

**ALASKA LEGISLATURE**

**1875**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 1999 - 2000**

#	Dept. And Number	LEGISLATIVE RECOMMENDATIONS	POLICY RECOMMENDATIONS	Legislation Required	Notes & page #
			<p>to traditional small business development functions.</p> <p>d. Leadership in State of Alaska inter-agency advocacy and coordination (i.e. Marine Highway, Fish &amp; Game, DOT/PF).</p> <p>e. Administration of visitor statistics program as lead agency, with consultation from ATIA for marketing aspects of study.</p>		
507					
508	Community Economic Development 3		<p>Privatize tourism functions as envisioned by SB107 (CH 29, SLA99)</p> <ul style="list-style-type: none"> <li>• Pertaining to the Alaska State Legislature</li> </ul> <p>a. Adequately fund State's share of "New Millennium Plan" budget (\$5 million).</p>		p. 4
509					
510	Community Economic Development 5		There should be an Alaska Film Office.		p. 5
511					
512	Community Economic Development 6		All seafood marketing and promotion activities should be placed under Alaska Seafood Marketing Institute.		p. 5
513					
514	Community Economic Development 7		A coordinating committee consisting of the heads of all state-funded organizations involved in international trade and the director of DTD should be formally established.		p. 5
515					
516	Community Economic Development 8		State-funded trade organizations should be strongly encouraged, where ever appropriate and practical, to carry out what amounts to 'interagency' contracts between each other, in areas of natural mission overlap, where the lead agency lacks an internal capability, and a sister		p. 5

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			organization possess it.		
517					
518	Community Economic Development 9		DTD should lay down its role of day-to-day trade assistance function in international trade and focus on trade policy, coordination and oversight of state-funded organizations, and critical government-to-government relations.		p. 5
519					
520	Community Economic Development 10		It is critical that DTD not be burdened with the role of micromanaging the activities of the state funded organizations.		p. 5
521					
522	Community Economic Development 11		DCED should privatize the National Flood Insurance Program consistent with national efforts. Damaged structures should receive one payment following a flood. Properties that are rebuilt in a "flood prone" location should not receive further assistance.		p. 6
523					
524	Community Economic Development 12		Eliminate the Recycled Products Preference Program. (A.S. 36.30.322- 338) (see Appendix L,M)		p. 6
525					
526	Community Economic Development 13		Eliminate the Forest Products Preference Program. (A.S. 36.30.322- 338) (see Appendix L,M)		p. 6
527					
528	Community Economic Development 14		DCED should advise local governments of the resources available via internet and other state and national trade & professional groups.		p. 6
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530	Community Economic Development 15		Local communities should be encouraged to interact and share problems and solutions with similar communities.		p. 6
531					

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education & Early Development  
State of Alaska

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532	Community Economic Development 16		DCED should contract out some services now performed in-house.		p. 6
533					
534	Community Economic Development 17		MRAD shall adopt a budget objective to steer each community towards self-sufficiency in managing its own utilities.		p. 6
535					
536	Community Economic Development 18	Consolidate Alaska Industrial Development & Export Authority with Alaska Housing Finance Corporation.			p. 6
537					
538	Community Economic Development 19		We recommend consolidation of the Division of Investments with the office in the Dept. of Revenue that performs the same investment management functions for the state.		p. 7
539					
540	Law 1	The Legislative finance committees should hold hearings to develop criteria and a process to assess the feasibility of contracting functions currently performed by the Office of Special Prosecutions and Appeals. In particular, the handling of appeals and the issuance of opinion letters should be examined.			Behind Recommendation Tab
541					
542	Law 2	The Legislative Finance committees should hold hearings to develop criteria and a process to assess the feasibility of contracting the misdemeanor prosecution function after intake screening.			Behind Recommendation Tab
543					
544	Law 3	The Subcommittee recommends that the Legislature conduct specific hearings on the issue of the allocation of the costs and			Behind Recommendation

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		responsibilities for criminal prosecution between the State and local governments. Such hearings could and perhaps should be expanded to address the provision of police services. The Subcommittee believes that the goal of these hearings should be to develop a consistent statewide approach to the delivery of criminal justice functions which recognizes the varying level of resources available to local governments.			Tab
545					
546	Law 4	The Subcommittee believes that it should be the policy of the Legislature that all privatization efforts which are undertaken regarding the Department of Law should result in commensurate reductions in staff.			Behind Recommendation. Tab
547					
548	Law 5	The Subcommittee recommends that the Legislature develop and enact additional measures to ensure that the selection of legal services contractors by the State is as objective as possible. The Subcommittee believes that the use of the of a pre-qualified list of potential providers would be a useful tool.			Behind Recommendation. Tab
549					
550	Law 6	The Subcommittee recommends that the Legislature require the Department to develop in consultation with the Division of Legislative Audit a pilot project to test the feasibility of the use of a outside audit firm to assess the costs incurred in litigation. Such firms are presently utilized in the private sector. The Subcommittee believes that the pilot project may be best tested in tort cases.			Behind Recommendation. Tab

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551					
552	Law 7	<p>The Subcommittee recommends that the Legislature direct the Division of Legislative Audit to determine the full and fair value per billable hour of legal services rendered by the Department of Law and ensure that the rates are consistently applied in the budgeting process pertaining to the Department. Following completion of this task, the Subcommittee recommends to the Legislature that it examine whether legal services rendered by the Department should be billed at different rates for different services. The Subcommittee is generally of the view that the Departments costs of service should distinguish between routine and complicated legal services.</p>			Behind Recommended. Tab
553					
554	Law 8	<p>The Subcommittee recommends that the Legislature develop and enact measures to prohibit the linkage between contributions to political campaigns and selection to perform legal services on behalf of the State. The American Bar Association has engaged in several studies on this matter, which it refers to as the pay to play issue, and has drafted specific policies to address the matter. The Subcommittee believes that the centralized nature of the delivery of legal services for the State of Alaska justifies additional controls in this area.</p>			Behind Recommended. Tab
555					
556	Law 9	<p>The Subcommittee recommends that the Legislature develop additional tools to review and provide advice to the Department for litigation where the potential for significant</p>			Behind Recommended. Tab

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		<p>financial liability exists. As presently arranged the roles of client and attorney are blurred, with the Department being charged with conducting litigation and being viewed by agencies as having superior knowledge as to the goals of litigation. Additional oversight is needed to protect and enhance the wishes of the ultimate client.</p>			
557					
558	Law 10	<p>The Subcommittee recommends that the Legislature review and consider changes to statutes setting forth the powers and duties of head of the Department, the Attorney General. The Attorney General is not specifically provided for in the Alaska Constitution, but rather is but one of the heads of executive departments. Present statutes provide, and the Supreme Court has thus held that the Attorney General may exercise the powers of an attorney general at common law. The Subcommittee believes that such an arrangement may be incompatible with the concept of limited, constitutional government and may be in need of amendment.</p>			Behind Recommended. Tab
559					
560	DMVA 1		<p>Shift Youth Corps Challenge funding. The state matching funds required to continue the Youth Corps Challenge Program should be shifted from DVMA to the Education Foundation Formula. HB 403 (Mulder) was introduced during the last Legislative Session to accomplish this.</p>		p. 8
561					
562	DMVA 2		Standardize cell phone communications. State		p. 8

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			agencies with responsibilities in disaster emergencies should choose a single compatible cell phone provider. Standardization could be accomplished by direction of the Department of Administration as well as by legislation.		
563					
564	ARRC 1	The legislature shall cause to be issued a Request for Proposals for the purchase or operating lease of the Alaska Railroad.			p. 1
565					
566	ARRC 2	The Alaska Railroad shall offer to sell land presently leased to leaseholders to the leaseholders for fair market value.			p. 2
567					
568	ARRC 3	The Alaska Railroad shall offer to sell for fair market value all land that is non-essential to railroad operations and is non-revenue generating.			p. 2
569					
570	ARRC 4	The Alaska Railroad shall implement a vegetation control program including use of herbicides.			p. 2
571					
572	HYDRO 1	Keep the status quo. Transfer of the Alaska Intertie to the utilities at the current time would not appear to result in significant benefits to either the State or the participating utilities.			p. 1
573					
574	HYDRO 2	Sell the Four Dam Pool projects for fair value to the electric utilities within the communities served.			p. 1
575					
576	HYDRO 3	Keep the status quo. The existing financing			p. 3

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		structure and outstanding bonds do not lend themselves to transfer of the Projects at this time.			
577					
578	AHFC 1	We recommend a capital requirements study by independent experts (such as the credit rating agencies, not the Wall Street firms that underwrite the bond issues) to determine how much cash is actually needed to maintain AHFC's strong market position.			p. 1 - 2
579					
580	AHFC 2	We recommend combining other bonding entities with AHFC. In particular, we think that AIDEA, the Postsecondary Loan Program, and perhaps the Municipal Bond Bank all should be combined under the AHFC umbrella.			p. 1 - 2
581					
582	AHFC 3	The Commission should consider privatizing or otherwise segregating the entirety of AHFC under a state charter that requires it to provide the public services it currently provides and pay dividends on net income above a certain level.			p. 2 - 3
583					
584	Legislature 1	The costs associated with food service should be carefully examined, then compared with alternative means.			
585					
586	Legislature 2	A private audit firm should perform the state's single audit instead of Legislative Budget and Audit.			
587					
588	Legislative 3	Isolate the cost of capital building maintenance and janitorial service and			

Commission on Privatization and Delivery of Government Services

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		compare them with the cost of private contractors.			
589					
590	Legislative 4	The cost to provide committee minutes should be compared to verbatim services offered by court reporters.			
591					
592	Legislative 5	Document services should be examined on a cost per page basis.			
593					
594	Legislative 6	Develop an RFP for data processing services that allows prospective bidders to itemize particular services they want to bid on.			
595					
596	Legislative 7	Consider shortening the legislative session by 30 days.			
597					
598	Legislative 8	Consider moving the legislative session to Anchorage.			
599					
600	Legislative 9	Compare staff support for legislators with other states.			
601					
602	Legislative 10	Reorganize Legislative Finance Division by hiring two or three policy analysts and several part-time staff for data entry and appropriation bills.			
603					
604	Legislative 11	Do away with time cards in the Administrative Services Section.			
605					
606	Legislative 12	Develop an RFP a computer system that eliminates the need to move legislative computers back and forth to Juneau.			
607					

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608	Legislative 13	Standardize office space and furniture for all legislators.			
609					
610	Legislative 14	Reconcile computer systems between Legislative Finance and the rest of the legislature.			
611					
612	Commissioner Adams 1		The State of Alaska should develop an overall plan in the area of business oriented technology so the state's technology needs are met in a comprehensive rather a piecemeal fashion. The technology needs include increased use of the internet to provide public services, transfer and storage of information, telephone services including cellular and more. The plan should lead to improved efficiency and service to the public.		
613					
614	Commissioner Adams 2		Privatize the collection of delinquent child support debt owed to the State of Alaska. (Revenue 2)		
615					
616	Commissioner Adams 3		Keep alternate teaching certification available for interested residents. (Education & Early Development 19)		
617					
618	Commissioner Adams 4		The collection function of the Postsecondary Education Commission should be contracted out. (Education & Early Development 28)		
619					
620	Commissioner Adams 5		Use Alaska's existing postsecondary education facilities to provide training for specialty services (for example, food, safety and sanitation) needed in rural areas. Necessary services could then be provided locally by		

Commission on Privatization and Delivery of Government Services

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			trained individuals. Such training could be modeled after the existing programs in DEC for water and sewer operations. (Environmental Conservation 24)		
621					
622	Commissioner Adams 6		Eliminate joint operations in municipalities or other areas that have multiple entities performing the same functions. (DOT 5)		
623					
624	Commissioner Adams 7	Fully fund and reinstate the Citizen's Foster Care Review Panel. (HSS 1)			
625					
626	Commissioner Adams 8		Support HSS in contracting some of API services to private hospitals and practitioners. (HSS 4)		
627					
628	Commissioner Adams 9		Increase tribal organization contracting with DFYS for child welfare services and assist in educating caseworkers about cultural differences. (HSS 6)		
629					
630	Commissioner Adams 10	Recommend legislation to allow new fisheries to fund their own research and management. Note - the Legislature will need to amend the Designated Program Receipts statute to insure funds are earmarked for affected fishery. (Fish & Game 2)			
631					
632	Commissioner Adams 11	It is imperative that the state functions that are privatized are reviewed regularly to insure that they are at least as effective as state provided services. (For example, the sex offender treatment program in Corrections, and the concessionaire program in the DNR's Division of Parks.)			

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633					
634	Commissioner Allen 1		Consider privatization of University of Alaska student housing. Review a plan to sell existing student housing to an investor wherein U of A would lease back the facilities.		
635					
636	Commissioner Allen 2		Selling U of A utilities to private regulated utility in Anchorage, Juneau, and Fairbanks.		
637					
638	Commissioner Allen 3		Further review to consider transferring the property management function of state and university buildings to the private sector.		
639					
640	Commissioner Allen 4		Consider requiring all contractors providing services to the state of Alaska that require a staff of 15 or more staff that those positions be located within the state of Alaska.		
641					
642	Commissioner Allen 5		Review the feasibility of only management support positions be located within the Department of Administration.		
643					
644	Commissioner Brice 1	HSS (330) Fully fund and reinstate the Citizen's Review Panel for Permanency Planning Act 1990 in accordance with AS 47.10.400 et seq chapter 117 (SLA 1990).			
645					
646	Commissioner Brice 2	The level of services provided to the people of Alaska must be greater than or equal to the current level of service being provided. (No diminishing of services to the people who pay for those services).			
647					
648	Commissioner Brice 3	Adequate safeguard to ensure that if a contractor is unable to perform the service at			

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		the contracted price, they are held accountable and service will revert back to the state at the contractors expense. (No low-balling contracts and then expecting the state to pay for all the change orders).			
649					
650	Commissioner Brice 4	Alaskan hire preference (Which can be done constitutionally by contract).			
651					
652	Commissioner Brice 5	The public officials must maintain accountability over contracts.			
653					
654	Commissioner Brice 6	The contractor's employees must receive equal pay and benefits.			
655					
656	Commissioner Cowdery 1		University of Alaska: Reduce campuses to Anchorage, Fairbanks and Juneau.		
657					
658	Commissioner Cowdery 2		University of Alaska: See Recommendation 496: Determine true cost/benefit of selling the power plant and/or privatizing its operation, and compare to shutting it down and buying electric power from local utilities.		
659					
660	Commissioner Cowdery 3		DNR: See Recommendation 404: Transfer 5000 land parcels that have been relinquished to the state from private parties to the University of Alaska.		
661					
662	Commissioner Cowdery 4	Governor: Endow the University of Alaska with 250,000 acres of state land. Try to get a federal match, acre for acre, but give them the state land anyway.			
663					
664	Commissioner	ARRC: See Recommendation 564: Sell the			

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	Cowdery 5	Alaska Railroad to a private sector buyer, or alternatively, issue pro rata shares of ownership stock certificates to each resident of the state.			
665					
666	Commissioner Cowdery 6		Sell the Matanuska Maid dairy and associated facilities.		
667					
668	Commissioner Cowdery 7		Close the state offices in Tokyo and Seoul (This year I asked the Department to put the offices out for competitive bid. Never before have they been put out for bid. The bid process was a sham and the Dept. selected the same contractors that were already in place. Better to lay off non-residents than Alaskans.)		
669					
670	Commissioner Cowdery 8		DOT/PF: See Recommendation 286: Contract out road maintenance in large, urban pilot project; also contract out rural airports maintenance wherever competitive contractors exist.		
671					
672	Commissioner Cowdery 9	Legislature/OMB: See Recommendation 188: Create task-based-budget format in place of, or in combination with, current format.			
673					
674	Commissioner Cowdery 10		Court System: See Recommendation 208: The Court System should help develop a litigation diversion program that offers prospective litigants the opportunity for voluntary, binding arbitration that will keep them out of the court system.		
675					
676	Commissioner	DNR: See Recommendation 432: Abolish			

Commission on Privatization and Delivery of Government Services

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	Cowdery 11	the Agricultural Revolving Loan Fund.			
677					
678	Commissioner Cowdery 12		DNR/Gov: See Recommendation 462: Mount full-scale legal challenge to ANILCA Title 8.		
679					
680	Commissioner Cowdery 13	Abolish Division of Tourism upon effective date of Alaska Tourism Information Association and replace it with a contract compliance person in the Department of Community and Economic Development.			
681					
682	Commissioner Fink 1		Vouchers for K-12 education to parents at maximum 75 percent of the per pupil cost in each district. (reduce costs) Also liberalize Charter School requirements to the end that there will be more.		
683					
684	Commissioner Fink 2		Put up state land for sale similar to open to entry for oil leases. (increase income)		
685					
686	Commissioner Fink 3	A Homestead Law. (increase income)			
687					
688	Commissioner Fink 4	statute that no labor contracts may be entered into which place limits on privatization. (reduce costs)			
689					
690	Commissioner Fink 5	Eliminate: Alaska products preference, recyclable preference, and food products preference. (reduce costs)			
691					
692	Commissioner Fink 6	A process must be installed wherein the legislature reviews and approves any, court			

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		settlement or dropping of an appeal by the administration when the subject matter is a state policy issue. (reduce costs and maybe increase income)			
693					
694	Commissioner Fink 7		Withdraw AHFC from the secondary mortgage market wherein taxable bonds or assets of AHFC would be used. (increase income)		
695					
696	Commissioner Fink 8		Promote endangered species farms. (reduce costs)		
697					
698	Commissioner Fink 9		Eliminate any government money to: public radio or TV, endowment for the arts, 1 percent to the arts, and power cost equalization. (reduce costs)		
699					
700	Commissioner Fink 10	Change DWI laws so that most offenders will be electronically monitored along with community service, but without requiring incarceration. (reduce costs)			
701					
702	Commissioner Fink 11	Sell Alaska Railroad. (as proposed by subcommittee) and the Matanuska Dairy. (increase income)			
703					
704	Commissioner Fink 12	Sell or solicit proposals for a sale of: Electrical Intertie Four/dam pool for fair market value Bradley Lake. Either get a consultant to try to find an economical method of sale or request proposal ideas from potential buyers. (increase income)			
705					
706	Commissioner Fink 13	Give 250,000 acres to the University of Alaska. (reduce costs)			

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707					
708	Commissioner Fink 14		Limit the University of Alaska campus to 3 main campuses and all other units are extensions. (reduce costs)		
709					
710	Commissioner Fink 15		Eliminate hold harmless for Permanent Fund dividend and Longevity Bonus. (reduce costs)		
711					
712	Commissioner Fink 16	Have appropriate legislative committees review all proposals of subcommittees to put in place many good recommendations. (reduce costs or increase income)			
713					
714	Commissioner Harper 1	Rather than use Alaska Housing Finance Corp.'s source of extra cash to fund normal state government, implement strategies to use tax exempt funding in order to improve miserable housing or lack of housing for AVTEC and MT. Edgecomb. Investigate AHFC for financing those schools nearing collapse (as determined by the Department of Education).			
715					
716	Commissioner Harper 2		If any significant cost savings emerge as a result of these Privatization Commission efforts there will be some job loss. Every effort should be made to limit lay off of state workers. Efforts should be made to simply refuse to fill positions as employees retire, resign, from state service.		
717					
718	Commissioner Harper 3		Issue Request for Proposal for the purpose of all collection of Court Systems-fines, issuing of restraining orders, warrants etc. Likewise as well as for collection of Non-payment of child support enforcement.		

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719					
720	Commissioner Harper 4	It is curious that in the name of cost savings and /or revenue enhances; no mention has emerged about raising taxes. Legislative Finance committees should adopt a seasonal sales tax of 3%, and a return to a beefed up old school tax. A head tax on the visitor such as implemented in Juneau is appropriate for municipalities heavily impacted by visitors. I think it more appropriate that we do an income tax but I doubt that will go too far.			
721					
722	Commissioner Harper 5		The notion of making social services and personnel grants available on a loan basis as, suggested by the DHSS subcommittee deserves implementation on a trial basis to see how feasible it might be for more programs. Studies are fine; but we should try some of these initiatives on trial basis.		
723					
724	Commissioner Harper 6		More effort should be made to consolidate loan programs such as educational loans, small business loans, fish loans etc. should be moved to one loan agency.		
725					
726	Commissioner Harper 7	Moderate the growth of the Permanent Fund Dividend.			
727					
728	Commissioner Harper 8		Alaska Railroad- This valuable asset of the state should be used to "open up" areas of Rural Alaska as a cost savings measure of getting in high volume heating oil, and taking out resources such a mineral, coal, and timber-in conjunction with Senator Murkowski's ideas.		
729					

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730	Commissioner Harper 9		Nonviolent inmates, DWI offenders should be removed from state incarceration in favor of half way houses and/ or electronic tracking devices to the extent major cost savings can be attained.		
731					
732	Commissioner Notti 1	Charter Schools: We recommend that the legislature enact revised charter school laws that provide for educational choice by: (1) increasing the number of charter schools allowed in Alaska: (2) extending the contract period from five to ten years: (3) require school districts to provide equal funding for charter school students in their district: and (4) provide school facilities equal to other schools in their district.			
733					
734	Commissioner Notti 2	Vouchers: that the legislature enacts legislation providing for a voucher system that is useable in both the public and private school systems.			
735					
736	Commissioner Notti 3		The University of Alaska mission should be that of higher academic education. Vocational education such as auto mechanics, mountain climbing, boat sailing, kayaking, and other non-academic endeavors should be relegated to AVTEC or other vocational schools and private institutions. Any reductions in university expenses could strengthen the smaller campuses around the state and provide needed academic subjects.		
737					
738	Commissioner Thomas 1	To continue fully exploring the efficient, economical delivery of government services,			

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		Alaska must establish by statute an Alaskan Operational Governance Commission with the authority to recommend, audit and update an operational plan for the efficient, economical delivery of governmental services.			
739					
740	Commissioner Thomas 2	Besides the compilation of a statutory budget, this system should provide Alaskans two major additional components; an Activity Based Cost System (ABC) and a Popular Budget. These components should be reported as management tools to department managers, the Administration, the Legislature, and the public. Alaskans then can make valid value judgements and "apples to apples" comparison of public and private costs.			
741					
742	Commissioner Thomas 3		Establish Performance Standards and Evaluate.		
743					
744	Commissioner Thomas 4		The Public Employment Relations Act must be amended to ensure that a collective bargaining agreement cannot thwart a legislative directive to explore privatization or to devolve a State function to a political subdivision or to the private sector.		
745					
746	Commissioner Thomas 5		An initiative action should check for cost savings and performance improvements, then identify expectations and contract obligations.		
747					
748	Commissioner Valesko 1	Insure that any legislation protects the rights of existing employees and does not result in			

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		massive layoffs.			
749					
750	Commissioner Valesko 2		Any privatization efforts must insure that there is a substantial and guaranteed cost savings to the state on an immediate and long-term basis.		
751					
752	Commissioner Valesko 3		Methods be developed to monitor current and future privatization. Cost savings analysis must be performed to determine if the state can, or has, provided the service less expensively.		
753					
754	Commissioner Valesko 4		State employees must have the right to compete against private bidders who are vying to do the same work.		
755					
756	Commissioner Valesko 5		The current quality of service to the public must be a criteria in all privatization efforts.		
757					
758	Commissioner Valesko 6		Wages and benefits paid to private sector employees who displace state employees must be mandated to be at least equal to or greater than the displaced state employees.		
759					
760	Commissioner Valesko 7		Bidder preferences to be accorded to Alaskan companies who will agree hire displaced state employees and Alaskans to perform services. First right of refusal on jobs to be offered to displaced state employees (similar to federal program).		
761					
762	Commissioner Valesko 8		Special employment and family counseling programs to be established for state employees who lose their jobs as a result of privatization.		
763					
764	Commissioner		Severance packages, similar to those within		

#	Dept. And Number	LEGISLATIVE RECOMMENDATIONS	POLICY RECOMMENDATIONS	Legislation Required	Notes & page #
	Valesko 9		certain sectors of the private sector, to be provided to state employees displaced as a result of privatization.		
765					
766	Commissioner Wuerch 1	Recognizing that charter schools are public schools that are effective tools in improving educational choice, we recommend that the legislature enact revised charter school laws that provide for educational choice by: (1) doubling the number of charter schools allowed in Alaska; (2) extending the contract period from five to ten years; and (3) require school districts to give a full accounting of money they received for each charter school.			
767					
768	Commissioner Wuerch 2	That the legislature consider some form or variation of a voucher system that is useable in both the public and private school system and put the issue before voters of Alaska.			
769					
770	Commissioner Wuerch 3		<b>PIONEER HOMES:</b> Through an independent third party expert, study possibility of privatizing Pioneer Homes. Possible significant savings and provision of better care. Examine feasibility of Alaska's opting to cover Alzheimer's disease under the state medicaid program, which now excludes such coverage. Such coverage enables receipt of federal assistance.		
771					
772	Commissioner Wuerch 4		<b>TELEPHONY:</b> Privatize; turn over to Alaska company with core competency in telephone service, but see to it that bush and emergency service continue to be provided as at present.		
773					

Commission on Privatization and Delivery of Government Services

#	Dept. And Number	LEGISLATIVE RECOMMENDATIONS	POLICY RECOMMENDATIONS	Legislation Required	Notes & page #
774	Commissioner Wuerch 5	The legislature shall devise a task based budget format and require, by statute, that the governor's budget be submitted in that format.			
775					
776	Commissioner Wuerch 6		The Court System should make a record of lease vs. purchase on all equipment, in particular electronic and technological modes. This would allow most technological equipment to be updated periodically. The record should specify upgrades and maintenance schedules.		
777					
778	Commissioner Wuerch 7		Recommendation: The State of Alaska should privatize the fine and collection activities for the courts and the service of restraining orders and some warrants. Note: This recommendation should be forwarded to the court systems committee. Staff Note: Currently this function is performed by the Dept. of Law. That subcommittee did not consider this issue. The Dept. was asked to reply to the idea by letter to the staff.		
779					
780	Commissioner Wuerch 8		Use past experience gained in other jurisdictions and the federal Department of Defense model and the Alberta and British Columbia models to determine how maintenance and operations activities can be contracted to the private sector.		
781					
782	Commissioner Wuerch 9		Transfer ownership and maintenance responsibility of non-NHS <sup>1</sup> roadways to local communities. Note it is the subcommittee's intention that local communities should be reimbursed at a rate not greater than present		

<sup>1</sup> National Highway System

#	Dept. And Number	LEGISLATIVE RECOMMENDATIONS	POLICY RECOMMENDATIONS	Legislation Required	Notes & page #
			DOT/PF expenditures.		
783					
784	Commissioner Wuerch 10		Transfer airports to local port authorities or municipalities to the greatest extent possible.		
785					
786	Commissioner Wuerch 11		Transfer harbor and port facilities to local port authorities or municipalities to the greatest extent possible.		
787					
788	Commissioner Wuerch 12		Eliminate the hold harmless programs for the permanent fund dividend and Alaska Longevity Bonus payments. Also, recommend that prisoners not receive PFDs.		
789					
790	Commissioner Wuerch 13	It is the recommendation of the Subcommittee that the federal government be notified by resolution of the Alaska Legislature that the State of Alaska be reimbursed for patrol and enforcement currently performed by DPS in federal waters outside of the three mile limit. All possible efforts be expended to ensure that Congress appropriates funds to reimburse DPS for these expenditures			
791					
792	Commissioner Wuerch 14		Reprivatize the recorders office index processing.		
793					
794	Commissioner Wuerch 15	Consider contracting out the entire recorder's office process.			
795					
796	Commissioner Wuerch 16		The promotion and sale of Alaska public land should be privatized, including 5000 parcels that have been foreclosed on, relinquished or otherwise returned to the state from private		

Commission on Privatization and Delivery of Government Services

#	Dept. And Number	LEGISLATIVE RECOMMENDATIONS	POLICY RECOMMENDATIONS	Legislation Required	Notes & page #
			owners.		
797					
798	Commissioner Wuerch 17		Improved land now held be auctioned off immediately before it deteriorates further and to reduce cost of managing.		
799					
800	Commissioner Wuerch 18		Contract parks in clusters allowing for sole concessionaire clauses in the contract.		
801					
802	Commissioner Wuerch 19		Use Retired Enforcement Officers: Legal impediments need to be cleared up that complicate the use of retired personnel to supplement existing enforcement program.		
803					
804	Commissioner Wuerch 20		While protecting student employment opportunity, evaluate privatization for: <ul style="list-style-type: none"> <li>- Internet Book Sales, all campuses</li> <li>- Fairbanks Campus Power Plant</li> <li>- Fairbanks Campus Phone System</li> <li>- Grounds Maintenance, all campuses</li> <li>- Student Housing, all campuses</li> <li>- Fairbanks Campus Refuse Collection and Removal</li> <li>- Printing, Anchorage and Fairbanks</li> <li>- Janitorial, Juneau campus</li> </ul>		
805					
806	Commissioner Wuerch 21	Consolidate Alaska Industrial Development & Export Authority with Alaska Housing Finance Corporation.			
807					
808	Commissioner Wuerch 22	The Alaska Railroad shall offer to sell for fair market value all land that is non-essential to railroad operations and is non-revenue generating.			
809					

#	Dept. And Number	LEGISLATIVE RECOMMENDATIONS	POLICY RECOMMENDATIONS	Legislation Required	Notes & page #
810	Commissioner Wuerch 23		The Alaska Railroad shall implement a vegetation control program including use of herbicides.		
811					
812	Commissioner Wuerch 24	Sell the Four Dam Pool projects for fair value to the electric utilities within the communities served.			
813					
814	Commissioner Wuerch 25	We recommend combining other bonding entities with AHFC. In particular, we think that AIDEA, the Postsecondary Loan Program, and perhaps the Municipal Bond Bank all should be combined under the AHFC umbrella.			
815					
816	Commissioner Wuerch 26		The Commission should consider privatizing or otherwise segregating the entirety of AHFC under a state charter that requires it to provide the public services it currently provides and pay dividends on net income above a certain level.		
817					

## **VIII. DISPOSITION OF REPORT**

The full reports, with all their attachments are being submitted to:

- the Governor,
- the Senate President, and
- the Speaker of the House

The full reports are also available on the internet, less some appendices that could not be scanned into electronic format. Marker pagers are inserted in place of a page that is not available electronically.

Copies of the report, without appendices, are being supplied to all Legislators, Departments, HUB Legislative Information Offices and the capitol press corp.

The internet address is: <http://www.privatizealaska.org>



ANDREE MCLEOD  
Volunteer for the Commission on Privatization

Andree McLeod arrived in Sitka twenty-one years ago. An electronics technician in New York, Ms. McLeod began her life in Alaska working in canneries and as a public school substitute teacher before, as she puts it, "reverting to form" as an electronics technician for the Forest Service and the FAA. She has also worked as an accounting clerk for the State of Alaska and a vending cart owner in Anchorage.

Ms. McLeod is a UAA graduate with a degree in economics. She is interested in politics and has run for Mayor of Anchorage. She is the mother of one son, Patrick, age 17.

Ms. McLeod, who was initially a volunteer, is now a member of the Commission on Privatization and Government Services staff. She says working with the Commission to get average folks involved in examining state government has been a wonderful experience.

*"Part of the attraction of Alaska is the closeness we have with our leaders in government. Mine was an immigrant family to the U.S from Lebanon. I don't for a minute take for granted the freedoms and opportunities this country offers, especially for women. I am first in my family to migrate to Alaska. My son is first generation American and Alaskan." -- Andree McLeod*

Table 8 indicates the number of meetings held by each subcommittee.

**Table 8  
Number of Commission  
And Subcommittee Meetings**

Subcommittee	Number of Meetings AS OF DECEMBER 13, 1999
FULL COMMISSION	13
ADMINISTRATION	6
AK RAILROAD	6
COMMERCE & ECONOMIC DEVELOPMENT	14
CORRECTIONS	9
COURTS	11
EDUCATION	17
ENVIRONMENTAL CONSERVATION	12
FISH AND GAME	11
GOVERNMENT'S OFFICE	8
HEALTH & SOCIAL SERVICES	24
HYDRO-ELECTRIC	4
LABOR	10
LAW	8
LEGISLATURE	4
MILITARY & VETERAN'S AFFAIRS	4
NATURAL RESOURCES	11
PUBLIC SAFETY	8
REVENUE	7
TRANSPORTATION/PUBLIC FACILITIES	15
UNIVERSITY OF ALASKA	8
<b>TOTAL MEETINGS</b>	<b>210</b>

## IX. UNIQUE ALASKAN SITUATION

Alaska is unique in that government plays a greater role in the lives and businesses of Alaskans than it does in any other state. The federal government owns most of the basic sources of wealth in Alaska, i.e., land and natural resources. Federal control is stronger over a greater percentage of Alaskan resources than in the other 49 states combined.

State government is the next largest owner of Alaska's land and resource wealth. The State owns the \$28 billion Permanent Fund, the Alaska Railroad, the most extensive ferry system in the U.S. if not the world, all airport gateways into the state, more than 250 rural airports, a fleet of aircraft, fish hatcheries, major roads within local government jurisdictions, a variety of laboratories, most docks and harbors, a rocket launch facility, a dairy and more.

Additionally, the state owns every major hydro-electric dam, the main electrical transmission grid, one eighth of the oil flowing through the oil pipeline and is the major financier for residential housing and development financing within Alaska. This unique preponderance of government ownership and control inevitably leads to government growth, often at the expense of private sector growth. It is paradoxical that Alaskans prize their pioneer traditions of independence and self reliance while simultaneously practicing more socialism than any other state in the U.S. All in all, given Alaska's extraordinary reliance on government, one can argue that, here, privatization should be pursued with greater vigor in order to stimulate what little private economy we have.

*Rural Alaska is a special case.* Rural Alaska, as a competitive market for goods and services, is too thin. Monopoly supply is the rule rather than the exception. Competition is a luxury the rural economy doesn't enjoy. The economic philosophy of privatization is too fine a point

to argue for people who have to struggle for acquisition of the basic necessities of housing, clean water, electricity and transportation. Consequently, government subsidizes all the above, radio, television, telephone and more. Whether government is following the wisest course in rural Alaska is an issue beyond the present scope. But, inasmuch as one of the cardinal rules for privatization is that the government should never play into a monopoly, it is clear that privatization involving rural areas should be managed with exceptional caution.

## **X. THE NEXT STEP**

This commission expired on December 31, 1999. However, privatization cannot be accomplished by occasional foray. It is clear that some longer-term mechanism should be put in place to carry on the work begun here. The commission sees three steps to be taken by the legislature and the governor.

- The first step is to begin immediate consideration of the 20 recommendations adopted by the commission.
- The second step is to enact some version of the proposed legislation requiring the executive branch to identify activities that are inherently governmental and to provide for privatizing those that are not.  
(Attachment 2)
- Third, the legislature should establish a privatization review commission, within the executive branch, with at least a three year life to consider in depth this commission's subcommittee reports, promulgate privatization plans and make detailed reports to the legislature.

## **XI: LEGITIMATE EMPLOYEE CONCERNS<sup>(27)</sup>**

Often, public employees fear privatization because they fear losing their jobs. Responsible implementation of privatization proposals can dispel a lot of that associated fear.

Several comprehensive studies have been conducted on the effect of privatization on government workers. In 1989, the National Commission on Employment Policy, an agency within the U.S. Department of Labor, completed a study entitled, "The Long-Term Employment Implications of Privatization." They examined 34 local governments where privatization action had occurred. Of the 2,213 government employees affected in a five year period, only 7 percent were laid off. Fifty-eight percent transferred to the private contractor; 24 percent transferred to other government jobs and 7 percent retired. The DOL concluded that local governments were doing a commendable job in protecting the jobs of public employees.

In 1985, the General Accounting Office, an agency of the U.S. Congress, found that of 9,650 Defense Department employees affected by privatization, 94 percent were placed in other government jobs or voluntarily retired. Of the remaining 6 percent, half obtained jobs with the private contractors.

The city of Indianapolis provides more recent privatization activity and examples of employee protection. Seventy different public services were privatized over a five year period and no union workers were laid off. In addition, the city has seen its most rapid private sector job growth in several decades.

There are many tools at a government's disposal to minimize job loss and the fear of job loss.

- Communication: Keep employees informed about what's going on.
- Take advantage of the natural rate of attrition.
- Use retirement incentive programs.
- Allow government unit to bid against private contractors.

Summarily, a modicum of goodwill from government leaders and public unions can carry the day for privatization.

## **XII. BARRIERS TO PRIVATIZATION**

There are some obvious barriers to privatization. None of them, however, are insurmountable. Privatization could not take place in so many countries, states and cities if barriers were insoluble. In the final analysis, it is the intestinal fortitude of elected officials that determines whether or not benefits will accrue to the public from privatization.

### **Contractual Restrictions**

In Alaska, the most obvious barrier is language in the state employees' collective bargaining agreements that restricts outsourcing of work. Sample language from one of the contracts is similar to language in all of them:

#### *CONTRACTING OUT<sup>(28)</sup>*

*A. The Employer has the right at all times to analyze its operation for the purpose of identifying cost-saving opportunities.*

*B. Decisions to contract out shall be made only after the affected agency has conducted a feasibility study determining the potential costs and benefits which would result from contracting out the work in question. The Employer agrees to notify the Union within two (2) weeks of its decision to initiate*

*a study, or, in the alternative, that it intends to review operational analyses for purposes of contracting out work. Such operating analyses shall constitute a feasibility study under this Article. Notice to the Union shall include the job classifications and work areas affected.*

*C. Notification by the Employer to the Union of the results of the feasibility study will include all pertinent statistical and analytical information which the Employer will consider in making its decision regarding contracting out the work, including but not limited to the total cost savings the Employer anticipates.*

*D. 1. The Employer shall notify the Union of its final decision regarding contracting out.*

*2. If the Employer decides to contract out and such contracting out will result in the direct displacement of employees, the Employer shall provide the Union with no less than thirty (30) days notice that it intends to contract out bargaining unit work.*

*3. The Union may then submit an alternate plan that is to include potential costs and benefits. The alternate plan will be given fair consideration by the Employer, provided the plan is submitted not more than fifteen (15) days after the Union has received the notice of intent to contract out. During this thirty (30) day period, the Union shall have the opportunity to discuss the placement of affected employees.*

*E. No employees shall be laid off and their work contracted out unless the feasibility study shows that contracting out would cost the Employer less.*

This barrier is reputedly the single largest barrier to privatization of state activities. However, careful reading indicates that it merely requires a process that thoughtful management should want to conduct anyway. One may argue about the timeline and appeal procedure but the essential requirement of a feasibility analysis should not be viewed as a checkmate.

Predictably, a rub will occur because of differences in the use and interpretation of cost accounting data used in the

feasibility studies. Reasonable people of goodwill will differ. However, the state retains the authority to interpret its own data and allocate its resources accordingly.

### **Legal Restrictions**

A cursory review of Alaska's Constitution and statutes by Alaska Legislative Legal Services discloses no outright bar to privatization. Nevertheless, an obscure or untested theory can be propounded at any time.

### **Litigation Threat**

As previously reported, a lot of privatization is enabled by e-commerce. E-commerce is regarded as a harbinger of change on the same scale as was the automobile when it replaced the horse and buggy. Resistance to change is inevitable. Public officials should be aware that, despite their most cooperative efforts, litigation is likely. In Colorado, public employee unions instigated nine lawsuits against privatization activities. In some cases, the mere threat of litigation is enough to derail a privatization proposal. The "Neanderthal quotient" of Alaska's public union officials is yet to be tested. Elsewhere, some union officials see the light:

*"I think there is room for dialogue, even about competition, says Gerald M. McEntee, head of the American Federation of State, County and Municipal Employees (AFSCME), the largest public employees' union. "If you're really going to go to the extent of seriously considering redesigning and reinventing government, competition can be part of that."<sup>(29)</sup>*



**SPENCE HOCHSTEIN**  
Volunteer for the Commission on Privatization

Spence Hochstein worked on pipeline projects all over the country before coming to Alaska from Texas as project manager on the trans-Alaska pipeline. He has a degree in math and engineering, and is a project manager by trade.

He is married with three grown children, all of whom are college graduates and into their own careers. He and his wife, Bonny, a real-estate broker and a former registered nurse, live in midtown Anchorage.

During his children's school years, Mr. Hochstein was heavily involved in youth sports and recreation activities. He served one term on the Anchorage School District's budget advisory committee. He is on the Board of Directors of the Geneva Woods Home Owners Association and is also Chair on the Architectural Control Committee.

*"I appreciate what government can do for people. I fear government when it tries to do too much. My twenty-five year perspective is that Alaska's government is trying to do too much. The Privatization Commission is a way to restore some balance. My vision for Alaska's future includes all Alaskans taking part and keeping government under control." -- Spence Hochstein*

### **XIII. RECIPE FOR SUCCESS<sup>(30)</sup>**

#### Political Champion:

Privatization can best be introduced and sustained when a political leader champions it.

#### Implementation Structure:

Government leaders need to establish an organizational and analytical structure to ensure effective implementation.

#### Legislative and resource changes:

Governments may need to enact legislative changes and/or reduce governmental resources to encourage greater use of privatization.

#### Reliable cost data:

Reliable cost data on governmental activities are needed to support informed privatization decisions and to assess overall performance.

#### Strategies for workforce transition:

Governments need strategies to manage workforce transition.

#### Monitoring and oversight:

More sophisticated monitoring and oversight are needed to protect the government's interests when its role in the delivery of services is reduced through privatization.

### **XIV. INTERNAL CRITIQUE**

- **Time Frame:** The process developed for SB 33 has its strong and weak points. Hindsight provides clarity that didn't exist when the process started. SB 33's aforementioned simplicity is a virtue. The yin of the yang is that it required a process to be developed and implemented within a time frame that was too short.

- **Volunteer Role:** Primary reliance on volunteer citizens who have their own personal, family and business priorities is both a plus and a minus. They have their own time to budget which restricts their availability to meet as often or as quickly as desired. Volunteers are a plus because the public's business should involve the public. It is a minus because most volunteers are uninitiated into the mysterious ways that government works. They take more time to get the feel, learn the jargon and understand the nuances of information presented to them. Their lights were just going on when time came to shut down their committees. In the future, consideration should be given to having professional, experienced staff research the privatization issues and present them to the citizen volunteers. The desired effect is to involve them more in the decision steps and less in the information collection steps.
- **Departmental Briefings:** Departmental liaisons were extremely helpful. However, the departmental briefings were often "off the mark" and in some cases counter productive. They consumed too much time and imparted too little information relevant to the subcommittees goal. A lesson learned is that most departments don't know how to explain what they do. Often, the person presenting the briefing was not the person who prepared it. The briefings were not geared toward privatization. Instead they were cobbled up from miscellaneous reports and briefings on hand from the past. Significant training is needed in the executive branch to relate functions to costs.
- **Document Control:** A document control function must be an integral part of any comprehensive privatization program. The volume of information, its cataloguing, copying, circulation and need for

easy access demand an organized effort requiring significant manhours, copy machines and floor space. SB 33's program required more space than two normal legislative offices could provide.

- Recommendation Parameters: The subcommittees could have been assisted by placing a limit on the number of recommendations they were allowed to advance. Instead of being open ended about the number of recommendations, we could have asked each one to find the five most substantial candidates for privatization.
- Subcommittee members and commissioners should be protected from lobbying from special interest groups.
- Subcommittee members and commissioners should be protected from recrimination by government officials who differ with them.

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## XV. FOOTNOTES

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- (24) Extracted from, "Types and Techniques of Privatization,"  
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- (25) Legislative Finance, State of Alaska Legislative Affairs Agency.
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## XVII. INDIVIDUAL COMMISSIONER COMMENTS

December 29, 1999

TO: Governor Knowles and Members of the Alaska State Legislature

FROM: Don Valesko, Commission Member

RE: Individual Commissioner's Report

Though it was a privilege to have a seat on the Commission on Privatization and Delivery of Government Services, it was also an exercise in frustration. On the commission I held the AFL-CIO designated position. I learned a great deal about the Executive Branch of state government and I also learned that the commission itself had an impossible mission that which is evidenced by its final report.

The commission staff performed admirably under a tremendous workload and a very short time frame. For any type of report to have been delivered at all, I credit the hard work and long hours (many of which were uncompensated) put in by the staff. I am sure the loyal staff did everything they could to insure their superiors' wishes were carried out to the letter.

The selection process of subcommittee members was deplorable. The focus they were given was very near-sighted, and the time in which they were expected to make informed decisions was woefully inadequate.

It was my duty on the commission to represent the working people of Alaska as well as the state employees. Through the subcommittee process, there was very little consideration of the problems that would be incurred by employees and their families who would be directly impacted by privatization efforts. I tried to rectify this at the commission level, but the odds were stacked against Alaska's working families.

In my attached Commissioner's Report you will find the reasons why my experience on the Commission proved to be frustrating. The process was flawed from the beginning and it only got worse as time progressed.

*Please feel free to call me at (907) 272-7211 or email me at don@Local71.com if you have any questions.*

## **INDIVIDUAL REPORT BY: COMMISSIONER DON VALESKO**

### **I.. ENABLING LEGISLATION FLAWED**

The representation of Alaskans who would be directly affected by privatization efforts was very limited. Earlier versions of this legislation in a previous legislature had two positions for working Alaskans' representation and at least one or more positions for the Executive Branch. In addition, earlier versions had language that made references to maintaining the same quality of service after privatization occurs.

This legislation did not have Executive Branch representation because the administration did not wish to participate in the type of effort the bill prescribed.

Senate Bill 33 created an impossible task of monumental proportions to be performed within a very short time frame. The funding for the implementation of the bill was almost non-existent and the commission's staff was barely able to keep up with the workload.

### **II.. SUBCOMMITTEE PROBLEMS**

#### **A) Subcommittee selection process flawed**

The subcommittee selection process was done entirely by the Co-Chairmen and their staff. Partisan politics appeared to have played a major role in the selection of subcommittee members. Definite patterns of significant conflicts of interest appeared in almost every subcommittee. At one point, the list of subcommittees grew from thirteen to twenty without commission input.

The Commission itself discussed the subcommittee selection process during the commission's first meeting and after most of the subcommittee members were appointed. The commission's wish to have input on the selection and confirmation of subcommittee membership was disregarded.

Apparently, the notice to citizens of Alaska to serve as subcommittee members was selective in the beginning and it gave those individuals a first choice advantage. Subsequently, the committees were opened up and the general public was invited to participate, but they were at a disadvantage when compared to those who had been directly solicited.

The ever-pressing constraint of time was given for the reason for the clandestine selection of subcommittee participants. Commission members were asked for their choice of subcommittee preferences but in some instances their requests were ignored

and they were assigned to whatever subcommittee the Co-Chairs decided to appoint them to.

One of the Co-chairs stated, during a commission meeting, that anybody who called into his office was appointed to the committee of their choice. He further added that anybody who wanted to be a subcommittee chair could be that particular subcommittee's chair (if vacant) simply by asking. This was not the case. Soon after, it became apparent that those rules had been changed.

After soliciting the chair of the DMVA subcommittee, one individual was told that the DMVA subcommittee itself was probably not going to be activated and her wish to serve was steered towards another subcommittee. Soon afterwards, it became evident (at a commission meeting) that the DMVA subcommittee was to be activated and it had a full complement of members including a chair.

#### B) Conflicts of interest throughout subcommittees

Conflicts of interest abounded and became extremely evident during the subcommittee presentations to the full commission. Contractors, consultants, and owners of companies providing similar services flooded the subcommittees and openly put forth recommendations for privatization that would directly benefit their own balance sheets.

For example: The original chair of the Corrections subcommittee was the person who runs Cornell Corrections (owner of Allvest, Inc.) for Alaska. When it was pointed out by a commission member that the person representing a company that had the most to gain from privatizing Corrections Department functions was chairing the committee the Cornell individual dropped his chair position and a former employee of Cornell took his place. The Cornell individual remained on the committee and the report that eventually came before the commission was found to be promoting privatization towards the type of service Cornell provides.

Ironically, a union representative sitting on the HSS subcommittee was denied access to certain sub-subcommittees due to having an alleged conflict of interest. Conversely, contractors appointed to subcommittees and sub-subcommittees (many who enjoy profits from the state's current privatization efforts) were never excluded from participating at any meetings. In fact, many private sector contractors openly admitted they were there to see how they could maneuver privatization efforts towards areas they knew they could profit from. One such individual recommended privatizing a current DCED inspection process - that he admitted was his specialty - even though the cost of the inspection would increase by 50%.

#### C) Research and Review process flawed

The research and review of each department was superficial at best. With the inadequate amount of time subcommittees were allotted it was impossible to educate and inform the members of each subcommittee. In addition, there were other major mistakes made. In reviewing the subcommittee reports you will find prominent errors

that would normally be inherent in a well thought out process. The reports demonstrate obvious errors in the process, such as:

- Subcommittee members were instructed to only find ways to privatize state functions.
- No efforts were made to identify reasons why the state was currently performing the service.
- No assessment was made of the liability potential of each recommendation.
- No comparison of different methods of privatization currently being used by the state nor was there an analysis of a current effective savings to the state.
- No determination of cost to the state to set up privatization nor the savings to the state on a projected short and long term basis for any recommendation.
- No standards were applied for the decision making process for recommendations.
- Affected constituent groups were not consulted and some who desired input were not taken seriously nor were they solicited for input.
- Minority reports from subcommittee members were not put into the subcommittee final report. One of which was submitted to the Department of Education and Early Development subcommittee as a minority report. It was not included in the subcommittee's final report to the full commission. This was submitted by a commission member who was also a subcommittee member as well as a full commission member.
- The DCED subcommittee's sub-subcommittee (International Trade and Development) had its report rejected and buried by a Commission Co-Chair. A new more amenable DCED subcommittee was appointed in order to generate a report that reflected the Co-Chair's wishes. The Chairman of the International Trade and Development sub-subcommittee was chastised by his employer after his employer received a call from the aforementioned Co-Chair.

### **III. COMMISSION PROBLEMS**

#### **A) Time Constraints flawed Commission's Ability to Deliver a Realistic Product**

From the date of the first meeting, everything was on a fast track. The selection of subcommittees was pushed through without commission oversight and input, then the subcommittees themselves were given unrealistic time frames in which to complete their missions.

The information to be reviewed by commission members was usually only available a day before the commission would be meeting and conferring upon such data but mostly was available just minutes before each commission meeting was convened.

#### **B) Cursory Contact With Affected Public and Affected Employees**

The commission did not meet with representatives of the affected groups, unions or any constituencies of the public that would be affected by the commission's recommendations.

### C) Appalling Press Relations

Press releases, in the form of commission-sanctioned positions, were given to the press without notification to the commission members. Commissioners found out about the press releases and alleged commission positions via the media. For example: The commissioners discovered through the media that a statewide mailing, by the commission, to all businesses in Alaska was going to be the first order of business. The commission at that point had not met for the first time. Subsequently, the mailing idea was abandoned.

The relationship with the Governor's office and the Commission suffered as a result of the way the business of the commission and its subcommittee work was being handled. This was negatively reported by the press.

The full commission members asked the Co-Chairs to be included in the construction of all press releases thereafter. This did not occur. Press releases were generated without commission input or sanction. A recent article in a local newspaper cited subcommittee recommendations as if they were full commission recommendations even though one of the specific recommendations cited in the article was voted down by the full commission. (e.g. The sale of the Alaska Railroad was voted down by the commission but cited as a recommendation in the Anchorage Times).

### D) No Cost/Benefit Analysis

The commission did not require the subcommittees to require a cost/benefit analysis of their recommendations. Consequently all the recommendations put forth by the subcommittees did not have any information regarding the cost effectiveness of each recommendation. Therefore, many of the recommendations, if followed, will drive up the cost of government.

## IV. FINAL PROCESS AND END PRODUCT PROBLEMS

After hearing the abbreviated presentation of each of the subcommittees, the full commission decided to forego a formal process of reviewing each subcommittee's recommendations. Instead, each commissioner put together his/her own list of recommendations.

The above-mentioned recommendations took the form of a free-for-all. Some of the subcommittees' recommendations were cited by the individual commissioners in their recommendations. Other ideas that were not previously discussed but thought of on the spur of the moment were put forth and voted on without research, departmental comment, or much discussion.

One commission member, who is personally employed in property management and is a co-owner in a utility company pushed to have the University of Alaska privatize their property management and their utilities. Subcommittee work performed by the same commissioner took on similar adventures into the arena of major conflicts of interest.

## V. CONCLUSION

The process and the end product was a dismal failure. The hurried up process of this effort will only serve to provide legislative cover for politicians who want to privatize state services solely for the sake of privatization and the hidden benefits that may happen for certain private interests.

One thing that was determined through the commission process was that the state of Alaska has extensively privatized functions of state government, and that process has driven up the cost of state government. Many associated costs are much higher, and grew at an accelerated rate, than had been anticipated by the Executive Branch.

Efforts to privatize state government should be weighed carefully and not pushed for the sake of privatization in and of itself. The one thing that came to light during this experiment was the fact that privatization should not be entered into if it isn't planned for properly and it positively benefits the citizens of Alaska with a guaranteed reduced cost while maintaining the same quality of service. Privatization should not take place if it benefits certain individuals at the expense of lowering the standard of living for Alaskans while producing profits for corporations.

**Subcommittee on the  
GOVERNOR'S OFFICE/OMB  
Supplemental Recommendation**

The Governor's Office of Management and Budget is responsible for writing the state operating budget in coordination with all other state departments. Its location within the Office of the Governor gives it supremacy over the departments whose budgets they write.

There is universal declamation about the state's operating budget. No one understands it. There are a few bureaucrats who write it and whose job it is to understand it. But even they are often stumped about its finer points. OMB gives the legislature one or more 3-ring binders for each cabinet level department. They are filled with forms and jargon. The legislature extracts numbers from the binders, condenses them into a "short form" booklet devoid of narrative and, behold, the State of Alaska Operating Budget.

Essentially, the people of Alaska want to know what state employees do, how many of them exist, how many dollars are spent to do the job; and, how well is it being done.

No where in the state budget is there a picture of employee activities, costs and results in the context of an agency mission. There are mission statements. Sometimes, goals and objectives are stated with highly questionable accuracy. But, seldom are they integrated into "cost per goal," or "cost per objective." Never are they stated in cost per result. Performance Measurement Indicators are just being discovered by state government. They are largely resisted. If the legislature doesn't understand and refine relevant Performance Measures for each agency then they will never happen. We shouldn't expect an employee union or a governor's administration to willingly harness themselves in a yoke of accountability. External pressure is the only way it will ever happen.

The current method of budget presentation is to break it down into eight spending categories and three organizational levels. The eight spending categories are:

- Personnel
- Travel & per diem
- Contractual Services
- Supplies
- Equipment
- Lands/Buildings
- Grants/Claims
- Miscellaneous

The three organizational levels are:

- Departmental,
- Budget Request Unit, and,
- Component Program

This is a two dimensional matrix. One dimension is "spending category." The other is "organizational unit." Analysis is limited to the amount spent in each one of the eight spending categories across a department, a BRU or a component.

This approach focuses on organizational structure, and spending categories. Both are subjective, somewhat artificial creations. Half the budget is spent in one category, i.e. personnel. Less than ten percent is spent in four smallest categories. So, the categories are so broad that they reveal scant intelligence about how money is spent. Neither does organizational structure provide a clue about work that takes place. Nor is the structure usually presented correctly. Organizational charts are notoriously subjective and sometimes used as a subterfuge. The Administration has no set of rules or standards for how its departments present themselves organizationally. A budget based on organizational structure makes it difficult to relate the work being done to the cost of doing the work. And, it is devoid of any qualitative assessment.

Alternatively, if the budget were laid out in the manner of a list of tasks performed, and the cost for accomplishing the tasks, then a clearer picture would result about what employees do and how much it costs to do it. The following is an example of a budget based on task description for a hypothetical road maintenance station.

SAMPLE TASK BASED BUDGET

TASK	LABOR COST	EQPMT COST	MATERIAL COST	OTHER	TOTAL
1. SEAL COAT	3 man crew \$120 per hr x 1000 hours = \$120,000	Loader: \$45 hr DumpTrk: \$42 hr. X 1000 hrs = \$87,000	Tar drums 100 @ \$23 ea. = \$2300	Fuel: 400 gal @ \$.87 = \$ 448	\$209,748
2. ELECTRIFY CULVERTS	2 man crew \$80 per hr. x 200 hours = \$16,000	Pickup: \$30 hr. x 200 hours = \$6,000	Copper Wire 300 ft @ \$1 per = \$300	Fuel: 100 gal @ .90 = \$ 90 Rubber Boots: \$300	\$22,690
3. HIWAY SNOW REMOVAL	5 man crew @ \$300 per hr = \$1500 x 8 crews = \$12,000 x 4000 hrs = \$48,000,000	Pickup: \$30 hr. 2 Nose Plows: \$90hr. Grader: \$100 hr. = \$310 hr. x 4000 hrs. = \$1,240,000	none	Chains: \$3000 Fuel: 9000 gal @ .90 = \$8100	\$49,251,10 0
4. PAYROLL	23 people @ avg. \$27 per hr = \$621 x 2200 hrs per yr. = \$1,371,168	DP rental: \$75,000	Supplies: \$10,000	Courier: \$12,000	\$1,468,168
5. MANG'MENT	1 Director: \$80,000 1 Suprtdnt: \$70,000 1 Secretary \$50,000	2 PC's: \$10,000 1 Pickup: \$18,000 2 cell phones: \$3000	Supplies: \$5,000 Fuel: \$2,000	Travel: \$6,000 Overhead Multiplier 1.15	\$281,750

This kind of a budget, a TASK BASED BUDGET (TBB), lays bare the work and its associated costs. It leads those with oversight responsibility to the facts about spending, i.e.; it gives insight to those with oversight. When compared to the current budget structure, the TBB yields more information and leads to more probative, relevant questions about state spending.

If we convert the same TASK BASED BUDGET above to the format currently in use, it looks like this:



Ask yourself which budget is more useful; which one yields more understanding; which one leads to accountability. It may be useful to have summary information about the amount spent in each category and in each organizational unit. But, the current format simply doesn't go far enough; it doesn't associate costs to work performed.

The current format is devised and is driven by government accountants. As war is too important to be left to the generals, so too is budgeting too important to be left to the accountants. Accounting is a function of financial management needed to produce financial statements in accordance with generally accepted accounting principles. Accounting data is not sufficient for budgeting and operational analyses.

But when accountants drive the planning/budget process they steer the forms and data toward fulfilling their accounting needs. Program Managers, legislators, and others with oversight responsibility, need more than financial accounting data. They need "operating data". Operating data is the quantification of work activities, i.e., the number of cases filed, dismissed, settled, or adjudicated. A budget should attach a cost to each step in the work process, like the "work papers" that back up a CPA's audit.

By default, management cedes budgeting to accountants because a lot of the budget data comes from data under their control. Consequently, their budget process mimics the accounting process, replete with debits, credits, cross-balances, ledgers, rows and columns that all add up very neatly. But, they don't tell a story. And with public spending the public deserves to know what is the story.

The problem is not unique to government. The Private Sector has had the same kind of problems and they solved them. Recognizing the difference between data needed for financial statements vis a vis data needed for operational planning and budgeting, the private sector devised MANAGEMENT INFORMATION SYSTEMS (MIS). An MIS is tailored to an individual organization. It contains regular reports about productivity and costs. An MIS for a manufacturing plant will be markedly different than one for a stock brokerage firm. But they both match information about productivity with information about costs. A budget is one part of an MIS. It takes savvy managers to keep accountants from turning budgets and MIS reports into accounting statements. The two should not be confused.

None of the above information is new. Government is usually slow to adopt progressive management practices. The state's budgeting system is 25 years out of date with modern management practices. It's time to improve and catch up.

Recommendation: The Legislature shall devise a Task Based Budget format and require, by statute, that the governor's budget be submitted in that format.

Respectfully submitted,

**Commission on Privatization and Delivery of Government Services  
Report to the Governor and Legislature**

HOUSE BILL NO.  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE COWDERY

Introduced:

Referred:

A BILL

FOR AN ACT ENTITLED

"An Act relating to nongovernmental activities of state departments."

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

\* Section 1. AS 44 is amended by adding a new chapter to read:

Chapter 64. Inventory and Procurement of Nongovernmental Activities.

Sec. 44.64.010. Annual list required. (a) Each state department shall submit to the office of management and budget each fiscal year a list of the activities performed by the department's employees that, in the judgment of the commissioner of the department, are not inherently governmental activities.

(b) The director of the office of management and budget shall consult with a department when the department is preparing the list under (a) of this section and shall review the list.

(c) In this section, "inherently governmental activity"

(1) means an activity that is so closely related to the public interest that it requires performance by state government employees; the term includes an activity that

(A) requires either the exercise of discretion in applying state governmental authority or the making of value judgments, including judgments relating to monetary transactions and entitlements, and making decisions for the state government; or

(B) involves the interpretation or execution of the laws of the state

(i) to bind the state to take or not to take an action by contract, policy, regulation, authorization, order, or another method;

(ii) to determine, protect, or advance state economic, political, territorial, property, or other interests by military action, intergovernmental agreements, civil judicial proceedings, criminal judicial proceedings, contract management, or another method;

(iii) that will significantly affect the life, liberty, or property of private persons;

(iv) to commission, appoint, direct, or control officers or employees of the state; or

(v) and will exert ultimate control over the acquisition, use, or disposition of the real or personal property, whether tangible or intangible, of the state, including the collection, control, or

disbursement of appropriated or other state money:

(2) does not include

(A) gathering information for or providing advice, opinions, recommendations, or ideas to state government employees; or

(B) an activity that is primarily ministerial and internal in nature, including building security, mail operations, facilities operations, facilities maintenance, warehouse operations, motor vehicle fleet management operations, routine electrical services, or routine mechanical services.

Sec. 44.64.020. Description of listed activity. The description of a listed activity must include

(1) the fiscal year when the activity first appeared on a list;

(2) the number of full-time employees that are needed to perform the activity;

(3) the name of a department employee who is responsible for the activity and from whom additional information about the activity may be obtained.

Sec. 44.64.030. Transmittal and publication of list. (a) The commissioner of each department shall promptly transmit a copy of the list prepared by the department under AS 44.64.010 to the legislature and make the list available to the public.

(b) For each list prepared by a department, the director of the office of management and budget shall promptly publish in the Alaska Administrative Journal a notice that the list is available to the public.

(c) If, as a result of a challenge made under AS 44.64.040, a department changes a list after a notice is published under (b) of this section, the department that prepared the list shall promptly

(1) transmit a copy of the change to the legislature and make the change available to the public; and

(2) publish in the Alaska Administrative Journal a notice that the change is available to the public.

Sec. 44.64.040. Challenge and appeal. (a) An interested person may challenge the inclusion or omission of an activity on a list by filing with the department that prepared the list a written notice stating the person's challenge and the reasons for the challenge. A challenge must be filed with the department within 30 days after publication of the notice under AS 44.64.030(b) or (c)(2), as applicable.

(b) Within 28 days after a department receives notice of a challenge under (a) of this section, a department employee appointed by the department's commissioner shall decide whether to reject or uphold the challenge and shall transmit a notice of the decision to the person who filed the notice. The notice must include the decision, an explanation of the reasons for the decision, and an explanation of the party's right to appeal under (c) of this section.

(c) An interested person may appeal an adverse decision made by a department under (b) of this section. The appeal must be filed with the department within 10 days after the person receives the notice of the decision.

(d) Within 10 days after a department receives an appeal of a

decision under (c) of this section, the commissioner of the department shall decide the appeal and shall transmit to the person submitting the appeal a notice of the decision on the appeal, including an explanation of the rationale for the decision.

(e) A challenge and an appeal under this section are not subject to AS 44.62 (Administrative Procedure Act).

Sec. 44.64.050. Review of list. Within a reasonable time after a list is published under AS 44.64.030(b) or (c)(2), the commissioner of the department that prepared the list shall review the activities on the list.

Sec. 44.64.060. Procurement of listed activity. (a) For the purpose of determining whether to contract with a private person to perform a listed activity, when a department compares its costs of performing the activity with the costs of contracting with a private person to perform the activity, the department shall consider all of the realistic and fair costs of the activity. In this subsection, "costs" includes the quality assurance costs, the cost to technically monitor performance of the activity, liability insurance costs, the cost of employee retirement and disability benefits, and other overhead costs.

(b) When a department decides to obtain a private person to perform a listed activity, the department shall use competitive sealed bidding under AS 36.30.100 - 36.30.190 or competitive sealed proposals under AS 36.30.200 - 36.30.270 to procure the contract with the person to perform the listed activity, unless a law other than this chapter or AS 36.30 requires that another method be used for the procurement.

Sec. 44.64.090. Definitions. In this chapter, unless the context indicates otherwise,

(1) "department" means a department listed under AS 44.17.005, but does not include a public corporation located in the department;

(2) "interested person" means

(A) a private person who

(i) is an actual or prospective bidder or offeror for a contract to perform the activity; and

(ii) has a direct economic interest in performing the activity that would be adversely affected by a determination not to procure the performance of the activity from a private person;

(B) a representative of a business association or professional association, if the association includes as members private persons referred to in (A) of this paragraph;

(C) an employee of an organization within the department if the employee or the organization is an actual or prospective performer of the activity; or

(D) the head of a labor organization that includes within its membership employees referred to in (C) of this paragraph; in this subparagraph, "labor organization" means a nonprofit organization established wholly or partly to bargain collectively or deal with employers, including the state, concerning grievances, terms, or conditions of employments or other mutual aid or protection in connection with employees;

(3) "list" means a list prepared under AS 44.64.010;

(4) "listed activity" means an activity included on a list prepared under AS 44.64.010, including an activity added after a challenge under AS 44.64.040.

Chapter 061

Chapter: CH061

Source: CCS SB 33

Action Date: June 11, 1999

Effective Date: June 12, 1999

99

AN ACT

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

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

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

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

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

(A) nongovernmental or private organizations;

(B) local government or regional service organizations;

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

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

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

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

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

\* Sec. 2. COMMISSION ON PRIVATIZATION AND DELIVERY OF GOVERNMENT SERVICES.

(a)

There is created in the legislative branch of the state government the Commission on Privatization and Delivery of Government Services. The commission shall consist of 11 members, as follows:

- (1) one member of the senate appointed by the president of the senate who shall serve as co-chair;
  - (2) one member of the house appointed by the speaker of the house who shall serve as co-chair;
  - (3) one member appointed by the Alaska Municipal League;
  - (4) two public members appointed by the president of the senate, one of whom shall be a representative of a Native corporation established under 43 U.S.C. 1601-1628 (Alaska Native Claims Settlement Act);
  - (5) two public members appointed by the speaker of the house, one of whom shall be a representative of a Native corporation established under 43 U.S.C. 1601-1628 (Alaska Native Claims Settlement Act);
  - (6) one member appointed by the Alaska State Chamber of Commerce;
  - (7) one member appointed by the American Federation of Labor-Congress of Industrial Organizations;
  - (8) one member from the minority caucus of the house appointed by the speaker of the house;
  - (9) one member from the minority caucus of the senate appointed by the president of the senate.
- (b) The commission may appoint an advisory council to assist it in carrying out its duties.

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

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

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

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

- (1) review and evaluate the policies and recommendations of other states that are studying or have implemented recommendations to transfer the provision of government services to other entities;
- (2) review state contracting policy and procedures, including competitive bidding procedures;
- (3) identify state government functions capable of more efficient performance in the delivery of government services, and determine whether those identified functions could most effectively be provided by
  - (A) transferring to the private sector or contracting out;
  - (B) transferring to local governments or regional service organizations;
  - (C) the federal government;

(D) consolidation or other efficiency changes; or

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

(4) identify state government functions that should be eliminated;

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

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

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

(1) functions should be transferred to the private sector or contracted out;

(2) functions should be transferred to local governments or regional service organizations;

(3) agencies or functions should be consolidated or otherwise made more efficient;

(4) functions should be performed by the federal government;

(5) functions should be eliminated as functions of state government.

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

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

2/9/00

## THE COMMISSION ON PRIVATIZATION AND DELIVERY OF GOVERNMENT SERVICES

December 29, 1999

**TO:** Governor Knowles and Members of the Alaska State Legislature

**FROM:** Don Valesko, Commission Member

**RE:** Individual Commissioner's Report

Though it was a privilege to have a seat on the Commission on Privatization and Delivery of Government Services, it was also an exercise in frustration. On the commission I held the AFL-CIO designated position. I learned a great deal about the Executive Branch of state government and I also learned that the commission itself had an impossible mission that which is evidenced by its final report.

The commission staff performed admirably under a tremendous workload and a very short time frame. For any type of report to have been delivered at all, I credit the hard work and long hours (many of which were uncompensated) put in by the staff. I am sure the loyal staff did everything they could to insure their superiors' wishes were carried out to the letter.

The selection process of subcommittee members was deplorable. The focus they were given was very near-sighted, and the time in which they were expected to make informed decisions was woefully inadequate.

It was my duty on the commission to represent the working people of Alaska as well as the state employees. Through the subcommittee process, there was very little consideration of the problems that would be incurred by employees and their families who would be directly impacted by privatization efforts. I tried to rectify this at the commission level, but the odds were stacked against Alaska's working families.

In my attached Commissioner's Report you will find the reasons why my experience on the Commission proved to be frustrating. The process was flawed from the beginning and it only got worse as time progressed.

Please feel free to call me at (907) 272-7211 or email me at [don@Local71.com](mailto:don@Local71.com) if you have any questions.

# **THE COMMISSION ON PRIVATIZATION AND DELIVERY OF GOVERNMENT SERVICES**

**INDIVIDUAL REPORT BY:  
COMMISSIONER DON VALESKO**

## **I. ENABLING LEGISLATION FLAWED**

The representation of Alaskans who would be directly affected by privatization efforts was very limited. Earlier versions of this legislation in a previous legislature had two positions for working Alaskans' representation and at least one or more positions for the Executive Branch. In addition, earlier versions had language that made references to maintaining the same quality of service after privatization occurs.

This legislation did not have Executive Branch representation because the administration did not wish to participate in the type of effort the bill prescribed.

Senate Bill 33 created an impossible task of monumental proportions to be performed within a very short time frame. The funding for the implementation of the bill was almost non-existent and the commission's staff was barely able to keep up with the workload.

## **II. SUBCOMMITTEE PROBLEMS**

### **A) Subcommittee selection process flawed**

The subcommittee selection process was done entirely by the Co-Chairmen and their staff. Partisan politics appeared to have played a major role in the selection of subcommittee members. Definite patterns of significant conflicts of interest appeared in almost every subcommittee. At one point, the list of subcommittees grew from thirteen to twenty without commission input.

The Commission itself discussed the subcommittee selection process during the commission's first meeting and after most of the subcommittee members were appointed. The commission's wish to have input on the selection and confirmation of subcommittee membership was disregarded.

Apparently, the notice to citizens of Alaska to serve as subcommittee members was selective in the beginning and it gave those individuals a first choice advantage. Subsequently, the committees were opened up and the general public was invited to participate, but they were at a disadvantage when compared to those who had been directly solicited.

The ever-pressing constraint of time was given for the reason for the clandestine selection of subcommittee participants. Commission members were asked for their choice of subcommittee preferences but in some instances their requests were ignored and they were assigned to whatever subcommittee the Co-Chairs decided to appoint them to.

One of the Co-chairs stated, during a commission meeting, that anybody who called into his office was appointed to the committee of their choice. He further added that anybody who wanted to be a subcommittee chair could be that particular subcommittee's chair (if vacant) simply by asking. This was not the case. Soon after, it became apparent that those rules had been changed.

After soliciting the chair of the DMVA subcommittee, one individual was told that the DMVA subcommittee itself was probably not going to be activated and her wish to serve was steered towards

another subcommittee. Soon afterwards, it became evident (at a commission meeting) that the DMVA subcommittee was to be activated and it had a full complement of members including a chair.

#### **B) Conflicts of interest throughout subcommittees**

Conflicts of interest abounded and became extremely evident during the subcommittee presentations to the full commission. Contractors, consultants, and owners of companies providing similar services flooded the subcommittees and openly put forth recommendations for privatization that would directly benefit their own balance sheets.

For example: The original chair of the Corrections subcommittee was the person who runs Cornell Corrections (owner of Allvest, Inc.) for Alaska. When it was pointed out by a commission member that the person representing a company that had the most to gain from privatizing Corrections Department functions was chairing the committee the Cornell individual dropped his chair position and a former employee of Cornell took his place. The Cornell individual remained on the committee and the report that eventually came before the commission was found to be promoting privatization towards the type of service Cornell provides.

Ironically, a union representative sitting on the HSS subcommittee was denied access to certain sub-subcommittees due to having an alleged conflict of interest. Conversely, contractors appointed to subcommittees and sub-subcommittees (many who enjoy profits from the state's current privatization efforts) were never excluded from participating at any meetings. In fact, many private sector contractors openly admitted they were there to see how they could maneuver privatization efforts towards areas they knew they could profit from. One such individual recommended privatizing a current DCED inspection process - that he admitted was his specialty - even though the cost of the inspection would increase by 50%.

#### **C) Research and Review process flawed**

The research and review of each department was superficial at best. With the inadequate amount of time subcommittees were allotted it was impossible to educate and inform the members of each subcommittee. In addition, there were other major mistakes made. In reviewing the subcommittee reports you will find prominent errors that would normally not be inherent in a well thought out process. The reports demonstrate obvious errors in the process, such as:

- Subcommittee members were instructed to only find ways to privatize state functions.
- No efforts were made to identify reasons why the state was currently performing the service.
- No assessment was made of the liability potential of each recommendation.
- No comparison of different methods of privatization currently being used by the state nor was there an analysis of a current effective savings to the state.
- No determination of cost to the state to set up privatization nor the savings to the state on a projected short and long term basis for any recommendation.
- No standards were applied for the decision making process for recommendations.
- Affected constituent groups were not consulted and some who desired input were not taken seriously nor were they solicited for input.
- Minority reports from subcommittee members were not put into the subcommittee final report. One of which was submitted to the Department of Education and Early Development subcommittee as a minority report. It was not included in the subcommittee's final report to the full commission. This was submitted by a commission member who was also a subcommittee member as well as a full commission member.
- The DCED subcommittee's sub-subcommittee (International Trade and Development) had its report rejected and buried by a Commission Co-Chair. A new more amenable DCED subcommittee was appointed in order to generate a report that reflected the Co-Chair's wishes.

The Chairman of the International Trade and Development Sub-subcommittee was chastised by his employer after his employer received a call from the aforementioned Co-Chair.

### **III. COMMISSION PROBLEMS**

#### **A) Time Constraints flawed Commission's Ability to Deliver a Realistic Product**

From the date of the first meeting, everything was on a fast track. The selection of subcommittees was pushed through without commission oversight and input, then the subcommittees themselves were given unrealistic time frames in which to complete their missions.

The information to be reviewed by commission members was usually only available a day before the commission would be meeting and conferring upon such data but mostly was available just minutes before each commission meeting was convened.

#### **B) cursory Contact With Affected Public and Affected Employees**

The commission did not meet with representatives of the affected groups, unions or any constituencies of the public that would be affected by the commission's recommendations.

#### **C) Appalling Press Relations**

Press releases, in the form of commission-sanctioned positions, were given to the press without notification to the commission members. Commissioners found out about the press releases and alleged commission positions via the media. For example: The commissioners discovered through the media that a statewide mailing, by the commission, to all businesses in Alaska was going to be the first order of business. The commission at that point had not met for the first time. Subsequently, the mailing idea was abandoned.

The relationship with the Governor's office and the Commission suffered as a result of the way the business of the commission and its subcommittee work was being handled. This was negatively reported by the press.

The full commission members asked the Co-Chairs to be included in the construction of all press releases thereafter. This did not occur. Press releases were generated without commission input or sanction. A recent article in a local newspaper cited subcommittee recommendations as if they were full commission recommendations even though one of the specific recommendations cited in the article was voted down by the full commission. (e.g. The sale of the Alaska Railroad was voted down by the commission but cited as a recommendation in the Anchorage Times).

#### **D) No Cost/Benefit Analysis**

The commission did not require the subcommittees to require a cost/benefit analysis of their recommendations. Consequently all the recommendations put forth by the subcommittees did not have any information regarding the cost effectiveness of each recommendation. Therefore, many of the recommendations, if followed, will drive up the cost of government.

### **IV. FINAL PROCESS AND END PRODUCT PROBLEMS**

After hearing the abbreviated presentation of each of the subcommittees, the full commission decided to forego a formal process of reviewing each subcommittee's recommendations. Instead, each commissioner put together his/her own list of recommendations.

The above-mentioned recommendations took the form of a free-for-all. Some of the subcommittees' recommendations were cited by the individual commissioners in their recommendations. Other ideas

that were not previously discussed but thought of on the spur of the moment were put forth and voted on without research, departmental comment, or much discussion.

One commission member, who is personally employed in property management and is a co-owner in a utility company pushed to have the University of Alaska privatize their property management and their utilities. Subcommittee work performed by the same commissioner took on similar adventures into the arena of major conflicts of interest.

### **CONCLUSION**

The process and the end product was a dismal failure. The hurried up process of this effort will only serve to provide legislative cover for politicians who want to privatize state services solely for the sake of privatization and the hidden benefits that may happen for certain private interests.

One thing that was determined through the commission process was that the state of Alaska has extensively privatized functions of state government, and that process has driven up the cost of state government. Many associated costs are much higher, and grew at an accelerated rate, than had been anticipated by the Executive Branch.

Efforts to privatize state government should be weighed carefully and not pushed for the sake of privatization in and of itself. The one thing that came to light during this experiment was the fact that privatization should not be entered into if it isn't planned for properly and it positively benefits the citizens of Alaska with a guaranteed reduced cost while maintaining the same quality of service. Privatization should not take place if it benefits certain individuals at the expense of lowering the standard of living for Alaskans while producing profits for corporations.

2/9/00

**Attachment #1  
Subcommittee on the  
GOVERNOR'S OFFICE/OMB  
Supplemental Recommendation**

The Governor's Office of Management and Budget is responsible for writing the state operating budget in coordination with all other state departments. Its location within the Office of the Governor gives it supremacy over the departments whose budgets they write.

There is universal declamation about the state's operating budget. No one understands it. There are a few bureaucrats who write it and whose job it is to understand it. But even they are often stumped about its finer points. OMB gives the legislature one or more 3-ring binders for each cabinet level department. They are filled with forms and jargon. The legislature extracts numbers from the binders, condenses them into a "short form" booklet devoid of narrative and, behold, the State of Alaska Operating Budget.

Essentially, the people of Alaska want to know what state employees do, how many of them exist, how many dollars are spent to do the job; and, how well is it being done.

No where in the state budget is there a picture of employee activities, costs and results in the context of an agency mission. There are mission statements. Sometimes, goals and objectives are stated with highly questionable accuracy. But, seldom are they integrated into "cost per goal," or "cost per objective." Never are they stated in cost per result. Performance Measurement Indicators are just being discovered by state government. They are largely resisted. If the legislature doesn't understand and refine relevant Performance Measures for each agency then they will never happen. We shouldn't expect an employee union or a governor's administration to willingly harness themselves in a yoke of accountability. External pressure is the only way it will ever happen.

The current method of budget presentation is to break it down into eight spending categories and three organizational levels. The eight spending categories are:

- Personnel
- Travel & per diem
- Contractual Services
- Supplies
- Equipment
- Lands/Buildings
- Grants/Claims
- Miscellaneous

The three organizational levels are:

- Departmental,
- Budget Request Unit, and,
- Component Program

This is a two dimensional matrix. One dimension is "spending category." The other is "organizational unit." Analysis is limited to the amount spent in each one of the eight spending categories across a department, a BRU or a component.

This approach focuses on organizational structure, and spending categories. Both are subjective, somewhat artificial creations. Half the budget is spent in one category, i.e. personnel. Less than ten percent is spent in four smallest categories. So, the categories are so broad that they reveal scant intelligence about how money is spent. Neither does organizational structure provide a clue about work that takes place. Nor is the structure usually presented correctly. Organizational charts are notoriously subjective and sometimes used as a subterfuge. The Administration has no set of rules or standards for how its departments present themselves organizationally. A budget based on organizational structure makes it difficult to relate the work being done to the cost of doing the work. And, it is devoid of any qualitative assessment.

Alternatively, if the budget were laid out in the manner of a list of tasks performed, and the cost for accomplishing the tasks, then a clearer picture would result about what employees do and how much it costs to do it. The following is an example of a budget based on task description for a hypothetical road maintenance station.

#### SAMPLE TASK BASED BUDGET

TASK	LABOR COST	EQPMT COST	MATERIAL COST	OTHER	TOTAL
1. SEAL COAT	3 man crew \$120 per hr x 1000 hours = \$120,000	Loader: \$45 hr DumpTrk: \$42 hr. X 1000 hrs = \$87,000	Tar drums 100 @ \$23 ea. = \$2300	Fuel: 400 gal @ \$.87 = \$ 448	\$209,748
2. ELECTRIFY CULVERTS	2 man crew \$80 per hr. x 200 hours = \$16,000	Pickup: \$30 hr. x 200 hours = \$6,000	Copper Wire 300 ft @ \$1 per = \$300	Fuel: 100 gal @ .90 = \$ 90 Rubber Boots: \$300	\$22,690
3. HIWAY SNOW REMOVAL	5 man crew @ \$300 per hr = \$1500 x 8 crews = \$12,000 x 4000 hrs = \$48,000,000	Pickup: \$30 hr. 2 Nose Plows: \$90hr. Grader: \$100 hr. = \$310 hr. x 4000 hrs. = \$1,240,000	none	Chains: \$3000 Fuel: 9000 gal @ .90 = \$8100	\$49,251,100
4. PAYROLL	23 people @ avg. \$27 per hr = \$621 x 2200 hrs per yr. = \$1,371,168	DP rental: \$75,000	Supplies: \$10,000	Courier: \$12,000	\$1,468,168
5. MANG'MENT	1 Director: \$80,000 1 Suprtdnt: \$70,000 1 Secretary \$50,000	2 PC's: \$10,000 1 Pickup: \$18,000 2 cell phones: \$3000	Supplies: \$5,000 Fuel: \$2,000	Travel: \$6,000 Overhead Multiplier 1.15	\$281,750

This kind of a budget, a **TASK BASED BUDGET (TBB)**, lays bare the work and its associated costs. It leads those with oversight responsibility to the facts about spending, i.e.; it gives insight to those with oversight. When compared to the current budget structure, the TBB yields more information and leads to more probative, relevant questions about state spending.

If we convert the same **TASK BASED BUDGET** above to the format currently in use, it looks like this:



Ask yourself which budget is more useful; which one yields more understanding; which one leads to accountability. It may be useful to have summary information about the amount spent in each category and in each organizational unit. But, the current format simply doesn't go far enough; it doesn't associate costs to work performed.

The current format is devised and is driven by government accountants. As war is too important to be left to the generals, so too is budgeting too important to be left to the accountants. Accounting is a function of financial management needed to produce financial statements in accordance with generally accepted accounting principles. Accounting data is not sufficient for budgeting and operational analyses.

But when accountants drive the planning/budget process they steer the forms and data toward fulfilling their accounting needs. Program Managers, legislators, and others with oversight responsibility, need more than financial accounting data. They need "operating data". Operating data is the quantification of work activities, i.e., the number of cases filed, dismissed, settled, or adjudicated. A budget should attach a cost to each step in the work process, like the "work papers" that back up a CPA's audit.

By default, management cedes budgeting to accountants because a lot of the budget data comes from data under their control. Consequently, their budget process mimics the accounting process, replete with debits, credits, cross-balances, ledgers, rows and columns that all add up very neatly. But, they don't tell a story. And with public spending the public deserves to know what is the story.

The problem is not unique to government. The Private Sector has had the same kind of problems and they solved them. Recognizing the difference between data needed for financial statements vis a vis data needed for operational planning and budgeting, the private sector devised **MANAGEMENT INFORMATION SYSTEMS (MIS)**. An MIS is tailored to an individual organization. It contains regular reports about productivity and costs. An MIS for a manufacturing plant will be markedly different than one for a stock

brokerage firm. But they both match information about productivity with information about costs. A budget is one part of an MIS. It takes savvy managers to keep accountants from turning budgets and MIS reports into accounting statements. The two should not be confused.

None of the above information is new. Government is usually slow to adopt progressive management practices. The state's budgeting system is 25 years out of date with modern management practices. It's time to improve and catch up.

**Recommendation: The Legislature shall devise a Task Based Budget format and require, by statute, that the governor's budget be submitted in that format.**

Respectfully submitted,

**HOUSE BILL NO.**

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

**TWENTY-FIRST LEGISLATURE - SECOND SESSION**

**BY REPRESENTATIVE COWDERY**

**Introduced:**

**Referred:**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to nongovernmental activities of state departments."**

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

3 **\* Section 1. AS 44 is amended by adding a new chapter to read:**

4 **Chapter 64. Inventory and Procurement of Nongovernmental Activities.**

5 **Sec. 44.64.010. Annual list required.** (a) Each state department shall submit  
6 to the office of management and budget each fiscal year a list of the activities  
7 performed by the department's employees that, in the judgment of the commissioner  
8 of the department, are not inherently governmental activities.

9 (b) The director of the office of management and budget shall consult with a  
10 department when the department is preparing the list under (a) of this section and shall  
11 review the list.

12 (c) In this section, "inherently governmental activity"

13 (1) means an activity that is so closely related to the public interest that  
14 it requires performance by state government employees; the term includes an activity  
15 that

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(A) requires either the exercise of discretion in applying state governmental authority or the making of value judgments, including judgments relating to monetary transactions and entitlements, and making decisions for the state government; or

(B) involves the interpretation or execution of the laws of the state

(i) to bind the state to take or not to take an action by contract, policy, regulation, authorization, order, or another method;

(ii) to determine, protect, or advance state economic, political, territorial, property, or other interests by military action, intergovernmental agreements, civil judicial proceedings, criminal judicial proceedings, contract management, or another method;

(iii) that will significantly affect the life, liberty, or property of private persons;

(iv) to commission, appoint, direct, or control officers or employees of the state; or

(v) and will exert ultimate control over the acquisition, use, or disposition of the real or personal property, whether tangible or intangible, of the state, including the collection, control, or disbursement of appropriated or other state money;

(2) does not include

(A) gathering information for or providing advice, opinions, recommendations, or ideas to state government employees; or

(B) an activity that is primarily ministerial and internal in nature, including building security, mail operations, facilities operations, facilities maintenance, warehouse operations, motor vehicle fleet management operations, routine electrical services, or routine mechanical services.

**Sec. 44.64.020. Description of listed activity.** The description of a listed activity must include

(1) the fiscal year when the activity first appeared on a list;

(2) the number of full-time employees that are needed to perform the