

ALASKA LEGISLATURE

2074

HOUSE and SENATE FINANCE COMMITTEE FILES, 1999 - 2000

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

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

5 (-) one member appointed by the Alaska Municipal League;

6 (5) one member of the local boundary commission appointed by the local
7 boundary commission;

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

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

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

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

13 * Sec. 5. COMPENSATION. (a) The public members of the Commission on Privatization
14 and Delivery of Government Services appointed under sec. 4 of this Act are not eligible for
15 compensation and only the public members appointed under sec. 4(a)(6) and (a)(7) are entitled
16 to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

17 (b) Members of the advisory council appointed under sec. 4(b) of this Act are not
18 eligible for compensation, per diem, or payment of travel or other expenses by the state.

19 * Sec. 6. MEETINGS. The Commission on Privatization and Delivery of Government
20 Services shall meet as frequently as the commission determines necessary to perform its work.
21 The commission may meet and vote by teleconference.

22 * Sec. 7. DUTIES. (a) The Commission on Privatization and Delivery of Government
23 Services shall

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

27 (2) review state contracting policy and procedures, including competitive
28 bidding procedures;

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

- 1 (A) transferring to the private sector or contracting out;
- 2 (B) transferring to local governments or regional service organizations;
- 3 (C) the federal government;
- 4 (D) consolidation or other efficiency changes; or
- 5 (E) a combination of the approaches under (A) - (D) of this paragraph;
- 6 (4) identify state government functions that should be eliminated;
- 7 (5) identify present state government services that are most effectively and
- 8 efficiently delivered by the state and that should remain a responsibility of the state;
- 9 (6) solicit public comment about the delivery of state government services.

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

- 14 ^{Funded} (1) state functions should be transferred to the private sector or contracted out;
- 15 (2) state functions should be transferred to local governments or regional
- 16 service organizations;
- 17 (3) state agencies or state functions should be consolidated or otherwise made
- 18 more efficient;
- 19 (4) state functions should be performed by the federal government;
- 20 (5) state functions should be eliminated as functions of state government.

adopted

21 * Sec. 8. Sections 1 and 4 - 7 of this Act are repealed on January 1, 2000.
 22 * Sec. 9. This Act takes effect immediately under AS 01.10.070(c).

Privatization:

Privatization is the plan to look for new ways to cut the cost of Government while continuing to deliver services.

With the fiscal problems of recent years privatization forces Government to examine avidly various types of potential cost-saving miracles.

Privatization is the fundamental political and economic rethinking that today is reassessing the role of government and the private sector in the modern state.

A general definition is that privatization is a variety of management techniques and activities to promote more involvement of the private sector in providing traditional government services.

EXAMPLES

The first is the sale of government's assets, publicly owned facilities and enterprises. The private buyer assumes the obligation of providing the service to the public, although the government may keep a minority interest or veto power over certain actions. Asset sales may include the sale of airports, and heavy industrial sales of garages for maintenance of government owned vehicles.

The second form of privatization is private development infrastructure, which includes roads, bridges, public transit, water, waste water treatment, solid waste management, and institutional buildings like prisons, schools, hospitals. Private business may provide a turn key service where they design and build the facility and then lease it to government for operation or they may also operate the facility, or they may operate it under a short or long term contract.

The third form of privatization is contracting out. It is believed that the private sector can provide services cheaper than the public sector because of the advantages of competition and the reduced costs of labor and regulations. This form of privatization is the most contentious because of the threat it poses to public employees.

In spite of the debate almost every type of public service can be contracted out.

TRENDS

Privatization is one way to help reshape government. While cost savings are the most important factor, other factors have to be considered such as providing a higher quality of service, for shorter implementation time for service provision, and the ability to provide additional services not available.

1. Contracting out at least some of the health and social services is being done by 90% of all states, as well as various community health and mental health services, child enforcement
2. Corrections. Prison support services and inmate work programs are being obtained by private firms.

The most likely candidates for privatization are those for which the services are readily available in the private market, such as towing, tree trimming, street repairs, data processing, etc. Also those that are the most likely to be contracted out are at the core of government mission police, fire, water, sewage treatment, . These are the areas that government resists the most, partly because they are core of basic services of government.

Four key areas that offer immediate opportunity for privatization are:

1. Highway infrastructure which consists of private construction and maintenance
2. Corrections facilities by awarding private operating contracts for existing prisons or by private construction of new prisons.
3. Fleet and highway maintenance are highly successful because there is history of contracting out for road and bridge maintenance
4. The fourth area is the idea that significant cost savings could be achieved if state legislation required local governments to open selected services to competitive bidding.

The state or federal government should not compete with the private sector in the provision of commercially available goods and services, and that contracting out through the competitive bidding process should be pushed more aggressively. Further, commercial activities should not be contracted out without appropriate in-house competition; and savings should be used as incentives to pursue further competition and contracting. With regard to employees ,

adequate safeguards against employee displacement and that all staff reductions should be through attrition

Government needs to become a "SMART BUYER" able to determine what it wants to buy, to know how to get it, and be able to recognize and judge what it has bought.

Keep in mind that private markets are efficient only when they are competitive. Efficiency is not government's only goal; it must balance off the pursuit of efficiency with effectiveness, the need to maintain capacity, responsiveness, and trust and confidence in government. People must keep in mind that contracts are the most common and lucrative source of corruption in government.

One of the first states to form a state commission on privatization was Virginia in 1984. Since that time 22 other states have created such bodies. Michigan issued a report that included all state agencies and all types of services. Of its 200 plus recommendations those departments housing the most interest were transportation, natural resources, and management and budget. Other recommendations were to contract out financial services, inspecting/testing, and data processing.

The State of Mississippi suggested privatization in the areas of transportation, mental health, economic/community development, facilities management, education/training, financial management services, and economic /business promotion.

The State of Illinois's report recommended that more than 60 government activities be studied for privatization. It also recommended a continual review of new and existing programs for likely candidates for privatization, continual performance monitoring, and development of employee relations strategies related to the process. The recommended areas occur in six functional areas: general government, economic development, environment, human services, public services, public safety, and regulatory.

The New Jersey report recommended eight agencies: agriculture, community affairs, environmental and energy, higher education, public advocate, state, transportation, and treasury. Inspecting and permitting processes were also high on the list to be considered under privatization as well as grants in some areas.

The New York report recommends requiring competitive bidding for a specific list of government functions and the use of vouchers, deregulation, and asset sales.. The report recommends that airports be sold as shareholder owned companies. For education decentralizing the school system and giving students their choice about which to attend are considerations recommended.

The Oregon report assesses successful privatization in the state are contracting out of janitorial services, building maintenance, training, data processing, and professional services.

The Massachusetts report differs from the rest as it is issued under the governor's name to support his activities in this area. Rather than a neutral document setting out the arguments, it points to the dollars saved by the process, the benefits received, and the rigorous procedures used in making such decisions. The results are in eight functional areas: prison health care, hospital consolidation, recreational facilities, highway maintenance, housing, child support enforcement, management of child welfare revenue, and housekeeping and revenue services.

Voters have expressed clear discontent with an oversized, bureaucratic government. Smaller, smarter government is the goal of the legislative body today. Our goal is to accelerate the elimination of unnecessary bureaucracy and red tape in government. We hope to shift the emphasis of every department and agency to customer service....And we will be bold in eliminating things that don't work, that have outlived their usefulness, that can be done better by the private sector and in the process we will save money.

We need to examine the basic mission of government, looking at every single government program and agency to find and eliminate things that don't need to be done by government.

As Governor George Pataki of New York said "Let there be no mistake: to preserve and protect personal freedom, to restore individual responsibility, to create a government which is smaller, more effective and more efficient is the challenge of the '90s."

In Massachusetts under Governor William Weld an anti-privatization law was passed by the legislator. This new law established burdensome paperwork requirements. For example, agencies must

certify to the State Auditor that none of the bidder's supervisory employees has ever violated the Federal Clean Water Act or any OSHA regulations. Before the anti-privatization law, state officials estimated that privatization under Weld had saved \$237 million. Services already privatized were not affected by the legislation.

In 1994 Maryland had privatized nearly 30 functions with the state estimating a savings of about \$21 million. One of the largest privatization's was the transfer of the University of Maryland-College Park graduate apartment to the private sector, which yielded savings of \$17 million and additional operating costs of \$600,000 annually. The privatization of inmate food services saved \$1 million.

New Jersey's Governor Christine Todd Whitman's FY 1996 budget contained a number of privatization initiatives: contracting out state day care facilities, adult activity centers, a veterans home, state property management, job placement for welfare recipients and the sale of their state health plan.

The Province of British Columbia offered an opportunity for their highway employees to bid against the private sector to keep government services with the government employees. The government employees were successful in keeping several areas of service, while private enterprise took over in other areas. Government employees were able to implement cuts in areas of duplication and nonessential costs through their operational experience.

Privatization, in some instances, will allow government dollars to better serve their constituency. During times of economic downturn, the savings of revenues could be the difference in the ability to offer critical services at an optimum level. Privatization will not work in every situation. However, the potential savings needs to be discussed.

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MEMORANDUM

March 3, 1999

SUBJECT: Legislative Task Forces and Commissions

TO: Senator Jerry Ward, Chair
State Affairs Committee
Attn: Mark Hodgins

FROM: Tamara Brandt Cook
Director

TBC

You have asked about the difference between a task force established in the legislative branch of government and a commission established in the legislative branch. There is no difference inherent in the name of the organization. It will be the enabling legislation that defines the makeup and duties of the organization.

The Uniform Rules address standing committees (Rule 20) and Special and Joint Committees (Rule 21). Note that standing committees are established under the Rule itself and special and joint committees may only be established by resolution. Furthermore, under Rule 21(d) no other committee may be established unless authorized by law or by the Uniform Rules. This rule has not in the past prevented the legislature from establishing task forces or commissions by resolution. The four existing permanent interim committees are established by statute. Note also that under the Uniform Rule 37 only standing, special, joint, and permanent interim committees may introduce legislation. These types of organizations (with the exception of the Select Committee on Legislative Ethics, which does not have the statutory right to introduce legislation) have members composed entirely of legislators.

The only reason that a statute is necessary to establish a committee, task force, or commission in the legislative branch is if something about the organization needs to have the force of law, since a resolution is not binding. If, for example, it is the desire of the legislature to have members appointed by someone outside the legislative branch, such as the governor, and there is a fear that the appointment may not be made, then it may be useful to use a bill for the creation of the organization.

Separation of powers applies in this state. (*Bradner v. Hammond*, 553 P.2d 1 (Alaska 1976)) The legislature may not constitutionally create in the legislative branch a committee, task force, or other organization that exercises executive branch powers, nor may legislators serve on such an organization. (See also Art. II, sec. 5, state constitution, prohibiting a legislator from holding any other office) However, an organization that is advisory to the legislator

Senator Jerry Ward

March 3, 1999

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is not exercising an executive branch function in that it is not involved in executing the laws, but, rather, is providing information. The legislature, of course, has the power to gather information that is relevant to the exercise of its legislative duties.

TBC:jdr

99-093.jdr



PRIVATIZATION WATCH

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THREE STATES LEADING THE WAY IN CHILD WELFARE PRIVATIZATION

That "America's child welfare system is cumbersome, inefficient, and costly" and that "paperwork and protocol often overshadow the best interests of children" are among the findings in "Blueprint for the Privatization of Child Welfare," a study recently released by the Reason Public Policy Institute.

Three states—Texas, Michigan, and Kansas—have taken the lead in remedying these and other problems through privatization. Although their programs differ, their goals are the same: to better serve the needs of the children and families in their care.

Texas

In Texas, the child welfare department was having problems with its outdated management information system (MIS). As the study points out, "a child in foster care whose file is misplaced, whose health records are kept in an office across the state from his foster family's home, whose court dates are repeatedly postponed because the state cannot adequately gather records pertinent to his case, is left adrift in a system. This is the human cost of a very limited MIS that can amount to months, even years, of a child's life."

Until as recently as 1989, the Texas child welfare department tracked nearly 8,000 children with a system of three-by-five cards and nine separate computer systems. It took nearly seven years for the department to upgrade its antiquated system with a centrally located and efficient information system. They accomplished this by employing a qualified private contractor to meet their four primary goals:

- Goal 1: Reduce the risk of harm to children and vulnerable adults and improve services by enhancing caseworker productivity and efficiency.
- Goal 2: Improve the quality, timeliness, and utilization of information for all levels of staff.
- Goal 3: Support management of resources to maximize client outcome.
- Goal 4: Provide electronic interface ability with agencies and service providers outside the Texas Department of Protective and Regulatory Services to facilitate data exchanges and verification.

The child welfare department not only met these goals but also realized substantial savings as well. They expect to cut costs over the first

PRIVATIZING MARINAS, PART 1: TRENDS AND METHODS

This is the first report in a two-part series on marina privatization. It is condensed with permission from a series of articles written by Neil Ross in the May 1998 issue of Boating Industry Magazine.

Public marinas in the United States are converting to private management at an increasing rate. According to boating-industry experts, most of the existing publicly operated marinas in the nation may be heading toward privatization over the next 10 to 15 years.

Why Privatize?

1. Taxpayers do not want to further subsidize "rich yachtsmen." The day of government money being available for boaters has largely disappeared. Public officials are looking for other ways to get better service at lower cost and even generate income.
2. Many publicly built facilities are getting old and more expensive to maintain. Most need major modernization because they were built for a type of boat that is very different from what most boaters have now.
3. Government agencies are notoriously weak on maintenance budgets. As a result, many public marinas are showing their age and are increasingly in disrepair. And the coastal and environmental restrictions on marinas have grown so much that governments increasingly

Check out the new privatization web site at www.privatization.org

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PUBLIC MARINAS FOR PRIVATE USE?

have trouble complying with—and paying for the studies required by—their own regulations and those of other levels of government.

4. Marinas are really a hospitality business that must cater to and serve customers. This is not a strong feature of government agencies or their employees. Government workers are paid the same whether the marina does well or not, and are not rewarded when they do a great job. Some public marinas even close their offices on major holidays such as Labor Day, when their facilities are most in demand.

For many local governments, privatization appears to be the best long-term solution. Unlike public bodies, profit-seeking business managers tend to make quick decisions to solve problems as they occur. They can easily spend cash to fix problems.

Under privatization, the government can sell the marina outright or remain in the loop by owning the land/water and overseeing contracts for operation. Taxpayers benefit from reduced cost and revenue from the marina, boaters get superior service and better facilities.

Trends

The National Marine Manufacturers Association estimates that there are more than 10,000 marinas across the United States; of these, about 70 percent are private and about 30 percent are public.

The four most active states in marina privatization are California, Illinois, Wisconsin, and Florida. Almost all the marinas currently (or soon to be) under private management are in the coastal areas, but the trend will likely move inland to lake and river facilities over the next decade.

"Most of all the big public marinas in California have been approached by private management corporations," says John Corrough, marina consultant and port master planner for the Corrough Consulting Group, in Newport Beach, California. "Many of the municipalities are considering private management and have studies ongoing. Eight to 12 major public marinas are actively planning to take this step."

Corrough says California's Proposition 20 absolutely restricted the flow of money for marina development and capital improvements and that the state and local governments just have no money available for marinas. He also notes that the U.S. Army Corps of Engineers has largely withdrawn from marina dredging and construction and that the big push of the '60s and '70s to build major harbors and public marina facilities is over.

Much of the bidding to lease and manage public marinas is being done by two national companies: Westrec Marinas (Encino, California) and newcomer Marina Management International, owned by dock manufacturer Bellingham Marine Industries (Bellingham, Washington). In regional markets, there is competition from several other management companies, including Almar (Palos Verdes, California); Hoty En-

terprises (Westlake, Ohio); and Skipper Marine Development (Winthrop Harbor, Illinois).

Types of Privatization

According to William Anderson, president of Westrec Marinas, the two main methods of marina privatization are:

Direct Management Contract. This is the preferred method when the government wants to retain ownership of the marina or when a charter or state law prevents a lease. The length of typical marina management contracts varies from 3 to 20 years, with 10 years common. Renewal is based on good revenues and performance. Generally, the government pays an annual management fee, which increases each year by a certain percentage, plus a percentage of revenues. However, if there is any nontaxable bond money involved in the marina, IRS regulations prohibit giving a percentage of its income to private corporations.

Long-Term Lease. This is the preferred method when a public marina needs major repair and the government doesn't have the money to pay for it. A long-term lease allows cost recovery plus profit for the private operator.

"Each conversion is different because of differing laws and regulations, and we need to customize our packages to meet the municipal needs," Anderson says. "I see this as a long-term trend for all levels of government—federal, state and local."

Examples

In Wisconsin, Sheboygan City Development Director Robert Peterson says: "We built and opened our public marina in 1994. Working with 28 business CEO advisors, the city decided it didn't

have the expertise or skills to run marinas and sent out a Request for Proposals (RFP) for management help during construction and operation."

The city received three bids and gave a 10-year renewable management contract to Skipper Marine Development to run the city's marina. Skipper put up \$320,000 of its own money and constructed a Harbor Clubhouse, a swimming pool, and other amenities.

According to Peterson, Skipper gets an annual management fee, which increases 3 percent per year, plus 13.5 percent of net operating profit. The marina has 255 slips now, and Skipper is adding 56 more this year.

"We expect to total 466 slips in a few more years," says Peterson. "The marina is exceeding our projections on slip occupancy, transient visitors, fuel sales and other services. Good security and cleanliness are the two most common compliments we get from boaters."

Cabrillo Marina in the Port of Los Angeles is a public marina in the process of converting to private management. It has 1,180 slips that were built when federal, state, and city money was available.

"This type of public/public/public (federal/state/city) partnership is out the window now," Corrough says. "The private contract will include payment of a flat rental fee plus a percent of various gross revenues to the port. Cabrillo has been widely known for its low rates—well below market—and this will change. In return, slip rates will change from \$8 per foot per month across the board to a graduated rate system of \$10 to \$15 per foot."

See next month's *Privatization Watch* for "Privatizing Marinas, Part II: Lessons Learned and Best Practices."

PRIVATIZING CHILD WELFARE IMPROVES SERVICES

10 years of the contract by more than half, from \$199 million to \$97 million—over \$100 million in tangible savings, along with increased quality and efficiency gains.

Michigan

The primary goal of child welfare officials in Michigan is to have children adopted as quickly and efficiently as possible, minimizing the amount of time in foster care. In 1987 they implemented a program that relies heavily on private agencies. They altered their child welfare policy to allow (1) imposing time limits on moving children out of foster care and into adoption, (2) a tighter definition of abandonment, thereby reducing the number of children entering the system unnecessarily, (3) economic incentives for quicker adoptions, and (4) making information on adoptable children more available. Since then, the rate of adoptions has steadily increased, with considerable growth in the adoption of "special needs," or "hard to place," children. The success of Michigan's adoption program is detailed in Table 1.

By offering financial incentives for placing children more quickly, Michigan has created a "culture of adoption," that rewards successful adoptions and penalizes warehousing.

Kansas

Kansas has engaged in the most-comprehensive child welfare privatization program to date. A variety of problems and legal pressures in the late 1980s and early 1990s led the state to consider privatization as a means of meeting its obligations and providing the best possible service. Although it was the legislature that recommended privatization, it was the agency itself that took up the cause and pushed reform forward.

Cost savings were not the primary focus. As Gov. Bill Graves put it, "This isn't about saving money. In fact, it may very well cost us more money, and that is OK in the long run if the results are more positive for the children of our state." Their goals were fourfold:

- Establish clearly defined program goals that must be met.

Under the old method, the state was not held accountable if a child lingered in foster care.

- Achieve quality and cost-effectiveness through competition. Under the old method, the state ran everything—for better and for worse.
- Ensure that children and families are assigned to a single case manager throughout the service-delivery process. Under the old method, a family could have several caseworkers from all the various parts of the system, sometimes working at cross-purposes.
- Make availability of services equal across the state. Under the old method, the type and quality of service a family received varied, depending on where they lived.

Similar to Michigan's system, Kansas officials evaluate the program with an outcome-based service-delivery system; they use pooled funding to ensure that de-

isions are based on clinical need rather than funding streams; and they set a dollar amount that is tied to achieving measurable outcomes and is to be paid per child/family. The results were even better than the state expected—the private contractors exceeded their target levels for several outcome measures, as shown in Table 2.

The secretary of the Kansas Department of Social and Rehabilitative Services summarized the change: "The old-world incentive was to keep the beds filled; now it is performance."

Although these three states engaged in privatization of differing types and to varying degrees, they all shared the same goals and expectations—to better care for children and families. All three achieved their goals and serve as models for the rest of the nation on the benefits of private-sector involvement in child welfare services.

—Wade Hudson
[whudson@reason.org]

Table 1: Michigan: Then and Now

Year	Black children adopted	Disabled children adopted	Children adopted (all)	Percentage of available children adopted	Children available for adoption
1991	439	708	1,320	1,976	66.8
1997	1,213	1,428	2,378	3,058	77.8

Source: Susan Orr, "Child Welfare Services," in Annual Privatization Report (Los Angeles: Reason Public Policy Institute, 1998), p. 27.

Table 2: Privatizing Foster Care in Kansas

Outcome measures	Target set by state	Target met by providers
■ Safety of the child	95%	99.9%
■ Minimal number of placements.	90%	99.5%
■ Maintenance of family and community ties	70%	87%
■ Placement with a brother or sister	65%	69.6%

Source: Susan Orr, "Child Welfare Services," in Annual Privatization Report (Los Angeles: Reason Public Policy Institute, 1998).

PRIVATIZATION BRIEFS

Military Payroll Competition

In January the U.S. Department of Defense will solicit proposals from the private sector to handle military pay processing operations now performed by 500 civilian employees at the Defense Finance and Accounting Service (DFAS) in Cleveland. The work involves processing monthly checks for about 1.9 million military retirees. The DFAS center will prepare a proposal that will compete with those submitted by the private-sector firms. Ken Redding, program manager for the DFAS, said that three previous competitions between the DFAS and private companies in other cities have not resulted in any outsourcing or privatization of Pentagon jobs. However, he also said that those competitions resulted in annual savings of \$2 million and the elimination of about 400 government jobs as officials restructured their operations to reduce costs. Business Executives for National Security, a group in Washington, D.C., that has been urging the Pentagon to get out of the payroll processing and accounting business, has cited studies showing that the Defense Department could save a minimum of \$350 million annually by outsourcing about half the DFAS functions. The proposals are scheduled to be completed next summer, and the winner could be selected by next October.

Los Angeles Considers Private Child-Support Collection

Los Angeles County Supervisor Mike Antonovich has proposed privatizing District Attorney Gil Garcetti's child-support agency. The *Los Angeles Times* has reported that Garcetti's office fails to collect the child support 9 times out of 10 and knowingly bills men who are not biological fathers of children they are ordered to support. Antonovich's plan calls for county staff to draft proposals for bids from private companies that would handle "the investigation and payments" of child support. It will be considered by the Los Angeles County Board of Supervisors. Garcetti will also present a plan for improving his child-support unit. State law vests sole authority for running child-support programs at the county level with the district attorney. A spokeswoman for Garcetti said that although the district attorney is supportive of using private companies to run his office, he would oppose attempts to privatize his unit "lock, stock and barrel."

University Bookstores Go Private

In June the University of Miami (UM), following a national trend, contracted with Follett Corporation, which runs 580 campus bookstores in North America, to run its bookstore. Follett bought UM's existing inventory for \$2.3 million, assumed all operating costs of the bookstore, and will provide \$800,000 for bookstore renovations. Follett will also pay UM a minimum of \$775,000 per year and up to 9.1 percent of gross revenues.

Students have also benefited from the arrangement. A UM spokesman, Alan Fish, reported that students have saved \$190,000 in the first semester alone because Follett brought in thousands of used textbooks from its main Chicago-area warehouse.

Barnes & Noble runs the bookstore at Florida International University (FIU). As part of a contract renewal, Barnes & Noble is negotiating to build a two-story superstore on the West Dade campus. Barnes & Noble would pay \$2.1 million of the construction costs, and FIU would pay \$1.5 million. The new bookstore would be called Florida International University Bookstore but would have the look and feel of a Barnes & Noble store—right down to the café. Cynthia Curry, FIU vice president for business and finance, said that FIU now gets 8.5 percent of the Barnes & Noble gross revenues—about \$1 million last year. A superstore would bring in far more for the university.

Although outside companies have been running college bookstores for years, a mass-merchandising transformation is occurring, similar to the appearance of food courts on college campuses in the early 1990s.

College officials say the biggest selling point to turning bookstores over to corporations like Follett and Barnes & Noble is that they have nationwide on-line operations. These companies allow students to reserve books on the Internet without making a trip to the college bookstore.

As UM's Alan Fish notes, "We couldn't match the technology, the expertise and the used books. The bottom line: the University doesn't have to worry about inventory or staff, yet still collects a share of the store's revenue."

—Lisa Snell [lsnell@reason.org]

Continued from Page 2

BLOCKING TOLL ROADS

14 percent said yes. Not asked, of course, was whether—in order to prevent their highways from deteriorating—Arkansas residents would rather have an increase in fuel taxes, which they would pay whenever they use any roads, or the addition of tolls to selected high-cost, high-traffic routes that need the largest amount of rebuilding work. Also ignored was today's electronic and video technology that permits tolling without any toll booths at all, as on Toronto's highly successful (and popular) Highway 407 Electronic Toll Road.

—Robert W. Poole, Jr.
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The Outsourcing World Summit, February 23-25, 1999, Desert Inn, Las Vegas. For more information call 914/463-1110.

RPPI Studies

How to "Build Our Way Out of Congestion": Innovative Approaches to Expanding Urban Highway Capacity, Peter Samuel, Policy Study No. 250, January 1999.

Improving Transportation in the San Fernando Valley, Peter Gordon, James E. Moore, II, Robert W. Poole, Jr, and Thomas A. Rubin, Policy Study No. 249, January 1999.

Blueprint for the Privatization of Child Welfare, Conna Craig, et al., Policy Study No. 248, December 1998.

A Baker's Dozen: 13 Questions Most Frequently Asked Questions, People Ask About the Science of Climate Change, Kenneth Green, D.Env., October 1998. by the Commonwealth Competition Council. Call 804/786-0240 or email competition@state.va.us.

Pennsylvania School Finance: Out of the Courts, Into the Legislature, Richard C. Seder, Policy Brief No. 10, October 1998.

Urban Transit Myths: Misperceptions About Transit and American Mobility, Randal O'Toole, Policy Study No. 245, September 1998.

Myths of Light Rail Transit, James V. DeLong, Policy Study No. 244, September 1998.

Publications

Privatization International Yearbook, 1998. Edited by Mark Bader. IFR Publishing, London. To order call +44/(0)171-369-7330 or email pipub@compuserve.com.

The Privatization/Competition Manual: Answers to Some of the

Privatization in Arizona's Largest Cities, by Robert Franciosi. Published by the Witzeman Center for Privatization at the Goldwater Institute. To order call 602/256-7018.

Privatization of Public Assembly Facility Management: A History and Analysis, by Don Jewell. Price, \$18.50. To order call 407/727-7270.

Globalization, Privatization, and the Free Market Economy, by C.P. Rao. Published by Quorum Books. See www.amazon.com/exec/obidos/ ISBN=1567200753/e.

Privatization and Capital-Market Development: Strategies to Promote Economic Growth, Dr. Michael McLindon. Available from the Institute for Public-Private Partnerships, 202/466-8930.

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Pamela LaBolle
Alaska State Chamber of Commerce
210 Second St., Suite 201
Juneau AK 99801

The Alaska Drilling Contractors
7620 Wildwood Circle
Anchorage, Alaska 99516

January 14, 1998

Senator Jerry Ward
Room 423
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Ward,

The drilling contractors of the State of Alaska, listed below, are very much in support of the formation of a privatization task force that you are proposing. The time to get government out of competition with private enterprise is long overdue. Our members are fully prepared to assist in your efforts in any way possible. Please keep us informed as to how we may be of help.

Sincerely,

Kyle Brown
Alaska Drilling Contractors

The Alaska Drilling Contractors are:

Tester Drilling Services - Mr. Pete Tester - (907) 349-7214
American Arctic Company - Mr. Rocky McDonald - (907) 451-4350
Aurora Drilling - Mr. Rocky McDonald - (907) 456-6712
Johnson Drilling - Mr. Steve Thomas - (907) 246-3304
Homestead Drilling - Mr. Gary Halmstead - (907) 479-8850
Hughes Drilling - Mr. John Hughes - (907) 262-6639
Discovery Drilling - Mr. Kyle Brown - (907) 344-6431
Denali Drilling - Mr. Hal Ingalls - (907) 562-2312
Oosik Drilling - Mr. John Lambe - (907) 262-5611
Fairbanks Drilling - Mr. Mike Lecorchick - (907) 479-0600
G.F. Back Drilling - Mr. Gerry Back - (907) 479-5554
Airborne Exploration - (907) 474-8121

ALASKA STATE

HOSPITAL & NURSING HOME

ASSOCIATION

January 16, 1998

Senator Jerry Ward
Alaska State Senate
State Capitol
Juneau, AK 99801-1182

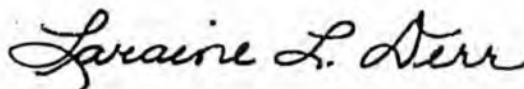
Re: Support, SB209, Task Force on
Privatization

Dear Senator Ward:

Members of the Alaska State Hospital & Nursing Home Association support SB 209, relating to the task force on privatization. We want to thank you for bringing this matter to the attention of the Legislature and Governor.

The challenge that the annual cost of state government is exceeding the annual revenue of the state is as true in the area of health care as in any other area. Because health care is such a big part of the state government cost's, the members of the Association would like to have one of their members sit on the Task Force. They are willing to spend the necessary time it will take to investigate the possibilities. We all need to work together in this time of declining resources.

Sincerely,



Laraine L. Derr
President/CEO

Looking Out For Business...

A Report from the Alaska State Chamber of Commerce - the Voice of Alaska Business

4/28/99 PM



About sixty members of the Alaska State Chamber of Commerce (ASCC) were in Juneau recently to meet with Governor Knowles and the Legislature on behalf of business, commerce, jobs, and economic development. The primary topic of discussion was the \$1.2 billion budget deficit and what to do about it.

The Governor received praise for his leadership in opening the debate by putting his budget plan on the table. And, although the Legislature had yet to put forth its version of a plan for discussion, it was obvious that a lot of work was going on behind the scenes - sorting ideas and developing options for a plan that a majority of them could commit themselves to. The position presented by the Chamber was that a plan is needed this year - a plan for state government that emphasizes efficiency, consolidation, streamlining, and privatization.

"Any ideas on how this should be done?" was a question asked by many Legislators. Well, maybe this is a good time to look back in Alaska's history and see how another governor and another set of Alaska business leaders tackled a similar task - an assignment to reduce state costs by streamlining various government operations.

Finding efficiencies was the goal when Gov. Jay Hammond asked the State Chamber to assemble a team to make an in-depth study of the way things were done in state government - and to come up with recommendations for how to do things better and at less cost.

At the time, Alaska's general fund expenditures were running about \$700 million a year, and total state spending - including federal dollars coming in to support various programs - was just a little more than \$1 billion. Now, more than \$6 billion is pumping through the state's cash drawers, including \$2.3 billion in general fund spending.

But the crisis was much the same back in November 1975, when Hammond asked for help in controlling spending. The Chamber's response was to make a major commitment to the job.

Two leading Anchorage businessmen, banker Jim Curley and restaurateur Bill Pargeter, signed on as chairman and vice-chairman, respectively. Three others volunteered to serve on the committee's executive committee, and businesses in Anchorage and elsewhere loaned 14 of their top executives to the task on a full-time basis. Twenty-eight others signed up as part-time team members, many of them serving as many as 12 weeks at a time on assignment in Juneau. Others were aboard for briefer periods - and in all, 55 individuals took part in the work.

That work took two full years. On Nov. 1, 1978, Hammond issued a report to the people of Alaska on the results of the "Governor's Management & Efficiency Review."

Implementation of the recommendations over the two-year period resulted in annual savings of more than \$44 million and one-time benefits of more than \$6 million. At the time of the report, 247 of the study's 362 recommendations had been implemented, and others were in the works.

Reading it today, we see that some recommendations never implemented are still applicable. This would be a good place for the Commission on Privatization and the Delivery of Government Services to begin its work. Senate Bill 33, now under consideration by the Legislature, would create such a commission, made up of business and government leaders, to review and evaluate state procedures and services and provide recommendations for consolidating, privatizing, and streamlining state government.

It has been 24 years since state government was looked at with an eye for its overall shape and performance. It has grown considerably since then. Every gardener knows that pruning is necessary to keep a rose bush healthy, growing strong, and producing at its best. It's time for another look at the shape of state government.

"The State Chamber is united in the position that we need to get the budget problem behind us now, so that we can concentrate all our energies on building Alaska for the future."

Pete Leathard, Chairman, ASCC

Advertisement

SB

33

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/1/99

FURTHER:

DATE TURNED
IN TO OFFICE: 4/01/99

Finance Committee considered SENATE BILL NO. 33

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

and recommends:

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

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

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

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

1-LS0317AS

Cook/

3/25/99

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

CS FOR SENATE BILL NO. 33(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): **SENATOR WARD**

A BILL

FOR AN ACT ENTITLED

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

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

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

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

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

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

13 (A) nongovernmental or private organizations;

14 (B) local government or regional service organizations;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 (C) the federal government;

19 (D) consolidation or other efficiency changes; or

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

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

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

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

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

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

31 (3) consolidated or otherwise made more efficient;

1
2
3

(4) performed by the federal government.

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

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

CS FOR SENATE BILL NO. 33(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATOR WARD

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

12 (c) The legislature intends to make the determination set out in (b) of this section in
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23 (7) two public members appointed by the speaker of the house;

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

29 * Sec. 7. MEETINGS. The Commission on Privatization and Delivery of Government
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1 * Sec. 8. DUTIES. (a) The Commission on Privatization and Delivery of Government
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13 (C) the federal government;

14 (D) consolidation; or

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

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CS FOR SENATE BILL NO. 33(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATOR WARD

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8 some functions for the federal government. The legislature also finds that it is in the best
9 interest of the state to determine which state government functions can be consolidated in
10 order to make state performance more efficient.

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

14 * **Sec. 2. COMMISSION ON DELIVERY OF GOVERNMENT SERVICES.** (a) There
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16 Government Services. The commission shall consist of ⁹~~11~~ members, as follows:

17 (1) two members appointed by the governor, one of whom shall be a
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27 (7) two public members appointed by the speaker of the house;

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29 * **Sec. 3. COMPENSATION OF PUBLIC MEMBERS.** The public members of the
30 Commission on Delivery of Government Services appointed under sec. 2(6) and (7) of this
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2 * **Sec. 4. MEETINGS.** The Commission on Delivery of Government Services shall meet
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26 (1) transferred to the private sector or contracted out;

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

28 (3) consolidated;

29 (4) performed by the federal government.

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

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

Amendment Number: 1

1-LS0317A.1 Some

Bill Number: SB 33

Cook

Sponsor: Adams Date: 3/8/99

3/5/99

Logged In By: Mindy

AMENDMENT

OFFERED IN THE SENATE

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

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

1(a) {

1 Page 2, line 16:

2 Delete "11"

3 Insert "8"

w/o obj. ADOPTED

4 Page 2, lines 17 - 18:

5 Delete all material.

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

6 Renumber the following paragraphs accordingly.

1(b) {

7 Page 2, lines 24 - 25:

8 Delete all material.

Sen. Wilken object
2y-4n FAILED

9 Renumber the following paragraphs accordingly.

1(c) {

10 Page 2, line 30:

11 Delete "sec. 2(6) and (7)"

12 Insert "secs. 2(4) and (5)"

w/o obj. ADOPTED

page 2 line 16

conceptual

membership of the commission would
be changed to "9"

SENATE FINANCE COMMITTEE
1999 COMMITTEE ACTION

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

SENATE FINANCE COMMITTEE
1999 COMMITTEE ACTION

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

SENATE FINANCE COMMITTEE
1999 COMMITTEE ACTION

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

SENATE FINANCE
COMMITTEE

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

1-LS0317A.1

Cook
3/5/99

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR ADAMS

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

- 1 Page 2, line 16:
- 2 Delete "11"
- 3 Insert "8"

- 4 Page 2, lines 17 - 18:
- 5 Delete all material.

- 6 Renumber the following paragraphs accordingly.

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

- 9 Renumber the following paragraphs accordingly.

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

SENATE FINANCE
COMMITTEE

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

1-LS03171.2
Cook
3/5/99

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR ADAMS

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

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

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

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

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

SENATE FINANCE COMMITTEE
1999 COMMITTEE ACTION

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

STATE FINANCE
COMMITTEE

Amendment Number: 3
Bill Number: CS SB 33 (FIN)
Sponsor: Leman Date: 3/9/99
Logged In By: Mindy

Failed

1-LS0317A.3

Cook ✓
3/8/99

A M E N D M E N T

OFFERED IN THE SENATE

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

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

- 1 Page 2, line 2, following "consolidated" :
- 2 Insert "or otherwise performed more efficiently"

- 3 Page 2, lines 9 - 10:
- 4 Delete "in order to make state performance"
- 5 Insert "or otherwise made"

- 6 Page 2, line 29:
- 7 Delete "OF PUBLIC MEMBERS."
- 8 Insert ". (a)"

- 9 Page 3, following line 1:
- 10 Insert a new subsection to read:
- 11 "(b) Members of the advisory council appointed under sec. 5(a)(6) of this Act are not
- 12 eligible for compensation, per diem, or payment of travel or other expenses by the state."

- 13 Page 3, line 17, following "consolidation":
- 14 Insert "or other efficiency changes"

- 15 Page 3, line 21, following "services":
- 16 Insert ";
- 17 (6) appoint an advisory council composed of ~~representatives from the private~~ *delete / Leman*
- 18 ~~sector of the state economy~~ to assist it in carrying out its duties" *moved Leman w/o objection, ADOPTED*

- 19 Page 3, line 28, following "consolidated":

1

Insert "or otherwise made more efficient"

SENATE FINANCE COMMITTEE
1999 COMMITTEE ACTION

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

SENATE FINANCE
COMMITTEE

-frcbpt

1-LS0317N.1

Amendment Number: 4

Cook/

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

Sponsor: Leman Date: 3/22/99

Logged In By: Mindy

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR LEMAN

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

- 1 Page 2, line 3, following "consolidated":
- 2 Insert "or otherwise performed more efficiently"

- 3 Page 2, lines 10 - 11:
- 4 Delete "in order to make state performance"
- 5 Insert "or otherwise made"

- 6 Page 4, line 14, following "consolidation":
- 7 Insert "or other efficiency changes"

- 8 Page 4, line 26, following "consolidated":
- 9 Insert "or otherwise made more efficient"

SENATE FINANCE COMMITTEE
1999 COMMITTEE ACTION

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

SENATE FINANCE
COMMITTEE

Adopt

1-LS0317AN.2'

Amendment Number: 5

Cook

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

Sponsor: Leman Date: 3/22/99

Logged in By: Mindy

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR LEMAN

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

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

2 Insert "(a)"

3 Page 3, following line 24:

4 Insert a new subsection to read:

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

7 Page 3, line 25:

8 Delete "OF PUBLIC MEMBERS."

9 Insert ". (a)"

10 Page 3, lines 26 and 27:

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

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

13 Page 3, following line 28:

14 Insert a new subsection to read:

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

SENATE FINANCE COMMITTEE
1999 COMMITTEE ACTION

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



Alaska State Legislature

Senate

JERRY WARD

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Sponsor Statement

Senate Bill 33

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

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

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

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

Revenue Collection

BACKGROUND

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

CURRENT SITUATION

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

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

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

CONCLUSIONS AND RECOMMENDATIONS

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

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

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

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

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

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

TIMELINE FOR IMPLEMENTATION

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

ESTIMATED SAVINGS

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

State-Owned Wastewater Treatment Facilities

BACKGROUND

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

DEPARTMENT OF CORRECTIONS

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

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

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

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

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

DEPARTMENT OF HUMAN SERVICES

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

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

CONCLUSIONS AND RECOMMENDATIONS

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

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

TIMELINE FOR IMPLEMENTATION

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

ESTIMATED SAVINGS

Approximately \$1 million per year.

Public/Private Partnerships in Capital Transportation Projects

BACKGROUND

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

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

CURRENT SITUATION

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

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

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

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

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

CONCLUSIONS AND RECOMMENDATIONS

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

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

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

TIMELINE FOR IMPLEMENTATION

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

ESTIMATED SAVINGS

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

Veterans Memorial Home at Paramus

BACKGROUND

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

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

CURRENT SITUATION

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

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

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

CONCLUSIONS AND RECOMMENDATIONS

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

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

**Alaska Support Industry
ALLIANCE**

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GENERAL MANAGER

Karen Cowart



THE ALLIANCE

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

March 18, 1999

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

RE: Senate Bill 33, Task Force on Privatization

Dear Senator Ward:

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

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

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

Sincerely,

Karen Cowart
General Manager

1-LS0317I
Cook
2/24/99

Submitted by
Sen. Ward

CS FOR SENATE BILL NO. 33(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATOR WARD

A BILL

**FOR AN ACT ENTITLED
PRIVATIZATION**

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

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

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

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

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

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

12 (A) nongovernmental or private organizations;

13 (B) local government or regional service organizations;

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

1 perform, but should leave to the federal government;

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

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

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

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

PRIVATIZATION

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

PRIVATIZATION

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

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

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

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

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

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

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

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

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

PRIVATIZATION

1 authorized for boards and commissions under AS 39.20.180.

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

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

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

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

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

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

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

16 (C) the federal government;

17 (D) consolidation; or

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

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

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

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

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

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

28 (3) consolidated;

29 (4) performed by the federal government.

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

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

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

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

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

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

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

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

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

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

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

ALASKA STATE CHAMBER OF COMMERCE

Priority 99-4

Privatization

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

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

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

ADOPTED

December 4, 1998

BY

Pamela La Bolle

Pamela La Bolle
President

BY

Peter Leathard

Peter Leathard
Chairman

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

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

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

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

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

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

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

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

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

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

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

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

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

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

03/04/99
08:30:27

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

LTN1150
BY:JNU
FOR:ALL

LOCATION: ANCHORAGE

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

LOCATION: FAIRBANKS

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

LOCATION: ~~TONEAU~~ KETCHIKAN

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

LOCATION: KENAI LIO

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

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

LOCATION: YAKUTAT

SB 7		✓ TOM	ARMOUR		TESTIFY
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SENATE FINANCE COMMITTEE

SIGN-IN

SB 33-TASK FORCE ON PRIVATIZATION

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

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

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

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

SENATE FINANCE COMMITTEE

SIGN-IN

SB 33-TASK FORCE ON PRIVATIZATION

NAME: De Valesko Subject/Bill No: SB 33

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

Address: 2510 Arctic Blvd Anch AK Zip: 99503

Do you wish to testify? Yes No Respond To Questions

NAME: Juanita Hensley Subject/Bill No: SB 33

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

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: Pam LaBolle Subject/Bill No: SB 33

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

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

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

SB

34

HFIN

FILE

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: April 14, 2000

FURTHER REFERRALS:

Date of Committee Action: 4/18/00

The FINANCE Committee considered:

CSSB 34(FIN)

CS FOR SENATE BILL NO. 34(FIN)

BD OF BARBERS ETC/TATOOS; BODY PIERCING

"An Act relating to tattooing, body piercing, and ear piercing; relating to other occupations regulated by the Board of Barbers and Hairdressers; relating to fees charged by the Board of Barbers and Hairdressers; and providing for an effective date."

recommends it be replaced with the following committee substitute

HCS CS SB 34 (FIN)

the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

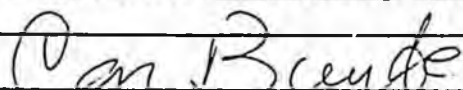
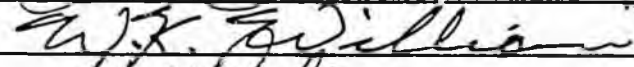
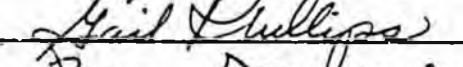




fiscal note(s) _____

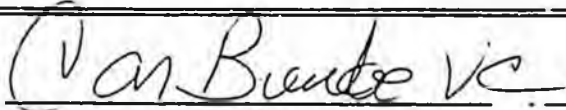
fiscal note(s) DEC 4/14/00

DCED 4/14/00

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
	Bunde	<input checked="" type="checkbox"/>			
	Williams			<input checked="" type="checkbox"/>	
	Phillips	<input checked="" type="checkbox"/>			
	Grussendorf	<input checked="" type="checkbox"/>			
	Anshuman			<input checked="" type="checkbox"/>	
	Foster	<input checked="" type="checkbox"/>			
	G. DAVIS	<input checked="" type="checkbox"/>			

CHAIR'S SIGNATURE 
Bunde

FISCAL NOTE

Bill Version: HCS CSSB 34 (L&S)

(H) Publish Date: 4/14/00

STATE OF ALASKA 2000 LEGISLATIVE SESSION

Revision Date/Time (Note if correction) _____ Dept. Affected Environmental Conservation
 Title Relating to tattooing and body piercing BRU Environmental Health
 Component Food Safety and Sanitation
 Sponsor Sen. Ellis
 Requester House Labor and Commerce Committee Component No. 2343

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	2.6	2.6	2.6	2.6	2.6	2.6
Travel						
Contractual	3.1					
Supplies	0.2					
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	5.9	2.6	2.6	2.6	2.6	2.6

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	5.9	2.6	2.6	2.6	2.6	2.6
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	2.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)	3.9	2.6	2.6	2.6	2.6	2.6
TOTAL	5.9	2.6	2.6	2.6	2.6	2.6

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This bill would require a modification to our current tattooing regulations to include permanent cosmetic coloring, body and ear piercing as well as requiring annual inspections of tattooing, body piercing and permanent cosmetic tattooing facilities under AS 08.13.210 (b). Funds for body piercing and tattooing would come as interagency receipts from the Department of Commerce and Economic Development, Division of Occupational Licensing through the licensing fee. General funds will be required for the development of ear piercing regulations.

Prepared by: Janice Adair, Director Phone 269-7644
 Division Environmental Health Date/Time 4/13/00 1:36 PM
 Approved by Commissioner _____ Date _____
 Agency Department of Environmental Conservation

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FISCAL NOTE

Bill Version: HCS CSSB 34 (L&C)
 (H) Publish Date: 4/14/00

**STATE OF ALASKA
 2000 LEGISLATIVE SESSION**

Revision Date/4/13/2000 correction Dept. Affected Community & Econ. Dev.
 Title An Act relating to tattooing and body piercing... BRU Occupational Licensing
 Component Occupational Licensing
 Sponsor Senator Ellis
 Requester House Labor and Commerce Component Serial No. 2360

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	7.7	7.7	7.7	7.7	7.7	7.7
Travel	1.0	1.0	1.0	1.0	1.0	1.0
Contractual	7.1	4.1	4.1	4.1	4.1	4.1
Supplies	1.2	1.2	1.2	1.2	1.2	1.2
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	17.0	14.0	14.0	14.0	14.0	14.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	31.0	0.0	28.0	0.0	28.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	17.0	14.0	14.0	14.0	14.0	14.0
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	17.0	14.0	14.0	14.0	14.0	14.0

Estimate of any current year (FY00) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*
 HCS CSSB 34 (L&C) establishes licensing of individuals who practice tattooing or body piercing to be regulated by the Board of Barbers and Hairdressers. Like all licensing programs, time spent on licensing the practice of tattooing or body piercing will be based on positive timekeeping. The personal services costs reflected in this fiscal note are estimates of time that will be required to implement licensing of these new categories. All costs will be covered by licensing fees. The estimated costs are explained on the attached page.

Prepared by Jennifer Strickler, Administrative Manager Phone 465-2144
 Division Occupational Licensing Date/Time 4/13/2000 2:38 PM
 Approved by Commissioner Deborah B. Sedwick Date 4/13/00
 Agency Community & Economic Development

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FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HCS CSSB 34 (L&C)

ANALYSIS: (Continued)

DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT FISCAL NOTE CALCULATIONS FOR HCS CSSB 34 (L&C)

PERSONAL SERVICES

\$7.7

Provides 1.5 months of an Occupational Licensing Examiner I position, Range 12, \$5.1. Funds totaling \$2.6 would be given to the Department of Environmental Conversation.

TRAVEL

\$1.0

Funds travel and per diem costs for the new board member to attend at least two board meetings each year assuming meetings are held in Anchorage and Juneau; and to administer examinations.

CONTRACTUAL SERVICES

\$7.1

Funding provides for printing, postage, communications, and advertising costs, \$3.0; and development of a written exam, \$3.0. Funds totaling \$1.1 would be given to the Department of Environmental Conversation for revisions to their current tattooing regulations. Examination development costs of \$3.0 are eliminated after the first year.

SUPPLIES

\$1.2

To fund daily operating supplies of the program. A total of \$0.2 would be given to the Department of Environmental Conservation for expenses related to revising the current tattooing regulations.

TOTAL:

\$17.0

REVENUE & FUND SOURCE: Revenue will be generated by licensing fees sufficient to cover program costs. Approximately 25 tattooing and body piercing practitioners are expected to seek licensure and renew licenses biennially. Sections 1 and 2 of the bill require the department to charge the same fee to practitioners licensed by the board (barbers, hairdressers, cosmetologists, tattooists, and body piercers). There are approximately 3,800 licensees under the board. The costs of administering the new law will be shared equally by them.

FISCAL NOTE

Bill Version: HCS CSSB 34 (L&C)

(H) Publish Date: 4/14/00

**STATE OF ALASKA
2000 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) _____ Dept. Affected Environmental Conservation
 Title Relating to tattooing and body piercing BRU Environmental Health
 Component Food Safety and Sanitation
 Sponsor Sen. Ellis
 Requester House Labor and Commerce Committee Component No. 2343

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	2.6	2.6	2.6	2.6	2.6	2.6
Travel						
Contractual	3.1					
Supplies	0.2					
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	5.9	2.6	2.6	2.6	2.6	2.6

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	5.9	2.6	2.6	2.6	2.6	2.6
-------------------------------	------------	------------	------------	------------	------------	------------

FUND SOURCE (Thousands of Dollars)

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1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)	3.9	2.6	2.6	2.6	2.6	2.6
TOTAL	5.9	2.6	2.6	2.6	2.6	2.6

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)
 This bill would require a modification to our current tattooing regulations to include permanent cosmetic coloring, body and ear piercing as well as requiring annual inspections of tattooing, body piercing and permanent cosmetic tattooing facilities under AS 08.13.210 (b). Funds for body piercing and tattooing would come as interagency receipts from the Department of Commerce and Economic Development, Division of Occupational Licensing through the licensing fee. General funds will be required for the development of ear piercing regulations.

Prepared by: Janice Adair, Director Phone 269-7644
 Division Environmental Health Date/Time 4/13/00 1:36 PM
 Approved by Commissioner _____ Date _____
 Agency Department of Environmental Conservation

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FISCAL NOTE

Bill Version: HCS CSSB 34 (L&C)
 (H) Publish Date: 4/14/00

**STATE OF ALASKA
 2000 LEGISLATIVE SESSION**

Revision Date/4/13/2000 correction Dept. Affected Community & Econ. Dev.
 Title An Act relating to tattooing and body piercing... BRU Occupational Licensing
 Component Occupational Licensing
 Sponsor Senator Ellis
 Requester House Labor and Commerce Component Serial No. 2360

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	7.7	7.7	7.7	7.7	7.7	7.7
Travel	1.0	1.0	1.0	1.0	1.0	1.0
Contractual	7.1	4.1	4.1	4.1	4.1	4.1
Supplies	1.2	1.2	1.2	1.2	1.2	1.2
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	17.0	14.0	14.0	14.0	14.0	14.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	31.0	0.0	28.0	0.0	28.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	17.0	14.0	14.0	14.0	14.0	14.0
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	17.0	14.0	14.0	14.0	14.0	14.0

Estimate of any current year (FY00) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HCS CSSB 34 (L&C) establishes licensing of individuals who practice tattooing or body piercing to be regulated by the Board of Barbers and Hairdressers. Like all licensing programs, time spent on licensing the practice of tattooing or body piercing will be based on positive timekeeping. The personal services costs reflected in this fiscal note are estimates of time that will be required to implement licensing of these new categories. All costs will be covered by licensing fees. The estimated costs are explained on the attached page.

Prepared by Jennifer Strickler, Administrative Manager Phone 465-2144
 Division Occupational Licensing Date/Time 4/13/2000 2:38 PM
 Approved by Commissioner Deborah B. Sedwick Date 4/13/00
 Agency Community & Economic Development

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FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HCS CSSB 34 (L&C)

ANALYSIS: (Continued)

DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT FISCAL NOTE CALCULATIONS FOR HCS CSSB 34 (L&C)

PERSONAL SERVICES \$7.7

Provides 1.5 months of an Occupational Licensing Examiner I position, Range 12, \$5.1. Funds totaling \$2.6 would be given to the Department of Environmental Conversation.

TRAVEL \$1.0

Funds travel and per diem costs for the new board member to attend at least two board meetings each year assuming meetings are held in Anchorage and Juneau; and to administer examinations.

CONTRACTUAL SERVICES \$7.1

Funding provides for printing, postage, communications, and advertising costs, \$3.0; and development of a written exam, \$3.0. Funds totaling \$1.1 would be given to the Department of Environmental Conversation for revisions to their current tattooing regulations. Examination development costs of \$3.0 are eliminated after the first year.

SUPPLIES \$1.2

To fund daily operating supplies of the program. A total of \$0.2 would be given to the Department of Environmental Conservation for expenses related to revising the current tattooing regulations.

TOTAL: \$17.0

REVENUE & FUND SOURCE: Revenue will be generated by licensing fees sufficient to cover program costs. Approximately 25 tattooing and body piercing practitioners are expected to seek licensure and renew licenses biennially. Sections 1 and 2 of the bill require the department to charge the same fee to practitioners licensed by the board (barbers, hairdressers, cosmetologists, tattooists, and body piercers). There are approximately 3,800 licensees under the board. The costs of administering the new law will be shared equally by them.

HOUSE CS FOR CS FOR SENATE BILL NO. 34(L&C)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered: 4/14/00

Referred: Finance

Sponsor(s): SENATOR ELLIS

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to tattooing, body piercing, and ear piercing; relating to other
2 occupations regulated by the Board of Barbers and Hairdressers; relating to fees
3 charged by the Board of Barbers and Hairdressers; and providing for an effective
4 date."

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

6 * Section 1. AS 08.01.065(c) is amended to read:

7 (c) Except as provided in (f) and (g) of this section, the department shall
8 establish fee levels under (a) of this section so that the total amount of fees collected
9 for an occupation approximately equals the actual regulatory costs for the occupation.
10 The department shall annually review each fee level to determine whether the
11 regulatory costs of each occupation are approximately equal to fee collections related
12 to that occupation. If the review indicates that an occupation's fee collections and
13 regulatory costs are not approximately equal, the department shall calculate fee
14 adjustments and adopt regulations under (a) of this section to implement the

1 adjustments. In January of each year, the department shall report on all fee levels and
 2 revisions for the previous year under this subsection to the office of management and
 3 budget. If a board regulates an occupation covered by this chapter, the department
 4 shall consider the board's recommendations concerning the occupation's fee levels and
 5 regulatory costs before revising fee schedules to comply with this subsection. In this
 6 subsection, "regulatory costs" means costs of the department that are attributable to
 7 regulation of an occupation plus

8 (1) all expenses of the board that regulates the occupation if the board
 9 regulates only one occupation;

10 (2) the expenses of a board that are attributable to the occupation if the
 11 board regulates more than one occupation.

12 * **Sec. 2.** AS 08.01.065 is amended by adding a new subsection to read:

13 (g) Notwithstanding (c) of this section, the department shall establish fee levels
 14 under (a) of this section so that the total amount of fees collected by the Board of
 15 Barbers and Hairdressers approximately equals the total regulatory costs of the
 16 department, the board, and the Department of Environmental Conservation for all
 17 occupations regulated by the board. For purposes of this subsection, the regulatory
 18 costs of the Department of Environmental Conservation for the occupations regulated
 19 by the board include the cost of inspections under AS 08.13.210(b), the cost of
 20 developing and adopting regulations under AS 44.46.020 for barbershop, hairdressing,
 21 manicuring, esthetics, body piercing, ear piercing, and tattooing and permanent
 22 cosmetic coloring establishments, and the cost to the Department of Environmental
 23 Conservation of enforcing those regulations except for the enforcement costs relating
 24 to ear piercing establishments. The department shall set the fee levels for the issuance
 25 and renewal of a practitioner's license issued under AS 08.13.100 so that the license
 26 and license renewal fees are the same for all occupations regulated by the Board of
 27 Barbers and Hairdressers.

28 * **Sec. 3.** AS 08.13.010 is amended to read:

29 **Sec. 08.13.010. Creation and membership of board.** (a) There is created
 30 the Board of Barbers and Hairdressers consisting of six [FIVE] members appointed by
 31 the governor.

- 1 (b) The board consists of
- 2 (1) two persons licensed as barbers under this chapter;
- 3 (2) one person licensed to practice body piercing or licensed to
- 4 practice tattooing and permanent cosmetic coloring under this chapter;
- 5 (3) two persons licensed as hairdressers under this chapter, one of
- 6 whom is also licensed as an esthetician under this chapter; and
- 7 (4) [(3)] one public member.

8 * Sec. 4. AS 08.13.030 is amended to read:

9 Sec. 08.13.030. Powers and duties of the board. (a) The board shall

10 exercise general control over the vocations of barbering, hairdressing, manicuring,

11 [AND] esthetics, and body piercing and the vocation of tattooing and permanent

12 cosmetic coloring.

13 (b) The board shall

- 14 (1) examine applicants and approve the issuance of licenses and permits
- 15 to practice;
- 16 (2) authorize the issuance of licenses for schools of barbering,
- 17 hairdressing, manicuring, and esthetics;
- 18 (3) develop written instructions and notices that tattooing and
- 19 permanent cosmetic coloring shop owners and practitioners and body piercing
- 20 shop owners and practitioners are required to give or display under AS 08.13.215.

21 (c) The board may

- 22 (1) suspend or revoke a license or permit;
- 23 (2) on its own motion or upon receipt of a written complaint, conduct
- 24 hearings and request the Department of Community and Economic Development or
- 25 the Department of Environmental Conservation to investigate the practices of a
- 26 person, shop, or school involved in the practice or teaching of barbering, hairdressing,
- 27 manicuring, [OR] esthetics, body piercing, or tattooing and permanent cosmetic
- 28 coloring;
- 29 (3) adopt regulations or do any act necessary to carry out the provisions
- 30 of this chapter.

31 * Sec. 5. AS 08.13.070 is amended to read:

1 **Sec. 08.13.070. License required.** A person may not

2 (1) practice barbering, hairdressing, [OR] esthetics, body piercing, or
3 tattooing and permanent cosmetic coloring without a license, temporary permit,
4 temporary license, or student permit unless exempted under AS 08.13.160(d);

5 (2) practice barbering, hairdressing, [OR] esthetics, body piercing, or
6 tattooing and permanent cosmetic coloring except in a shop or school licensed under
7 this chapter unless exempted under AS 08.13.160(d) or permitted under
8 AS 08.13.160(e);

9 (3) open or conduct a school of barbering, hairdressing, or esthetics
10 without a license;

11 (4) teach in a school of barbering, hairdressing, or esthetics, or
12 supervise an apprentice in barbering, hairdressing, or esthetics without an
13 instructor's license;

14 (5) operate a shop in violation of AS 08.13.120;

15 (6) permit an employee or other person being supervised who is not
16 exempted under AS 08.13.160(d) to practice barbering, hairdressing, [OR] esthetics,
17 body piercing, or tattooing and permanent cosmetic coloring without a license,
18 temporary permit, temporary license, or student permit;

19 (7) permit the use of the person's license, temporary permit, temporary
20 license, or student permit by another person;

21 (8) obtain or attempt to obtain a license, temporary permit, temporary
22 license, or student permit by fraudulent means.

23 * **Sec. 6.** AS 08.13.080 is amended by adding a new subsection to read:

24 (d) An applicant for a license to practice body piercing or a license to practice
25 tattooing and permanent cosmetic coloring shall

26 (1) satisfy the training requirement of AS 08.13.082(d);

27 (2) demonstrate to the board or the board's designee safety, sanitation,
28 sterilization, and aseptic techniques that indicate that the applicant has adequate
29 knowledge of infection control practices and requirements relating either to tattooing
30 and permanent cosmetic coloring or to body piercing, as applicable; this demonstration
31 may, at the option of the board, be through a written examination, a practical

1 examination, or both; and

2 (3) pay the appropriate fee.

3 * Sec. 7. AS 08.13.082 is amended by adding a new subsection to read:

4 (d) The number of hours of training required to qualify an applicant for a
5 license to practice either tattooing and permanent cosmetic coloring or body piercing
6 shall be set by the board in regulations. The trainee must be at least 18 years of age
7 when the training commences. The training required under this subsection

8 (1) may only be received

9 (A) in a licensed shop in this state under a person who has a
10 practitioner's license under this chapter in the field in which the trainee seeks
11 training; or

12 (B) outside the state from a person approved by the board at a
13 site approved by the board;

14 (2) must include at least 12 hours of training in safety, sanitation,
15 sterilization, aseptic, and other practices necessary to prevent transmission of diseases
16 and infection;

17 (3) shall be completed in not more than 12 months from the date of its
18 commencement; and

19 (4) shall be documented by certification from the trainer that the
20 training was successfully completed by the trainee.

21 * Sec. 8. AS 08.13.100(a) is amended to read:

22 (a) The board shall authorize the issuance of a license for the practice of
23 barbering, hairdressing, or esthetics to each qualified applicant who has passed an
24 examination under AS 08.13.090. The board shall authorize the issuance of a
25 license for the practice of tattooing and permanent cosmetic coloring or for body
26 piercing to each applicant who has satisfied the requirements of AS 08.13.080(d).

27 * Sec. 9. AS 08.13.100(a) is amended to read:

28 (b) A practitioner license must state the areas of practice (barbering,
29 hairdressing, manicuring, esthetics, tattooing and permanent cosmetic coloring, or
30 body piercing [OR ANY COMBINATION]) that the practitioner is qualified to
31 perform.

1 * Sec. 10. AS 08.13.100(d) is amended to read:

2 (d) A person who holds [HOLDING] a current valid license from a board of
3 barbering, hairdressing, manicuring, or esthetics in another state or who is licensed by
4 another state to practice tattooing and permanent cosmetic coloring or to practice
5 body piercing is entitled to a license or endorsement under this chapter without
6 examination or a new period of training in this state. An application must include

7 (1) proof of a valid license issued by another licensing jurisdiction; and

8 (2) proof of completed training, testing, and working experience that
9 the board finds to meet the minimum requirements of this [THE] state.

10 * Sec. 11. AS 08.13.100(e) is amended to read:

11 (e) A person licensed as an instructor is considered to be licensed as a
12 practitioner and is subject to the same requirements that a practitioner is subject to, in
13 the same area for which the person is licensed as an instructor, except that, for
14 purposes of setting fees under AS 08.01.065, the department shall consider instructors
15 to be an occupation separate from practitioners. An instructor license shall state the
16 areas of practice (barbering, hairdressing, manicuring, or esthetics [, OR ANY
17 COMBINATION]) in which the licensee is qualified to instruct and practice.

18 * Sec. 12. AS 08.13.120 is amended to read:

19 **Sec. 08.13.120. Shop license.** (a) The board shall adopt regulations for the
20 licensing of shops. The regulations must require that a shop for tattooing and
21 permanent cosmetic coloring or for body piercing be inspected and certified by
22 the Department of Environmental Conservation as being in compliance with the
23 regulations adopted under AS 44.46.020 before a shop license may be issued under
24 this subsection. A shop owner shall be licensed to operate a shop without
25 examination, but, unless the shop owner is a practitioner, the shop owner may not
26 conduct business without employing a manager who is a practitioner. This subsection
27 [SECTION] does not apply to a shop for the practice of barbering, hairdressing, or
28 esthetics located in a community having a population of less than 1,000 people that
29 is not within 25 miles of a community of more than 1,000 people.

30 * Sec. 13. AS 08.13.120 is amended by adding a new subsection to read:

31 (b) The regulations adopted under (a) of this section must include provisions

1 under which the board may issue a temporary shop license to a person who has a
 2 license or temporary permit under this chapter to practice tattooing and permanent
 3 cosmetic coloring or to practice body piercing. The temporary shop license authorized
 4 under this subsection may only be issued to cover a site where the practitioner intends
 5 to hold a workshop or to demonstrate techniques as part of a convention or other
 6 special event, as defined by the board, that includes other practitioners of tattooing and
 7 permanent cosmetic coloring or body piercing. Each practitioner of tattooing and
 8 permanent cosmetic coloring or body piercing who holds a workshop or demonstrates
 9 techniques at a convention or special event shall have a separate temporary shop
 10 license and a license or temporary permit under this chapter to practice tattooing and
 11 permanent cosmetic coloring or body piercing. The board shall issue a temporary shop
 12 license upon receipt of an application from a practitioner demonstrating compliance
 13 with the regulations adopted under this section and payment of the appropriate fee;
 14 however, the temporary shop license may be summarily revoked, without refunding of
 15 the fee, if the Department of Environmental Conservation determines after an
 16 inspection that the cleanliness or sanitation conditions at the site covered by the
 17 temporary license pose a clear and immediate danger to the public health or safety.
 18 A licensee may appeal a summary revocation under this subsection to the superior
 19 court.

20 * Sec. 14. AS 08.13.150 is amended to read:

21 **Sec. 08.13.150. Disciplinary sanctions and grounds [GROUNDS] for refusal**
 22 **[, SUSPENSION, OR REVOCATION] of a license or permit. The board may, in**
 23 **addition to the actions authorized under AS 08.01.075, refuse, suspend, or revoke**
 24 **a license, student permit, temporary license, or temporary permit for failure to comply**
 25 **with this chapter, with a regulation adopted under this chapter, with a regulation**
 26 **adopted by the Department of Environmental Conservation under AS 44.46.020,**
 27 **or with an order of the board.**

28 * Sec. 15. AS 08.13.160(d) is amended to read:

29 (d) The licensing and permit provisions of this chapter do not apply to
 30 (1) a person practicing barbering, hairdressing, manicuring, or esthetics
 31 in a community having a population of less than 1,000 people that is not within 25

1 miles of a community of more than 1,000 people and who uses only chemicals
2 available to the general public;

3 (2) the practice of manicuring by a student as part of instruction in a
4 12-hour course approved under AS 08.13.110(b);

5 (3) a shampoo person;

6 (4) a licensed health care professional;

7 (5) a person licensed by another licensing jurisdiction in a field of
8 practice licensed by this chapter while demonstrating techniques or products to persons
9 holding licenses or permits under this chapter;

10 **(6) a person practicing tattooing and permanent cosmetic coloring**
11 **or body piercing solely on the person's own body.**

12 * Sec. 16. AS 08.13.160(e) is amended to read:

13 (e) The board shall adopt regulations to permit a person licensed under this
14 chapter to practice **barbering, hairdressing, or esthetics** outside a licensed shop or
15 school for limited purposes including

16 (1) care of clients confined to an institution or health care facility;

17 (2) care of clients with limited mobility;

18 (3) participation in charitable events; and

19 (4) participation in workshops or demonstrations of techniques or
20 products.

21 * Sec. 17. AS 08.13.170 is amended to read:

22 **Sec. 08.13.170. Temporary permits.** The department shall issue a temporary
23 permit to an applicant for licensing who holds a license to practice **barbering,**
24 **hairdressing, manicuring, esthetics, tattooing and permanent cosmetic coloring,**
25 **or body piercing** [AS A BARBER, HAIRDRESSER, MANICURIST, OR
26 ESTHETICIAN] in another state. The permit is valid until the board either issues a
27 permanent license or rejects the application. The board shall act on an application
28 within six months.

29 * Sec. 18. AS 08.13.180 is amended to read:

30 **Sec. 08.13.180. Student permits.** A person attending a licensed school of
31 barbering, hairdressing, or esthetics and a person apprenticed to a licensed instructor