

**ALASKA LEGISLATURE**

**2478**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004**

## GARY WILKEN

SENATOR  
Fairbanks

Interim:  
1851 Fox Ave.  
Fairbanks, Alaska 99701  
Tel: 451-5501 (from Fbks)  
Tel: (907) 465-3709 (outside Fbks)  
Fax: (907) 465-4714



During Session:  
State Capitol Building  
Juneau, Alaska 99801-1182  
Tel: 451-5501 (from Fbks)  
Tel: (907) 465-3709 (outside Fbks)  
Fax: (907) 465-4714  
Website: [www.garywilken.com](http://www.garywilken.com)  
E-Mail: [Senator.Gary.Wilken@legis.state.ak.us](mailto:Senator.Gary.Wilken@legis.state.ak.us)

December 4, 2003

Mr. Mike Miller, Commissioner  
Department of Administration  
P.O. Box 110200  
Juneau, AK 99811-0200

Dear Commissioner Miller,

Thank you for your willingness to attend the Senate Finance Committee hearing scheduled for December 9, 2003 at the Anchorage Legislative Information Office from 9:00 am to 11:00 am. As you know, the purpose of this hearing is to discuss the State of Alaska's new microcomputer procurement method. In an effort to ensure an open and candid discussion on this issue, I have prepared a list of questions for your consideration. If time allows, please respond in writing prior to the start of the meeting.

- Question #1: a) Can a state agency buy a computer from Dell under the Western States Contracting Alliance (WSCA) without obtaining any other bids or quotes and without contacting the Alaska vendor of Dell products?
- b) If yes, can a state agency do so without applying the 5% Alaska Bidder Preference?
- c) AS 36.30.700 authorizes use of cooperative purchase agreements, but where does it exempt purchases under these agreements from the rest of the procurement statutes? What specific statute do you rely on to make the determination that the usual competitive bid (AS 36.30.170) or small procurement (AS 36.30.320) statutes do not apply?

Question #2: What opportunity will Alaska computer vendors have to compete for State microcomputer business in the future?

Question #3: Since WSCA price lists are controlled by the manufacturer, how can Alaska's procurement officers be sure they are receiving the contracted discounts from retail that they are supposed to get?

Proudly Representing the Golden Heart of Alaska

Question #4: Previously, Senators Wilken and Therriault asked that you require Dell to provide periodic reports of purchase activity through WSCA. Why do reports for the past year show only summaries and not detailed information to verify purchases by State agencies?

Question #5: Senators Wilken and Therriault asked that you require State agencies to capture real-time pricing data and feed this into a database so the Legislature can develop a perspective on the actual price difference between the Alaska Microcomputer Contract, WSCA, and retail. What obstacles have prevented this from being done?

If you need clarification on any of the above questions, please don't hesitate to contact myself or my staff at your convenience. Thank you for your attention to this matter. I look forward to receiving your response.

Sincerely,

*Gary Wilken*  
DP

Gary Wilken  
State Senator - Fairbanks

2003 OCT 30 PM 1 18  
DIVISION OF GENERAL  
SERVICES & SUPPLY

October 30, 2003

Mr. Veri Jones  
Chief Procurement Officer  
Dept of Administration  
State of Alaska  
Division of General Services  
PO Box 110210  
Juneau, AK 99811-0210

Dear Mr. Jones:

Dell appreciates the opportunity to establish a direct relationship with the State of Alaska's Executive Branch and provides you with the following offer regarding Dell Marketing L.P.'s ("Dell") discounted pricing for the State of Alaska's Executive Branch and related agencies.

**Price Discounts:** The State of Alaska's Executive Branch may purchase mutually agreed upon Category A Standard Configuration System Products from Dell in the United States at the following discounts from Dell's published list price ("Price Discounts").

OptiPlex Desktops	19%
Latitude Notebooks	12%
PowerEdge Servers	19%

**Commitment:** Dell's pricing above is contingent on the State of Alaska Executive Branch's commitment to purchase all of their desktop, laptop, and server needs for the term of the contract on a sole source basis from Dell (estimated to be at least fifteen million (\$15M) dollars worth of products per year). The discounts set forth above are subject to change (i) in the event of structural or significant changes in the way Dell develops its list pricing; (ii) in the event that key vendors to Dell, significantly change their pricing structure to Dell; or (iii) if State of Alaska's Executive Branch does not meet its obligations under the Agreement.

**Quarterly Reviews:** Once the State of Alaska's Executive Branch decides to enter into a direct relationship with Dell, we will endeavor to provide you with not just aggressive pricing discounts, but also great products and a great customer experience. In order to achieve this goal, Dell will review the prices for these systems each quarter to ensure that State of Alaska's Executive Branch is receiving at least this discount level. In the event

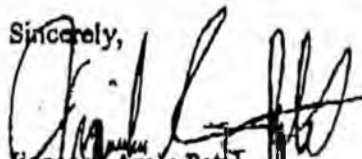
that a standard configuration price is found to be above the appropriate discount amount during the review, Dell will revise the price for subsequent orders. Any changes in the price of standard configuration will only apply to orders received after the effective date of the price change. This pricing commitment is effective for the term of the contract is confidential to Dell and the State of Alaska's Executive Branch.

**Product Transition:** Additionally, Dell will work with you to ensure a lower total cost of technology ownership. If a mutually agreed upon Standard Configuration System has reached the end of its life cycle, Dell will work with the State of Alaska's Executive Branch to develop a plan for a smooth transition to a new configuration. As part of this plan, Dell will make a good faith effort to help the State of Alaska's Executive Branch transition to a new Standard Configuration at a point in the product life cycle where the price of the new system is comparable to the price of the prior system.

**Resellers:** Dell agrees that the pricing to the State of Alaska's Executive Branch will be better than pricing that Dell provides to any reseller related to the same opportunity that the reseller may be bidding on in the State of Alaska. This statement applies only to the State and Local Government space.

This letter, and all sales and purchases by and between Dell and the State of Alaska's Executive Branch will be governed by the WSCA terms and conditions as currently agreed upon by both parties. The State of Alaska's Executive Branch further agrees and acknowledges that all product purchases made outside of the mutually agreed upon standard configurations will be priced according to the WSCA category discounts as agreed upon by Dell and the State of Alaska.

Sincerely,



Ajay Patel  
Contract Manager  
Dell Marketing, L.P.

# ROBERT L. CARRIER

## SUMMARY

A professional procurement administrator and manager experienced in purchasing and contracting of human services; supplies, services and equipment for construction, heavy equipment, and automotive industries; and warehousing and inventory control. Worked in both private and public sectors. Able to lead and direct employees to achieve organizational goals and highest levels of customer satisfaction. Extensive experience analyzing, developing and implementing purchasing methods and procedures, and utilizing purchasing and inventory software. Excellent negotiator and communicator.

## WORK EXPERIENCE

State of Arizona, Dept. of Economic Security (DES), Phoenix, AZ 2002-Present  
Contracts Management Specialist III

- Reduced the cost of mandated legal notices for solicitations by developing a new format;
- Serves as liaison to assigned administrations within DES;
- Provides technical assistance and training to Department personnel in contract management policies, development of scopes of work, special terms and conditions, operating procedures, and standards;
- Reviews Requests for Proposals, Intergovernmental Agreements, and Contracts for accuracy, clarity, and conformance to State Procurement Code.

State of Alaska, Dept. of Transportation (DOT) Juneau, AK 1990-2002  
Southeast Region Chief Procurement Officer (1998-2002)

- Administered the DOT Southeast Region Procurement Department. Led, trained, evaluated, coached, and counseled all employees to achieve superior customer satisfaction;
- Evaluated, developed the specifications, purchased and implemented on a statewide basis, centralized procurement software. Increased overall efficiency and reduced procurement cost by eliminating duplication;
- Directed the Southeast Region DOT and the Alaska Marine Highway System (AMHS) Procurement section. Had unlimited purchasing authority, for negotiating and establishing contractual commitments for technology purchases, construction supplies and services, and vessel construction, repairs, and maintenance;
- Developed complex scopes of work for supplies, equipment and services;
- Reviewed, negotiated, approved various competitive solicitations to obtain best price, quality, and delivery to meet or exceed customer expectations, while adhering to the Procurement Code;
- Reviewed and approved various competitive solicitations in order to obtain the best price, quality and delivery;
- Managed the Southeast Region maintenance and construction supply purchases, and warehouse inventory. Established and maintained vendor relations in order to achieve prompt and reliable delivery at a competitive price;
- Administered the AMHS procurement program. Provided oversight of AMHS vessel procurements, shore-side facility procurement, contract initiation, management and monitoring for compliance, warehousing supplies and equipment in two warehouses;
- Reviewed methods of procurement, assigned priorities and deadlines, provided oversight of all phases of contracting and purchasing to ensure accuracy and statutory compliance.

3143 NORTH 155<sup>TH</sup> LANE, GOODYEAR, AZ 85338  
PHONE: 623-536-1847 FAX: 623-536-2606 EMAIL: BOBANDHOLLY@COX.NET

**Robert L. Carrier**

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**Procurement Specialist III (1995-1998)**

- Led, trained, evaluated, coached, and counseled employees to achieve objectives of Section;
- Improved end-user relations by implementing regular on-site problem solving sessions;
- Supervised and developed the preparation of specifications and solicitations of informal bids; awarded bids for purchasing and leasing of supplies, repair parts, equipment, and materials; preparation of Purchase Orders;
- Established and maintained vendor relations to assure uninterrupted operation of the AMHS Southeast and Southwest vessels and shore-side operations.

**Procurement Specialist I (1992-1995)**

- Prepared specifications and solicitations of informal bids, awarded bids for purchasing and leasing supplies, repair parts, equipment, and materials; prepared Purchase Orders;
- Expedited delivery to assure uninterrupted operation of the AMHS Southeast and Southwest vessels and shore-side operations.

**Supply Technician I (1990-1992)**

- Prepared specifications and solicitation of informal bids, awarded for purchasing and leasing of supplies, repair parts, equipment, and materials; prepared Delivery Orders;
- Developed and implemented requisition and purchase order tracking system to assure follow-up and prompt delivery.

**OTHER EXPERIENCE:**

Held a variety of management and supervisory positions in the automotive, construction, and heavy equipment industries.

**EDUCATION:**

University of Alaska/Southeast, Juneau, Alaska

Bachelor of Business Administration - Management Degree

Associate of Arts Degree

Hinds Junior College, Raymond, Mississippi

General Education

**CERTIFICATION:**

State of Alaska Level III Certification

NIGP Certification anticipated January 2004

**OUTSIDE AFFILIATIONS:**

- Served on Board of Directors for Juneau (Alaska) Receiving Home, a juvenile placement facility.
- Served as Treasurer and Board Member for Juneau, Alaska homeless shelter (The Glory Hole).

3143 NORTH 155<sup>TH</sup> LANE, GOODYEAR, AZ 85338

PHONE: 623-536-1847 FAX: 623-536-2606 EMAIL: BOBANDHOLLY@COX.NET

# Western States Contracting Alliance

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## WELCOME

The Western States Contracting Alliance (WSCA) was formed in October 1993 by the state purchasing directors from fifteen western states. The primary purpose of WSCA is to establish the means by which participating states may join together in cooperative multi-State contracting in order to achieve cost-effective and efficient acquisition of quality products and services.

Membership consists of the principal procurement official that heads the state central procurement organization, or designee for that state, from the states of Alaska, Arizona, California, Colorado, Hawaii, Idaho, Minnesota, Montana, Nevada, New Mexico, Oregon, South Dakota, Utah, Washington and Wyoming.

All governmental entities within WSCA states are welcome to use the approved agreements as well as authorized governmental entities in non-WSCA states. Everyone benefits from cumulative volume discounts.

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Official Business

# Alaska State Senate

## Senate Finance Committee

Mall Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### FACSIMILE

To: *Mindy + Robin*  
Fax #: *465-2187*  
From: *Darwin*  
Date: *12-8-03*  
Pages (including cover): *2*  
Regarding: *List of Attendees*

*Ladies,*

*Here's a list of attendees. Committee members present will be Wilken, Green, B. Stevens, Dyson and Hoffman.*

*I sent an extra packet to you and I'll send the tapes down after the meeting.*

*Thanks -*

*Darwin*



# Alaska State Senate

## Senate Finance Committee

Official Business

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### LIST OF ATTENDEES

Senate Finance Committee Hearing  
December 9, 2003

#### Office of the Governor

Mr. Dennis DeWitt, Special Staff Assistant

#### Department of Administration

Mr. Mike Miller, Commissioner

Mr. Ray Matiashowski, Deputy Commissioner

Mr. Vern Jones, Chief Procurement Officer

#### Government Computer Sales

Mr. Bruce Jamieson, CEO

Mr. John Powers, President

#### Dell

Ms. Mary Verdurmen, Dell Account Manager for Alaska

#### Invited Guests

Mr. Robert Carrier, Contracts Management Specialist, State of Arizona

Mr. Bart Mauldin, Chief Procurement Officer, Municipality of Anchorage



# Alaska State Senate

## Senate Finance Committee

Official Business

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### FACSIMILE

To: *Robin*  
Fax #: *465-2187*  
From: *Darwin*  
Date: *12-9-03*  
Pages (including cover): *5*  
Regarding: *John Powers testimony*

**HONORABLE MEMBERS OF THE SENATE FINANCE COMMITTEE:**

My name is John Powers and I am the President of Government Computer Sales, Inc., a Fairbanks and Anchorage based computer technology supplier. We have been serving the technology needs of state and local governments and educational institutions since 1989. We currently hold the State Micro Computer Contract. We are the largest supplier of technology to the state of Alaska, and we provide, directly and indirectly, many well-paying Alaska jobs.

Senator Wilken asked the question, what's the cost of doing business locally? The flip side of that question is, what's the cost of NOT doing business locally? This second question is very real to us because we are in danger of being forced out of business by the Division of General Services (DGS). DGS wants to terminate our competitively bid contract in favor of a contract direct with our vendors, through the Western States Contracting Alliance (WSCA). WSCA provides no Alaska jobs.

DGS claims our termination will result in lower prices to the State, but DGS has repeatedly failed to show any concrete evidence that WSCA's prices are lower than ours. As Senator Wilken stated, DGS's cost/benefit analysis is "flawed." The cost/benefit analysis is flawed for two main reasons. Second, it fails to show a real benefit. First, it fails to show the real costs. Some of the costs to Alaska include the termination of our business and all of our direct jobs. Added to all of our lost jobs are the economic multiplier effect on the economy and other lost jobs.

A more technical question for this hearing is whether the Legislature will allow DGS to avoid both Alaska competition and the Alaska preference law for the computer contract. DGS wants to purchase computers solely under the contract through WSCA with no Alaska competitive bid and no Alaska preference. When the Dell and Gateway computer contracts were competitively bid out subject to local preference, we won and WSCA lost.

We understand that the State's Chief Procurement Officer is currently negotiating with Dell directly without competition and without any notice to Alaska bidders. Why would the Chief PO want to avoid competition? Why would he want to take away local jobs and to favor a WSCA bidder. Could the fact that he is the national Chairman of WSCA be a reason? It seems unfair to us that the Chairman of WSCA terminates our State contract and then commits the State to a WSCA contract with no competition or notice to Alaska bidders.

In November 2000, we were awarded the contract for Dell and Gateway products in a competitive bid against other resellers and WSCA. Our contract was for one year, with three additional one-year options. The State extended the contract for the first year of the option period. Then, in November 2002, DGS notified us of termination. At that time DGS apparently interpreted AS 36.30.700 to allow it to contract directly with our vendors through WSCA. This reading of Section 700 allows DGS to bypass both Alaska competition and the Alaska bidders preference. DGS's new reading is wrong because Section 700, unlike 710, does not exempt cooperative purchasing from the Code's competitive requirements set out in AS 36.30.100--260. Similarly, unlike Section 710, Section 700 does not exempt cooperative purchases from the local bidders preference in 36.30.170.

To the manufacturers, DGS's new reading means that the State of Alaska wants to bypass local business and wants to deal direct with outsiders. This interfered with our 12-year reseller relationships with Dell and Gateway. We protested DGS's termination. DGS eventually agreed to extend our contract, but only on the condition that it could add the Dell and Gateway contracts through WSCA to the State Contract with equal standing to us. We capitulated and agreed. While DGS's actions have hurt us, we have continued to provide most of the computers to the State.

During this last year, agencies were not required to contact us or to document any purported savings that DGS claims by purchasing through WSCA instead of us. DGS has refused to provide any meaningful analysis of purchases during the period when we and WSCA both supplied Dell and Gateway products, even though repeatedly asked to do so by Senators Wilken and Therriault. We request that our contract be extended and an actual price comparison be mandated.

The damage to our relationship with our manufacturers can be reversed only by a strong response from the Legislature. We request that agencies be required to contact the Alaska vendor where one exists, and apply the Alaska bidder preference in determining the best price.

#### **WHAT BROUGHT US HERE TODAY:**

During the mid-1980's governments and educators across Alaska started to realize the benefits that PCs could provide, but the normal bid process was too cumbersome for the rapidly changing computer industry. Computer specifications were often obsolete by the time the procurement was completed. Also, many of the machines the State bought in this manner met all the specifications, but were not equivalent to the leading brands in quality or compatibility. Realizing that it was not getting what it wanted through a standard competitive process, the State of Alaska decided to hold a competitive bid process among suppliers of a few brands of computers that had demonstrated long term total value.

In the early 1990's the State introduced a contracting process which allowed resellers and manufacturers to competitively bid for the right to supply a specific brand PC product line to the State for a given period of time. The contract would tie the provider to a published price list (e.g., manufacturer's retail) so that when products or prices changed, the contract holder would pass the benefit to the State. These contracts were typically for a year or two at a time with optional renewals at the State's discretion. They were re-bid periodically, again providing all certified resellers and manufacturers an opportunity to bid for the right to supply the brand specified on the contract. We have held successive versions of this form of State contract for over ten years.

The last time the State re-bid the micro computer contracts in the summer of 2000, GCS won the right to hold the contracts for both Dell and Gateway products. The contract allowed only one provider per manufacturer. The contracts were for one year with three additional one-year options. The competitive bid process in 2000 contained a caveat that if no bidder could offer a price better than that offered through WSCA for a brand, that the State reserved the right to make no award and to sign on to the contract through WSCA for those brands. Our prices were lower than WSCA after applying the Alaska bidder preference and we got the contract for Dell and Gateway.

As noted earlier, on November 15<sup>th</sup> 2002, DGS notified us that it was terminating our contract. We expected DGS would then re-bid the contracts, allowing Alaskan technology providers like us an opportunity to compete for the State's PC business. We were informed that there was no intention to re-bid the contract. Instead, DGS decided to use cooperative agreements, thereby trying to evade both competitive bidding and local bidder's preference as set out in AS 36.30.100-.260.

As justification, DGS claimed Alaskan providers offered little or no value to the public sector, and argued that our prices were much higher than WSCA offered for the same products. However, as Senator Wilken stated, and I quote, DGS's "analysis was flawed," "the savings could not be substantiated," and "DGS has not been able to provide a detailed analysis of the savings of WSCA."

In November 2002, DGS extended our contract for one more year under significant pressure from many of our public sector customers around the State. Most of them spelled out the value that we provided in the form of competitive prices, great service and overall value. However, in its extension notice, DGS required us to accept without protest the State's simultaneous use of the WSCA agreements.

DGS has taken the position that a cooperative purchasing agreement is exempt from procurement procedures, and can be used, essentially, as a sole source provider. We requested that DGS provide instructions to users of the WSCA agreements that would require agencies to contact the Alaska vendor for comparative pricing, and apply the 5% Alaska bidder preference. DGS refused, thereby effectively annulling the statutory preference that the Legislature has required for Alaska bidders and Alaska jobs under AS 36.30.170(b). As further evidence of DGS's anti-Alaska bias, the DGS procurement manual (AAM 81.060) states "Cooperative Purchasing Agreements: Competitive quotes, bids or proposals are not required for goods or services under AS 36.30.700-730." While the procurement manual may show DGS's interpretation of the statutes and may be correct for Section 710, it is wrong for Section 700 and WSCA. Further DGS's manual does not carry the weight of law because AS 36.30.870 requires that real regulations "shall be adopted in accordance with" the Administrative Procedure Act, which the manual was not.

In November 2003, DGS again notified us that it would terminate our contract. Once again it was not going to re-bid, and it intended to use the contracts through WSCA. Avoiding a re-bid of our contract, of course, evades Alaska competition and the Alaska bidder preference.

Apparently, DGS simply assumes that because WSCA negotiates with the manufacturers on behalf of several states, its prices must be the lowest available. We have asked DGS to have procurement officers document the prices they are quoted through WSCA, as well as our prices offered and the comparative retail list price at the time of purchase. We believe DGS has refused to do this because it would provide hard evidence that in-state providers like us are in fact competitive within the statutory 5% preference. Real-time documentation is the only way for the State to know for sure what type of discounts it is actually receiving on purchases.

I am almost finished, but I have one more point before my short conclusion. The State's Chief Procurement Officer/WSCA Chairman is negotiating on behalf of the State with Dell. It is our understanding that the negotiations require the State have a sole source deal with Dell. By contract then, the State would eliminate us. This means that the State will have even less ability to tell what pricing it is receiving. Further, the agreement would require Dell to give us worse pricing than it gives the State. We do not understand why anyone would want that provision. In addition, we understand that the State must keep all pricing information confidential. This requirement is far removed from fair and open competition, and may violate public disclosure laws. It seems unlikely to us that this secret-pricing term is in any real WSCA contract because if it were, no other state would know the price terms of the cooperative agreement. In short, this new secret deal with Dell would not be a cooperative purchasing agreement. Thus, even if the State could buy computers through cooperative purchasing, the State could not buy them under this agreement.

The question again is, why would the State's Chief Procurement Officer get this type of deal for the State. We can understand why the Chairman of WSCA may like this secret deal, but we do not understand why the State's Chief Procurement Officer would make a deal like this.

#### CONCLUSION:

We support the State's desire to find budget savings by providing the most effective procurement methods. However we believe that DGS must follow existing laws, which support Alaska bidders and Alaska jobs. Our reseller agreements with manufacturers are based on the expectation that we will effectively market their products in Alaska. By its recent actions, DGS appears to be telling Dell and Gateway that Alaska vendors are no longer preferred. Logically, manufacturers have a vested interest in minimizing their costs and they may decide to cut us out of the distribution chain. The end result will be secret contracts, the loss of local support services, and the loss of Alaska jobs.

To make it redundantly clear to DGS, we ask the legislature to amend AS 36.30.700 of the Procurement Code to expressly require contact with Alaskan businesses that offer the same products, and application of the Alaska bidder preference in determining the best price.

We also ask the State to exercise the third extension option of our Micro Computer Contract for Dell and Gateway products through November 15, 2004. The extension will allow DGS time to do a real comparison of actual prices on actual purchases. On the other hand, if DGS terminates our contract, then we will all lose the Number One priority set out in the Christmas Speech by Governor Murkowski, ALASKA JOBS.

Thank you. Do you have any questions?

**Subject: Re: today's SFC meeting**

**Date:** Tue, 09 Dec 2003 11:30:10 -0900

**From:** Darwin Peterson <Darwin\_Peterson@Legis.state.ak.us>

**Organization:** Alaska State Legislature

**To:** Robin Paul <Robin\_Paul@Legis.state.ak.us>

Robin,

Thanks. The attorney from Dell's name is John Lavorato. I was able to put the tapes in the pouch before it went out today, so you should be receiving that tomorrow. There were teleconference difficulties during the meeting, so we don't know if the tapes recorded the testimony. I didn't want to listen to the tapes because if the testimony wasn't recorded, I don't want to know about it. :) Barbara, here at the LIO, said the testimony should be available on the internet??? I will fax you a copy of John Powers' speech now.

Darwin

Robin Paul wrote:

- > Hey Darwin!
- > Good Job!
- > Thanks for the fax....the only person I couldn't really id was the
- > gentleman from Dell, but I bet you have his name etc.
- > Did you wear your cape?
- > Robin
- >
- > Can't wait to get the packet. I bet it has the whole speech that Mr.
- > Powers gave, right?

**UNIVERSITY  
OF ALASKA  
PRESENT.,**

**3/10/04**

**SFIN**

**FILE**

# Economic Development and Wealth Generation

Role of the University of Alaska

Presented to Senate Finance Committee

March 10, 2004

Thomas R. Case, Dean  
College of Business and Public Policy

# Economic Development and Wealth Generation

Role of the University of Alaska

Presented to Senate Finance Committee

March 10, 2004

Thomas R. Case, Dean  
College of Business and Public Policy

## Economic Development and Wealth Generation

- Our Strategy:
- **Growing business opportunities for Alaska through excellence in business education.**

## Strategies for Wealth Generation

*Making Alaska attractive for investment*

1. Increase productivity
2. Add value through technology applications
3. Build international connections
4. Expand local business capability

## Wealth Generation

### 1. Increase Productivity

- Example: Supply chain research for productivity improvements in Alaska business environment
- 10 -15% improvement in productivity can result from supply chain management optimization
- Current collaborators Mat Maid, Horizon and TOTTE
- 10% improvement in material movement within Alaska would be significant for the economy

## Wealth Generation

### 2. Add value through technology applications

Data security and information management requirements since 9-11 increased cost of business by billions nationwide.

Business privacy and data security concerns from Sarbanes-Oxley Act and National Security Administration cost \$ billions

What we teach can save money in Alaska

## Wealth Generation

### 2. Add value through technology applications

- Master of Computer and Information Security- proposed for Spring 2005- one of first in the US to address this issue for Information Security Professional training

- Results directly from CIS Department research \$1,692,650 on cyber-terrorism, internet data security systems, and wireless security

Example:

Chenega/UAA "DoD Data Management Enterprise Systems" Project

## Wealth Generation

### 3. Build international connections

- Value of Alaska exports (2001): \$2.45B
- Chief trading partners: Japan, Korea, Canada, Germany, China, Mexico, Belgium, Russia
- International trade 10% of Alaska's GSP(2001)
- International R&D investment in UAA:
  - \$17M Federal (American Russian Center)
  - 49,000 SME owners & business leaders trained
  - 160 trained in oil/gas project/logistics

## Wealth Generation

### 4. Build Local Business Capability

- SBI&C helped 10,500 clients statewide in 2003
- Generated Small Business Innovative Research awards valued at \$ 768,465 in 2003, and
- a total of \$4,265,734 in federal research and development funds to Alaska businesses
- Average 12 interns in businesses per semester

## Strategies for Economic Development

1. Build Alaska's skilled labor pool
2. Meet business and community needs
3. Business applications of research
4. Create Alaska's economic opportunities

## Economic Development

1. Build Alaska's skilled labor pool
  - 60% of CBPP graduates are employed in Alaska, 75% remain in Alaska
  - 71.5% of CBPP alumni are residents of Alaska
  - CBPP graduates earned a total of \$42.0 million in 2002

## **Economic Development**

### **2. Meet Business and Community Needs**

- Accounting research on IRS tax violation problems in rural Alaska led to Volunteer Tax and Loan Program-
- Garnered \$2,838,318 in refunds for 5,574 people in villages throughout Alaska

## **Economic Development**

### **2. Meet Business and Community Needs**

- RFID Tag applications for Alaska business to tap into a rapidly growing \$ billion industry
- Marketing research regarding e-commerce, customer satisfaction and internet marketing

## Economic Development

### 3. Business applications of research

- Experimental Economics Laboratory through Rasmuson Foundation and corporate support for empirical economic research
- Nobel laureate Vernon L. Smith working with faculty and industry to address problems of interest in resource management and property valuation

## Economic Development

### 3. Business applications of research

- Business Enterprise Institute partners with businesses to commercialize technology and meet business training and research needs.
- Provided opportunities for student research and spin-off business development

## Economic Development & Wealth Generation

Leveraging University-Based partnerships in  
economic development works!

- Research fuels innovation
- Applied research and business application  
fuels jobs

# Research at the University of Alaska

**Role in the State**

**Revenue**

**Organization**

**Priorities**

**Plans**

*Craig, Vice President, Research*

## Some Perspective

Nationally, Industry conducts 74% of R&D, Universities conduct 14%

In Alaska, UA conducts 57% of R&D and Industries 7%

Average State investment in R&D = 2.5% GSP; Alaska Invests 0.5%

## UA total research revenue FY03: \$133M

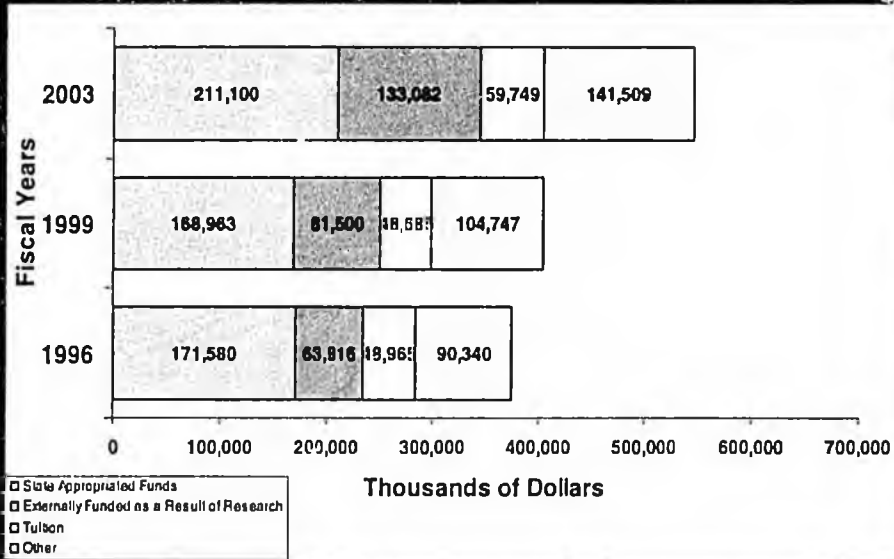
### Good growth pattern:

- FY98: \$77M
- FY99: \$81M
- FY00: \$91M
- FY01: \$109M
- FY02: \$120M

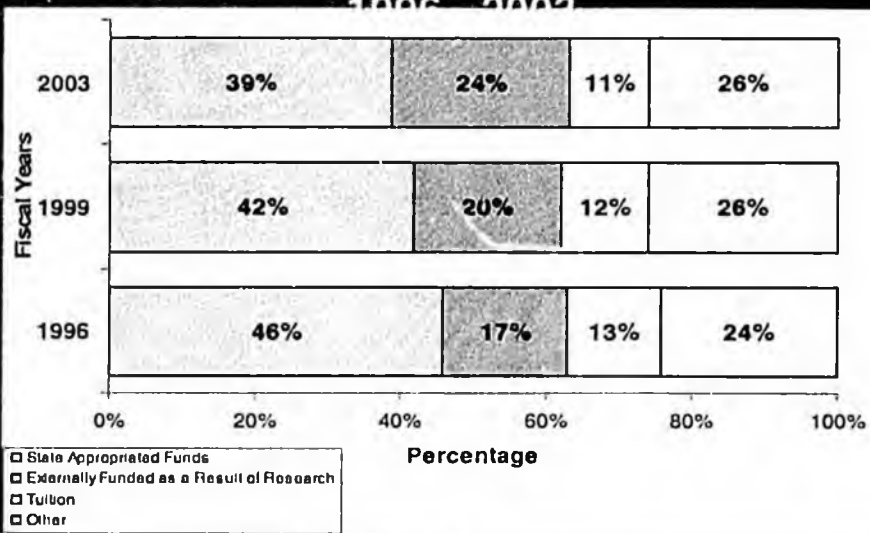
Most \$ currently at UAF – growing at all MAUs

Traditionally “academic” – becoming more applied

## UA Revenue by Different Sources 1996 - 2003



## UA Revenue by Different Sources 1996 - 2003



## UAF Funding Sources (03 Research Expenditures - \$m)

<b>Direct Federal</b>		<b>72.8</b>
DOD	5.9	
NIH	5.6	
Interior	3.9	
Ag	5.1	
Commerce	9.1	
NASA	14.6	
NSF	18.9	
<b>State Agencies</b>		<b>2.2</b>
Direct	1.4	
From Federal	.8	
<b>Private (Univ, Corp, Found'n)</b>		<b>22.1</b>
Direct	7.6	
Federal Indirect	14.4	
<b>General Fund</b>		<b>14.3</b>

(UAA: 3.9, 1.9, 2.8, 2.2)

### Large sums from small pieces : Diversity

• **864 Active Research Grants and  
Contracts**

• **340 New awards annually - 120% increase  
over FY99**

**Legislative Performance Measures:**

**215 Awards in Specified Areas**

**222 Graduate Students Funded**

**267 Active Applied Research Projects**

## Organized Research Units

### Independent:

- Geophysical Institute
- Institute of Arctic Biology
- International Arctic Research Center
- Arctic Region Supercomputing Center
- UAF Museum

### Within Schools and Colleges (examples)

- Business Enterprise Institute
- Institute for Social and Economic Research
- Environmental and Natural Resources Institute
- Institute for Circumpolar Health Studies
- Institute of Northern Engineering
- Institute of Marine Science
- Arctic Energy Technology Development Lab
- Alaska Native Language Center
- Mineral Industries Research Lab
- Center for Nanosensor Technology
- Agriculture and Forestry Experiment Station

## BOR Strategic Plan Areas of Statewide Leadership

### ANCHORAGE

- Social, Economic Policy
- Health delivery
- Logistics
- Community Engagement
- Complexity
- Finance, Business

### FAIRBANKS

- Biomedical Science
- Engineering
- Fisheries, Marine Science
- Geophysics
- Remote Sensing
- Climate
- Natural Resources
- Native Languages, Culture
- Arctic Research
- Wildlife Biology
- Energy Technology
- Computational Science
- Cold Regions Infrastructure

### SOUTHEAST

- Government
- Education
- Marine Biology
- Environmental Technology

## SJR 44 (2<sup>nd</sup> Session, 22<sup>nd</sup> Legislature) Draft State R&D Plan (2/03)

**Lead Participants:** UA, NPRB, Arctic Research Commission, IARPC, ASTF

**Objectives:**

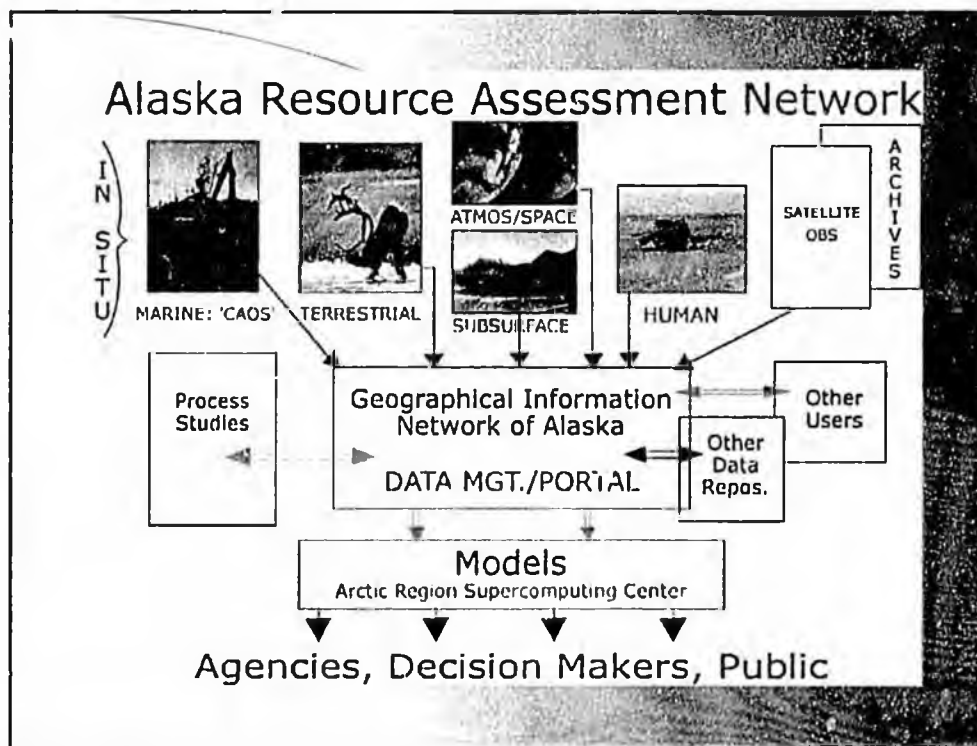
- Expand and Diversify Alaska's Economy
- Protect Health of Alaskans and Alaska's Environment
- Strengthen State Research Institutions
- Identify ways for Federal and State Governments to work together

**Conclusions and Recommendations:**

- Valuable in its own right: strategic tool for economic development
- \* Establish mechanism for planning and Agency accountability
- Maintain excellence and build competitive capacity
- Establish monitoring networks coupled to analytical capacity
- Improve flow of information to decision makers, public

**Key Organizing Principle:**

**Alaska Resource Assessment Network**



## **UA SJR 44 Follow-on**

### **Areas for building capacity at UA:**

- Marine Science and Fisheries, Land Resource Management, Cold Regions Engineering and Infrastructure (esp. energy technologies), Health and Biomedicine, Education, Coupled Human and Natural Ecosystems
- Improve Competitiveness, Facilities
- Cross- MAU Transportation Research Center, Engineering Reorganization, BEI and Logistics Center, CNT PDDC, NIH Roadmap projects, Computational strategy, AOOS

**Enhance attention to State needs; applied research**

**Focus business, social, economic researchers on strategies for wealth generation and economic development (UAA CBPP Dean Tom Case will address)**

**Establish mechanism for continued R&D Planning:**

**From EPSCoR to SCoR**

# The Economic Importance of University Research

Scott Goldsmith

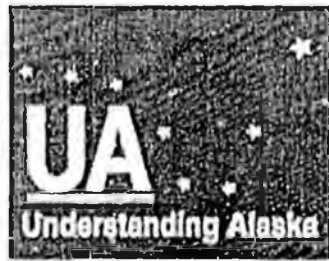
*Institute of Social and Economic Research*

*University of Alaska Anchorage*

Alaska Senate Finance Committee

March 10, 2004

Juneau, Alaska

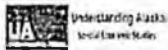
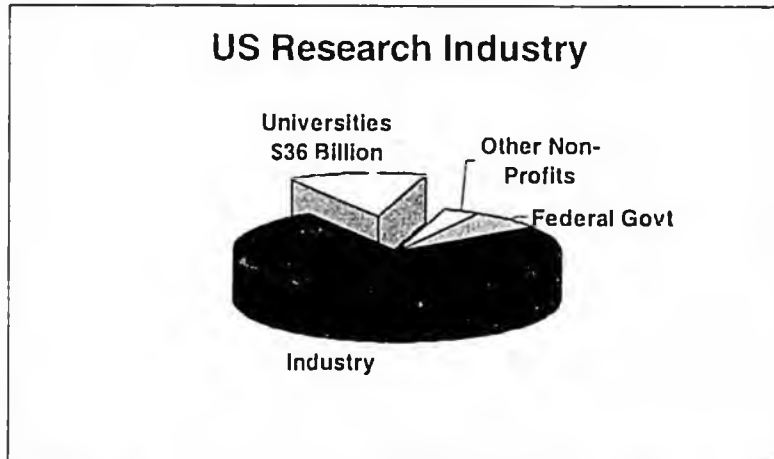


Understanding Alaska:

Special Economic Studies



## Research is a \$264 Billion Industry



Economic Importance of University Research

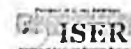


## Top Research States

State Rank in 1999			
		Amount	Share of GSP
		(Billion \$)	(Percent)
1	California	\$48.0	New Mexico 6.40%
2	Michigan	\$18.8	Michigan 6.10%
3	New York	\$14.1	Rhode Is 5.10%
4	Texas	\$12.4	Mass 4.60%
5	Mass	\$12.2	Maryland 4.60%

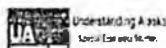


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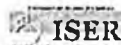


## Research in Alaska: How We Compare

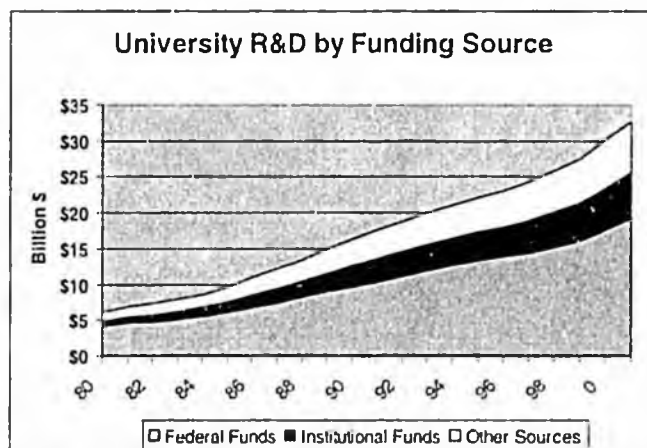
Alaska R&D Profile	rank	amt	% us avg	data
Total R&D (mill \$)	47	\$196		2000
Industry R&D (mill \$)	50	\$9		2000
Academic R&D (mill \$)	42	\$116		2001
Population (% US)	48	0.22%		2002
Total R&D (\$ per capita)	32	\$467	49%	2001
R&D Intensity (R&D/GSP)	41	1.04%	38%	2001
Federal R&D (\$ per capita)	13	\$335	116%	2001
Fed R&D / Total Fed \$	22	3.30%	72%	2001



Economic Importance of University Research



## Funding for University Research is Growing 8% per Year



Economic Importance of University Research



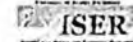
## Top Research Universities

University R&D Spending: 2002		
Rank	Institution	Budget (Million \$)
1	Johns Hopkins	\$999
2	UCLA	\$693
3	U of Wisc	\$604
4	U of Mich	\$601
5	U of Wash	\$590
95	UAF	\$110



Understanding Alaska  
Special Economic Studies

Economic Importance of University Research



## University Research in Alaska: How We Compare

UAF R&D Profile In 2001	Rank	Amount (Million \$)	US Avg
Total R&D	95	\$110.0	
Math and Computer Science	12	\$16.3	
Atmospheric, Earth, Oceanography	16	\$30.5	
Physical	54	\$13.6	
Life Science	150	\$16.6	
Federal Funding	105	\$55.3	
Institutional Funding	na	\$23.6	
Total / Institutional Funding	na	4.58	4.99
Total R&D -- All UA Campuses	68	\$115.0	



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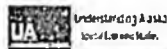
## University Research as an Enterprise— New Money into the Economy

- **Import Substitution**

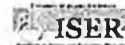
- Arctic Basic Research
- Applied Research on Alaska Problems

- **Adding to the Export Base**

- Footloose Research



Economic Importance of University Research



## University Research as an Enterprise: Direct Economic Impact 2003 (Million \$)

**\$121.6 TOTAL UA Research\***

\$45.2	Wages
\$17.5	Benefits
\$33.6	Contracted Services
\$ 8.4	Capital Equipment
\$ 8.1	Commodities
\$ 5.7	Travel
\$ 2.0	Student Aid
\$ 1.0	Miscellaneous

**\$ ??? Visiting Scientists**



Economic Importance of University Research



## University Research as an Enterprise: Total Economic Impact

### • Jobs

- 2,310 Total
- 1,228 University—full and part time
- 1,082 Private

### • Payroll

- \$80.3 Million--Total
- \$45.2 Million-- University
- \$35.0 Million-- Private

### • Private Business Sales

- \$106.8 Million--Total
- \$42 Million—Direct Procurement
- \$64.8 Million—Indirect

- Economic Importance of University Research



## University Research as an Enterprise: Characteristics of Jobs & Industry

- Labor Intensive
- High Wage
- Year Round Jobs (not Seasonal)
- Diverse Job Mix
- High Resident Share
- Stable Industry
- Footloose
- Environmentally Benign
- Low Burden on Government Services
- Tax Base
- Backward Linkages
- Forward Linkages
- "Value Added" Spinoffs

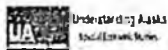


Economic Importance of University Research

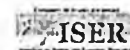


## University Research as an Enterprise: Comparison to Metal Mining

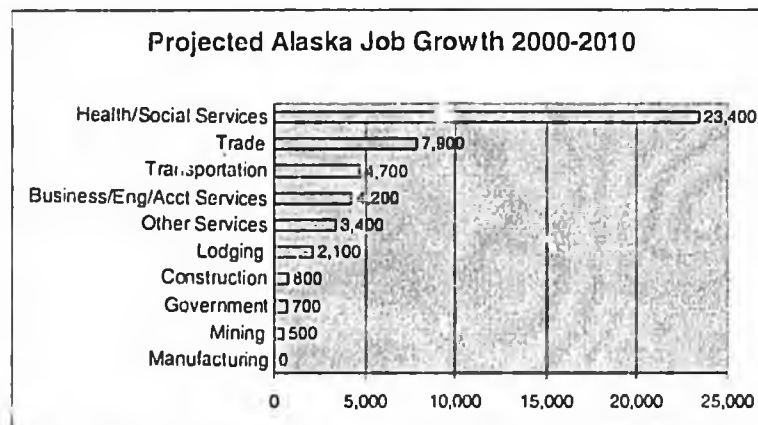
- Operating Size
  - \$823 Million in Production Value in 2002
  - \$77 Million in Payroll
  - 1,153 Average Annual Employment
  - \$67,000 Average Annual Wage
  - Local Procurement
- Characteristics
  - Capital Intensive
  - Resource Dependent
  - Resident Share
  - Stability
  - Environmental Impact
- Characteristics (Cont.)
  - Competition with other Activities
  - Cost Burden on Government
  - Tax Base
  - Enclave
- Benefit / Cost
  - Jobs
  - Income
  - Tax Base
  - "Value Added" Spinoffs



Economic Importance of University Research



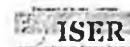
## University Research as an Enterprise: A Role in Future Growth of Alaska



Source: Alaska Department of Labor



Economic Importance of University Research



## University Research as an Enterprise: Industries for Alaska's Future

- Oil and Gas
- Tourism
- Seafood
- Mining
- Air Cargo
- Timber
- University Research



Economic Importance of University Research



## University Research as an Enterprise: Growth Potential

- **Import Substitution**
  - Increase Share of Nationally Funded Research About Alaska
  - Increase Share Locally Funded Research
- **Export Growth**
  - Maintain Overall Share of Growing Market for Federal Research
  - Increase Share of Nationally Funded Arctic Research
  - Increase Presence in Under Represented Fields



Economic Importance of University Research



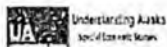
## University Research as an Enterprise: Benefit / Cost Analysis

### •Cost

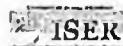
- General Fund Appropriation (FY 03)= \$16.6 Million

### •Benefits

- Economic Impact Return per \$1 Million of GF
  - Jobs = 139
  - Payroll = \$4.8 Million
- "Value Added" Spinoff Returns for Alaska



Economic Importance of University Research



## University Research as a Tool for Economic Development

- New Business Creation -- ABR Inc.
- Business Innovation --- Geoducks
- Information for Business Decisions -- Ice Roads
- Public Infrastructure Efficiency --- Telemedicine
- Maximize Value of Public Assets --- Fisheries Management
- Professional Workforce Development --- Engineers
- Resident Expertise Creation --- Fisheries



Economic Importance of University Research



# The Economic Importance of University Research

For additional information on this and other topics related to Alaska's economy:



Understanding Alaska:  
Special Economic  
Studies



[www.alaskaneconomy.uaa.alaska.edu/](http://www.alaskaneconomy.uaa.alaska.edu/)



[www.iser.uaa.alaska.edu/](http://www.iser.uaa.alaska.edu/)

**VETERANS'**

**HOME**

**PROJECT**

**UPDATE,**

**2/5/04**

**SFIN**

**FILE**

# **Fact Sheet: Alaska Pioneer Homes**

## **The facilities**

There are six Alaska Pioneer Homes with a total of 602 beds. The homes are located in:

Anchorage -- <http://hss.state.ak.us/dalp/alp/anchorage/home.htm>

Fairbanks -- <http://hss.state.ak.us/dalp/alp/fairbanks/home.htm>

Juneau -- <http://hss.state.ak.us/dalp/alp/juneau/home.htm>

Ketchikan -- <http://hss.state.ak.us/dalp/alp/ketchikan/home.htm>

Palmer -- <http://hss.state.ak.us/dalp/alp/palmer/home.htm>

Sitka -- <http://hss.state.ak.us/dalp/alp/sitka/home.htm>

## **The services we provide to clients**

For the last decade the Alaska Pioneer Homes have been licensed as assisted living facilities, offering a high degree of professional services to meet residents' needs. Typically, residents of the Homes are not able to live without some form of daily assistance, and may require nursing and other physical and emotional support services offered in a licensed assisted living facility. Professional services range from assurance of a safe environment and occasional help with daily life skills, to skilled nursing, personal care, and other support services including end of life care. Many residents receive a level of service that would otherwise be delivered in a nursing home or under the Older Alaskan Home and Community-Based Medicaid waiver.

## **The residents**

Occupancy of Pioneer Homes fluctuates, but system-wide as of January 2004 there are 427 residents. All residents require a safe home environment, room and board, and opportunities for social interaction and recreation. Of the 427 residents, 253 require the high levels of professional care available 24-hours a day. Another 117 residents need assistance with basic living skills at some time during the day, and 57 residents are fairly self-sustaining, occasionally requiring emergency assistance.

## **Veterans in Pioneer Homes**

During FY 2003, the Alaska Pioneer Homes served 553 seniors, of whom about 20 percent are veterans and about 26 percent had qualified for Medicaid before going into the Home. There were over 2,600 qualified Alaskan residents on the waiting list, which means they are over age 65 and intend to enter the Alaska Pioneer Homes in the future.

## **Rates and how residents pay them**

The rates for the Alaska Pioneer Homes range from \$2,135 per month for housing with some assistance in making appointments and other social services, to \$6,450 for the highest level of care including 24-hour supervision, extensive assistance with activities of daily living, and intermittent health care. About 60 percent of Pioneer Home residents depend on the state-funded payment assistance program to pay for at least part of the monthly rate.

For more information:

Dave Williams, Project Coordinator

Division of Alaska Pioneer Homes

465-5737

## **Chronology, Alaska Veterans Home**

**1970s** -- Alaska begins 20-year search for a way to address veteran's benefits within the State.

**1999** -- **Feasibility Study for a State Veterans Home** requested by Department of Military & Veterans' Affairs, Division of Veterans' Affairs, State of Alaska, and partners including the American Legion, Disabled American Veterans, and the Veterans of Foreign Wars. Health Dimensions Consulting Group feasibility study recommends a comprehensive survey of Alaskan veterans to assess their preferences for long-term care services.

**May 2002** -- **HCS SB 2001(FIN) SLA 2002** authorizes a **pilot project** to give veterans a preference for 125 beds in the Pioneer Homes system, contingent on an agreement between the federal Department of Veterans Affairs and the State of Alaska. The agreement is not negotiated; the bill's provisions do not take effect.

**July 2003** -- **Alaska Legislature's "Alaska State Veterans Home Feasibility Study"**, completed by the McDowell Group, supports the need for 70 to 80 veterans beds in the Pioneer Homes system. The McDowell report provides three options: 1) convert Palmer Pioneers' Home to a State Veterans Home, 2) Convert 60 beds in the Anchorage Pioneers' Home and 19 Beds in Fairbanks Pioneers' Home, or 3) build a new, freestanding, 60-bed State Veterans Home in or near Anchorage.

**July 30, 2003** -- **Governor Murkowski identifies creation of a State Veterans Home in Palmer as an Administration priority**, following face-to-face meetings in Washington DC with Secretary of Veteran's Affairs Anthony J. Principi.

**July 2003** -- **State submits initial federal Veterans Administration application.**

**August 2003** -- **federal Veterans Administration representatives visit Palmer and Anchorage facilities.** Veterans Administration facilities, geriatrics and care coordination representatives find Palmer appropriate for conversion with identified maintenance improvements and upgrades to facility systems.

**Sept 2003** -- **Veterans Administration conditionally approves 79 beds for Palmer facility.** Federal Veteran Administration participation is calculated at 65 percent of the total allowable cost of improvements. All 82 beds at Palmer are ultimately approved -- *minimum* of 62 beds are designated for veterans.

**Sept 2003** -- **Health & Social Services Commissioner Joel Gilbertson presents the Palmer option to Pioneers of Alaska Convention.**

**Dec 2003** -- **federal Veterans Administration approves "General Renovations, 79-bed Veterans Home, Palmer, AK."** Federal Veterans Administration lists Alaska in its top rank for federal renovation funds, pending appropriation of state matching funds. Construction cost, facility size, and proximity to military health center justify Palmer's high priority for funding.

**January 2004 – Construction schedule says Palmer Pioneers' Home can be renovated in 453 days, after completion of federal Department of Veterans Affairs construction/acquisition grant and legislative approval of state funding match.**

**Feb 2004 – Congressional Bill (HR 2673) provides for federal Veterans Administration payment to Pioneer Homes.** No information as yet on how the Veterans Administration will employ the language.

**Calendar**

- **April 2004 – A study of the feasibility of converting the Palmer Pioneers' Home into a Veteran's Home**, requested by the legislature and awarded to ASCG Incorporated (engineers/architects) will identify costs for renovation and the amount of state matching funds required for federal Veterans Administration participation. A subcontractor (McDowell Group) will conduct a community impact analysis and collaborate on development of a transition plan for the federal construction/acquisition grant application.
- **May 2004 – Alaska Veterans Home bill passes; State certifies 35% matching funds.**
- **Sept 2004 – Begin transition plan**, making admissions to the Alaska Veterans Home in Palmer.
- **April 2006 – Earliest possible beginning date for federal Veterans Administration per diem payments to Alaska -- \$26.95/day for residents of the Alaska Veterans Home.**

**For more information:**

Virginia Smiley, Administrative Services Manager  
Division of Alaska Pioneer Homes  
465-4422



State Of Alaska  
 Department of Health & Social Services  
 Division of Alaska Longevity Programs  
 Pioneers' Homes Occupancy Report  
 Dec-03



	Sitka	Fairbanks	Palmer	Anchorage	Ketchikan	Juneau	Total
<b>Coordinated Services</b>							
Total	22	18	1	93	6	3	143
Unavailable	0	0	0	4	0	0	4
Occupied	9	16	1	22	6	3	57
Assigned	0	0	0	0	0	0	0
Available	13	2	0	67	0	0	82
<b>Basic Assisted Living</b>							
Total	23	20	33	50	10	17	153
Unavailable	0	0	0	0	0	0	0
Occupied	14	17	14	49	9	14	117
Assigned	0	1	0	0	0	0	1
Available	9	2	19	1	1	3	35
<b>Enhanced Assisted Living</b>							
Total	25	41	26	22	14	19	149
Unavailable	0	0	0	0	0	0	0
Occupied	10	37	27	18	14	17	123
Assigned	0	3	0	0	0	2	5
Available	15	1	1	4	0	0	21
<b>ADRD</b>							
Total	24	16	18	21	14	9	102
Unavailable	6	0	0	0	0	0	6
Occupied	15	16	16	17	11	9	84
Assigned	0	0	0	1	0	0	1
Available	3	0	2	3	3	0	11
<b>Comprehensive Services</b>							
Total	8	2	2	40	3	0	55
Unavailable	0	0	0	0	0	0	0
Occupied	6	2	2	33	3	0	46
Assigned	0	0	0	0	0	0	0
Available	2	0	0	7	0	0	9
<b>Total Spaces</b>							
Total	102	97	82	226	47	48	602
Unavailable	6	0	0	4	0	0	10
Occupied	54	88	60	139	43	43	427
Assigned	0	4	0	1	0	2	7
Available	42	5	22	82	4	3	158
<b>Transitional Beds</b>							
Total	6	1	2	0	0	2	11
Available Beds Occupied & Assigned	56.3%	94.8%	73.2%	63.1%	91.5%	93.8%	73.3%

<b>Veteran Residents</b>							
Male	12	17	17	30	3	7	86
Female	1	5	0	3	1	0	10
<b>Total Veteran Residents</b>	<b>13</b>	<b>22</b>	<b>17</b>	<b>33</b>	<b>4</b>	<b>7</b>	<b>96</b>

<b>Waiting List</b>							
Active List	2	78	12	14	4	20	130
Inactive List	699	887	933	1,379	489	878	5,265
Number of applicants choosing more than one home on list							2,614
Total Number of Actual Applicants on Active Waiting List							116
Total Number of Actual Applicants on Inactive Waiting List							2,665
<b>Total Applicants on Waiting Lists</b>							<b>2,781</b>

**Status Changes For December 2003**

	Sitka	Fairbanks	Palmer	Anchorage	Ketchikan	Juneau	Total
<b>Admission</b>							
Coordinated Services	0	0	0	1	0	0	1
Basic Assisted Living	1	0	1	4	0	2	8
Enhanced Assisted Living	0	1	0	2	1	0	4
ADRD Unit	2	0	1	0	0	0	3
Comprehensive Services	0	0	0	0	0	0	0
<b>Deaths</b>							
Coordinated Services	0	1	0	1	0	0	2
Basic Assisted Living	1	1	0	0	0	0	2
Enhanced Assisted Living	2	2	1	0	0	0	5
ADRD Unit	1	0	0	1	0	0	2
Comprehensive Services	0	0	0	1	1	0	2
<b>Discharges</b>							
Coordinated Services	0	0	0	0	0	0	0
Basic Assisted Living	0	0	1	0	1	0	2
Enhanced Assisted Living	0	0	0	0	0	0	0
ADRD Unit	0	0	0	0	0	0	0
Comprehensive Services	0	0	0	0	0	0	0

\* Unusual Occurrences

John Vowell, Director