. He noted that regarding "dead" time, Alaska has not experienced many prison riots because prisoners' time is occupied. He reiterated that he has concerns about privatizing the Alaska Correctional Industries program.

MR. PEASE pointed out that the focus is not so much about privatizing, as it is shifting the service over to people who know how to run a business. Mr. Pease said:

As far as competition with the private sector, the reason that they have been beat up over the years when they were going to make office panels, et cetera, was the fact that we did a poor job of partnering with the private sector and seeing where everyone can benefit. I mean after all, these individuals are only going to be, on average, in the institutions for about 18 months, then they are going to be riding the bus with my kids and your kids and you and me and the rest of the community. If they don't have a meaningful job, and they don't have a safe and sober place to live, or a GED, or some educational advancement, they are going to reoffend and that's the last thing we want to do. We're not doing a good enough job with the Chambers of Commerce and the people who run business in the state to get these folks back on their feet and employed. We can't keep holding up that flag of unfair competition when they are transitioning back into the community with us all.

CO-CHAIR COWDERY requested that further debate be saved for a later time.

COMMISSIONER VALESKO expressed concern that certain laws do not, but should, apply to prisoners. For example, prisoners should be

paid minimum wage or more if they are going to work for a private company. He felt that the competition must be even for companies who contract in this area and who will be making a profit from hiring prisoners. He stated that he could not support turning this industry over to for-profit companies if prisoners will earn 50 cents per hour.

COMMISSIONER THOMAS reminded the commissioner that it agreed earlier to finalize and accept reports later, and this time would be utilized to ask questions about the content of the reports. Debate was to be saved for later.

Number 448

MS. ANDERSON noted, in regard to Recommendation 1, that Representative Dyson put forth the following example. The State of Nevada Corrections' job retraining program allows inmates to learn to restore antique automobiles. That innovative approach resulted in jobs for trainees once they were released. She added that the subcommittee debated the issue of wages for prisoners, but felt that the most important aspect of job retraining is to give offenders job skills that will allow them to mainstream back into society when they leave the prison system.

MS. ANDERSON explained that the subcommittee's second recommendation pertains to the Sex Offender Treatment Program, a \$1 million program. The last report on sex offender recidivism rates was done in 1996, however members learned from a recent presentation that not many offenders are completing the entire program. Although 88 percent of this program is currently privatized with DOC retaining oversight, subcommittee members felt that the entire program should be privatized in order to improve the effectiveness of the program. The subcommittee also heard comments that the Native population has trouble completing the program due to some cultural differences, and that cultural relevance is an area that could be better addressed.

MR. PIGNALBERI asked if a DOC representative was available.

MS. ANDERSON responded that DOC staff may have thought the meeting was scheduled for noon.

SENATOR ADAMS asked if Recommendation 2 should be eliminated because 94 percent of the Sex Offender Program is already contracted out.

MS. ANDERSON replied that, in Section 8 of the report, DOC says that 94 percent of the program is contracted out. However, at the

presentation to the subcommittee DOC staff said the percentage is 88. She repeated that the effectiveness and the measurement of the programs that are being privatized are the greatest concern. She noted that one reason that prisoners are unable to complete the program is that they are moved from facility to facility.

COMMISSIONER ALLEN asked if the same notes would apply to domestic violence cases.

MS. ANDERSON said she could not answer that. However, she believes of all of the DOC programs presented to the subcommittee, DOC's program for victims is one of the most effective.

Number 486

REPRESENTATIVE BRICE said he is not concerned about the discrepancy between the 88 and 94 percent. However, he is concerned about the remaining six to 12 percent of the program that the subcommittee recommends be privatized. He asked Ms. Anderson to elaborate on what that will entail.

MS. ANDERSON noted the subcommittee's concerns were that very few of the prisoners enrolled in the program have actually completed it. There was no way to determine whether they did not complete the program because they refused to or because of cultural irrelevance, nor is recent data available on the recidivism rate of those offenders. The subcommittee believes that privatizing the entire program will make the program more effective by pulling it all together. She thought that six percent of the monies are spent on oversight by DOC staff.

REPRESENTATIVE BRICE asked if the dispute over the discrepancy is a question of who does the oversight.

MS. ANDERSON replied no. The subcommittee recognized that DOC staff would need to oversee the programs being carried out in each institution. Stability of population numbers at each facility will help, as well as having additional beds in-state. Two programs are in place, one at Meadowcreek and one at Lemon Creek, but questions remain about the success rate of those programs and a large amount of money is being spent on them.

Number 507

COMMISSIONER VALESKO commented that 88 percent of the \$1 million is contracted out, while the success rate at Meadow Creek is a dismal 20 percent of 72 inmates. He questioned whether he can infer that the contractors who are providing the programs are doing a poor

job.

MS. ANDERSON reiterated that without an effective measurement tool built into the contracts might have been an issue. The department does feel that the program is successful and the names of the contractors are listed in Section 1. Those contracts are generally given to individual practitioners with oversight by DOC staff.

MS. ANDERSON discussed Recommendation 3. The subcommittee felt that education is an important and essential element to prevent the re-entry of offenders into the system. The subcommittee also felt that there may be better ways to accomplish that. Some subcommittee members felt the current program merely keeps inmates occupied, and that it is difficult to determine whether inmates complete the program when they are moved among facilities. She noted there are effective means in the private sector for people to complete education programs while they move to different areas of the state.

MS. ANDERSON noted that DOC has an educational coordinator in each of the facilities and one full-time criminal justice planner that oversees those coordinators. Recommendation 3 has more to do with effectiveness. The subcommittee does believe that less money should be spent on education.

[BREAK IN TRANSMISSION]

AN UNIDENTIFIED COMMISSIONER [COMMISSIONER VALESKO] asked, regarding Recommendation 3, whether the subcommittee reviewed what educational programs are available in the private sector. He asked what education programs the subcommittee is referring to and whether the subcommittee did a cost analysis of privatizing those services.

MS. ANDERSON replied that behind Tab 4 of the report is a detailed description of inmate education programs in each facility. Those programs consist of a GED program, an adult education program and a life skills program. The subcommittee believes that numerous agencies in the state have the ability to deliver that type of education. Many subcommittee members felt the existing program is a waste of money within the facilities. Ms. Anderson referred to statistics on the percentage of inmates enrolled in education programs and the total education budget per inmate by state. Alaska ranks very low on the amount spent as compared to other states. Other national studies show that education is one of the strongest tools that can be used to keep people out of the system. Subcommittee members felt that the money DOC spends on education could, and should, be better allocated.

COMMISSIONER ALLEN asked whether the education programs are mandatory or voluntary.

MS. ANDERSON answered she believes the education programs are all taken on a voluntary basis unless they pertain to something like anger management.

COMMISSIONER FINK stated that he has not found any information in the subcommittee's report on the reasons that people are in jail. He noted that in a review he once did, he found that a substantial number of people were in prison for driving while intoxicated, which carries a mandatory three-day prison sentence. He asked whether the subcommittee considered removing the three-day mandatory prison sentence for that offense. To what extent, would such a change affect DOC's budget?

[Manual tape change, Tape 99-9, Side B is blank.]

TAPE 99-10, SIDE A

MS. ANDERSON commented that the subcommittee did not discuss whether to make a recommendation to the court system to change sentencing.

COMMISSIONER FINK pointed out that the mandatory three-day jail sentence is in statute.

SENATOR ADAMS asked whether the subcommittee considered changing the law to allow a judge to impose the three-day mandatory jail time or to sentence the offender to one week of community service.

COMMISSIONER FINK noted that it appears that DOC has already privatized a lot of its services, and that the big savings would result if prisons had offenders for a shorter period of time. He asked whether the subcommittee looked at that aspect.

MS. ANDERSON said that the subcommittee was informed by DOC staff that most people who serve the three-day sentence for DWI are placed in community residential centers. The cost per bed in those centers is about \$45 per day, compared to the jail system, which is about \$100 per day.

COMMISSIONER FINK noted that, according to the report, electronic monitoring costs about \$12 per day.

MS. ANDERSON said that is correct. The department has plans to move in that direction. The department's plan for FY 2003 provides for an electronic monitoring program that will be implemented

through the community residential centers.

COMMISSIONER [VALESKO] noted that Alaska ranks sixth in the number of inmates who are enrolled in prison education programs, but it ranks 36th in the amount it spends. He asked whether the subcommittee looked into the possibility that additional funding in education might help the program.

MS. ANDERSON replied the subcommittee was very concerned about ranking 36th in the amount spent. The subcommittee felt that a number of programs that are coined as "educational," but are not. Therefore, those programs could be eliminated and their funding could be redirected into actual education cases.

CO-CHAIR COWDERY passed the gavel to Commissioner Thomas.

MS. ANDERSON turned to Recommendation 4. The subcommittee believes that an additional source of funding for medical care for offenders might be available through the Alaska Native Medical Center (ANMC). The local ANMC administration adopted a policy to not admit offenders into their hospital. Currently, DOC has a contract with Providence Hospital for reduced percentage office charges and yet none of the Native offenders are being treated at the ANMC. She mentioned that Recommendation 4 may have to be pursued at the federal level. Tab 8 contains DOC's response to Recommendation 4. DOC did obtain the local ANMC administration's policy of non-eligibility of services for Native inmates. The cost of medical care for Alaska inmates equals about \$10 million per year. In addition, the individual contracts for nursing care could be put under a statewide bid.

Number 536

REPRESENTATIVE BRICE asked if the subcommittee looked at how DOC deals with inmates who are developmentally disabled or with have mental health issues.

MS. ANDERSON noted that DOC gave the subcommittee an excellent presentation on that subject, after which the subcommittee eliminated one of its recommendations regarding mental health. DOC is working with the Alaska Mental Health Trust Authority to develop programs in this area.

MS. ANDERSON reported that the subcommittee believes that non-violent prisoners should be moved to intermediate facilities, which may need to be expanded (Recommendation 5). Those facilities are not "fenced in" and could be extended out into the private sector, such as community residential centers. One subcommittee member

felt a cost savings would result, however the subcommittee did not do a cost-benefit analysis. The subcommittee felt community residential centers would be a better way to keep prisoners within the state rather than sending them to Arizona.

Number 517

COMMISSIONER VALESKO questioned how the committee determined that a 25-30 percent savings could be realized if Palmer and Pt. Mackenzie were privatized.

MS. ANDERSON repeated that the subcommittee is aware that the cost savings needs to be looked at. The subcommittee did not have individual costs per facility, but was told by DOC staff that the overall costs are \$100 per day system wide. At community residential centers, the cost is about \$48 per day. The subcommittee estimated the cost to be in-between those two amounts which is how it calculated the 25-30 percent.

COMMISSIONER VALESKO asked whether the subcommittee, or the commission, could provide back-up material to substantiate that recommendation.

Number 495

CO-CHAIR WARD announced that DOC will bring those numbers forward before the commission makes a final decision.

MR. WARREN remarked that DOC should be able to provide that information.

COMMISSIONER THOMAS asked Mr. Abbott whether DOC would be able to provide that information.

MR. ABBOTT informed the commission that DOC staff would arrive momentarily and could answer that question.

MS. ANDERSON added that the subcommittee did ask DOC for that information but it could only provide the data in aggregate. Apparently, the department does not have an information system available to determine costs per facility.

COMMISSIONER THOMAS asked Bruce Richards and Deputy Commissioner Parker to join the commission at the table.

MS. ANDERSON asked Mr. Richards and Deputy Commissioner Parker to respond to Commissioners' request for a breakdown on the cost per bed day at each facility.

Number 463

BRUCE RICHARDS, Program Coordinator, Department of Corrections, replied that there is a breakdown that makes up the total average cost per day for all of the institutions, but he was unaware of that amount for the Palmer correctional facility. He estimated the amount to be about \$75. With regard to community residential centers (CRCs), he believes the spread is larger, depending on their geographic location. He noted that a cost benefit analysis has not been done, and he does not know where the 25 to 30 percent estimate came from.

COMMISSIONER VALESKO remarked that he is trying to determine the validity of the statements made in the report. A statement in Recommendation 5 maintains that privatizing the Palmer and Pt. MacKenzie could result in a 25 to 30 percent savings. He noted the DOC response does not agree with that number and says that the cost of care in those facilities is the lowest per bed cost in the state and is already lower than the cost of care in privately-operated CRC houses. He asked for the facts and whether the subcommittee is recommending that those facilities be privatized even though it will cost more.

MR. RICHARDS responded that the 25 to 30 percent was a key discussion point. The department's response to the recommendation to privatize the Palmer and Pt. Mackenzie facilities was that those are the most cost-efficient facilities. However, because no analysis has been done, DOC has nothing to compare the numbers to. The department was only trying to point out that those two facilities are efficient on a cost per day average compared to CRC beds.

Number 427

COMMISSIONER THOMAS asked whether DOC has been able to provide the cost per facility per day to the subcommittee.

MR. RICHARDS replied that the subcommittee asked for a comparison of the costs between the out-of-state Arizona facility and the average per day cost in Alaska.

COMMISSIONER THOMAS asked if it would help the subcommittee to have those numbers.

MS. ANDERSON said the subcommittee would have found that information to be beneficial, however the subcommittee would have run out of time to thoroughly review it. She noted that data retrieval was difficult for DOC and that they did provide the

subcommittee with a lot of information.

MR. RICHARDS clarified that the average daily cost per facility is available. The department was not withholding that information from the subcommittee, however it focussed on the out-of-state comparison. He affirmed that DOC can provide the average daily cost per facility numbers.

COMMISSIONER THOMAS asked that DOC forward that information to the commission.

COMMISSIONER FINK asked for data on the percentage of inmates each year who are incarcerated for DWI offenses.

MR. RICHARDS offered to provide that information.

Number 398

MS. ANDERSON discussed Recommendation 6 which pertains to centralized purchasing functions. The subcommittee does recognize that a procurement process is followed by the state, but it believes the purchasing system should be centralized further to get the advantage of uniform pricing.

REPRESENTATIVE BRICE asked if the subcommittee is suggesting that one statewide office take care of purchasing food and supplies for all prisons.

MS. ANDERSON said that is correct.

REPRESENTATIVE BRICE noted that he has heard a lot of feedback over the years about de-centralizing the purchasing to give the small food distributors and suppliers a chance, otherwise only Food Services of America will get the business. He asked if the subcommittee considered how state money can be targeted to state and local businesses.

MS. ANDERSON said the subcommittee was primarily interested in finding the least expensive ways of purchasing goods. The subcommittee did not talk about having one large provider, but rather uniform pricing.

MS. ANDERSON explained that Recommendation 7 pertains to privatizing fines and collection activities. Although this function is not performed by DOC, the subcommittee reviewed it and felt it should be forwarded to the subcommittee on the Court System.

COMMISSIONER VALESKO questioned what criteria or data the subcommittee used to forward Recommendation 7 to the subcommittee on the Court System.

MS. ANDERSON repeated that the subcommittee put forward its recommendations as ideas for efficiencies within the system recognizing that there are additional data requirements that need to be looked at by the full commission.

Number 353

MR. PIGNALBERI commented that the Department of Law Subcommittee was asked to look at the issue of collecting fines. He explained that the Court System imposes the fines but the Department of Law is charged with the collections. The Department of Law Subcommittee did not get to that issue, however. He asked whether the DOC Subcommittee plans to meet again and whether it could look at that issue further.

MS. ANDERSON replied that the DOC Subcommittee has no additional meetings scheduled at this time and given that the function is not within DOC, the subcommittee felt the more appropriate action was to forward the recommendation on.

COMMISSIONER THOMAS asked whether the subcommittee would considering meeting again to further discuss that issue.

MS. ANDERSON replied the subcommittee would probably not know how to retrieve that data.

MR. PIGNALBERI said the Department of Law could provide the data but neither the Department of Law or Court System subcommittees will be able to look into it. He asked Ms. Anderson if she thinks the DOC subcommittee has the appetite to take this issue on.

MS. ANDERSON agreed to poll subcommittee members to see if interest exists.

Number 323

MS. ANDERSON indicated that Recommendation 8 pertains to vehicle maintenance activities. The subcommittee did not have much discussion on this recommendation. The department thought that an efficiency factor could be built into a more centralized system. The subcommittee did not have time to gather facts and figures for Recommendation 8.

COMMISSIONER VALESKO asked how the subcommittee could recommend

that vehicle acquisition and maintenance be privatized with no criteria, information or documents to back it up.

MS. ANDERSON replied that Recommendation 8 came at the last subcommittee hearing and given the time constraints, the subcommittee did not have the information available to look at the costs. She noted that the subcommittee believed that this recommendation could provide efficiencies if explored further.

Number 301

COMMISSIONER VALESKO asked Mr. Warren if he attended the last subcommittee meeting.

MR. WARREN stated he is not sure at which meeting this recommendation was discussed at.

MS. ANDERSON commented that Representative Dyson brought this recommendation up, and Mr. Pignalberi was at the meeting.

MR. WARREN said he was present at that meeting and opposed the recommendation vigorously.

MS. ANDERSON explained that Recommendation 9 pertains to information technology. She informed the commission that DOC is getting a new information system which should tremendously improve the effectiveness of DOC's programs, yet the subcommittee felt the administration of DOC's information technology should be privatized. The department's existing system is antiquated by everyone's standards.

COMMISSIONER NOTTI asked if any concerns about access to information were discussed.

MS. ANDERSON said that given that computer technology allows for users and authorization codes to be built into the system, the subcommittee did not take that topic up. The system will probably allow for greater confidentiality adherence than the existing system.

Number 266

COMMISSIONER VALESKO remarked that DOC's response on the information technology recommendation states that this information was formally documented in a 1996 study conducted by Compass America and that Alaska is 31 percent more efficient in this industry than industry norms. He asked if the subcommittee is recommending that information technology be privatized in those

places in which it is more expensive to do so.

MS. ANDERSON said absolutely not. The subcommittee was looking at ways for more efficient and effective use of state money, not just in the area of privatizing. She repeated that the subcommittee believes that a cost benefit analysis is an important element to all of the recommendations.

MS. ANDERSON noted that, with regard to Recommendation 10, legislation has been introduced that would provide for probationers and parolees to be charged a weekly fee. The subcommittee supports that legislation.

MS. ANDERSON explained that Recommendation 11 pertains to the repair of outdated equipment, which is sometimes more expensive than purchasing new equipment. The subcommittee felt strongly that the state should not discourage departments from being more cost effective by purchasing new equipment.

REPRESENTATIVE BRICE asked for examples of that activity.

MS. ANDERSON said that Representative Dyson had several concrete examples but he is not present. She offered to get that information for the commissioner.

Number 231

MS. ANDERSON noted that the subcommittee asked DOC to recommend functions for privatization. The information behind Tab 6 contains DOC's plan to move from hard to soft beds, and toward electronic monitoring. The department's second recommendation, behind Tab 7, is that Mt. McKinley Meats be privatized. She deferred any questions to Mr. Richards.

COMMISSIONER FINK asked Mr. Richards if DOC is moving as fast as is appropriate toward electronic monitoring of every non-violent prisoners.

BILL PARKER, Deputy Commissioner, Department of Corrections, replied that prisoners eligible for electronic monitoring will have to be classified for it. They will have to qualify for the right security level, and have a house and job to go to. Currently there are about 30 offenders in that program and DOC hopes to double that number. However, DOC has to determine, case by case, whether an individual can qualify.

Number 202

COMMISSIONER FINK asked if DOC believes that eventually, electronic monitoring will be used on a lot more offenders.

MR. PARKER said DOC has just started the program and it has been more labor intensive than expected. The department plans to use electronic monitoring on 66 offenders and that number should grow with inmate population growth.

MR. PIGNALBERI asked Commissioner Valesko to restate his earlier question about the lack of effectiveness of the current education programs.

COMMISSIONER VALESKO referred to the graphs on page 18 and 19, and asked whether they indicate that Alaska is not spending enough on the education of its prisoners. He asked what kind of education programs are available in the private sector.

MR. RICHARDS noted that DOC's response covers all programs provided in each institution and contains general statements about the programs. Adult education and GED classes are available at all institutions and each facility has additional training programs.

Number 186

COMMISSIONER VALESKO asked who provides the training now.

MR. RICHARDS answered that an educational coordinator is located in each facility, and some facilities have two educational coordinators, depending on the facility size. The programs are contracted out. The educational coordinators ensure that inmates are at the right place and that the terms of the contracts are being carried out, with educational as well as other programs.

COMMISSIONER VALESKO asked if the majority of those programs are already contracted out.

MR. RICHARDS said the programs are contracted out. The personnel costs of the educational coordinators statewide is close to \$690,000 and the contracts with the private sector amount to between \$300,000 and \$400,000.

COMMISSIONER VALESKO asked why the subcommittee recommended that educational programs be transferred to the private sector if they are already contracted out.

MS. ANDERSON referred Commissioner Valesko to Tab 4 which lists the education programs in each institution.

TAPE 99-10, SIDE B

MS. ANDERSON continued by saying that many of those [life skills classes] should have been directed into the GED level in order to complete the high school education. She clarified that she wasn't minimizing that many of these life skills classes were important. However, much money was being spent on programs which weren't effectively preparing people for life on the outside. Again, there were concerns that Alaska should not rank number four from the bottom with regard to the dollars spent on inmates. Perhaps, more effective routing of dollars could achieve a better outcome.

COMMISSIONER VALESKO reiterated his question with regard to why the subcommittee recommended that educational programs be transferred to the private sector if they are already contracted out.

COMMISSIONER THOMAS asked if the subcommittee reviewed the contractual guidelines with regard to what is privatized in education in order to determine if they are effective. She also asked if the subcommittee reviewed the recommendations curriculum.

MS. ANDERSON informed the commission that the subcommittee received an extensive departmental presentation with regard to the education component. As mentioned earlier, Ms. Anderson noted that the subcommittee had concerns in practically each of the areas. She explained that because of the time each offender spends in each individual facility and the need for the department to stay under the cap for the population per Cleary, the department is hindered from effectively providing some of the services. In recognizing that, the subcommittee noted that there is no way for the department to have a true measurement as to whether these programs are achieving the goals. Furthermore, the subcommittee felt that as contracts went out, the contract should include a mechanism which would require a contractor to measure the benefit of the service or product provided.

MR. WARREN informed the commission that there was much debate with regard to increased funding for education in all the state institutions statewide. The subcommittee had strong feelings that not enough money was being spent to educate the inmates during their incarceration.

CO-CHAIR WARD noted that he served on this subcommittee. Senator Ward addressed the measurement. He explained that the measurement is: "Do they or do they not reoffend?" That measurement hasn't been brought forward because the department doesn't have the ability to tell if an inmate has returned to jail. Therefore, the recommendation grew from the need for the private contractors to

know if an inmate has reoffended.

COMMISSIONER VALESKO asked if the subcommittee could provide one example of an education program which should be transferred to the private sector.

MS. ANDERSON said that the subcommittee focused on the GED program. She informed the commission that of the approximately 961 students in the GED program, less than 47 percent earned a diploma. Perhaps, a better outcome could result by placing that program in the private sector with an effective measurement tool. The better outcome could not only save the state money, but also, possibly, prevent offenders from returning to the system.

REPRESENTATIVE BRICE interjected that the question remains. Who is doing that - the department or a private contractor?

CO-CHAIR WARD explained that it is in how the contract is written. He reiterated that the contracts don't have a measurement mechanism with regard to recidivism. The department doesn't have records with regard to recidivism, regardless of the amount spent on education.

Number 012

COMMISSIONER VALESKO understood the recommendation of the subcommittee to be to transfer the education program to the private sector. He asked if the department is performing education programs or are all the education programs contracted out.

MR. PARKER explained that there are education coordinators who are state employees. That education coordinator coordinates the teachers, tutoring, et cetera which are mainly private employees. Therefore, a state employee oversees services provided by the private sector.

REPRESENTATIVE BRICE surmised then that currently educational programs are contracted out with an educational coordinator assuring that those to receive services do.

MS. ANDERSON directed the committee to Tab 4 which lists the contracts held with the vendors for education services.

COMMISSIONER ALLEN inquired as to why the subcommittee recommended that the education programs be transferred to the private sector when all those programs are performed in the private sector already.

MS. ANDERSON stated that the subcommittee didn't feel that all the education programs were being performed in the private sector.

MR. PIGNALBERI asked if the department provided a breakdown of the total education budget. He also asked if the department could also provide information with regard to the cost for in-house educational services versus private educational sector services.

Number 070

MS. ANDERSON submitted the subcommittee minutes from the September 14, 1999, meeting during which the educational component was discussed. She indicated that would be helpful for the commission to review. In conclusion, Ms. Anderson thanked the subcommittee members and the department representative who attended each subcommittee meeting. She commented that the subcommittee could have probably come up with more data with more time.

MR. PIGNALBERI noted that Ms. Anderson stepped in at the last minute to serve as the chair of this subcommittee. He thanked Ms. Anderson.

MR. RICHARDS commented that the department felt that the subcommittee meetings went well and were very productive.

COMMISSIONER THOMAS asked if there were any further comments. There being none, the Commission on Privatization and Delivery of Government Services adjourned at 12:30 p.m.