

**SB**

**33**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/1/99

FURTHER:

DATE TURNED  
IN TO OFFICE: 4/01/99

Finance Committee considered SENATE BILL NO. 33

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

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ SB 33 (FIN)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

| SIGNING DO PASS                | DP | OTHER RECOMMENDATIONS                 | NR | DNP | AM |
|--------------------------------|----|---------------------------------------|----|-----|----|
| <i>Lyda Green</i>              | ✓  |                                       |    |     |    |
| <i>Soren Sorenson</i>          | ✓  | <i>John Kelly</i><br><i>Don Wyley</i> | ✓  |     |    |
|                                |    |                                       |    |     |    |
|                                |    |                                       |    |     |    |
|                                |    |                                       |    |     |    |
| Co-Chair: <i>Alan Russell</i>  | ✓  |                                       |    |     |    |
| Co-Chair: <i>John Sorenson</i> | ✓  |                                       |    |     |    |

**NEW FISCAL NOTE(S):**

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
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|            |      |      |        |

**PREVIOUS FISCAL NOTE(S):\***

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |

\*\*\*

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

1-LS0317AS

Cook/

3/25/99

4/01  
moved by Sen. Parneff  
w/o objection ADOPTED  
as work draft  
moved Sen. Leaman  
w/o obj reported out

**CS FOR SENATE BILL NO. 33(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FIRST LEGISLATURE - FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

Offered:

Referred:

Sponsor(s): **SENATOR WARD**

**A BILL**

**FOR AN ACT ENTITLED**

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

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

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

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

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

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

13 (A) nongovernmental or private organizations;

14 (B) local government or regional service organizations;

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

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

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

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

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

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

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

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

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

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

25 (4) authority for agencies to create temporary positions under  
26 AS 47.27.055(c); or

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

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

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

1 sector of the economy to perform a function previously performed by state employees,  
2 the labor or employee organization representing those employees may prepare and  
3 submit a response on behalf of the employees to demonstrate that the state will not  
4 reduce costs by contracting for performance of the function. The response prepared  
5 and submitted by the labor or employee organization is not entitled to a preference  
6 over bids submitted to perform the function, but the state shall consider the response  
7 before making its decision.

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

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

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

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

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

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

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

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

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

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

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

28 \* **Sec. 6. COMPENSATION.** (a) The public members of the Commission on Privatization  
29 and Delivery of Government Services appointed under sec. 5(a)(6) and (7) of this Act are not  
30 eligible for compensation but are entitled to per diem and travel expenses authorized for  
31 boards and commissions under AS 39.20.180.

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

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

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

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

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

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

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

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

18 (C) the federal government;

19 (D) consolidation or other efficiency changes; or

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

21 (4) identify present state government services that are most effectively and  
22 efficiently delivered by the state and that should remain a responsibility of the state;

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

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

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

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

31 (3) consolidated or otherwise made more efficient;

1  
2  
3

(4) performed by the federal government.

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

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



**CS FOR SENATE BILL NO. 33(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FIRST LEGISLATURE - FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATOR WARD**

**A BILL**

**FOR AN ACT ENTITLED**

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

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

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

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

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

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

**13 (A) nongovernmental or private organizations;**

**14 (B) local government or regional service organizations;**

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

3 (5) there may be state government functions that should be consolidated;

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

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

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

15 \* Sec. 2. AS 23.40.075 is amended to read:

16 **Sec. 23.40.075. Items not subject to bargaining.** The parties may not  
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23 activity considered appropriate by the Department of Health and Social Services; [OR]

24 (4) authority for agencies to create temporary positions under  
25 AS 47.27.055(c); or

26 **(5) unrestricted authority of the employer to enter into a contract**  
27 **with an entity in the private sector of the economy to perform a function**  
28 **previously performed by state employees.**

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31 sector of the economy to perform a function previously performed by state employees,

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3 reduce costs by contracting for performance of the function. The response prepared  
4 and submitted by the labor or employee organization is not entitled to a preference  
5 over bids submitted to perform the function, but the state shall consider the response  
6 before making its decision.

7 \* Sec. 4. Nothing in secs. 2 and 3 of this Act terminates or modifies a collective  
8 bargaining agreement in effect on the effective date of this Act.

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

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

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

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

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

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

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

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

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

25 \* Sec. 6. COMPENSATION OF PUBLIC MEMBERS. The public members of the  
26 Commission on Privatization and Delivery of Government Services appointed under sec. 5(6)  
27 and (7) of this Act are not eligible for compensation but are entitled to per diem and travel  
28 expenses authorized for boards and commissions under AS 39.20.180.

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

1 \* Sec. 8. DUTIES. (a) The Commission on Privatization and Delivery of Government  
2 Services shall

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

6 (2) review state contracting policy and procedures, including competitive  
7 bidding procedures;

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

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

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

13 (C) the federal government;

14 (D) consolidation; or

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

16 (4) identify present state government services that are most effectively and  
17 efficiently delivered by the state and that should remain a responsibility of the state;

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

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

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

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

26 (3) consolidated;

27 (4) performed by the federal government.

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

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

**CS FOR SENATE BILL NO. 33(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FIRST LEGISLATURE - FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATOR WARD**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the Commission on Delivery of Government Services; and  
2 providing for an effective date."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

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

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

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

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

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14 (4) there may be functions that state government should not continue to

1 perform, but should leave to the federal government;

2 (5) there may be state government functions that should be consolidated;

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

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

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

14 \* **Sec. 2. COMMISSION ON DELIVERY OF GOVERNMENT SERVICES.** (a) There  
15 is created in the legislative branch of the state government the Commission on Delivery of  
16 Government Services. The commission shall consist of <sup>9</sup>~~11~~ members, as follows:

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

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

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

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

24 (5) one member of the local boundary commission appointed by the local  
25 boundary commission;

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

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

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

29 \* **Sec. 3. COMPENSATION OF PUBLIC MEMBERS.** The public members of the  
30 Commission on Delivery of Government Services appointed under sec. 2(6) and (7) of this  
31 Act are not eligible for compensation but are entitled to per diem and travel expenses

1 authorized for boards and commissions under AS 39.20.180.

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

5 \* **Sec. 5. DUTIES.** (a) The Commission on Delivery of Government Services shall

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

9 (2) review state contracting policy and procedures, including competitive  
10 bidding procedures;

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

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

16 (C) the federal government;

17 (D) consolidation; or

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

19 (4) identify present state government services that are most effectively and  
20 efficiently delivered by the state and that should remain a responsibility of the state;

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

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

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

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

28 (3) consolidated;

29 (4) performed by the federal government.

30 \* **Sec. 6.** This Act is repealed on January 1, 2000.

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

Amendment Number: 1

1-LS0317A.1 Some

Bill Number: SB 33

Cook

Sponsor: Adams Date: 3/8/99

3/5/99

Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 33(FIN), Draft Version "I"

moved BY SENATOR ADAMS  
objec. Wilken, Pa nell  
objection removed

1(a) {

- 1 Page 2, line 16:
- 2 Delete "11"
- 3 Insert "8"
- 4 Page 2, lines 17 - 18:
- 5 Delete all material.

w/o obj. ADOPTED

Don't move RESCIND  
Adams's obj.  
5-2 RESCINDED  
moved Sen. Adams  
3y-5n FAILED

6 Renumber the following paragraphs accordingly.

1(b) {

- 7 Page 2, lines 24 - 25:
- 8 Delete all material.

Sen. Wilken object  
2y-4n FAILED

9 Renumber the following paragraphs accordingly.

1(c) {

- 10 Page 2, line 30:
- 11 Delete "sec. 2(6) and (7)"
- 12 Insert "secs. 2(4) and (5)"

w/o obj. ADOPTED

page 2 line 16

conceptual

membership of the commission would  
be changed to "9"



SENATE FINANCE COMMITTEE  
1999 COMMITTEE ACTION

|                            |               |
|----------------------------|---------------|
| Bill Number                | SB 33         |
| Amendment                  | # 1A          |
| Motion                     | Adopt         |
|                            | (Second Vote) |
| <u>Motion by</u>           |               |
| <u>Objection</u>           |               |
| <u>Objection by</u>        |               |
| <u>Removed</u>             |               |
| <u>Second Objection by</u> |               |
| <u>Committee Member</u>    | <u>Vote</u>   |
| Senator Al Adams           | Y             |
| Senator Gary Wilken        | Y             |
| Senator Pete Kelly         | N             |
| Senator Lyda Green         | N             |
| Senator Randy Phillips     | A             |
| Senator Dave Donley        | N             |
| Senator Loren Leman        | Y             |
| Co-Chair Sean Parnell      | N             |
| Co-Chair John Torgerson    | N             |
|                            |               |
| <u>Tally</u>               |               |
| Yea                        | 3 0           |
| Nay                        | 5 0           |
| Absent                     | 1 0           |
|                            |               |
| <u>MOTION</u>              | Failed        |

SENATE FINANCE COMMITTEE  
**1999 COMMITTEE ACTION**

|                                   |                    |
|-----------------------------------|--------------------|
| <b>Bill Number</b>                | SB 33              |
| <b>Amendment</b>                  | #1A                |
| <b>Motion</b>                     | Rescind            |
| <b><u>Motion by</u></b>           | Donley             |
| <b><u>Objection</u></b>           | U                  |
| <b><u>Objection by</u></b>        | Adams              |
| <b><u>Removed</u></b>             |                    |
| <b><u>Second Objection by</u></b> |                    |
| <b><u>Committee Member</u></b>    | <b><u>Vote</u></b> |
| Senator Pete Kelly                | A                  |
| Senator Lyda Green                | U                  |
| Senator Randy Phillips            | A                  |
| Senator Dave Donley               | U                  |
| Senator Loren Leman               | U                  |
| Senator Al Adams                  | N                  |
| Senator Gary Wilken               | N                  |
| Co-Chair Sean Parnell             | U                  |
| Co-Chair John Torgerson           | U                  |
|                                   |                    |
| <b><u>Tally</u></b>               |                    |
| Yea                               | 5 0                |
| Nay                               | 2 0                |
| Absent                            | 2 0                |
|                                   |                    |
| <b><u>MOTION</u></b>              | Passed             |

SENATE FINANCE COMMITTEE  
1999 COMMITTEE ACTION

|                            |                        |
|----------------------------|------------------------|
| Bill Number                | SB 33                  |
| Amendment                  | #1B                    |
| Motion                     | adpt                   |
| <u>Motion by</u>           | Adams (orig. Amend #1) |
| <u>Objection</u>           |                        |
| <u>Objection by</u>        | Parnell                |
| <u>Removed</u>             |                        |
| <u>Second Objection by</u> |                        |
| <u>Committee Member</u>    | <u>Vote</u>            |
| Senator Dave Donley        | N                      |
| Senator Loren Lemar        | N                      |
| Senator Al Adams           | N                      |
| Senator Gary Wilken        | N                      |
| Senator Pete Kelly         | A                      |
| Senator Lyda Green         | A                      |
| Senator Randy Phillips     | A                      |
| Co-Chair Sean Parnell      | N                      |
| Co-Chair John Torgerson    | N                      |
|                            |                        |
| <u>Tally</u>               |                        |
| Yea                        | 2 0                    |
| Nay                        | 4 0                    |
| Absent                     | 3 0                    |
|                            |                        |
| <u>MOTION</u>              | Failed                 |

SENATE FINANCE  
COMMITTEE

Amendment Number: 1  
Bill Number: SB 33  
Sponsor: Adams Date: 3/8/99  
Logged In By: Mindy

1-LS0317A.1

Cook  
3/5/99

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR ADAMS

TO: CSSB 33(FIN), Draft Version "I"

- 1 Page 2, line 16:
- 2 Delete "11"
- 3 Insert "8"
  
- 4 Page 2, lines 17 - 18:
- 5 Delete all material.
  
- 6 Renumber the following paragraphs accordingly.
  
- 7 Page 2, lines 24 - 25:
- 8 Delete all material.
  
- 9 Renumber the following paragraphs accordingly.
  
- 10 Page 2, line 30:
- 11 Delete "sec. 2(6) and (7)"
- 12 Insert "secs. 2(4) and (5)"

SENATE FINANCE  
COMMITTEE

Amendment Number: 2  
Bill Number: SB 33  
Sponsor: Adams Date: 3/8/99  
Logged In By: Mindy

1-LS03171.2  
Cook  
3/5/99

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR ADAMS

TO: CSSB 33(FIN), Draft Version "I"

1 Page 2, line 26, following "senate;":

2         Insert "one shall be a public member selected from a list of nominees submitted by  
3 labor organizations that represent state employees;"

4 Page 2, line 27, following "house;":

5         Insert "one shall be a public member selected from a list of nominees submitted by  
6 labor organizations that represent state employees;"

SENATE FINANCE COMMITTEE  
1999 COMMITTEE ACTION

|                            |             |
|----------------------------|-------------|
| Bill Number                | SB 33       |
| Amendment                  | 2           |
| Motion                     | Adopt       |
| <u>Motion by</u>           | Adams       |
| <u>Objection</u>           |             |
| <u>Objection by</u>        | Donley      |
| <u>Removed</u>             | ( )         |
| <u>Second Objection by</u> |             |
| <u>Committee Member</u>    | <u>Vote</u> |
| Senator Gary Wilken        | Y           |
| Senator Pete Kelly         | N           |
| Senator Lyda Green         | N           |
| Senator Randy Phillips     | N           |
| Senator Dave Donley        | N           |
| Senator Loren Lemman       | N           |
| Senator Al Adams           | N           |
| Co-Chair Sean Parnell      | N           |
| Co-Chair John Torgerson    | N           |
|                            |             |
| <u>Tally</u>               |             |
| Yea                        | 2 0         |
| Nay                        | 4 0         |
| Absent                     | 3 0         |
|                            |             |
| <u>MOTION</u>              | Failed      |

STATE FINANCE  
COMMITTEE  
Amendment Number: 3  
Bill Number: CSSB 33 (FIN)  
Sponsor: Leman Date: 3/9/99  
Logged In By: Mindy

Failed

1-LS0317A.3  
Cook ✓  
3/8/99

A M E N D M E N T

OFFERED IN THE SENATE

TO: CSSB 33(FIN), Draft Version "I"

*moved BY SENATOR LEMAN  
object Sen. Adams  
44-4a FAILED.*

- 1 Page 2, line 2, following "consolidated" :
- 2       Insert "or otherwise performed more efficiently"
  
- 3 Page 2, lines 9 - 10:
- 4       Delete "in order to make state performance"
- 5       Insert "or otherwise made"
  
- 6 Page 2, line 29:
- 7       Delete "OF PUBLIC MEMBERS."
- 8       Insert ". (a)"
  
- 9 Page 3, following line 1:
- 10       Insert a new subsection to read:
- 11       "(b) Members of the advisory council appointed under sec. 5(a)(6) of this Act are not
- 12 eligible for compensation, per diem, or payment of travel or other expenses by the state."
  
- 13 Page 3, line 17, following "consolidation":
- 14       Insert "or other efficiency changes"
  
- 15 Page 3, line 21, following "services":
- 16       Insert ";
- 17       (6) appoint an advisory council composed of ~~representatives from the private~~ *delete / Leman*
- 18 ~~sector of the state economy~~ to assist it in carrying out its duties" *moved Leman w/o objection, ADOPTED*
  
- 19 Page 3, line 28, following "consolidated":

1

Insert "or otherwise made more efficient"



SENATE FINANCE COMMITTEE  
1999 COMMITTEE ACTION

|                            |             |
|----------------------------|-------------|
| Bill Number                | SB 33       |
| Amendment                  | # 3 Amended |
| Motion                     | Adopt       |
| <u>Motion by</u>           | Leman       |
| <u>Objection</u>           |             |
| <u>Objection by</u>        | Adams       |
| <u>Removed</u>             |             |
| <u>Second Objection by</u> |             |
| <u>Committee Member</u>    | <u>Vote</u> |
| Senator Lyda Green         | N           |
| Senator Randy Phillips     | Y           |
| Senator Dave Donley        | Y           |
| Senator Loren Leman        | Y           |
| Senator Al Adams           | N           |
| Senator Gary Wilken        | N           |
| Senator Pete Kelly         | N           |
| Co-Chair Sean Parnell      | Y           |
| Co-Chair John Torgerson    | Y           |
|                            |             |
| <u>Tally</u>               |             |
| Yea                        | 4 0         |
| Nay                        | 4 0         |
| Absent                     | 1 0         |
|                            |             |
| <u>MOTION</u>              | Failed      |

SENATE FINANCE  
COMMITTEE

-frcbpt

1-LS0317N.1

Amendment Number: 4

Cook/

Bill Number: CS SB 33(FIN) "I" 3/15/99

Sponsor: Leman Date: 3/22/99

Logged In By: Mindy

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR LEMAN

TO: CSSB 33(FIN), Draft Version "N"

- 1 Page 2, line 3, following "consolidated":
- 2       Insert "or otherwise performed more efficiently"
  
- 3 Page 2, lines 10 - 11:
- 4       Delete "in order to make state performance"
- 5       Insert "or otherwise made"
  
- 6 Page 4, line 14, following "consolidation":
- 7       Insert "or other efficiency changes"
  
- 8 Page 4, line 26, following "consolidated":
- 9       Insert "or otherwise made more efficient"

**SENATE FINANCE COMMITTEE**  
**1999 COMMITTEE ACTION**

|                                   |                    |
|-----------------------------------|--------------------|
| <b>Bill Number</b>                | SB 33              |
| <b>Amendment</b>                  | 4                  |
| <b>Motion</b>                     | adopt              |
| <b><u>Motion by</u></b>           | Leman              |
| <b><u>Objection</u></b>           |                    |
| <b><u>Objection by</u></b>        | Adams              |
| <b><u>Removed</u></b>             | X                  |
| <b><u>Second Objection by</u></b> |                    |
| <b><u>Committee Member</u></b>    | <b><u>Vote</u></b> |
| Senator Lyda Green                |                    |
| Senator Randy Phillips            |                    |
| Senator Dave Donley               |                    |
| Senator Loren Leman               |                    |
| Senator Al Adams                  |                    |
| Senator Gary Wilken               |                    |
| Senator Pete Kelly                |                    |
| Co-Chair Sean Parnell             |                    |
| Co-Chair John Torgerson           |                    |
|                                   |                    |
| <b><u>Tally</u></b>               |                    |
| Yea                               | 0                  |
| Nay                               | 0                  |
| Absent                            | 0                  |
|                                   |                    |
| <b><u>MOTION</u></b>              | Wait               |

SENATE FINANCE  
COMMITTEE

Adopt

1-LS0317N.2'

Amendment Number: 5

Cook

Bill Number: CS SB 33(FIN) "N" 3/16/99

Sponsor: Leman Date: 3/22/99

Logged in By: Mindy

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR LEMAN

TO: CSSB 33(FIN), Draft Version "N"

1 Page 3, line 10, following "SERVICES.":

2 Insert "(a)"

3 Page 3, following line 24:

4 Insert a new subsection to read:

5 "(b) The commission may appoint an advisory council to assist it in carrying out its  
6 duties."

7 Page 3, line 25:

8 Delete "OF PUBLIC MEMBERS."

9 Insert ". (a)"

10 Page 3, lines 26 and 27:

11 Delete "sec. 5(6) and (7)"

12 Insert "sec. 5(a)(6) and (7)"

13 Page 3, following line 28:

14 Insert a new subsection to read:

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

**SENATE FINANCE COMMITTEE**  
**1999 COMMITTEE ACTION**

|                            |             |
|----------------------------|-------------|
| Bill Number                | SB 33       |
| Amendment                  | 5           |
| Motion                     | adopt       |
| <u>Motion by</u>           | Leman       |
| <u>Objection</u>           |             |
| <u>Objection by</u>        | Torgerson   |
| <u>Removed</u>             | JK          |
| <u>Second Objection by</u> | Green       |
| <u>Committee Member</u>    | <u>Vote</u> |
| Senator Dave Donley        | Y           |
| Senator Loren Leman        | Y           |
| Senator Al Adams           | Y           |
| Senator Gary Wilken        | Y           |
| Senator Pete Kelly         | Y           |
| Senator Lyra Green         | Y           |
| Senator Randy Phillips     | Y           |
| Co-Chair Sean Parnell      | Y           |
| Co-Chair John Torgerson    | Y           |
|                            |             |
| <u>Tally</u>               |             |
| Yea                        | 0 8         |
| Nay                        | 0 1         |
| Absent                     | 0           |
|                            |             |
| <u>MOTION</u>              | adopt       |



# Alaska State Legislature

## Senate

**JERRY WARD**

State Capital  
Juneau, AK 99801-1182  
Phone (907) 465-3940  
Fax (907) 465-3766

716 W. 4th Ave., Ste. 450  
Anchorage, AK 99501-2133  
Phone (907) 258-8183  
Fax (907) 258-0820

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

### Sponsor Statement

#### Senate Bill 33

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

Senate Bill 33 was introduced to establish a task force that will review functions of state government that could easily be transferred to the private sector. The task force will have members from the public, legislative and executive branches of government.

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

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

# **Revenue Collection**

---

## **BACKGROUND**

The State of New Jersey collects \$14.8 billion in revenues annually. Over 50 separate units of government have a collection function. Changing collection techniques, as well as the need for sophisticated cash management skills, trends toward electronic collection, and the securitization of receivables, all impact on this critical function.

## **CURRENT SITUATION**

Professional skills in the various collection units vary from highly sophisticated to nonexistent. Cash management practices vary, reducing revenue opportunities which reduces the state revenue potential by not maximizing the investment potential of taxes and fees.

Most units of government do not routinely maintain information on collection rates and receivable aging schedules, which is basic to any professional collection activity. The state does not presently package and sell aged receivables.

Electronic collection activities are just beginning to be undertaken in the state and will require increased expertise and capital.

## **CONCLUSIONS AND RECOMMENDATIONS**

The consolidation of collection activities of over 50 units will offer significant opportunity to reduce costs based on efficiencies and competitive contracting opportunities. Consolidation and competitive contracting will bring to all revenue sources the benefit of professional cash management skills.

Professional collection and money management skills, if brought to all state collection units in a single focused collection unit, should substantially increase revenues. The increase in revenue collected will also increase investment return.

There is an opportunity for the state to package for sale aged, uncollected accounts receivables. The size of this opportunity is unknown, but perhaps significant. Many states and other governmental units are already using this approach.

With the assistance of this Commission, the Department of Treasury has issued a comprehensive RFP, requesting consulting assistance in a large-scale management and operational restructuring of revenue collection/debit recovery in the State of New Jersey.

The primary objective is to evaluate the current options and recommend an implementation plan for centralizing the function.

All options will be reviewed, including a state-developed and -operated solution; outsourcing; public/private partnerships; or other feasible alternatives.

**TIMELINE FOR IMPLEMENTATION**

An RFP has already been issued. Implementation is expected in early 1996.

**ESTIMATED SAVINGS**

Savings will need to be determined as part of the project. Given the size of the existing revenue base, as well as the current cost of operation, the potential for savings is significant.



# **State-Owned Wastewater Treatment Facilities**

---

## **BACKGROUND**

The State of New Jersey owns and operates wastewater treatment facilities. These facilities are owned and managed under the auspices of the Department of Human Services and the Department of Corrections, primarily at state institutions. Some of these facilities have been fined by the DEP for failure to comply with state environmental laws.

## **DEPARTMENT OF CORRECTIONS**

The Department of Corrections is constructing a new 550,000 gallons per day (GPD) facility at the Bayside State Prison to achieve compliance with environmental regulations. The annual operating costs of the present facility are \$645,000.

Mountainview Youth Correctional Facility—Main Unit is constructing a 360,000 GPD plant under a design/build contract. Present operating costs of the existing facility are \$1.46 million per year. The facility, which serves the Mountainview Youth Correctional Facility—High Point Unit, has been cited for environmental violations and is forced to haul all raw sewage from the facility. However, a licensed plant operator must still be maintained at the facility to provide discharge monitoring reports to the DEP. Current operating costs, including sludge removal, are \$269,000.

Mountainview Youth Correctional Facility—Stokes Forest Unit has also been cited for violations, and has been hauling its raw sewage since 1991. Hauling costs are \$127,000 per year.

Violations have been identified at the New Jersey Training School—Jamesburg Facility, and the Department is moving to correct them. Operating costs are \$98,300 annually.

The Wagner Youth Correctional Facility's sewage treatment operation has also been cited for violations. The Department is in the process of requesting proposals for design/build of a new plant. A vendor presently operates the plant at a cost of approximately \$500,000.

## **DEPARTMENT OF HUMAN SERVICES**

The Department operates wastewater and water treatment plants at 12 residential facilities: Ancora Psychiatric Hospital, North Princeton Developmental Center, Woodbine Developmental Center, Hagedorn Geriatric Center, Brisbane Child Treatment Center, Greystone Park Psychiatric Hospital, Marlboro Psychiatric Hospital, North Jersey Developmental Center, New Lisbon Developmental Center, Johnstone Training Center, Warren Residential Group Center, and Albert Elias Residential Group Center. Many of these plants have been cited for violations by the DEP and have paid fines.

A preliminary cost analysis shows operating costs of at least \$1.4 million for all of these facilities. In addition, over \$300,000 in fines and attorneys' fees have been paid.

### **CONCLUSIONS AND RECOMMENDATIONS**

Contract operation and maintenance of water and sewerage treatment facilities is a growing industry. Across the United States there are numerous examples where local officials have improved quality and significantly lowered costs. The Commission has collected information from contracted facilities in New Orleans, LA; Indianapolis, IN; Newark, NJ; Maple Shade, NJ; Cranston, RI; Oklahoma City, OK; and others. Savings ranging from 30-40% are common. In the last 15 years, hundreds of Operation and Maintenance contracts have been entered into. This industry has grown and there are many experienced, qualified, reputable, well-financed firms who would submit a proposal for this type of business.

A cost accounting should be completed, showing all costs of delivering the service. Service monitoring costs should be included. RFPs, which contain performance standards and contract monitoring procedures, should be issued to qualified operators. The in-house managers and employees should work together to submit a plan to compete with anticipated private contractor proposals. The Department should award the contract to qualified private contractors if the Department receives a proposal that would reduce costs without sacrificing quality.

### **TIMELINE FOR IMPLEMENTATION**

RFPs on many of these facilities could be issued by May 1 and contracts awarded before December 1, 1995.

### **ESTIMATED SAVINGS**

Approximately \$1 million per year.

# **Public/Private Partnerships in Capital Transportation Projects**

---

## **BACKGROUND**

Many states are permitting the private sector to build and operate transportation projects which had been exclusively done by governmental entities. Examples include the Dulles Toll Road and four major highways in California. In the State of Washington, the "Public/Private Initiatives in Transportation" program provides a wide range of opportunities for businesses to propose and undertake all or a portion of the study, planning, design, financing, construction, operation and maintenance of transportation systems and facilities.

The New Jersey Department of Transportation is moving toward engaging the private sector in design/build projects. Based on the experience of other states, private design and construction of transportation projects has reduced costs and the amount of time it takes to complete a project.

## **CURRENT SITUATION**

According to a Foundation of the New Jersey Alliance for Action study, New Jersey has transportation infrastructure needs of \$47.9 billion. They include:

- \$31.8 billion for state highways and bridges.
- \$3.5 billion for public transit.
- \$5.9 billion for toll road facilities.
- \$2.7 billion for bi-state authorities.
- \$4.0 billion for county and municipal roads and bridges.

The state's Department of Transportation reports that at current funding levels, the state will be unable to fund \$10.3 billion in needed highway and mass transit projects between the years of 1995 and 2002. These projects include rail transit expansion replacement buses, new bridges and added highway lanes.

In order to meet the state's backlog of unfunded transportation projects over the seven-year period, New Jersey needs to increase its transportation capital investment by \$1.3 billion annually—from \$1.5 billion to \$2.8 billion.

Participation of the private sector in the design, building, ownership and financing of many of these projects is needed.

## **CONCLUSIONS AND RECOMMENDATIONS**

The Department of Transportation should evaluate all options for private design/build projects. The objective should be to enhance the Department's ability to complete a growing number of projects on a timely- and cost-effective basis.

The Commission also recommends adoption of a plan similar to the State of Washington's New Partners Public/Private Initiative in Transportation. This program has resulted in six significant projects being built by the private sector. Under the Washington program, private firms are invited to propose construction projects to be built and operated by the private sector. The state negotiates the details of each project with the private firms.

The enactment of a program like this in New Jersey has the potential for stimulating some creative and important transportation projects. Possible projects include the construction of G-92 in Middlesex County, the renovation and expansion of the Route 9 Bridge on the Raritan River, the construction of a new Route 9 Bridge, operation of the Hudson River Waterfront System, the extension of Patco in South Jersey, and many others.

## **TIMELINE FOR IMPLEMENTATION**

Legislation may be needed before an RFP can be issued. Based on Washington state's experience, it should take a little over a year to draft an RFP, receive proposals and award a contract.

## **ESTIMATED SAVINGS**

Savings cannot easily be determined, but the state might save hundreds of millions of dollars by avoiding major capital and operating expenses.

# **Veterans Memorial Home at Paramus**

---

## **BACKGROUND**

The State of New Jersey owns and operates a 334-bed veterans nursing home in Paramus.

The Veterans Memorial Home at Paramus was built in the late 1980s and was fully completed four years ago. The home serves veterans and veteran spouses (whose husbands are already in the home) and "Gold Star" parents—parents of veterans who have been killed in combat. The residents who have not depleted their personal assets pay for their care.

## **CURRENT SITUATION**

The Veterans Memorial Home in Paramus is staffed by approximately 400 state employees, including managers, doctors, registered nurses, licensed practical nurses, health care aides, and building maintenance, food service, custodial and other support service workers.

The FY95 operating budget of the home shows \$17 million in operating expenses, including maintenance, and \$6.4 million in revenues—\$3 million from payments by private individuals and \$3.4 million from federal Veterans Administration reimbursements. The difference between operating expenses and revenues is made up by state taxpayers in the amount of \$10.6 million. If operating expenses were significantly reduced, this would have no effect on the amount of reimbursement provided by the Veterans Administration. Cost per bed is about \$140 per day.

The nursing home industry is well-developed, and there may be many experienced, reputable and financially-sound and competitive operators who would respond to an RFP and provide quality operation of this home.

## **CONCLUSIONS AND RECOMMENDATIONS**

A cost accounting should be completed which shows all costs of operating and maintaining the home, including service monitoring costs. An RFP, which contains performance standards and contract monitoring procedures, should be issued to qualified and reputable operators. This is a very important service upon which hundreds of lives depend. Therefore, a great deal of care should be taken with this procurement process. Veterans service organizations should be consulted during this process.

The in-house managers and employees should be encouraged to submit a plan to restructure the in-house operation to be competitive with anticipated private contractor proposals. A comparison between private proposals and in-house reduction in operating costs should be made. The Department should award the contract to qualified private contractors if the Department receives a proposal that would reduce costs without sacrificing the quality of care.

**Alaska Support Industry  
ALLIANCE**

4220 'B' Street, Suite 200  
Anchorage, AK 99503  
Phone 907.563.2226  
Fax 907.561.8870

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Karen Cowart



**THE ALLIANCE**

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

March 18, 1999

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

RE: Senate Bill 33, Task Force on Privatization

Dear Senator Ward:

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

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

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

Sincerely,

Karen Cowart  
General Manager

1-LS0317I  
Cook  
2/24/99

Submitted by  
Sen. Ward

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

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATOR WARD

A BILL

FOR AN ACT ENTITLED  
PRIVATIZATION

1 "An Act relating to the Commission on Delivery of Government Services; and  
2 providing for an effective date."

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

- 4 \* Section 1. FINDINGS AND INTENT. (a) The legislature finds that
- 5 (1) the annual cost of state government is exceeding the annual revenue of the
- 6 state;
- 7 (2) the State of Alaska, other states, and the federal government have
- 8 successfully and substantially reduced government spending and increased government
- 9 efficiency by contracting with third parties to perform particular state or government functions;
- 10 (3) there may be functions of our current state government that can be
- 11 performed more efficiently by any or all of the following entities:
- 12 (A) nongovernmental or private organizations;
- 13 (B) local government or regional service organizations;
- 14 (4) there may be functions that state government should not continue to

1 perform, but should leave to the federal government;

2 (5) there may be state government functions that should be consolidated;

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

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

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

14 \* **Sec. 2. COMMISSION ON DELIVERY OF GOVERNMENT SERVICES.** (a) There  
15 is created in the legislative branch of the state government the Commission on Delivery of  
16 Government Services. The commission shall consist of 11 members, as follows:

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

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

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

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

24 (5) one member of the local boundary commission appointed by the local  
25 boundary commission;

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

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

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

29 \* **Sec. 3. COMPENSATION OF PUBLIC MEMBERS.** The public members of the  
30 Commission on Delivery of Government Services appointed under sec. 2(6) and (7) of this  
31 Act are not eligible for compensation but are entitled to per diem and travel expenses



1 authorized for boards and commissions under AS 39.20.180.

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

5 \* Sec. 5. DUTIES. (a) The Commission on Delivery of Government Services shall

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

9 (2) review state contracting policy and procedures, including competitive  
10 bidding procedures;

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

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

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

16 (C) the federal government;

17 (D) consolidation; or

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

19 (4) identify present state government services that are most effectively and  
20 efficiently delivered by the state and that should remain a responsibility of the state;

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

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

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

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

28 (3) consolidated;

29 (4) performed by the federal government.

30 \* Sec. 6. This Act is repealed on January 1, 2000.

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

My name is "B" Jarvi... I am Vice President of Professional Guardian Services Corporation.

I am in favor of Senate Bill 33. There are some services which the state must provide for the common good, among them being State Trooper services, educational services, a highway system, court system and the regulatory function. Some years ago, the state had to take over a multitude of services as needs arose because there was no one else to provide them. That is not the case now.

Before we start looking at funding what services the state now provides, we should first look to eliminate the cost of the state being a service provider where it is not necessary. We also need to ask state funded entities to look at services they now provide at public expense rather than having those services provided at state expense. For instance, at the university, many services such as the book stores, janitorial services, medical services, food services, and medical services could be privatized thus freeing more money for educational programs within the university and for catching up on deferred maintenance.

The state is in open and unfair competition with the private sector in many service areas. I only have a few minutes to talk here so I will give you my own experience. I am with a small for profit corporation that provides a high level of guardian and conservatorship services by court appointment to vulnerable individuals of all ages. We do this at very reasonable cost. Ordinarily, this would be enough to assure us a leading role in that service sector. It is not, because we have to compete with the state itself for the business in addition to another private agency. The state, through the Office of Public Advocacy, offers guardianship and conservatorship services for a nominal fee with the added advantage of being able to recover their costs from the ward's Permanent Fund Dividend. The Office of Public Advocacy also contracts with one attorney here in Fairbanks to represent prospective wards in court hearing when the respondent cannot name an attorney of his own. The Office of Public Advocacy is also the regulatory agency that regulates

private guardians and the Office of Public Advocacy also pays the court visitors to oversee our work and theirs. The laws state the no corporation, however small, can represent itself in contested proceedings and must be represented by a private attorney, thus adding yet another obstacle to our procuring business because the sole contract attorney can turn any such hearing into a contested one to assure cases going to the Office of Public Advocacy. The guardianship and conservatorship services could be very well provided by a private agency like ours with no cost to the state for staff, buildings, supplies, insurances, bonds, etc. The state should function in this arena only as a regulatory and oversight entity.

Another area that the committee needs to look at is the non-profit corporation explosion and expansion in Alaska. Most private agencies in other service sectors outside the guardianship arena, cannot compete with them. Non-profit has become a misnomer and it is a preferred designation that reaps a lot of benefits. In Fairbanks, especially, non-profit agencies are often the biggest and most lucrative businesses in town. We see non-profit agencies with as many as five foundations running their "money making enterprises" as described by the director of our largest non-profit agency at a public dinner meeting in December. This non-profit agency is the owner and operator of assisted living group homes, a commercial enterprise, a semi-skilled care facility, 22 group homes throughout the city, mailing service, food service, janitorial service, employment service among others and is assured of its economic survival by a "grandfathered block grant" in perpetuity by legislative action. Many of the contracts of the state provide that they go preferentially to "non profit" agencies which may, in fact, be very profitable businesses that are in operation in direct opposition to the private sector's interest.

I would caution you all however to make sure that there is a solid regulatory process in place with attendant penalties applicable to the public service sector. We have a lot of regulations on our books but few of them have attendant penalties to be imposed to those

who are in violation of the regulations. I feel that the state must provide unbiased regulation of agencies like ours and other public service entities. However, I do maintain that there is an inherent conflict of interest when the state tries to regulate its competition and holds them to a much higher standard than it does its own agencies that compete with the private sector.

We need to look to privatization of services to get a jump start on developing a solid private business environment in Alaska. The state can no longer complacently look to extractable resources as the funding mechanism for state provided services that are continued only to protect state jobs. The workers in those jobs would be absorbed by the private sector. The time to explore privatization is here. Thank You.

**ALASKA STATE CHAMBER OF COMMERCE**

**Priority 99-4**

**Privatization**

The Alaska State Chamber of Commerce strongly encourages the privatization of those state services that could be competitively provided in the private sector.

The Alaska State Chamber of Commerce strongly encourages the state government to promote the development of new businesses that could competitively provide goods or services currently provided by the State.

The Alaska State Chamber of Commerce further urges the Alaska State Legislature and the Administration to forge a plan by the end of 1999 and implement a program to privatize all applicable services currently provided by government.

ADOPTED

December 4, 1998

BY

*Pamela La Bolle*

Pamela La Bolle  
President

BY

*Peter Leathard*

Peter Leathard  
Chairman

Alaska State Chamber of Commerce  
Testimony on SB 33 - Task Force on Privatization  
Presented by Pamela La Bolle before the Senate Finance Committee  
March 4, 1999

The Alaska State Chamber of Commerce is Alaska's largest and most diverse statewide organization representing business interests in Alaska. ASCC represents approximately 700 member companies, including small, individually owned and operated businesses based in Alaska, as well as large, multinational corporations doing business in the state, who provide jobs to nearly 70,000 Alaskans. Additionally, the 36 community Chambers of Commerce located throughout the state participate in developing the positions we present to you on the issues of importance to business.

This proposal to create a Task Force to explore privatization opportunities within state government was before the Senate Finance Committee of the 20th Legislature twice - in 1997 as SB 68 and in 1998 as SB 209. Senate Bill 68 passed the full Senate on a vote of 14-5, but was vetoed by the Governor. Senate Bill 209 also passed the full Senate on a vote of 14-5 and then made it through the full committee process of the House, but the session ended before it could be brought to the House Floor. My point in telling you this is to say that this concept is a familiar one that has had strong support in its past lives.

I will try to be as brief as possible, but I feel it is necessary to explain why we so tenaciously continue our pursuit for passage of this proposal. Frankly, we don't care how the study we are seeking comes about. Whether it is through a bill, a resolution, a task force or a commission, is not what matters to us. What does matter is that the leadership of this state makes a commitment to take a serious, thoughtful look at what privatization of appropriate functions and services might do for Alaska.

Privatization has been a priority of our membership for several years. Our resolution urges the Legislature and the Administration to forge a plan by the end of 1999 and implement a program to privatize all applicable services currently provided by government. We believe the potential exists for much of what state government now provides to be delivered by the private sector at a lower cost, with greater efficiency, and with greater opportunity for innovation.

The State Chamber began an active quest for knowledge on the subject of privatization in 1995, when we held our first seminar on the subject. National leaders in the field of privatization provided us with an overview of the activities and trends occurring nationwide. The push to privatize corrections services was an immediate outcome of the seminar, and we were pleased to see the private prison legislation pass two years later.

In that seminar, we learned the various ways government is privatizing, or partnering, with the private sector. In privatizing, a government divests itself of the "business" of providing a service and turns that function over to the private sector. Outsourcing, or contracting for the delivery of a service, is sometimes confused with privatization. Although different, they both achieve the result of having the private sector do something that heretofore was done by the public sector. Corporate America, in these days of downsizing, has found outsourcing to be an effective management tool, and it is also a growing trend in government. "Managed competition" brings competition, that tried and true driver of the free-market system, into government. An example of this is when the public sector and the private sector bid competitively for a contract to provide a government service. And finally, some governments are developing and promoting employee-owned companies to provide their services.

In 1996, ASCC held a follow-up seminar to look for privatization and partnering opportunities within an Alaska state agency - the Alaska Department of Transportation and Public Facilities (ADOT). At this seminar, the Secretary of Transportation for the Commonwealth of Massachusetts told us how his state successfully privatized and/or outsourced a number of functions and services of their state transportation agency and the considerable savings and efficiency that resulted. We heard an excellent presentation from our neighboring government of British Columbia about how they privatized road maintenance for the entire Province. The speaker provided us with the facts and figures about what worked, what didn't work, and what they might have done differently. The outcome of this seminar was that we learned where opportunities exist in Alaska to experience savings and efficiencies.

That's about when we began the effort to get the Legislature to do a study of our state government and see what could be privatized or outsourced. Some have suggested that a study isn't necessary; that we, the State Chamber, should come up with specific recommendations for privatization and promote them. We have not been interested in that approach, because of the difficulty we would face in gaining sufficient access to the information that would be needed. Secondly, we are concerned that a study performed by us would be viewed as self-serving and would not have the necessary degree of credibility.

An officially appointed study group could see what other states have done or are doing and what level of success they have had. The Council of State Governments did a survey of states in 1997 and learned that more than half of the states had increased privatization over the past five years and planned to expand privatization over the next five years. In most states, privatization is widespread across the services the states provide. Seven states had privatized more than 100 services and another 14 had privatized more than 50 services. In the study, the reasons given for privatizing, in addition to the dominant one of saving money, were increases in flexibility, speed, and innovation.

Without benefit of a study, we have been reluctant to provide specific suggestions for areas of privatization. However, we know that around the country privatization is occurring in the areas of administrative services, such as Information Technology (IT), payroll, and data processing; in Health, Education, and Welfare; in Transportation and Public Works; and in Environmental Services, to name a few. I am providing you with some articles I acquired through the Heartland Institutes "Policy Fax" service that will explain further.

The State Chamber recently undertook a small research project of our own, partly as a result of what we learned in our 1996 seminar on ADOT. Many of Alaska's private sector engineering firms believe that much of the engineering and design work ADOT does in-house is more costly and is done less efficiently than work contracted to private firms. As a result of these complaints, we understand that an internal audit was done by the Division of Legislative Audit (dated Aug. 16, 1995 - audit control number 25-4472-95) in which the state concurred that private firms are not only less expensive, but are also more responsive. We learned that the reason often given by the state for continuing to do the work in-house is that the private firms are not geared up to handle the ADOT work when ADOT needs it done.

With the many millions of dollars in federal transportation funds that Alaska will be receiving, there will be a substantial increase in the need for engineering and design work. I have provided you with a copy of the letter I sent to Alaskan engineering firms last month to determine the readiness of these private-sector firms to provide the services ADOT will need. About 35% of those contacted responded and, as you can see from the results of the survey, there are a lot of firms that are ready, willing, and able to take on this work.

In closing, we urge you to address the need for a study that will look to see what opportunities and benefits Alaska might realize in the area of privatization. This is one of the specific recommendations from our membership as a way to reduce the high cost of government. It is very important to us that a study is pursued this year by this Legislature. It certainly can't hurt to examine the potential that privatization offers, and we believe it would be time and effort well spent.



03/04/99  
08:30:27

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM  
PARTICIPANT LIST (TESTIFIERS ONLY)  
TCN:90257 SCHEDULED FOR:03/04/99 08:00 TO 11:00  
PUBLIC HEARING SENATE FINANCE

LTN1150  
BY:JNU  
FOR:ALL

LOCATION: ANCHORAGE

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|-------|--|---------|----------|-----------------|---------|
| SB 7  |  | ✓ JANE  | ANGVIK   | DIV LAND        | TESTIFY |
| SB 7  |  | ✓ LAMIA | BOUZIANE |                 | TESTIFY |
| SB 7  |  | ✓ CLIFF | EAMES    | AK CNTR ENVIRON | TESTIFY |
| SB 83 |  | JOHN    | MALLONEE |                 | TESTIFY |
| SB 7  |  | Jim     | Brennin  |                 |         |

LOCATION: FAIRBANKS

|       |     |          |        |               |         |
|-------|-----|----------|--------|---------------|---------|
| SB 7  | MS. | ✓ HOLLY  | CAROLL | ENVIRON CENT  | TESTIFY |
| SB 33 | MS. | ✓ JOYCE  | HARRIS |               | TESTIFY |
| SB 33 | MS. | ✓ B.     | JARVI  |               | TESTIFY |
| SB 33 | ms  | ✓ monika | LANE   | AK caregivers |         |

LOCATION: ~~TONEAU~~ KETCHIKAN

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| SB 7 | MR. | PAUL | MCINTOSH | SELF | TESTIFY |
| SB 7 | MR. | DICK | COOSE    | SELF | TESTIFY |

LOCATION: KENAI LIO

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| SB 7 | MAYOR | ✓ MIKE | NAVARRE | KENAI BOROUGH | TESTIFY |
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LOCATION: KETCHIKAN

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| SB 7 | MR. | ✓ PAUL | MCINTOSH | SELF | TESTIFY |
| SB 7 | MR. | ✓ DICK | COOSE    | SELF | TESTIFY |

LOCATION: YAKUTAT

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| SB 7 |  | ✓ TOM | ARMOUR |  | TESTIFY |
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SENATE FINANCE COMMITTEE

SIGN-IN

SB 33-TASK FORCE ON PRIVATIZATION

NAME: Juanita Hensley Subject/Bill No: SB 33  
 Co./Dept./Title: Admin Phone: 465-2200  
 Address: PO Box 110200 Zip: 99811  
 Do you wish to testify?  Yes  No  Respond To Questions

NAME: Pamela LaBolle Subject/Bill No: SB 33  
 Co./Dept./Title: President Phone: 586-2323  
 Address: Alaska State Chamber 217 2nd St. Juneau Zip: 99801  
 Do you wish to testify?  Yes  No  Respond To Questions

NAME: Nazie Vander Subject/Bill No: SB 33  
 Co./Dept./Title: AAW Phone: \_\_\_\_\_  
 Address: AAW Zip: \_\_\_\_\_  
 Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
 Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
 Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Do you wish to testify?  Yes  No  Respond To Questions

SENATE FINANCE COMMITTEE

SIGN-IN

SB 33-TASK FORCE ON PRIVATIZATION

NAME: De Valesko Subject/Bill No: SB 33

Co./Dept./Title: Business Mgr Local 71 Phone: 276 7211

Address: 2510 Arctic Blvd Anch AK Zip: 99503

Do you wish to testify?  Yes  No  Respond To Questions

NAME: Juanita Hensley Subject/Bill No: SB 33

Co./Dept./Title: DOA - Phone: 5648

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: Pam LaBolle Subject/Bill No: SB 33

Co./Dept./Title: AK State Chamber Phone: 586-2323

Address: 217 2nd St Ste 201 Juneau Zip: 99801

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions