

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2694 SCOMM 122: COMMISSION ON PRIVATIZATION. ., 1999

hydro-geology capabilities of the private contracting community. Perhaps a cost benefit analysis was done by EH to evaluate whether this program should be done by in-house staff or contracted out. Admittedly, I have not yet inquired as to the entire evaluation process conducted by ADEC. Since this program intends to identify contaminated sites and their potential threat to public drinking water systems, a concern is that EH must coordinate its efforts with that of CSRP in order to avoid potential duplicity of effort that CSRP may have already contracted out in the past. Also, this is a very comprehensive program that will be conducted by ADEC over a period of four years and it may be completed over a shorter time interval if EH contracted out some of the effort.

- (#24) The Food Safety and Sanitation Program should investigate having appropriate staff work from their homes, eliminating the cost of establishing and maintaining offices in remote locations.
- (#25) A speedy review process should be developed to efficiently deal with appeals and waivers requested by private sector engineers on the preparation of engineering plans in all areas of environmental work (drinking water, wastewater, storm water, etc.). The appeal committee should include qualified representatives from both the Department and private sector engineers.

Division of Air & Water Quality

- (#26) Immediately reinstate, and place a high priority on, Section 401 review of federal water quality, wetland and all other federal permits. Alaska needs a strong environmental review and certification of federal permits to ensure that Alaska's interests are protected during the federal permitting process. If ADEC does not unilaterally resume this highly important program the Legislature should either (1) direct that ADEC conduct, the 401 certifications or (2) reassign the activity to another state department. A general permit approach, i.e. general certifications for federal permits should be explored and implemented if practical.
- (#27) Reevaluate the costs and benefits of primacy for water pollution control. Legislative action may be required. Alaska may be better served by maximizing, to the extent allowed by federal law, the State's role in the National Pollutant Discharge Elimination System Permit program. It would seem beneficial that that EPA not control the permit process for regulated activities in Alaska.
- (#28) Evaluate Privatization of Air and Water Quality Permit Review The Division of Air and Water Quality (AWQ) should consider privatizing some portions of permit reviews such as reviews of models and risk assessment. These functions have been successfully privatized by CSRP without reducing ADEC's responsibility to make final cleanup decisions, or in AWQ's case permit decisions.

Division of Facility Construction & Operation

- **(#29) VSW: Contract to fill new Project Manager positions in VSW.** Last August, VSW issued a Request for Proposal (RFP) to the private sector to provide a project manager (PM) to supervise VSW projects, like the current project managers that are on staff. Contracting for a VSW/PM has not been tried before, so the outcome is uncertain on how well it will succeed. Before additional VSW/PM positions are procured to the private sector, a cost benefit analysis should be completed after the first year to determine whether this action did not result in a greater expenditure to the state.

There will probably be many difficulties to overcome during the first year of the contract because it is a new concept for VSW. Since it is expected that insights will be gained from this first-time experience, further contracting of VSW/PM positions will be less awkward and more established. However, there is still a need to maintain a staff for oversight and accountability, inherent with the grant funding programs.

- **(#30) VSW: Outsource the annual VSW Capital Budget Questionnaire efforts.** This work could be contracted to an engineering firm that is experienced in rural sanitation. However, this function may be an inherent government responsibility that only VSW should perform to ensure impartiality. If contracted, the firm would validate the information submitted by the rural communities and then score and rank the proposed sanitation projects. They could also obtain information for those villages that did not submit. In addition, the firm could assist VSW with improving the questionnaire and process, including database development.
- **(#31) VSW: Privatize the development of a comprehensive statewide database of rural sanitation facilities in Alaska.** Assuming there is still a need to develop a comprehensive statewide database of rural sanitation facilities for documenting current conditions and assessing future needs and funding is available, a private engineering firm could be contracted to complete this task. A Preliminary Audit Report by the Legislature Budget and Audit Committee, dated October 2, 1998, recommended that VSW create a detailed inventory of all village sanitation systems in order to make informed program decisions. The private sector can complete this work more resourcefully while meeting VSW needs and expectations.
- **(#32) VSW: Commission a study to provide evidence that force account construction is better method for building rural sanitation projects.** The debate over force account versus public bid construction has been going on for many years between the public and private sectors. It centers on issues of cost, quality control, and accountability. To date, only narratives without documented evidence have discussed these issues at best. For instance, no comprehensive study has been conducted on completed rural sanitation projects to substantiate that force account construction is markedly cheaper than contracting. Therefore, it is recommended that an independent study be commissioned by the legislature to research this matter under the auspices of VSW.

Besides cost comparisons, the study would also evaluate work quality and performance differences. A private contractor could perform the study.

Presently, force account construction is the preferred method to construct rural sanitation projects. Although private construction contractors dislike it because it limits their opportunities, it has more positive attributes than contracting from the village's viewpoint. VSW is encouraged to monitor closely that each decision made to select force account construction is correct and in the best interest of the community. VSW is also encouraged to maximize contracting opportunities for contractors where expertise and experience are required.

- (#33) MG&L: Contract MG&L/PM positions. If contracting results of the VSW/PM position are positive, it would seem that a project manager position or two in MG&L could also be contracted to the private sector. However, staff will be needed to provide the inherent oversight and accountability of the contract employees.
- (#34) MG&L: Privatize the accounting/bookkeeping functions of the loan programs and projects to a private accounting firm. There will still be need for an administrative assistant position to perform the inherent program duties. No opportunity exists to privatize the project accounting function under the Municipal Matching Grant Program. Project accounting for municipal grants differs from the VSW grant program. Under municipal grants, the grantee (local government) pays vendors directly and provides project accounting. Under VSW, an accounting firm that pays the vendors for the project on behalf of the community performs project accounting.
- (#35) MG&L: Outsource the auditing functions of the internal auditor position to a private accounting firm. However, the financial management duties of this position are inherent to the grant and loan programs and should be performed by MG&L.

XII. Problems/Barriers to Implementing Proposed Recommendations

There are existing state and federal statutory and legal provisions that inhibit privatization within ADEC. The primary barriers pertain to federal and state grant funding and regulatory requirements, but there are internal system (standard operating procedures) barriers as well. Federal funding for capital improvements or even regulatory programs often come with strings attached which require inherent government control. There are cumbersome legal barriers in law and regulations concerning liability issues in contracting out public provided services. Legislation is needed to enact privatization laws to remove these barriers.

Most of the recommendations proposed by the subcommittee in this report can be implemented by administrators within the Department. The recommendations requiring statute review and/or revision, or other action by the Alaska Legislature are as follows:

Recommendation #1 may require statutory changes to AS.46.03.100.

Recommendation #5 may require the Legislature to set priorities.

Recommendation #6 should be reviewed and acted upon by the Administrative Regulation Review Committee of the Alaska Legislature.

Recommendation #9 requires the Alaska Legislature to authorize and fund a complete audit of the Department. In conjunction with the recommended audit, the Department should be directed by the legislature to provide the Commission on Privatization with a report that addresses accomplishing the intent and scope of work outlined in SB 33.

Recommendation #26 requires an investigation and action by the Alaska Legislature. Obviously the legislature cannot micro manage the Department, but in this era of budget reductions some direction and prioritizing of funding may be necessary.

The Alaska Legislature should authorize and fund a review of liability statutes pertaining to private sector consultants and contractors employed by the state. Some limited liability immunity will be required, or possibly extending official immunity status with limiting provisions may suffice.

Finally, for privatization and other issues defined in section 5 of SB 33 to occur, the full cooperation of the Department should be required.



MEMORANDUM

State of Alaska

Department of Environmental Conservation
Office of the Commissioner

TO: Virgil Norton, Chairman
DEC Privatization Committee

DATE: 11/23/99

FILE NO:

THRU:

PHONE NO: 465-5066

FROM: Kurt Fredriksson
Acting Deputy Commissioner

SUBJECT: Comments on Subcommittee
Recommendations

The department appreciates this opportunity to provide comments on the draft recommendations prepared by your subcommittee to the Commission on Privatization and Delivery of State Services. We have worked closely with our subcommittee and appreciate the time and effort that has been committed to producing the recommendations.

The subcommittee prepared a total of thirty five recommendations which the Committee has asked to be ranked in priority order. In considering the relative value of the subcommittee's recommendations, the department grouped them into the following six common themes in priority order:

1. Increased use of private contractors
2. Permit streamlining
3. Consolidate some functions in a single division or location
4. Currently being pursued by the department
5. Additional state expense
6. Ongoing legislative process

Our comments on each of these categories and the recommendations that fall under them follows. It is the department's position that only the first three categories merit further consideration by the Committee.

We would also point out that neither the subcommittee nor the department has done a serious cost/benefit analysis to determine if these recommendations would result in reduced state costs without harming their legislatively mandated service. It is likely that some of the recommendations included in the three categories meriting further consideration could result in additional state expense upon further study.

Increased Use of Private Contractors

Recommendations # 8,10, 11, 14, 15, 22, 23, 25, 28, 29, 30, 31, 33, 34, 35 all touch on some aspect of contracting out department services. While not all contracting will result in cost savings, the department agrees with the general direction of the recommendations to investigate how contracting can be used to reduce the cost or increase the efficiency of conducting state business.

The department currently uses private contractors to carry out very technical tasks or scientific analysis on a temporary or project specific basis. We agree with the subcommittee recommendations (# 11, 14, 23, 25, 28, and 31) that encourage greater use of contractor services. However, department compliance and approval functions are legislatively mandated responsibilities that can not be carried out by private contractors. The department is also bound by contractual agreements with the State's employee unions to evaluate the costs and benefits of work done by private contractors that might otherwise be done by department staff.

The department appreciates the subcommittee's attention to the issue of how and when to use private contractors to support department activities. The subcommittee's recommendations in this area should be a high priority for further review by the Committee.

Permit Streamlining

Recommendations #1, 2, 3, 26, and 27 propose steps that could be pursued to streamline the department's permitting process. The department supports the recommendations made by the subcommittee and agrees more can be done to make the permitting process as efficient as possible.

The department will soon release a general permit for temporary camps that covers permits from a number of different department programs (solid waste, wastewater, food safety, etc.) The department has also recently established an industry and special interest stakeholder working group, the Wastewater Permit Workgroup, to evaluate the current water quality permitting program and recommend improvements. The use of general permits, permits by rule, best management practices, and assumption of the National Pollution Discharge Elimination System Permit Program from EPA are all being explored by the Workgroup.

The subcommittee's recommendations for improving the department's permitting procedures should be treated as the second priority for the Committee's attention.

Consolidation of Laboratory and Public Information Services

Recommendation #21 addresses benefits that might be achieved by consolidating all department laboratory services at a single department location, preferably in conjunction with the new Department of Health and Social Services Public Health Laboratory under construction in Anchorage. This recommendation merits further consideration by the Committee. The recommendation could result in long term cost savings to the state, but would require additional short term funding to either expand the Health and Social Services laboratory or lease a consolidated facility.

Recommendation # 2 seeks to increase efficiency by having all public information officers managed by the Division of Statewide Public Service. The department does not believe any cost

savings would be generated by this recommendation nor have any been calculated by the subcommittee. Unlike the recommendation to consolidate laboratory services in a single location, this recommendation would only make minor management adjustments with no cost savings. This recommendation does not warrant further consideration by the Committee.

Currently Being Pursued by the Department

A few recommendations proposed actions that are already in place or are being actively pursued by the department (# 16, 17, 18, 19, 20, and 29) and should be treated as a lower priority by the Committee.

Additional State Expense

Three recommendations (#9, 13, and 32) called for additional legislative audits and the extension or creation of additional boards and commissions. These recommendations would result in a greater state government expense inconsistent with the subcommittee's statement that all recommendations must be evaluated against two criteria:

1. The implementation of a recommendation will not result in any greater expenditure of state general funds.
2. The implementation will not reduce the legally mandated services of the Department.

Consistent with the subcommittee's guidelines we do not believe further study of these recommendations is warranted.

Ongoing legislative process

Five of the subcommittee's general recommendations (#4, 5, 6, 7, and 24) addressed broad administrative or budget issues that are the subject of legislative debate each year. Reducing travel expenditures, prioritizing environmental issues and problems, prohibiting unnecessary regulations, eliminating frivolous lawsuits; and having some department staff work from their homes were all mentioned under this category. These recommendations should be placed in the lowest priority for the Committee's attention.

To summarize, the department appreciates the thoughtful review and recommendations prepared by the subcommittee. Of the subcommittee's thirty five recommendations, there are twenty recommendations that warrant further consideration by the Committee in the areas of the department's use of private contractors, steps to improve the permitting process and cost savings that might be realized by consolidating the department's laboratory services.

bcc: Mike Conway, Director of Statewide Public Service

FULL COMMISSION MTG SCHEDULED ATTENDANCE

		Nov 24	Nov 30	Dec 1	Dec 7	Dec 8	Dec 13	Dec 14
Adams		YES	NO/MAYBE	NO/MAYBE	NO/MAYBE	NO/MAYBE	YES	YES
Allen		YES	YES	YES	YES	YES	YES	YES
Brice		YES	YES	YES	NO/LS	NO/LS	YES	YES
Cowdery		YES	YES	YES	YES	YES	YES	YES
Fink		YES	YES	YES	YES	YES	YES	YES
Harper		YES	YES	YES	YES/TEL	NO	YES	YES
Nottl		YES	YES	YES	YES	YES	YES	YES
Thomas		YES	YES	YES	YES	YES	YES	YES
Valesko		NO	YES	YES	YES	YES	YES	YES
Ward		YES	YES	YES	YES	YES	YES	YES
Wuerch		YES	YES	YES	NO	YES	YES	NO
LS (LEAVING STATE)								



Date: October 10, 1999

To: Virgil Norton, Committee Chairman

From: Gus Andress, P.E.

Re: The Commission on Privatization: Subcommittee on ADEC

A. Plan Review of Engineering Designs by ADEC

I have discussed ADEC's design review process with several professional engineers. There was one common concern among the engineers interviewed. ADEC has the capability to require the design engineer to submit a design that will meet ADEC's satisfaction. The resulting design may or may not be the most prudent or best design for the respective project. Furthermore, ADEC accepts no professional responsibility for the design. On the other hand, the design engineer is required to stamp the final design and is, therefore, legally and financially responsible for that design.

In many instances, designs may require a waiver to ADEC regulations. The engineers interviewed all commented that the waiver process was, at times, a difficult situation. The ADEC reviewer may reject the request for a waiver simply out of hand without what appears to be just cause.

If the design engineer feels the waiver is justified and is willing to accept responsibility for the design, then ADEC should grant the waiver. However, that is not always the case and the engineer is generally reluctant to pursue the request for a waiver for his client.

If the engineer develops a reputation of resisting ADEC's design demands or ADEC's refusal to grant a waiver, then he or she can develop a reputation with ADEC as a problem engineer. This reputation can hurt the engineer's relationship with ADEC which in turn can hurt him financially with future clients.

Suggestion: Currently, there is no recourse to ADEC's refusal to approve an engineer's design or to grant a request for a waiver. An independent board of professional engineers could be established to review these cases on a monthly basis.

Another solution may be to place the plan review process in the hands of the private sector. As of now there is no easy recourse for the design engineer to challenge ADEC's decisions regarding waivers and design changes.

B. Village Safe Water (VSW)

1. VSW, Division of Facility Construction and Operation (FCO), under Municipal Grants and Loans, administers the Alaska Clean Water Fund and Alaska Drinking

Water Fund. These funds are used to provide low interest loans to communities for water, sewer and solid waste sanitation projects.

Suggestion: Could VSW contract the services of an accounting firm to administer these funds? They contract with an Anchorage accounting firm to procure insurance and provide bookkeeping, banking and reporting services for each VSW project.

2. Each year VSW sends questionnaires regarding village sanitation to various communities in Alaska. Completed questionnaires are scored and prioritized according to a capital project ranking methodology that considers factors such as public health hazards, local priorities, federal assistance, project status, increased economic development potential and current operation and maintenance capabilities.

Suggestion: Let the accounting firm that procures insurance, provides bookkeeping, banking, etc. handle the questionnaires for village sanitation.

3. VSW operates the Rural Utility Business Advisor (RUBA) program and the Remote Maintenance Worker program. RUBA consists of 6 full-time employees within the Department of Community and Regional Affairs who currently work with approximately 30 communities across the state. RUBA employees assess a community's management system and financial records and develop a work plan to improve performance. Implementation of the work plan is dependent on the actions of the village. RUBA provides instruction through on-site assistance and through regional workshops in the areas of: bookkeeping; billing and rate setting; personnel procedures and wage rates; office procedures and record keeping; coordinating other training needs.

Suggestion: Privatize these efforts with an accounting firm and possibly private engineers where needed. The Rural Sanitation 2005 Action Plan recommends that the RUBA program be expanded from 6 to 12 positions by 2005.

4. Areas that could be further investigated for privatization efforts are as follows:

Community development; operation and maintenance; education and training; research and development; communications; and finance.

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FAX

To: Virgil Norton Chairman, ADEC Subcom- mittee	From: Gus Andress, P.E.	Date: 10/27/99 Number of Pages: 2 including cover
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Remarks:

Virgil, I have reviewed the Subcommittee Report on the Alaska Department of Environmental Conservation you faxed me today. I found it to be very well written and organized. In the limited time you had to organize the committee and develop an agenda, this report is exceptionally complete.

As I mentioned on the phone yesterday I received a call from Greg Capito regarding 3 of my suggestions for privatization in the VSW program. These recommendations appear on page 15 of the report under the heading **Division of Facility Construction & Operation**. That page is attached to this fax and I have numbered those suggestions for your reference. Greg had the following remarks regarding those suggestions:

- ① Apparently the accountant who performed the audit on VSW/FC&O was confused regarding who administers the Alaska Clean Water Fund and the Alaska Drinking Water Fund. This is part of the Municipal Grants Program and not part of VSW. Therefore, any privatization would have to be done within the Municipal Grants Program. According to Greg Capito, this should be deleted as part of our efforts to privatize activities within VSW.
- ② The questionnaires sent out annually by VSW regarding village sanitation are too complicated to be administered by an accounting firm. If these were to be privatized, an engineering firm would be better qualified to evaluate and score the questionnaires for village sanitation.

We could change the suggestion to read: Let a professional engineering firm handle the questionnaires for village sanitation.

- ③ According to Greg Capito, ADEC does not administer the Rural Utility Business Advisor (RUBA) program. This program is handled by the Department of Commerce and Economic Development and any privatization efforts should be directed to that agency. Therefore, this suggestion should be deleted as part of our report.

I will be out of town from 10/28 until 11/10. If you have any questions, please leave a message at 283-9003 and I will call you back as soon as possible. I have thoroughly enjoyed working with you on this subcommittee and look forward to discussing our work with you further when I return.

Regards, Gus Andress

OCT-27-99 WED 02:54 PM

FAX:

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successfully privatized by CSRP without reducing ADEC's responsibility to make final cleanup decisions, or in AWQ's case permit decisions.

Division of Facility Construction & Operation

- ① • **Village Safe Water (VSW):** VSW, Division of Facility Construction and Operation (FCO), under Municipal Grants and Loans, administers the Alaska Clean Water Fund and Alaska Drinking Water Fund. These funds are used to provide low interest loans to communities for water, sewer and solid waste sanitation projects. **Suggestion:** Could VSW contract the services of an accounting firm to administer these funds? They contract with an Anchorage accounting firm to procure insurance and provide bookkeeping, banking and reporting services for each VSW project.
- ② • Each year VSW sends questionnaires regarding village sanitation to various communities in Alaska. Completed questionnaires are scored and prioritized according to a capital project ranking methodology that considers factors such as public health hazards, local priorities, federal assistance, project status, increased economic development potential and current operation and maintenance capabilities. **Suggestion:** Let the accounting firm that procures insurance, provides bookkeeping, banking, etc. handle the questionnaires for village sanitation.
- ③ • VSW operates the Rural Utility Business Advisor (RUBA) program and the Remote Maintenance Worker program. RUBA consists of 6 full-time employees within the Department of Community and Regional Affairs who currently work with approximately 30 communities across the state. RUBA employees assess a community's management system and financial records and develop a work plan to improve performance. Implementation of the work plan is dependent on the actions of the village. RUBA provides instruction through on-site assistance and through regional workshops in the areas of: bookkeeping, billing and rate setting; personnel procedures and wage rates; office procedures and record keeping; coordinating other training needs. **Suggestion:** Privatize these efforts with an accounting firm and possibly private engineers where needed. The Rural Sanitation 2005 Action Plan recommends that the RUBA program be expanded from 6 to 12 positions by 2005.
- **Eliminate Forced Account program.** ADEC should be able to follow procurement procedures every other state agency has to follow.
- **Complete the contract for the new VSW/PM position.** Before additional VSW/PM positions are procured to the private sector, a cost benefit analysis should be completed after the first year to determine whether this action did not result in a greater expenditure to the state.

There will probably be many difficulties to overcome during the first year of the contract because it is a new concept for VSW. Since it is expected that insights will be gained from this first-time experience, further contracting of VSW/PM positions will be less awkward and more established. However, there is still a need to maintain a staff for oversight and accountability, inherent with the grant funding programs.

MEMORANDUM

TO: Members of DEC Subcommittee, Commission on Privatization of government services, State of Alaska

FROM: Gerald R. Brookman, Subcommittee Member

SUBJECT: My recommendations for the Subcommittee's final report to the Commission

DATE: October 26, 1999

I have five specific recommendations, all of which are general in nature (that is, they apply to the Department as a whole, not to any particular division or function). They are as follows:

1. Any recommended changes should meet two criteria: They should not result in any greater expenditure of state funds, and they should result in no reduction of legally mandated state services performed by the DEC. (It was generally agreed, early in the process, that these two criteria make sense and should be applied to any contracting out or other privatization of DEC services that might be done.)

2. A well qualified management consulting firm should be contracted with, to audit and report on the organization, management, and performance of the DEC, and to make recommendations on how these could be improved. Such an audit, by an impartial, independent, third party would give the legislature useful and objective information on which to base changes (if any are desirable) in the legislation under which the DEC operates.

3. Any contracts written for services to be contracted out, that are at present performed by DEC employees, should include provisions that will insure adequate accountability (bonding, etc.) on the part of the contractor.

4. Specific criteria should be developed and implemented to obtain a pool of qualified contractors for different services that may be required by the department (pre-qualification). This could include past performance, professional qualifications of the personnel employed, etc., and would enable the department to simplify the contracting process, and shorten the time necessary to obtain a qualified contractor for services for which it may need or desire to do so.

5. To ensure accountability and avoid legal challenges to actions of the department, regulatory and enforcement functions should not be contracted out.

I will follow these specific recommendations with a memorandum giving my comments on what I believe are the possible consequences of privatization of some, or all (excluding those that cannot be, by law) of the functions of the DEC, which I hope the committee will read and bear in mind when considering all of the proposals it receives.

Sincerely,



Gerald R. Brookman
DEC Subcommittee member

MEMORANDUM

TO: Members of the DEC Subcommittee, Commission on Privatization of government services, State of Alaska

FROM: Gerald R. Brookman, Subcommittee Member:

SUBJECT: My thoughts on the general question of privatization of DEC functions

DATE: October 26, 1999

I have submitted a memorandum giving my specific recommendations for five items. In addition to these specific items, I would like to add some thoughts on the subject in general.

I have tried to visualize the process of how privatization would be carried out. It is not unprecedented, and I am somewhat familiar with one example of it having happened in the past: this was the privatization of instruction at the Federal Aviation Administration Academy.

As we all are familiar with, every Governor, on taking office, appoints Commissioners to run each department of state government. This provides some new thinking, and generally results in changes (if not always improvements) in the management of those departments. Now, suppose for a moment, that every four years, the positions below Division Director (which, I believe, should continue to be appointed by the Commissioners) are contracted out. A time schedule for this process could be established, in order to minimize any discontinuities in the functioning of the department. Many of the employees of the present (soon to be past) contractor, call it the ABC Corporation, would apply for employment to the new contractor, call it the XYZ Corporation. Any discontinuity in functioning, through judicious scheduling, could be minimized, but I do not believe it could be eliminated entirely. Employee retirement systems could be vested, and other benefits could be required as a part of the contracting process; nevertheless, I believe that some loss of morale by the department's employees would inevitably result. This may be expected to result in some loss of operating efficiency by the department.

As I hope we would all agree, just about every benefit we obtain, in life, has a certain cost attached to it. Privatization might, and very likely would, result in reduced costs to the state government. This monetary saving, I believe, needs to be balanced against any costs in effective functioning of the state's departments charged with carrying out certain functions to benefit its citizens, present and future. I hope that all the members of this subcommittee will bear this in mind, in considering the specific items brought before it this coming Thursday, October 28, in our final meeting.


Gerald R. Brookman

October 15, 1999

To: Virgil Norton, Privatization Committee Chairman

From: Keith Bucklin

Re: Recommendations

1. Retain the services of a management-consulting firm for the review of ADEC.
Areas of key interest, redundant programs in the DEC its self and other state agencies and ways of combining those programs.
2. Eliminate Forced account program. ADEC should be able to follow procurement procedures every other state agency has to follow.
3. Establish a private sector board of professional Engineers to set standards for certification of private engineering firms to meet the ADEC standards.
4. Eliminate PR department

Memorandum

To: Virgil Norton, Chair
ADEC Privatization Subcommittee

From: Bob Gilfilian, P.E., Subcommittee Member

Date: October 11, 1993

Re: Recommendations on ADEC Privatization



This memorandum provides a summary of recommendations for privatization of certain functions performed by the Alaska Department of Environmental Conservation (ADEC). These recommendations apply primarily to the Division of Environmental Health (DEH) and Spill Prevention and Response (SPAR). Although the recommendations are given below in brief summary form, I am prepared to give additional information during oral presentations to the Subcommittee at our meeting scheduled for Monday, October 11, 1993.

1. Privatize Plan Review

It is recommended the review of engineering plans be performed by a private engineer under contract to the Department. Several programs administered by the Department require plans be prepared by a professional engineer. The plans are required to be submitted for review and approval by the Department. The programs that require plan review include drinking water systems, wastewater treatment and disposal systems, solid waste facilities, storm water collection and treatment facilities and possibly several other areas. The Department could set up a contract procedure with private engineers specialized in these areas to provide the necessary services to review engineering plans for conformance and compliance with ADEC regulations. The Department will need to provide oversight of the review process and possibly some mandatory plan reviews. It may be feasible to consolidate all program plan review functions from all Department Divisions into one clearinghouse for plan review, whereby private engineers are used on a contract basis to provide detailed plan review.

2. Combine Environmental Health and SPAR Laboratories

Given the multiple laboratories currently in ADEC that are located in Palmer and Juneau and in consideration of the findings of a recent study on the evaluation of laboratories in the Departments Health and Social Services (DHSS) and Environmental Conservation, it is recommended laboratory facilities and services be combined in one central location. A wing could be added onto the new DHSS Public Health Laboratory that is currently under construction on Tudor Road in Anchorage. All laboratory functions that are currently performed by DEH and SPAR in Palmer and Juneau could be performed more efficiently in one facility in Anchorage. The Anchorage site is the most cost effective location in the state. In addition, all laboratory testing services should be contracted out to private

laboratories when possible. The certification of private laboratories should remain with the Department.

3. Privatize All Sanitary Surveys of Public Water Supplies

With the exception of a few sanitary surveys that are required to be performed the Department to maintain primacy with the EPA, all sanitary surveys of public water systems should be performed by private engineers certified by the Department. Currently, the Department has a program that certifies private sector engineers to perform sanitary surveys. However, the Department field staff also provides the same services at no cost to the owner of the water system. Consequently, the Department often finds itself in competition with the private sector. To avoid the conflict of services, the Department should require all public water system owners to seek services rendered by the private sector.

4. Privatize and Expand the Role of the Storage Tank Board

The Legislature should rescind the sunset date for the demise of the Board of Storage Tank Assistance. Further, the function of the Board should be privatized to serve as an appeal board for the private sector to seek resolution on conflicting issues with the Department. In addition to resolving disputes between the ADEC and the regulated community, the Board would review cleanup allowable technologies and serve as a board over the licensing of professionals working on low and medium cleanup projects proposed for privatization (see below recommendation 6). In addition, the role of the Board should be expanded to include appeal services in additional programs in SPAR (such as aboveground tanks) and possibly other divisions where an appeal process would be helpful to the regulated community.

5. Revise Term Contract Proposal Requirements

Currently, term contracts with the contaminated sites program require the private sector contractors to have on-staff (in-house) a wide-range of expertise that is not commonly needed except in unusual circumstances. This requirement discourages the use of sub-contracts with small Alaskan firms who may possess some but not all of the expertise required in the Request for Proposals. Term contracts should allow for subcontracts with small Alaska firms where local Alaskan experience is provided as well as allow smaller firms to subcontract out specialized services to qualified vendors.

6. Privatize Low to Medium Priority Contaminated Site Cleanup

Similar to a well-established program developed by the State of Massachusetts, it is recommended a Licensed Environmental Professional Program be developed to allow licensed site professionals (LSP) in the private sector to handle the low to medium priority contaminated sites. The proposed appeal board (currently Board of Storage Tank Assistance) would oversee the administration of the privatization of the assessment and cleanup of the low to medium priority contaminated sites. The Department would continue to oversee the Contaminated Sites Program but would focus their resources on the high priority sites.



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October 21, 1999

Virgil Norton
Chairman

Alaska Department of Environmental Conservation (ADEC) Privatization Subcommittee

Re: Comments/Recommendations on ADEC Privatization

Mr. Norton:

It has been a pleasure participating with you and the active members of the subcommittee to evaluate potential privatization of ADEC functions. Your chairmanship of the subcommittee has been balanced and given ADEC division directors the opportunity to present the strengths of their staff and division accomplishments. I hope my involvement with the subcommittee and my comments and recommendations benefit you as chairman and other subcommittee members.

Per your direction, I have prepared comments and/or recommendations on the functions of two ADEC divisions, the Division of Spill Prevention and Response (SPAR) and the Division of Environmental Health (EH). I also prepared a comment that addresses a function of work performed by a third division, the Division of Air and Water Quality (AWQ). Since I am submitting my comments/recommendations after those submitted by other subcommittee members, I note that some of their commentary does not particularly address the topic of privatization of ADEC functions. In light of this, with the chairman's permission, I offer commentary on issues related to contracting with ADEC and the overall mission of ADEC in its role as steward of the environment and resources of Alaska.

During employment as an environmental consultant for Ecology and Environment, Inc., I have worked under contract to SPAR, primarily for the Contaminated Sites Remediation Program (CSRP). Under term assessment contracts, my firm has implemented over 100 contract actions for CSRP. Presently CSRP has five consulting firms under term assessment contracts. In my opinion, CSRP privatizes much of its work via these term assessment contracts to private contractors who work on behalf of CSRP. Projects conducted by term assessment contractors include assessment and remediation of state-owned properties, site assessments, design, and remediation for state-lead projects, review of documents prepared for submittal to ADEC on behalf of responsible parties, and other activities. Frankly, I do not see significant opportunities for additional privatization of CSRP functions, other than the potential for development of state licensing of environmental and engineering professionals to address lower priority sites. I have provided some commentary on ways in which CSRP may realize cost benefit under the implementation of term assessment contracting.

My commentary on EH is drawn from only the presentation and discussion of the division as presented to the subcommittee. Other subcommittee members have provided you thoughtful insight into the functions of EH and options for privatization.

Since participating in this subcommittee I have developed a greater understanding of the functions, missions, and funding sources for the divisions within ADEC. I am indebted to ADEC staff and the subcommittee for this education. Particularly with respect to funding sources, I was

Page 2
Mr. Virgil Norton
October 21, 1999

quite pleased to note that although ADEC's authorized funding has increased 16% over the last 10 years the contribution of federal funds to ADEC's funding has increased 250% over this time, and the contribution of state general funds has declined over 225%. Perhaps contrary to the opinions of some members of the subcommittee and committee, even with a growing budget I see this shift in funding sources as a lessening on the taxpayers in Alaska. I sense that ADEC

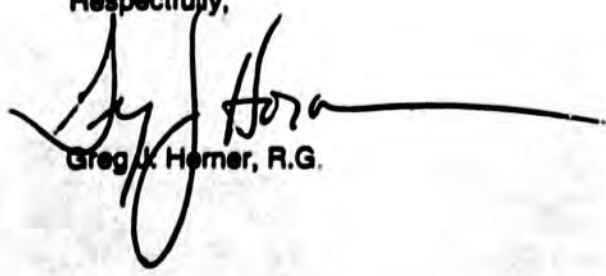
management and staff, in addition to state legislators, deserve credit for shifting the financial burden of stewardship of Alaska's environment and resources.

Lastly, I feel warranted in presenting additional commentary on two other topics discussed during subcommittee meetings, and included in some subcommittee members recommendations. First, some subcommittee members have proposed the elimination of staff positions in one or more divisions without, in my opinion, an evaluation of the level of effort and/or workload charged to those positions. Given the relative short time the subcommittee was given to "evaluate" options for privatization of department functions, we have not ascertained whether the personnel levels in all divisions of ADEC are sufficient for the performance of their missions. Subcommittee members have uttered phrases such as "...what do those people (sic ADEC staff) do over there?" Without the opportunity, or the qualifications to evaluate such specifics, I am concerned that subcommittee recommendations to reduce staff may be premature. That is why I concur in part with recommendation number two of Mr. Gerald R. Brookman that perhaps an audit of ADEC operations is warranted. Personally, many private businesses and government agencies may benefit from independent, third party management audits. This situation is not unique to ADEC.

Second, a recommendation to revise the term contracting proposal allowances for subcontracting has been advanced in light of an interpretation that present allowances restrict access to contracting opportunities for smaller Alaska contractors. I concur there is difficulty for smaller Alaskan firms that do not carry the full suite of disciplines to support environmental consulting services to support the entire breadth of services requested by ADEC's CSRP. Therefore, I encourage the prospect of allowing smaller Alaskan firms to team up and cover the resources required under these types of contracts. However, those firms such as E&E do provide a benefit to Alaska not normally espoused when the local hire only issue is raised. Routinely, E&E sends Alaska staff to support projects in the lower 48 and overseas thereby providing work to Alaskans. E&E's Alaska resources are presently managing the supplemental environmental impact statement and providing fieldwork support to study addition of another runway at the SEATAC airport. This is a direct example of benefit to Alaska.

In closing, I want to thank you for allowing me to contribute comments and recommendations to the subcommittee. I anticipate continuing to assist the subcommittee through completion of its report.

Respectfully,



Greg K. Horner, R.G.

MEMORANDUM

To: Virgil Norton, Chairman

From: Greg Horner, R.G., Subcommittee Member

Date: October 21, 1999

Re: Comments/Recommendations on Privatization Potential for the Alaska Department of Environmental Conservation (ADEC)

Overview

The following commentary pertains to the ADEC divisions of Spill Prevention and Response (SPAR), Environmental Health, and Air and Water Quality. As stated in the cover letter to this memorandum, some of the following commentary is not directed at privatization, but perhaps toward evaluation of cost benefit of current practices.

1. Privatize Low to Medium Priority Contaminated Site Cleanup

ADEC should proceed with evaluation of the feasibility of implementing a program similar to the licensed site professional (LSP) program in force in Massachusetts. Similar programs are in place in Ohio and Connecticut. ADEC has developed regulations in the area of risk-based cleanup standards and a Voluntary Cleanup Program (VCP) that are a sound foundation for development of an LSP program. Development of such a program can aid the private sector with enhancing property transfers, property development, and faster site cleanup resolution. However, development of such a program is necessarily a public process that involves the regulators, the regulated community, insurers, lending institutions, and certainly the professional consultants. Liability with respect to ascertaining site cleanup and regulatory adherence are foremost in the minds of the professional consultants. Formulation of an LSP program would require an LSP association of professionals, LSP board licensing and examination, and code of professional responsibility. Furthermore, it may take several years to design, revise, and implement a fully functional LSP program. Massachusetts began its program in 1992 and took over a year to promulgate LSP regulations.

Although in favor of evaluating the prospect of an LSP, due to the relatively small number of contaminated sites in Alaska versus lower 48 states with LSP programs and the propensity of low and medium priority sites to be small in extent, I believe a cost benefit analysis should be performed. This analysis could also evaluate the practical performance and merit of ADEC's existing voluntary cleanup program (VCP). Perhaps by adding, or enhancing incentives to the VCP that progress can be made to remove low and medium priority sites.

2. Contaminated Sites Remediation Program (CSRP) Project Budgeting

Since the State of Alaska fiscal year (FY) ends in the middle of the Alaska field season (July 31) and funding approval for projects is not secured until after that date, as a contractor we encounter hurried field mobilization efforts. These

Page 2
Memorandum to Virgil Norton
October 21, 1999

hurried efforts often meet with difficulties in procuring subcontracted support services, including drilling, surveying, and analytical services. Project planning is also sometimes compressed into short difficult time frames. As such, it is my concern that project cost estimates and project support estimates encounter higher mobilization and logistics costs. If project planning budgets, for example work plans, could receive funding in the FY prior to planned implementation, then ADEC CSRP project costs may benefit from prior planning and "economy of scale" mobilization costs.

ADEC CSRP management may also consider the practice of requiring CSRP project managers to prepare "government estimates" prior to preparing legislative budget requests.

3. Privatize Wellhead/Watershed Protection

Federal funds available under the Safe Drinking Water Act (SDWA) charge each of the states to evaluate the risk of potential contamination to public drinking water systems. These evaluations come in the form of source water protection plans (SWAP). A concern of the private contracting community is that EH accepted the funding and decided to conduct all of the work in-house. It is my understanding that EH plans to hire staff and/or find available federal government staff rather than consider using the hydrology and hydrogeology capabilities of the private contracting community. Perhaps a cost benefit analysis was done by EH to evaluate whether this program should be done by in-house staff or contracted out. Admittedly, I have not yet inquired as to the entire evaluation process conducted by ADEC.

Since this program intends to identify contaminated sites and their potential threat to public drinking water systems, a concern is that EH must coordinate its efforts with that of CSRP in order to avoid potential duplicity of effort that CSRP may have already contracted out in the past. Also, this is a very comprehensive program that will be conducted by ADEC over a period of four years and it may be completed over a shorter time interval if EH contracted out some of the effort.

4. Reevaluate Primacy for Water Pollution Control

Alaska may be better suited to assume primacy for the National Pollutant Discharge Elimination System Program. I concur with comment number 7 submitted by subcommittee member Bill Lawrence.

5. Evaluate Privatization of Air and Water Quality Permit Review

The Division of Air and Water Quality (AWQ) should consider privatizing some portions of permit reviews such as reviews of models and risk assessment. These functions have been successfully privatized by CSRP without reducing ADEC's responsibility to make final cleanup decisions, or in AWQ's case permit decisions.

CORRECTION

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



Rev. 6/98

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

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October 8, 1999

To: Virgil Norton, Chair, ADEC Subcommittee, Privatization Committee

From: Bill Lawrence, Subcommittee Member

Subject: Recommendations

Given that the mission of the Privatization Commission (SB 33) is:
Identify state government functions capable of more efficient performance in the delivery of government services, and determine whether those identified functions could most effectively be provided by other means which include:

- **Transferring to the private sector or contracting out,**
- **Transferring to other levels of government,**
- **Consolidating or making other efficiency changes, or**
- **Any combination of the above.**

My recommendations for "privatization of ADEC" are:

- 1. Improve Department effectiveness by using general permits (single authorization covering similar activities in similar locations) to cover de minimus activities such as minor wastewater discharges. May require statutory changes to AS 46.03.100.**
- 2. Use regulations to implement best management practices or best technology rather than issuing individual permits. This effective approach is used by the Alaska Forest Resources and Practices Act, one of the best forest management laws in the nation.**
- 3. Immediately reinstate, and place a high priority on, Section 401 review of federal water quality, wetland and all other federal permits. Alaska needs a strong environmental review and certification of federal permits to ensure that Alaska's interests are protected during the federal permitting process. If ADEC does not unilaterally resume this highly important program the Legislature should either (1) direct that ADEC conduct the 401 certifications, or (2) reassign the activity to another state department. A general permit approach, i.e. general certifications for federal permits should be explored and implemented if practical.**
- 4. Notwithstanding No 3., evaluate the effectiveness of combining certain ADEC water regulatory and planning activities with ADNR Division of Mining and**

Water Management. This would require some realignment in both departments.

- 5. Establish a process whereby the regulated community, using state guidelines, prepares their own permits and certifications, then submits those draft products to ADEC for concurrence or revision. This would reduce heavy "front end" costs, both in staffing and actual costs, often claimed by the Department when initiating a specific project review.**
- 6. Save money by curtailing travel expenditures for general meetings, conferences, seminars, and workshops. Oftentimes four or five ADEC employees travel from Juneau to Anchorage or vice versa to attend the same meeting or event. Travel for "customer service" i.e. regulatory activities such as site inspections should be emphasized.**
- 7. Reevaluate the costs and benefits of primacy for water pollution control. Legislative action may be required. Alaska may be better served by maximizing, to the extent allowed by federal law, the State's role in the National Pollutant Discharge Elimination System Permit program. It would seem beneficial that that EPA not control the permit process for regulated activities in Alaska.**
- 8. Alaska's most significant and pressing environmental issues and problems should be prioritized to ensure that limited resources are most effectively used. Effective management of federal environmental regulatory programs on Alaska should be a top priority. Although ADEC is an Executive Branch department, legislative establishment of priorities may be appropriate in this unique case.**
- 9. Eliminate public information officers. ADEC top managers should be able to effectively articulate agency policy. Publications and web pages can be contracted to the private sector.**
- 10. The Legislature should prohibit unnecessary and redundant rulemaking by the Department. For example, there have been two recent separate major revisions of the same solid waste regulations and the reason given is that "fine tuning" was necessary. A rulemaking process is expensive and creates uncertainty for the regulated community.**

Improve Department effectiveness to the regulated community by ensuring that regulations and permits offer legal certainty and do not subject the community to frivolous lawsuits.

Subject: DEC Recommendations

Date: Thu, 21 Oct 1999 16:20:17 -0800

From: Stephanie Madsen

* Recommend that the Food Safety and Sanitation Program investigate having appropriate staff work from their homes, eliminating the cost of establishing and maintaining offices in remote locations.

Memorandum

To: Virgil Norton, Chairman
ADEC Privatization Subcommittee
From: Greg Magee, P.E., Member
Subject: Findings and Recommendations
for FC&O
Date: October 29, 1999

This memorandum provides my findings and recommendations based on my involvement with the subcommittee as a volunteer. This is the first time that I have participated in the public format of this manner and I have enjoyed it.

As you know, I was previously employed by the Alaska Department of Environmental Conservation (ADEC) for ten years (1981 to 1991). I enjoyed very much my employment with ADEC and have many satisfying memories working there. Since January 1992, I have been a private consultant, providing professional sanitary engineering and environmental services and I am enjoying it too. Because of my public and private employment backgrounds, I hope that my institutional knowledge and experiences with ADEC have been valuable to the subcommittee. It has been a pleasure working with you, the active members of the subcommittee, and ADEC on this task and I look forward to finalizing our report. Finally, I would like to thank the National Society of Professional Engineers / Professional Engineers in Private Practice – Alaska Section for providing me this opportunity by nominating me to the subcommittee.

PRIVATIZATION PRIMER

Since privatization has multiple meanings, forms, and approaches, it seems appropriate to provide for the subcommittee a brief primer on privatization of state government services for possible use in our report. Furthermore, it is meant to be a starting point for me to prepare my findings and recommendations in a useful manner.

Privatization options can range from contracting out or outsourcing, the most common type, to full-scale, privately financed design, build, and operations. In general, though, the common use of the term privatization refers to formal contracting out of the services by the government to the private for-profit and non-profit sectors. However, not all functions of state government can be privatized. There are functions that are inherently government and where the private sector cannot or will not perform.

The concepts of privatizing state government services in Alaska have become attractive to many residents and elected officials, including the past legislature session, where Senate Bill No. 33 was enacted into law. SB 33 created the Commission on Privatization and Delivery of Government Services to determine which state government functions can be privatized, but also which functions can be consolidated and transferred to other governments in order to reduce the dependency on the State of Alaska's revenues for the delivery of state government services.

Privatization is an idea that draws both supporters and detractors. Supporters applaud the improved efficiency and critics express concern about the reliability and fairness of privately provided services. Other reasons for supporting or opposing privatization are shown below:

Reasons for Supporting Privatization
• To obtain special skills or supplement government staff for short period of time • To meet demands beyond current governmental capacity • To reduce costs of government • To improve service quality and efficiency • To provide a choice of providers and levels of service

Reasons for Opposing Privatization
• Loss of public employee jobs • Relinquishes public responsibility for public funds • Weakens and decreases public participation in government • High potential for corruption (fraud, financial conflicts-of-interest and cost-overruns) • Any resulting cost savings are directed away from the taxpayers and towards the contractor • Threatens confidentiality of private information • Increases the temptation to reduce quality of services

It seems that both the public and private sectors can do some things better than the other. For instance, the government tends to be better at policy management, regulatory, and enforcement. While the private for-profit sector tends to be better at performing economic tasks, innovating, adapting to rapid change, and performing complex and technical tasks. And, the private non-profit sector tends to be best at performing tasks that demand compassion and trust for the health and welfare of the public.

Finally, privatization is a way to bring the advantages of competition, flexibility, and efficiency to the delivery of public services. In doing so, privatization also involves risk and requires careful management on the part of the public agency. To achieve the potential benefits of privatization, each privatization initiative undertaken as a result of SB 33 needs to be monitored to assure the benefits of cost effectiveness and quality in the delivery of publicly funded services.

According to Section 5, Paragraph 3 of SB 33, the Commission is to identify and evaluate which state governmental functions could be delivered more effectively by:

- 1) Transferring to the private for-profit sector or contracting out;
- 2) Transferring state government functions to local governments or regional service organizations (private non-profit);
- 3) Transferring to the federal government;
- 4) Consolidation or other efficiency changes of state government functions; and

- 5) Some combination of the approaches under 1 – 4 above.

FINDINGS AND RECOMMENDATIONS

Division of Facilities Construction and Operation

My findings and recommendations pertain to ADEC's Division of Facility Construction and Operation (FC&O). First, I provide general information about the division and then discuss the different units and programs within the division. After each unit, I provide my recommendations in accordance with Section 5, Paragraph 3 of SB 33. Overall, FC&O does accomplish much of its functions through contracting to private for-profit and non-profit sectors and agreements with local governments. Although small, some potential for privatization does still exist within the division.

The Division of FC&O exists within ADEC to promote public health and environmental protection by providing financial and technical assistance to urban and rural communities for the development and operation of water, sewer, and solid waste projects. The division has three units to administer five programs to achieve this goal. The units are Municipal Grants and Loans, Village Safe Water, and Operation Assistance. The programs are municipal grant, municipal loan, village safe water, remote maintenance worker, and operator certification.

Village Safe Water (VSW) Unit

This unit provides state and federal grants to smaller, Alaska Native communities with populations of 25-600. Grants are awarded each year based on a Capital Improvement Project Priority List and are typically 100% of the costs to improve water, sewer, and solid waste facilities.

VSW staff consists primarily of engineers that serve as project managers. These engineers provide technical oversight and assist the community with decision making concerning the project. Their job is to provide engineering assistance and to assure proper accountability and management of grant funds. Sometimes, the staff prepares engineering documents depending on workloads. However, some of the grant funds are administered by the Alaska Native Tribal Health Consortium (ANTHC), a private non-profit organization, under an agreement between VSW and ANTHC. Also, vice versa, VSW administers ANTHC funding under the same agreement. (On October 1, 1998, the ANTHC assumed the programs, functions, services and activities of Alaska Area Native Health Service under a contract with federal Indian Health Service.)

Nearly all phases of a VSW capital project involve the private for-profit sector and local governments. For instance, private engineering firms are used to perform planning, design, and construction management services. Actual construction is performed by either a contractor procured by competitive bid or through force account labor. If force account labor is used, VSW assists the community in hiring a project superintendent (and possibly a foreman) from the private sector. Then the community hires local residents as the labor force. A private accounting firm, through a contract with VSW, performs project accounting services. (For ANTHC projects, their staff performs much of the engineering and accounting work. However, they do

October 29, 1999

contract out some of the engineering work and utilize the force account method of construction. Also, ANTHC is presently studying the privatization issue.)

Since the mid 1990's, VSW workload has increased from additional state and federal funding. Because of this burden and the past legislative session not approving the request for more project manager positions, VSW was encouraged to seek additional staff from the private sector. Last August, VSW issued a Request for Proposal (RFP) to the private sector to provide a project manager (PM) to supervise VSW projects, like the current project managers that are on staff.

Contracting for a VSW/PM has not been tried before, so the outcome is uncertain on how well it will succeed. It appears that the work is more suited for the small engineering firm or an individual based on the contract value of about \$180,000 the first year. It is a term contract for three years, with two 1-year renewal options. Also, the selected contractor cannot compete for engineering work for the communities covered under the contract. For all intents and purposes, the contractor probably won't be able to compete for other VSW work outside the contract for fear of having a conflict. Because of these reasons, most engineering firms would rather compete for work from all of the VSW project managers.

Force accounting is a method of construction in which the community (grant recipient) assumes the role of a contractor and constructs a project using local labor resources. State procurement procedures are followed for purchasing equipment and materials and contracting specialized services. Proponents of the force account construction method believe that it promotes the following:

- Increases local involvement and strengthens local ownership in the project;
- Provides local employment and supports the local economy;
- Allows more flexibility for change and incurs less cost in making changes;
- Strengthens local ability to operate and maintain the project improvements from knowledge gained from constructing the project; and
- Lowers project costs by not paying Alaska Title 36 wages and contractor's profit, overhead and contingency.

On the other hand, opponents believe that the community should not be competing with private contracting community. Also, they argue that contractors can complete the work more efficient, sooner, and cheaper and provide local employment as well.

Not all projects can utilize the force account construction method. In some instances, contracting may be a better option depending upon the skilled labor and equipment available in the community and the degree of difficulty of the work. Many times, construction of a project is accomplished using a combination of both force accounting and contracting. It should be noted that VSW and the Governor's Council on Rural Sanitation are strong advocates of force accounting versus contracting. From a political view point, force account construction is very popular with rural communities.

Recommendations

- *Complete the contract for the new VSW/PM position. Before additional VSW/PM positions are procured to the private sector, a cost benefit analysis should be completed after the first year to determine whether this action did not result in a greater expenditure to the state.*

There will probably be many difficulties to overcome during the first year of the contract because it is a new concept for VSW. Since it is expected that insights will be gained from this first-time experience, further contracting of VSW/PM positions will be less awkward and more established. However, there is still a need to maintain a staff for oversight and accountability, inherent with the grant funding programs.

- *Contract out the annual VSW Capital Budget Questionnaire work to an engineering firm that is experienced in rural sanitation. However, this function may be an inherent government responsibility that only VSW should perform to ensure impartiality. If contracted, the firm would validate the information submitted by the rural communities and then score and rank the proposed sanitation projects. They could also obtain information for those villages that did not submit. In addition, the firm could assist VSW with improving the questionnaire and process, including database development.*
- *Assuming there is still a need to develop a comprehensive statewide database of rural sanitation facilities for documenting current conditions and assessing future needs and funding is available, a private engineering firm could be contracted to complete this task. A Preliminary Audit Report by the Legislature Budget and Audit Committee, dated October 2, 1998, recommended that VSW create a detailed inventory of all village sanitation systems in order to make informed program decisions. The private sector can complete this work more resourcefully while meeting VSW needs and expectations.*
- *The debate over force account versus public bid construction has been going on for many years between the public and private sectors. It centers on issues of cost, quality control, and accountability. To date, only narratives without documented evidence have discussed these issues at best. For instance, no comprehensive study has been conducted on completed rural sanitation projects to substantiate that force account construction is markedly cheaper than contracting. Therefore, it is recommended that an independent study be commissioned by the legislature to research this matter under the auspices of VSW. Besides cost comparisons, the study would also evaluate work quality and performance differences. A private contractor could perform the study.*

Presently, force account construction is the preferred method to construct rural sanitation projects. Although private construction contractors dislike it because it limits their opportunities, it has more positive attributes than contracting from the village's viewpoint. VSW is encouraged to monitor closely that each decision made to select force account construction is correct and in the best interest of the community. VSW is also encouraged to maximize contracting opportunities for contractors where expertise and experience are required.

- *No potential opportunities exist to transfer VSW functions to the federal government or consolidate VSW functions within ADEC or with other state agencies.*

Municipal Grants and Loans (MG&L) Unit

This section provides financial (grants with a local match requirement and low-interest loans via approved priority lists for capital improvements) and engineering assistance to boroughs and urban communities for water, sewer, and solid waste improvements. Like VSW, MG&L staff consists primarily of engineers who act as project managers by assisting larger communities with financial and technical oversight for new and upgraded utilities. Besides the engineering assistance, their job is to administer and manage the funding programs in accordance with program regulations.

All the engineering and construction of a MG&L project is performed by boroughs or municipalities, who are the grantees and/or loan recipients. No direct engineering is performed by staff, i.e. preparation of plans and specifications, master plans, submittal reviews, etc. Most of these local government entities contract with private business for completing the planning, engineering, and construction functions.

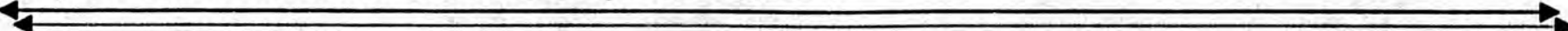
Unlike VSW, the project accounting/bookkeeping of the funding programs is performed by MG&L staff. One auditor resides in MG&L who provides financial management and conducts internal audits of projects for compliance of funding regulations. Private accounting firms complete annual audits of the loan programs. Development and publication of the annual report of the loan funds is contracted out.

Recommendations

- *If contracting results of the VSW/PM position are positive, it would seem that a project manager position or two in MG&L could also be contracted to the private sector. However, staff will be needed to provide the inherent oversight and accountability of the contract employees.*
- *Contract the accounting/bookkeeping functions of the loan programs and projects to a private accounting firm, except for the (inherent program) duties of the administrative assistant position. No opportunity exists to privatize the project accounting function under the Municipal Matching Grant Program. Project accounting for municipal grants differs from the VSW grant program. Under municipal grants, the grantee (local government) pays vendors directly and provides project accounting. Under VSW, an accounting firm that pays the vendors for the project on behalf of the community performs project accounting.*
- *Contract the auditing functions of the internal auditor position to a private accounting firm. However, the financial management duties of this position are inherent to the grant and loan programs and should be performed by MG&L.*
- *No potential opportunities exist to transfer MG&L functions to the federal government or consolidate MG&L functions within ADEC or with other state agencies.*

Department of Environmental Conservation, Administration

Report to the Privatization Commission September 22, 1999



ADMINISTRATION - WHAT IS IT?

Administration can be most succinctly described as an organization's "nuts and bolts", the mechanics behind the mission, the horsepower responsible for the forward momentum. The executive and legislative branches of government jointly collaborated on the Department of Environmental Conservation's design as the vehicle to help achieve healthy communities and a healthy environment. The people and services responsible for charting that vehicle's course and maintaining its road worthiness are what is referred to as "administration."

The Office of the Commissioner sets department policy and provides overall department management. The Commissioner's Office:

- ❑ Ensures that the department works cooperatively with regulated businesses, communities and the public;
- ❑ Sets policy;
- ❑ Ensures priority program emphasis;
- ❑ Provides paralegal support for regulatory programs; and
- ❑ Establishes and maintains an organization which emphasizes customer services.

The Division of Administrative Services is comprised of seven programs which provide timely and responsive support for the department's programs and personnel. These programs assure the department remains legally and financially accountable for every responsibility it has been tasked with, and that the tools necessary to successfully execute those responsibilities are in place and in good working order. Along that line, one of the main goals of the division is to continue to facilitate change and innovation in department operations. These programs are:

- ❑ Director's Office
- ❑ Finance
- ❑ Human Resources
- ❑ Data Processing/Information Systems
- ❑ Budget
- ❑ Information Office
- ❑ Divisional Administrative Support Staff

ADMINISTRATION -WHAT IS IT? (continued)

The Exxon Restoration program works to reduce the negative environmental impacts to local communities within the areas affected by the March 1989 Exxon Valdez oil spill in Prince William Sound through technical assistance and project management for restoration projects approved by the Trustee Council. The Exxon Valdez Trustee Council was created by the U.S. District Court following a joint civil and criminal settlement of state and federal natural resource damage claims with Exxon Corporation in 1991. By court order, the Department of Environmental Conservation is one of six public agencies whose designee must participate and agree on any expenditure of trust funds.

HOW ARE THEY FUNDED?

Office of the Commissioner

The Commissioner's Office is partially funded by indirect charges to different funding sources. Indirect costs are most easily defined as those costs incurred for a common or joint purpose benefiting more than one program.

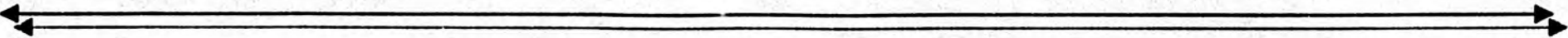
□ Federal Receipts	101.7	26.0%
□ General Fund	<u>290.1</u>	<u>74.0%</u>
	\$391.8	100.0%

The Commissioner's Office is staffed with five positions.

Administrative Services

The Division of Administrative Services is funded by an indirect funding pool which ensures that all funding sources, including the federal government, contribute.

□ Federal Receipts	966.6	28.9%
□ General Fund Match	146.5	4.4%
□ General Fund	799.3	23.9%
□ Inter Agency Receipts	94.5	2.8%
□ Response Fund	1,070.3	32.0%
□ Capital Project Receipts	28.6	1.0%
□ Storage Tank Fund	136.6	4.1%
□ Clean Air Protection Fund	<u>95.7</u>	<u>2.9%</u>
	\$3,338.1	100.0%



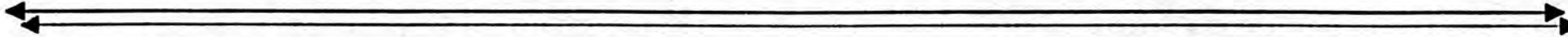
HOW ARE THEY FUNDED? (continued)

Exxon Restoration

The Oil Spill Trustee Council established a Restoration Office responsible for the coordination and supervision of the activities of the Council. The Restoration Office develops an annual budget which, upon approval by the Council, sets forth the anticipated expenditures of the Restoration Office.

The Restoration Office, through the Council, oversees an annual solicitation and review process for projects to address the purposes outlined in the MOA. The outcome of the process is the development of a fiscal year work plan, which approves the funding for all projects to be conducted during the fiscal year.

□ ExxonValdez Oil Spill Settlement Fund **\$630.2 100.0%**



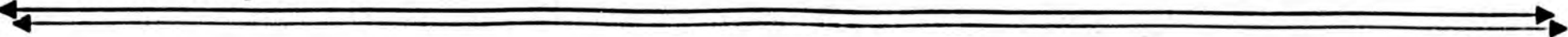
WHAT DO THEY DO AND WHY?

ADMINISTRATIVE SERVICES

Beginning in fiscal year 1996, the department centralized administrative support staff and their costs in this division. At that time there were 66 positions. The fiscal year 2000 budget provides authorization for 51 positions. Administration has gone back to the drawing board to learn how to think few, to concentrate on the essentials, to figure out what to ignore (i.e. those services that can be safely and legally eliminated), and to simply stop doing the same old things faster. Examples of efficiencies recently realized include:

- ✓ Increased internal financial auditing to ensure compliance with all laws, statutes, and regulations pertaining to appropriations and generally accepted accounting principles with no additional funding or positions.
- ✓ Reducing out of state contacts awarded from 45% in fiscal year 1996 to 12% in fiscal year 1998.
- ✓ Assuming full delegation for position classification from the Department of Administration with no additional funding or positions.
- ✓ Standardizing the department local area networks, resulting in a 50% reduction in down time.
- ✓ Reducing delivery time for electronic mail from up to 10 minutes to less than one minute in most cases.

Centralizing administrative positions that provide direct administrative support to the program divisions *in one place*, the Division of Administrative Services, offers two distinct advantages:

- It has maximized the utilization of the department's professional fiscal and management staff resources through continuous and ongoing cross training, consolidating duties and responsibilities whenever possible, and providing the opportunity to allocate financial management expertise/skills where and when needed most.
 - The ability to clearly see the number of professional level administrative support staff, and the total cost of the services provided.
- 

WHAT DO THEY DO AND WHY? (continued)

ADMINISTRATIVE SERVICES (continued)

- **Director's Office - 2 staff**
 - Direct and manage use of administrative resources in a cost effective and efficient manner.
 - Directs sound fiscal policy.
- **Financial Services – 22 staff**
 - Collect 5.6 million dollars annually under 41 fee programs.
 - Collect 33.4 million dollars annually from 6 different federal agencies under 80 different grants.
 - Prepare financial statements and audits for seven funds with assets in excess of 186 million dollars.
 - Pay over 21,000 invoices/reimbursements within 30 days of invoice date and reimburse travel claims within 10 days of completion of travel.
 - Conduct legal procurements for 30 professional services contracts and over 400 delivery orders annually.
 - Track over 4,000 items of controlled property.
 - Manage 29 office, laboratory and storage space leases in 16 locations statewide.
 - Collect 7.6 million dollars annually under 35 agreements with other agencies.
- **Human Resources – 7 staff**
 - Issue bi-monthly payroll to 500 employees.
 - Take classification action on 150 position descriptions annually.
 - Ensure department compliance with federal and state employment laws, collective bargaining agreements and personnel policy.
 - Track family medical leave benefits for 70 employees on an on going basis.
 - Review and approve over 500 evaluations annually.
 - Ensure the legality of 100 hires per year using Workplace Alaska.

WHAT DO THEY DO AND WHY? (continued)

ADMINISTRATIVE SERVICES (continued)

- **Data Processing/Information Systems – 8 staff**
 - Provide network and “at the desktop” support services to 500 users in sixteen locations statewide.
 - Convert 18 priority department databases to an integrated data warehouse.
 - Design and implement access methods for the general public, legislature, other agencies, industry and communities to query the department’s integrated databases directly.
- **Budget – 3 staff**
 - Prepare the annual operating, capital and loan budget requests.
 - Provide information to the general public, to legislators, and to legislative staff, including legislative finance regarding the department budget request.
- **Information Office – 3 staff**
 - Issue over 100 advisories annually to the general public on issues such as safe food and public health alerts; spills of oil and hazardous substances; paralytic shellfish poisoning; air quality advisories; recycling; solid and hazardous waste; contaminated soil and groundwater; water quality; permit and regulatory information; and criminal deterrents to environmental crime.
 - Provide public information via the internet, which experiences over 3,000 hits (visits) monthly, such as selected permit applications; real time oil spill information; current versions of regulations; and information to help businesses comply with the regulations.
 - Provide training and assistance to professional staff in effective communications with regulated industries and communities.



WHAT DO THEY DO AND WHY? (continued)

ADMINISTRATIVE SERVICES (continued)

- **Divisional Administrative Support** – 6 staff. Working directly with the other six divisions to:
 - Prepare and implement spending plans for the department's 19 components.
 - Provide administrative guidance and options for division directors, program managers and staff.
 - At the divisional and program level, ensure the cost effective and efficient administrative operation of department programs.

EXXON RESTORATION

Current year restoration operating activities funded through the Department of Environmental Conservation with Exxon Valdez Trustee settlement funds address marine pollution derived from land-based sources and waste management practices of remote communities. Specific projects for fiscal year 2000 include:

- Implementation of the Kodiak Island Borough Master Waste Management Plan to reduce pollution entering spill impacted marine waters. The project will upgrade and improve landfills, disposal sites and solid waste management practices, and provide for systems maintenance and repairs for seven villages on Kodiak Island.
- Technical assistance to provide seven remote communities on the benefits of properly handling solid waste, used oil, and household hazardous waste.
- In cooperation with local communities, oversee implementation of the Lower Cook Inlet Waste Management Plan to reduce the amount of community pollution entering spill injured marine waters.

Department of Environmental Conservation, Division of Air & Water Quality

What Is Air & Water Quality?

The Division of Air & Water Quality is comprised of five programs in three budget components that work together with Alaskans to provide clean air and clean water.

What is our Mission?

The mission of the Air & Water Quality Division is to identify, prevent, abate and control air and water pollution in a cost effective, accountable manner.

In other words our mission is: Clean Air, Clean Water.

Components and Programs

Director's Office (\$462.1)

Air Quality (\$4840.2)

- Air Permits
- Air Non-Point & Mobile Sources

Water Quality (\$5794.3)

- Air & Water Data & Monitoring
- Water Non-Point Sources
- State Water Discharge Permits &
- Certifications Plan

How is Air & Water Quality funded?

The Division of Air & Water Quality is primarily funded by federal funds. The operating budget consists of 45% federal funds, 27% general funds, and 28% other funds.

FY00 Authorized Funding

Federal Receipts	4960.7	44.7%
General Fund Match	1322.7	11.93%
General Fund	1218.3	10.98%
General Fund/Program Receipts	443.4	4.0%
Inter Agency Receipts	582.9	5.25%
Clean Air Protection Fund	1925.4	17.3%
CIP	108.7	.98%
Statutory Designated Program Receipts	534.5	4.81%
	\$11,096.6	100%

Water Non-Point Source Pollution Control Program

What is Non-Point Water Pollution?

It is pollution resulting from surface water runoff

- soil erosion during timber harvest and log transfer operations
- high density recreation such as the Kenai riverbank erosion
- major construction and highway projects
- storm water drains from streets and parking lots
- run-off from mining waste, landfills and agriculture
- All but 6 of the 58 impaired water bodies in Alaska are due to non-point source activities.

Staffing

Manager	1
Env Specialist/Engineers	13
Support staff	4
Non-permanent	0
Total permanent staff	18

FED: 2868.2

GF: 496.1

OTHER: 141.0

TOTAL BUDGET = 3505.3

(2 BUDGET REQUEST UNITS)

We charge for:

Stormwater plan reviews

Water Non-Point Sources

Clean-Up & Restoration

Forestry

Stormwater

Wetlands

Who are our customers?

Municipalities and tribal organizations

Timber harvest operations

Developers who need stormwater plans reviewed

Public citizens with concerns or complaints about water quality

Other state and federal agencies such as ADFG, USFWS,

NOAA, NMFS

Nonprofit organizations engaged in watershed protection or restoration projects

Alaska's 17 soil and water conservation districts

Water Non-Point Source Pollution Control Program cont.

What do we do and why?

Primary Activities

Set statewide priorities to preserve and improve water quality.
Develop water body recovery plans for impaired water.

Manage third party grants and Reimbursable Service Agreements (RSAs) for non-point source pollution control projects and services.

Respond to public concerns and complaints on local water quality issues that may be a public or environmental health threat.

Review timber harvest plans and perform related field inspections for forestry operations.

Review highway projects and development projects greater than 5 acres in size and perform field related inspections to prevent erosion and contamination during stormwater events.

Develop methods for assessing wetland functions as a foundation for wetlands planning and permitting decisions.

Results

Identification of water quality priorities and needs in the State, including a list of impaired and potentially polluted waterbodies, so that local, state, and federal groups can focus their resources most effectively and efficiently.

Provide pass through funding and technical assistance to municipalities, local groups, and other state agencies involved in water quality projects designed to protect, enhance, or restore polluted waters and protect local watersheds

Assure that public complaints and concerns regarding water quality are addressed where public or environmental health threatened.

Ensure that appropriate and effective Best Management Practices (BMPs) are used to protect water quality and habitat during logging operations.

Work with developers to implement practices that ensure stormwater leaving the site does not contain levels of pollutants that exceed water quality standards and threaten the habitats and various uses of local waters.

Provide a scientific method for identifying high-value wetlands in order to expedite other agencies' permitting process and tailor the process to Alaskan conditions.

What's our relationship to the federal government?

DEC has been identified as the responsible state agency to receive and pass through federal Clean Water Act funding for projects designed to address water quality problems or non-point source pollution. DEC is also responsible for meeting several mandates of the Clean Water Act for which states have been designated responsibility, such as Sections 303(d) (list of impaired waters), 305(b) (bi-annual water quality assessment report), 319 (non-point source pollution program), 401 (water quality certifications) and 402 (national pollutant discharge elimination system).

Water Non-Point Source Pollution Control Program cont.

Why us and not the feds?

Clean Water Act mandates requiring water quality priorities and identification of impaired waters that are not done by the state would then be required be done by a staff person in Seattle Region 10 EPA., or worse yet, EPA Headquarters in Washington, D.C. Priorities and needs set by non-Alaskans tend to be overly conservative, not suited to real Alaskan needs, and unrealistic.

Section 319 of the Clean Water Act requires that a State pass through funding for water quality projects deemed important to the State. In accordance with the Clean Water Act, EPA is not allowed to pass funding directly to municipalities or other groups without going through the designated state agency (DEC).

A field presence by Alaskan staff rather than out-of-state federal staff allows for better working relationships with businesses and industry, to prevent erosion and other run-off problems via a more realistic assessment of problems and issues.

Although there is no "primacy" provision of the clean water Act for non-point source pollution control, continuation of federal grants to Alaska is based upon a state executed program. Otherwise, federal funds would simply go to the other states.

What's privatized in this program?

1. Monitoring of water quality where public or environmental health threats need verification
2. Field restoration of streams, rivers, lakes, and bays where damage has impaired the uses of the water which inhibits community, fisheries or other economic development.
3. Water quality studies to assess damages or develop recovery plans.
4. Development of public brochures or information flyers.
5. All large photo copying jobs such as regulations, forms, newsletters etc.
6. Review of stormwater plans in Anchorage was recently delegated to the Municipality.

*3rd party work exceeds \$1.7 million. This work is performed by local government, non-profits, contractors, the University and other agencies.

Air Non-Point & Mobile Sources

Air pollution from non-point and mobile sources are generated from automobiles and trucks, fireplaces and wood stoves, fuel storage tanks, aircraft, home and commercial building furnaces, auto body shops and numerous other activities.

Vehicle tailpipe emissions have long been Alaska's leading air pollution problem in Anchorage and Fairbanks when winter season temperatures inversions trap the dangerous carbon monoxide gases from combustion.

Staffing

Manager	1
Env. Specialist/Engineers	11
Support staff	1
Non-permanent staff	1
Total permanent staff	13

Funding

Federal:	1396.1
GF:	1046.5
Other	108.7
TOTAL	2551.3

What fees are charged?

We charge fees for permits and registrations for gasoline distributors of ethanol-blended fuel in Anchorage during the winter months.

The vehicle inspection & maintenance program charges fees for certificates of inspection for motor vehicles. These certificates are sold to private garages, which issue the certificates to private individuals following a successful vehicle emission test.

Air Non-Point & Mobile Sources

Mobile Sources

Air Toxics & Area Source Pollutants

Radiation Monitoring

Who are our customers?

- Communities with air quality problems for primarily carbon monoxide and breathable particulates concerns.
- Communities and individuals impacted by radioactive contamination in Alaska.
- Garages and mechanics who participate in the vehicle inspection & maintenance programs in Anchorage, Fairbanks, and the Matanuska-Susitna Valley.
- Gasoline distributors who provide ethanol-blended fuel to Anchorage during the winter months.

Air Non-Point & Mobile Sources cont.

What do we do and why?

Primary Activities

Develop air quality plans to help bring areas into compliance with health standards for carbon monoxide and particulate matter.

Oversee the implementation of the vehicle I/M program in Anchorage and Fairbanks and implement the Matanuska-Susitna Valley commuter I/M program.

Enforcement of the ethanol-blended fuel program in Anchorage.

Evaluate the public health threat of toxic air pollutants to Alaska citizens.

Participate in forestry and agricultural land clearing and burning projects with land managers to mitigate pollution exposures to nearby residences during large open burn projects.

Issue public health advisory when pollution from natural events poses a local threat due to volcanoes, wildfires, or glacial dust wind storms.

Amchitka Island is a former nuclear weapons test site. We provide oversight of the Department of Energy's environmental assessment and monitoring at Amchitka and work with local interested parties on this issue.

Results

Continued progress in Anchorage and Fairbanks to improve air breath- Carbon monoxide exposures are now very close to meeting public health standards.

Reduced breathable small diameter particulate matter pollution from wood smoke and road dust sufficient to meet public health standards in Juneau, Anchorage, Eagle River and portions of the Mat-Su valley.

Reduction in air pollution from motor vehicles in Anchorage from a cleaner burning fuel.

Especially sensitive individuals take precautions to avoid medical complications.

State concerns are brought to the attention of the federal government. Will determine what if any ongoing threat to citizens or marine environment from any potential ongoing radiation releases.

If not a member of the Northwest compact, or any other compact, Alaska would have to provide for storage and disposal of its own radioactive waste. Hospital and medical research waste are disposed of out-of-state.

Air Non-Point & Mobile Sources cont.

What's our relationship to the federal government?

Under Clean Air Act, and its amendments, EPA can delegate authority to states to implement air quality programs provided state standards are at least as stringent as federal standards and we meet the operational requirements set out in federal regulations and policy. This is called giving the state "primacy".

Alaska has had "primacy" since the early 1970s.

The federal government can impose sanctions on states for failure to meet requirements within Clean Air Act. Sanctions can impact industrial facilities and/or federal highway funds.

Why us and not the feds?

A state-run air quality program gives Alaskans the opportunity to tell the state how pollution control strategies will affect them on a local level. A federally administered program would trend to view control strategies from a national perspective.

A federal run vehicle inspection/maintenance program would be a centralized government function, eliminating the use of private garages.

The federal government has conducted nuclear weapons testing in Alaska in the past; the state oversight of the federal environmental assessment and monitoring of Amchitka helps to insure the impartiality of these efforts and a particular focus to local protection of citizens, the marine environment and any threat to fisheries.

What's privatized in this program?

1. 120 private garages conduct emissions test for the Inspection & Maintenance programs in Anchorage, Fairbanks, and the Matanuska-Susitna Valley.
2. Laboratory testing of fuel samples for compliance with the ethanol-fuel program in Anchorage is contracted to a private laboratory.
3. Contractors are used to provide technical assistance in developing air quality control plans for communities not meeting the health standards (FY99 \$365,000 expended)
4. In FY00 a \$600,000 contract will be set for specialized cold weather automotive tailpipe testing in Anchorage and Fairbanks.
5. Local governments of Anchorage, Fairbanks and Juneau perform very significant portions of the efforts and funds to achieve clean air goals. (Anchorage - 16 employees, Fairbanks - 11 employees)

Water Discharge Permits & Certifications Plan

The U.S. EPA is the primary agency for issuing water discharge permits in Alaska. Although Alaska has never received "primacy", the state issues discharge permits for small sewage treatment plants on other non-federal discharges. Until FY00, Alaska issued water quality "certifications" for federal discharge permits to

- 1) Assure protection of Alaska water quality and
- 2) provide flexibility for the operation via the federal permit through provisions such as mixing zones, zones of deposits, temporary variances and site specific water quality standards.

State Water Discharge Permits & Certifications Plan

Who are our customers?

- Alaskans and communities that use surface waters for personal, community or fisheries purposes
- All companies and community governments who discharge wastewaters to the waters or lands of the state. These include: sewage treatment plant operators, timber pulp or processing plants, mining operations, oil and gas exploration, production or refining and seafood processing plants
- All developers or local governments engaged in activities that fill, dredge or otherwise construct in wetlands or waterways.

Staffing

Manager	1
Scientist/Engineers	4
Non-professional support staff	1
Non-permanent staff	0
Total Permanent staff	6

Funding

FED	0.0
GF	635.4
RESTRICTED GF	<158.1>
OTHER	588.1
RESTRICTED OTHER	<548.8>
TOTAL AVAILABLE	516.6

We charge permit review fees for:

Permits to discharge domestic or non-domestic wastewater to the lands or waters of the state (except discharges of less than 100 gallons per day of domestic wastewater to a drainfield system)
Certifications of federal permits

Water Discharge Permits & Certifications Plan cont.

What do we do and why?

Primary Activities

Because of budget cuts in FY00, the program has ceased review and issuance of most certification of federal permits for: 1) wetland/waterway dredge and fill permits by U.S. Army Corps of Engineers and National Pollutant Discharge Elimination System by the Environmental Protection Agency.

Implement workgroup process to determine how to use existing resources and the future of the permit program.

Complete work on permits "in process" as of July 1, 1999.

Work on unique issues that may significantly affect state interest of liabilities.

Work on critical time sensitive EPA permits to issue a state certification within constraints of existing staff resources.

Results

Discontinue most permitting for industrial and community waste water discharge. Rely upon EPA and COE to protect water quality.

Protect water quality while legally authorizing wastewater discharges from small operations required to obtain only a state permit.

Finish permits for those facilities who began the permit process before July 1, 1999.

Protect water quality and insure reclamation of chemically treated tailings.

Continue work on closure of the Illinois Creek and other mines.

Issue state certifications of 4 NPDES renewals for EPA end of fiscal year deadline of Sept. 30.

What's our relationship to the federal government?

Alaska is not delegated primacy of the Clean Water Act wastewater discharge permit program.

EPA issues these permits although DEC staff have implemented a supportive and shared program in the past in order to assist state interest for water quality management and to insert flexibility into the federal permit for Alaska communities, businesses and industry. The state could seek delegation to garner full state level decision making.

The "dredge and fill" permitting under section 404 of the Clean Water Act is executed by the U.S. Army Corps of Engineers. It is not a program which could be delegated to DEC. In the past DEC has issued water quality certifications of these permits to assure preservation of local water quality. Recent funding reductions have eliminated that effort via a blanket waiver of DEC's review and certification.

Water Discharge Permits & Certifications Plan cont.

Why us and not the feds?

Through the state certification program for NPDES and COE permits we "Alaskanize" the conditions and requirements in those permits; we authorize mixing zones, zones of deposit, short term variances, and site specific criteria which protect the environment while providing significant flexibility to the applicant. Without state certification, applicants will not be able to comply with their permit limits because economically reasonable treatment technology does not exist for most operations in order to meet stringent water quality standards at the "end of pipe".

What's privatized in this program?

1. Collecting water quality data.
2. Performing technical analysis to prepare permit applications, such as mixing zone modeling.
3. Other technical engineering and geological/hydrological analyses for the applicant to assess potential impacts to the quality of the receiving waters.

Air Permits

Air Quality Permits are a tool to manage and control air pollution discharges from industrial operations or large open burning projects.

Staffing

Managers	2
Env. Specialist/Engineers	26
Support staff	3
Non-permanent staff	3
Total permanent staff	31

Funding

FED:	207.2
GF:	156.3
Other	1925.4
(Clean Air Protection Fund)	
TOTAL	2288.9

We charge permit fees for:

Under federal and state law, permittees are required to pay all direct and indirect cost for their air quality permits. These tasks include:

Permit application consultation, assistance, and completeness review;
Reviewing or assisting in the preparation of permit support documents, including on-site evaluations;

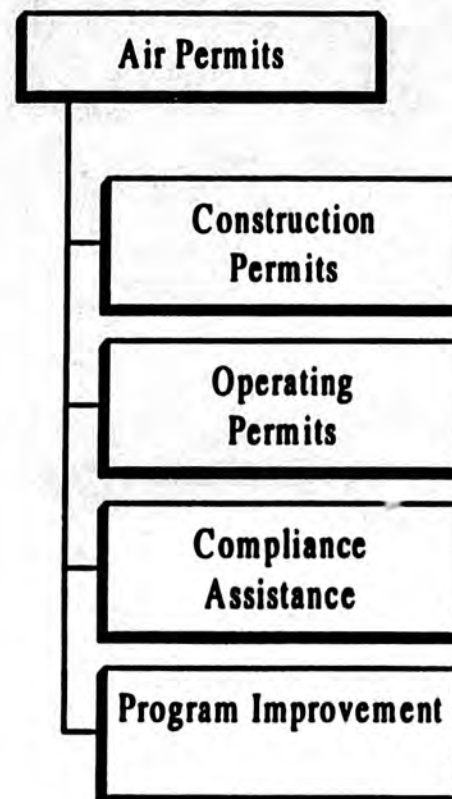
Preparing, processing, and issuing permits

Performing facility inspections and compliance evaluations;

Reviewing, reports of emission, ambient monitoring, or process measurement data;

Preparing, evaluating, or processing plans or documents to rectify noncompliance, but not including any enforcement actions; and

To recover program costs not directly attributable to a specific permittee an "emission" fee is assessed for each ton of out-of-stack pollutants.



Who are our customers?

- Owners and operators of facilities requiring air permits:
 - Those that are capable of emitting more than 100 tons per year of emissions or 25 tons per year of hazardous air pollutants;
 - Those that operate sources subject to federal emission standards.
- Regulated facilities include: electrical utilities; oil exploration, production and refiners; seafood processors; mining and timber operations; and
- Persons conducting large open burns
- Citizens of Alaska adversely affected by air pollution

Air Permits cont.

What do we do and why?

Primary Activities

Implement a permit program to

- manage industrial emissions of air pollution
- prevent air pollution from becoming injurious to Alaskans
- prevent significant degradation of air quality
- implement best available technology in industrial operations to reduce air pollution emissions

Provide compliance assistance at regulated facilities

Improve the state permit program

Results

Support economic expansion while preserving good air quality for the employment and health of Alaskans.

Help applicants to correctly identify the type of permit needed and the specific information needed for acquiring the permit.

Help permittees achieve compliance with permits.

Develop and adopt changes to regulations and policies to address stakeholder concerns, incorporate new federal requirements needed to retain a state-run program, and employ better approaches for meeting federal and state clean air goals that are more responsive to Alaskan concerns and the best interest of our communities and businesses.

What's our relationship to the federal government?

The Clean Air Act, passed by Congress in 1970, amended in 1977 and 1990, gives EPA authorities to delegate the management of air quality permit programs to the States.

EPA has delegated authority of the Clean Air Act permit programs to State of Alaska. EPA maintains oversight authority of the permit programs as needed to assure that the programs are implemented and enforced in accordance with the requirements of the Clean Air Act and it's implementing federal regulations.

Some of the provisions of the Clean Air Act are not well fashioned or suited to situations in Alaska. Considerable effort is expended to make this law more workable for our communities and business needs. Sometimes, this results in strained relations and professional differences of opinion with the federal government, EPA.

Air Permits cont.

Why us and not the feds?

Alaskans have more control over regulatory decisions when the permit program is executed at the state-level.

EPA is far less prone to using innovative approaches to implementing the permit programs.

EPA enforcement is penalty-oriented/State enforcement is assistance-oriented.

Clean Air Act imposes federal highway funds sanctions against states that do not run permit programs.

EPA permit fees likely to be significantly higher than state fees, increasing operating costs for permitted businesses in Alaska.

What's privatized in this program?

1. Permit application preparation
2. Ambient pollution monitoring nearby regulated facilities, exhaust stack emission testing and monitoring
3. All large photo copying jobs such as regulations, forms, newsletters etc.

Future opportunities: some technical aspects of permit application reviews to help reduce permit backlog

Air & Water Data and Monitoring

For environmental measurement data to support wise decision making, the data must be of known quality, focused to answer specific questions and readily accessible to decision makers that are internal and external.

FY00 funding by source

FED:	2,311.5
General Fund	1,502.1
Other	0.0

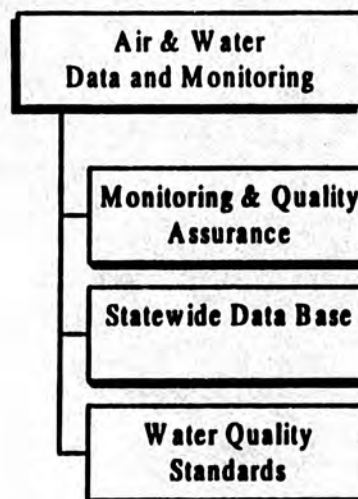
\$3,813.6

Staffing

Managers	2
Env. Specialist/Engineers	15
Support Staff	3
Non-permanent staff	0
TOTAL permanent staff	20

We charge for:

No fees are charged. However the costs of some projects are paid by other entities.



Who are our customers?

The public whose health and economic well-being depends on good air and water quality.

Public and private entities that discharge pollutants to the air and wastewater to the lands or waters of the state. These include local governments such as Anchorage, Fairbanks, Juneau, McGrath, Sitka, Mat-Su Borough; federal agencies such as BLM, and USFS; Alaska industries such as power generators, oil and gas, seafood and mining.

Air & Water Data & Monitoring cont.

What do we do and why?

Primary Activities

Monitoring and Quality Assurance

Operate ambient air quality monitoring networks for carbon monoxide and breathable particulate pollution.

Perform baseline assessment monitoring for new air pollutants (PM2.5 and Regional Haze)

Conduct and provide for ambient water quality monitoring (accomplished by grants, contracts, and the regulated community).

Provide technical assistance in developing monitoring plans for air and water monitoring projects.

Provide quality assurance oversight for statewide air and water quality monitoring operations.

Results

Maintain compliance with National Ambient Air Quality Standards (NAAQS) for the protection of public health.

Assess if Alaska will meet national fine particulate health standards under the Clean Air Act. Determine if national regional haze program will require emission reductions in Alaska.

Ensure Water Quality Standards are met to protect public health and aquatic life. Assess if water body recovery efforts are successful.

Ensure that monitoring methods are selected such that measurement data study meet the objectives of studies designed to answer the questions posed.

Ensure that the quality of the collected monitoring data represents actual field conditions and is useable for decision making.

Air & Water Data & Monitoring cont.

What do we do and why?

Primary Activities

Statewide Data Base

Develop and maintain air and water quality databases to provide rapid access to environmental data to improve assessment, mapping, and reporting of environmental conditions.

Water Quality Standards

Maintain Water Quality Standards that incorporate state-specific considerations.

Provide guidance and technical assistance to user groups.

Adopt site-specific water quality criteria when federal criteria are stricter than necessary or not strict enough to protect water uses.

Results

Communicate condition of Alaska's air and water quality to meet a variety of requests; provide baseline information to reduce permit applicant effort; provide basis for sound resource decisions; and provide information to the public about discharges of pollutants and the ambient status of the air and water quality resources.

Water Quality Standards protect water uses for fish habitat, drinking and recreation, economic and community development while taking into account Alaskan conditions.

Better voluntary compliance with the regulations that will prevent water quality problems.

Criteria that cost-effectively protect water uses.

Air & Water Data & Monitoring cont.

What's our relationship to the federal government?

The Clean Air Act requires each state air agency to submit ambient air data to the national database quarterly to enable EPA to monitor and assess the status of air quality in Alaska and the nation.

The Clean Water Act requires Alaska to report regularly on the status of waterbodies and water quality and to set priorities for directing resources for protection and restoration of water quality. These determinations are based upon the availability of water quality data to support the State's assessment.

The Clean Water Act requires states to adopt water quality standards to protect designated uses of surface waters, including drinking water, propagation of fish and wildlife, recreational purposes, and agricultural, industrial and other purposes. For some pollutants including a list of priority toxic pollutants, the Environmental Protection Agency (EPA) publishes recommended criteria. In the case of priority toxic pollutants, if the state does not adopt criteria that are at least as stringent as the federal criteria or that are otherwise scientifically defensible, the Environmental Protection Agency will adopt criteria for the state. In 1992 the EPA did adopt certain criteria for Alaska in the National Toxics Rule.

Whenever the state revises the Water Quality Standards Regulations, the revisions must be reviewed and approved before the state WQS regulations can be used for Clean Water Act purposes including deriving effluent limits for NPDES permits, certifying federal permits, putting water bodies on the impaired water body list and writing Total Maximum Daily Loads (TMDL or water quality improvement plan) for impaired water bodies. If the EPA disapproves a Water Quality Standards provision, the EPA must promulgate a regulation for the state.

Why us and not the feds?

The federal government no longer has the staff or the experience to perform air and water quality monitoring in Alaska. While they could perform some functions in the permit review process, the monitoring workload is not one of them. If the present level of effort were not performed by the state, the reduction in service would jeopardize air and water permit programs and non-point source efforts linked to public health, fisheries sustainability and lead to potential federal sanctions of funds due to inability to achieve clean air goals.

Staff has spent many hours working with local governments, industry, and environmental groups in evaluating air and water quality problems in the state, developing cost effective solutions, providing training on instrument operation, and quality assurance and performing instrument repairs.

Air & Water Data & Monitoring cont.

Why us and not the feds? cont.

The State is in the position to make water quality assessments based upon local knowledge and unique site-specific requirements. The State is also in the position to identify and access information sources that may not be available to the EPA.

The Clean Water Act and lawsuits across the country require that where States fail to develop impaired waterbody lists and/or TMDLs, EPA is required to do so. States are much better off in controlling these outcomes if they are in the lead or in more of a control situation.

If the state adopts Water Quality Standards, the state can take into consideration conditions peculiar to Alaska. In the absence the EPA would adopt national criteria for Alaska that would not take into consideration local conditions or natural conditions such as glacial silt that exceed national recommended criteria.

The EPA also will not adopt site-specific criteria to take into account conditions peculiar to a particular water body and they will not grant any variances from the WQS regulations.

What's privatized in this program?

1. Some air monitoring services in remote locations are contracted out. Fairbanks, Anchorage, and numerous industries operate air monitoring stations.
2. Most water quality sampling and laboratory analysis of samples are conducted through contractual agreements.
3. Permitted dischargers conduct self-monitoring and reporting according to permit requirements.
4. Some water body recovery work is accomplished through contractual arrangements with private entities.
5. Information systems and needs assessments are contracted to the private sector.
6. Public Notices, and Document Printing also are purchased.

Department of Environmental Conservation, Division of Environmental Health

Report to Privatization Commission September 1st, 1999

What Is Environmental Health?

The Division of Environmental Health is comprised of ten programs in five budget components that work together with Alaskans to provide safe water, safe food, and healthy communities.

What is our Mission?

The mission of the EH is to prevent and control public health nuisances by establishing standards of cleanliness and sanitation for water, solid waste, and food, where a lack of sanitation may create a condition that causes disease.

In other words our mission is: Safe Water, Safe Food, Healthy Communities.

Components and Programs

Director's Office (\$168.4)

Drinking Water & Wastewater (\$3,814.6)

Food Safety & Sanitation (\$3,142.2)

- Food Safety and Sanitation
- Office of the State Veterinarian

Laboratory Services (\$2,232.7)

- Laboratory Services
- Pesticides

Solid Waste Management (\$1,078.3)

How is Environmental Health funded?

The Division of Environmental Health is primarily funded by general funds. Two-thirds of our operating budget - 64% - is general funds. One-third - 34% - is federally funded and 65% of those federal dollars support the Drinking Water Program.

FY00 Authorized Funding

Federal Receipts	3,562.0	34.1%
General Fund Match	957.2	9.2%
General Fund	3,111.8	29.8%
General Fund/Program Receipts	2,611.6	25.0%
Inter Agency Receipts	20.0	.2%
Response Fund	173.6	1.7%
	\$10,436.2	100%

Drinking Water and Wastewater

FY00 funding by source

General Fund	501.6
General Fund/Program Receipts	503.6
General Fund Match	496.9
Federal	2,311.5
	\$3,814.6

Who are our customers?

Owners and operators of public water systems

- Those that are expected to serve 25+ residents a year (Class A);
- Those that are expected to serve at least 25 people a day for at least 2 months (Class B);
- Any other public water system (Class C)

Owners and operators of domestic wastewater systems (septic and sewer)

We charge for:

Engineered plan reviews*

Determinations that a system is served by "groundwater under the direct influence of surface water"

Determination of optimal corrosion control when a PWS exceeds the allowable levels of lead and copper

Approval of surface water treatment rule filtration avoidance

System extensions

Contaminant monitoring waivers for PWS

Separation distance or other waivers

Certification of domestic waste water – septic system installers

Approval of sanitary surveyors and PWS inspectors

Approval of an "innovative" technology or device

Inspections, including follow-up on valid complaints and enforcement

* Engineered plan reviews are not done for domestic wastewater systems serving a single family home, a duplex, or a single commercial building with an expected peak design flow of 500 gpd or less, or for Class C water systems that use groundwater as their source of drinking water.

Drinking Water and Wastewater cont.

What do we do and why?

Primary Activities

Establish design, construction and operations standards for PWSs and wastewater treatment and disposal systems

Review public water systems and domestic wastewater system construction plans*

Review financial, managerial, and technical capacity for public water systems

Require laboratory testing of the water provided by public water systems

Require inspections and sanitary surveys of public water systems

Work with public water system owners to protect drinking water sources

Results

Systems that are capable over time of providing safe water in sufficient quantities or that can safely dispose of human wastes

Compliance with design standards

Public water systems capable of continued operations on a sustained basis

Water that is within acceptable contaminant levels (i.e. safe to drink)

Compliance with construction and operating standards

Reduction in potential contamination at the water source

What's our relationship to the federal government?

Safe Drinking Water Act, passed by Congress in 1974, amended in 1986 and 1996, gives EPA authority for Class A and Class B systems (Class A = community water systems and nontransient noncommunity water systems, Class B = transient noncommunity water systems)

EPA can delegate oversight authority to states provided state standards are at least as stringent as federal standards and we meet the operational requirements set out in federal regulations and policy. This is called giving the state "primacy."

Alaska has had "primacy" since September 22, 1978

Drinking Water and Wastewater cont.

Why us and not the feds?

Federal government pays for 75% of the management costs of the DW Program

State can issue contaminant monitoring waivers and separation distance waivers (saves water systems BIG money)

State has access to federal construction funds for public drinking water systems

EPA runs "enforcement only" program; does not provide technical assistance

What's privatized in this program?

1. Sanitary surveys for DW system done by private individuals
2. Certified installer program for DWW systems (expands who can install these systems)
3. Monitoring of water systems done by private labs
4. Moving certified installer training to University of Alaska
5. Certification of on-lot septic systems now done by private engineers
6. All large photo copying jobs such as regulations, forms, newsletters etc.

Food Safety and Sanitation

Food Safety & Sanitation (2903.7)
Office of the State Veterinarian (238.5)

FY00 funding by source

General Fund	698.5
Commercial Fish Revolving Loan Fund	175.0
General Fund/Program Receipts	1530.5
General Fund Match	244.1
Federal*	494.1
	3,142.2

* Some amount of federal funds will be restricted as uncollectable. The final amount is not yet known.

What fees are charged?

All food-related permits (except for dairy processing) have fees associated with them to help defray the costs of the total program services. We do not have fee authority for any public facility oversight except for overnight accommodations, however we do not have fees in place. We also have authority to establish fees for veterinary services provided by the state vet, but have not yet adopted any fees for those services.

What do we do and why?

Primary Activities

Establish facility requirements; review and approve plans

Approve shellfish growing areas

Establish criteria for livestock imports and care

Conduct inspections

Who are our customers?

Anyone who sells or serves food to the public (retail food), such as:

- Restaurants
- Grocery stores
- Schools and day cares

Food processors, such as

- Dairy
- Seafood
- Shellfish growers/harvesters
- Bottled water
- Candy, syrups

Owners and operators of public facilities, such as

- Day care centers
- Overnight accommodations
- Pools/spas
- Schools and cosmetological establishments

Veterinarians & vet medicine manufacturers

Results

Reduction in potential for unsanitary conditions and contamination of food

Reduced likelihood of PSP contamination

Healthy animals for food production

Compliance with requirements; share food safety information with operators and employees

Food Safety and Sanitation Cont.

Primary Activities

Results

Operator/processor education

Fewer problems that can lead to foodborne illness

Laboratory testing of food products and shellfish growing water

Verify safety of food products

Participate in recalls

Remove unsafe food products from commerce

Investigate reports of foodborne and waterborne illnesses

Find and correct the cause of the illness

Provide technical/consultative assistance

Increase in compliance at the lowest cost to operators

What's our relationship to the federal government?

Dairy processing: must follow the Food & Drug Administration (FDA) Pasteurized Milk Ordinance to sell milk processed in Alaska interstate, to the military, or to schools.

Shellfish growing/harvesting: must follow FDA's Model Ordinance for the Control of Molluscan Shellfish to sell shellfish interstate and internationally.

Other seafood processing: must follow FDA's Hazard Analysis Critical Control Point regulations as well as FDA's Good Manufacturing Practices (GMPs) regulations to sell product interstate or internationally.

Other foods processed in Alaska must also be processed in accordance with the federal rules for that type of food. All must follow the GMPs.

There are no federal requirements for retail foods but there is a federal guideline called the "Food Code." There are also no federal requirements for public facilities.

Animal Health: the federal government sets minimum standards for disease control in animals that in turn affects interstate & international shipment of animals. States may set more stringent requirements.

Food Safety and Sanitation Cont.

Why us and not the feds?

The federal government does not provide direct services for food processors except for small, fairly targeted areas. However, the federal rules must be followed in order to assure market access to our processors.

It also does not provide animal health services to states.

Although we do not receive any financial support from the federal government for any of these services, they will contract with us to conduct some seafood inspections:

US Department of Commerce (USDC) has several types of inspection programs available to the industry on a fee-for-service basis. Listed below are the types of inspections we have performed for USDC. USDC pays us on a per-inspection basis.

Type 1 In-plant inspection – continuous product inspection to allow the product to be sold for certain federal government programs, such as the Grade A program and the Packed Under Federal Inspection (PUFI) program. The inspector must be in the plant throughout the production of that lot of product.

Type 2 Lot inspections – product is inspected for quality, condition and sometimes graded to buyers' specifications. A Certificate of Origin, Export Health Certificate, and European Union - country specific certificates are issued. This allows product to enter into countries that have imposed these requirements, or the buyer is ensured they are receiving the quality of product requested.

Type 3 Miscellaneous – includes, 1) cannery sanitation and retort survey inspections to get a cannery approved to produce product under the PUFI program, 2) routine USDC plant sanitation inspections to be listed on their list of approved establishments, and 3) fish meal plant inspections.

FDA will also contract with us to conduct federal HACCP inspections.

What's privatized in this program?

1. Some HACCP and food server training
 2. HACCP plan preparation (done by processors and private consultants)
 3. Collection of some water samples (by shellfish growers)
 4. Issuance of animal health certificates (by private veterinarians)
 5. All large photocopying jobs such as regulations, forms, and brochures
 6. Public service announcements
- Looking at creating certified 3rd party inspector program for low-risk facilities

RISK BASED INSPECTION FREQUENCY PROTOCOL

(Risk Level = # of routine inspections per year)

Where HACCP is mandatory or being voluntarily followed, only one inspection per year per process/product is a full HACCP inspection.

RISK LEVELS¹	PROCESS/PREPARATION OR CONDITIONS	EXAMPLES
Complaint Only	Ensure minimum health and safety standards are met through plan review and complaint investigation.	Cosmetology; very small bed and breakfasts; public toilets; showers, laundromats.
1	Limited preparation which may include assembling precooked/sliced items; cook and serve; Cold hold and display of prepackaged foods/produce Gill, gut, harvest, package fresh/frozen, (not ready to eat) Physical, microbial and chemical hazards are generally present	Limited food service; mobile food service; bars/taverns; convenience stores; grocery stores; warehouses; fresh/frozen produce and fish processors. Campgrounds (no RVs), hotels/motels/lodges; larger bed and breakfasts.
2	Assemble, cook and serve hot or cold hold (No cooling and reheating) Salvage and repackaging Shellfish harvesters Retail processing including meat and seafood slicing, cutting, and wrapping Processing of ready to eat or shelf stable non potentially hazardous foods Physical, microbial and chemical hazards are present	Delis; food banks; supermarkets; retail seafood and meat markets; bakeries; ice manufacturers; bottled water and other beverages; candy, jams, jellies and syrup manufacturing; fast food take-out. Spas, RV parks, tattoo parlors, residential care facilities, preschools, elementary and secondary schools.
3	Associated with known toxins (tuna, mushrooms, shellfish) Assemble, cook, cool, hold, and reheat Processing and packaging into ready-to-cook meals All processing of warm-blooded animals High physical, microbial and chemical hazards	Processing of foods with known toxins; full service restaurants; meat processing (not covered under MPI); labor camps; institutions. Day care centers and pools/spas.
4	Thermal processing of low-acid foods Reduced oxygen packaging Smoking or curing of ready to eat and shelf stable potentially hazardous foods Pasteurizing	Canning and smoking seafood, meats; roe processing; low-acid canning; any processor that ROPs.

RISK BASED INSPECTION FREQUENCY PROTOCOL CONTINUED

¹ Considerations that may increase or decrease the number of annual routine inspections:

Add one inspection per year for food facilities:

- The facility is an institution that accepts donations of traditional Native foods;
- The targeted population served by the facility is 1) children; 2) elderly; or 3) immunocompromised;
- The facility has a scored inspection of 84 or below;
- The facility has a non-scored inspection and has 3 or more critical violations OR 2 or more critical violations AND 2 or more repeated noncritical violations;
- The methods of food preparation at a food service establishment are complex (that is, there are a number of food items or ingredients are prepared in advance requiring cooling and reheating); or
- The facility is large (see note).

Add one inspection per year for public facilities if:

- Three or more critical violations during last routine inspection;
- Secondary school has an industrial arts program.

Deduct one inspection per year for a food facility if:

- The facility has a scored inspection of 94 or above and no critical violations for two consecutive inspections;
- The facility has a non-scored inspection with no critical violations and no more than 4 non-critical violations for two consecutive inspections;
- The facility is a participant in good standing in the Division's facility recognition program; or
- The facility has a sufficient HACCP plan that is being fully implemented.

Deduct one inspection per year for a public facility if:

- No critical violations during last two consecutive inspections.

NOTE: "Large" is purposely not being defined at this point since we do not categorize most of our facilities in that way however it is to relate to capacity or volume. For the time being, Program Managers are to determine whether or not a facility is "large" but they must be able to articulate their rationale to me so we can come up with appropriate definitions.

Laboratory Services

Food Safety Lab (1,024.8)
State Chemistry Lab (926.6)
Pesticides (281.3)

FY00 funding by source

General Fund	950.1
General Fund/Program Receipts	144.0
General Fund Match	215.2
Federal	729.8
Oil & Hazardous Response Fund	173.6
Interagency Receipts	20.0

2,232.7

Who are our customers?

Owners and operators of commercial labs

Food processors, especially seafood

Users of pesticides (primarily commercial and government users)

- Oil companies
- Commercial pest controllers
- Municipalities
- Agriculture
- Fishing industry

What fees are charged?

We charge fees to commercial labs that we certify

We also charge for any food testing done at the request of the processor, including testing necessary to export product out of the U.S.

Finally, we will charge for a PWS to test its water for cryptosporidium or giardia (there is now one private lab that can conduct these tests to which we will refer public water systems.

We do not have fee authority for any pesticide services

Laboratory Services Cont.

What do we do and why?

Primary Activities

Certify or accredit commercial labs to conduct analysis of public drinking water systems, as well as underground storage tank and contaminated site remediation

Conduct laboratory testing of commercial food products processed in Alaska, including testing of shellfish for PSP

Limited number of oil spill sampling

Train and certify pesticide applicators

Issue pesticide permits for 1) aerial application, 2) application by or for a governmental entity, and 3) projects that will affect land owned by separately by two or more people.

Conduct some analysis of animals such as reindeer for brucellosis or tuberculosis

Marketplace pesticide inspections

Results

Accurate measurements of contaminants in water and soil

Alaska-processed food that is safe to eat and has access to markets

Determine source of "orphan" oil spills

Reduce potential for improper pesticide use

Ensure public notice of large-scale applications

Prevent disease in Alaska's domestic animals

Prevent the sale of illegal pesticides

Laboratory Services Cont.

What's our relationship to the federal government?

Certification of commercial labs that test public water systems is a condition of primacy for the drinking water program. Federal funds help support this effort.

Like the Drinking Water program, EPA can also delegate responsibility for the pesticide program to states with standards that are at least as stringent as EPAs.

Why us and not the feds?

See Drinking Water program overview for benefits of primacy.

For pesticides, we also have primacy. Under the federal rules, the most toxic pesticides can only be used by certified applicators (restricted-use pesticides). With a state program, access to this certification is significantly greater than what EPA might offer.

The state also has the ability to approve a pesticide for a "special local need" that was not included in EPA's initial registration.

What's privatized in this program?

All laboratory analyses are done by private laboratories except:

- Cryptosporidium and giardia in public water systems
- Food testing
- Some animal analyses for other state and federal agencies

Solid Waste Management

FY00 funding by source

General Fund	618.2
General Fund/Program Receipts	433.5
Federal (NOAA, Pribilof Islands Project)	26.6
	1,078.3

What fees are charged?

Permit fees are charged for all types of solid waste permits except small, rural landfills (called Class III landfills). The nonmunicipal permits are 100% fee-based (except for travel costs which are covered by general funds)

What do we do and why?

Primary Activities

Establish design, construction and operation standards

Review and approve facility plans

Establish criteria for closing out solid waste disposal sites

Conduct inspections

Provide technical/consultative assistance

Who are our customers?

Owners and operators of municipal landfills, which in nearly all cases is some level of local government

Owners and operators of types of land disposal facilities for solid, not liquid, wastes, such as

- Construction/demolition debris
- Mining and wood waste
- Sewage sludge
- Oil drilling muds

Results

Facilities that are capable of handling wastes without causing off-site pollution; protect property values to the extent possible

Compliance with design standards

Fewer inactive solid waste sites that become contaminated sites

Spot any potential problems early when they can be most efficiently corrected

Increase in compliance at lowest cost to owner/operator

Solid Waste Management Cont.

What's our relationship to the federal government?

Resource Conservation and Recovery Act (RCRA) Subtitle D gives EPA authority to establish rules for municipal solid waste disposal. State programs must be approved by EPA.

Land Disposal Program Flexibility Act of 1996 allows the Governor of Alaska to exempt certain small, remote municipal solid waste landfills from those federal requirements. The state has developed its own standards for these landfills (we call them Class III landfills).

There are no federal requirements for other types of wastes.

Why us and not the feds?

For municipal solid waste, Congress allows states flexibility in approving landfill locations (earthquake-prone areas; wetlands) and construction material (liner materials.) These flexibilities can save landfill owners millions of dollars.*

For non-municipal wastes, the benefit is to "associated wastes", which come from oil and mining operations. They are specifically excluded from being regulated as hazardous wastes (RCRA Subtitle C) and instead are managed under states solid waste program.

What's privatized in this program?

1. All landfill design work
2. Some aspects of our review may be contracted out
 - Extremely complicated designs
 - High level engineering review
3. All groundwater monitoring
4. All large photocopying jobs such as regulations, forms and brochures.

* Federal law allows only one kind of liner – a geotextile liner over 2 feet of clay. The Municipality of Anchorage told us this would increase their costs by \$180,000 per acre of liner.

Department of Environmental Conservation, Division of Facility Construction and Operation

Report to Privatization Commission September 1999

What Is Facility Construction and Operation?

The Division of Facility Construction and Operation (FCO) is a BRU with a single component within the Department of Environmental Conservation. Services are delivered via five programs.

What Is our Mission?

The mission of FCO is to provide financial and technical assistance to local governments for construction and operation of water, sewerage and solid waste projects.

Programs

Village Safe Water

Municipal Water, Sewerage and
Solid Waste Matching Grants

Municipal Loans

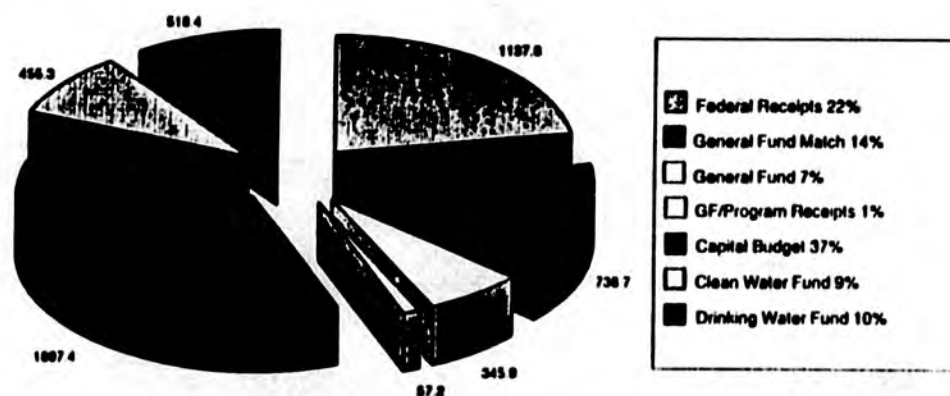
Operator Certification

Remote Maintenance Workers

How Is the Division of Facility Construction and Operation funded (part one)?

The Division's operating budget relies on a mix of funding sources to cover operating expenses.

Federal Receipts	1137.8	22%
General Fund Match	738.7	14%
General Fund	345.9	7%
General Fund/Program Receipts	57.2	1%
Capital Budget Receipts	1897.4	37%
Clean Water Fund	455.3	9%
Drinking Water Fund	518.4	10%
	5150.7	100%



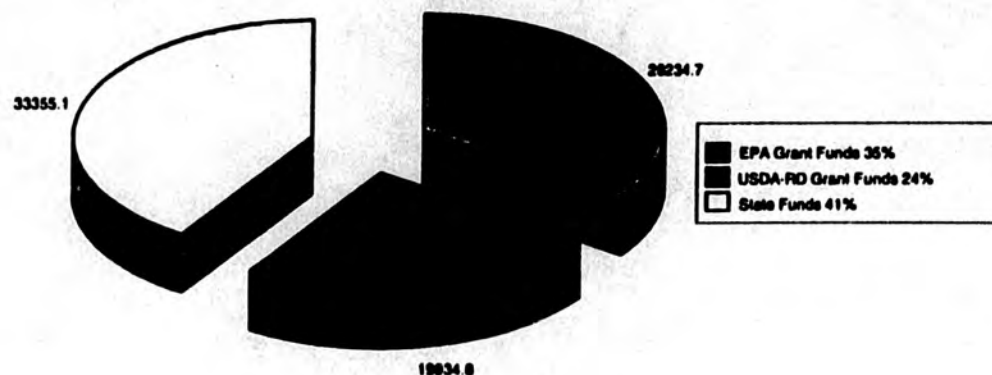
Facility Construction and Operation

How Is the Division of Facility Construction and Operation funded (part two)?

In addition to its operating budget, the Division also manages a capital budget.

EPA Grant Funds	28234.7	35%
USDA-RD Grant Funds	19934.8	24%
State Funds	33355.1	41%
	81524.6	100%

Ninety-eight percent (\$79.6 million) of this capital budget is provided to communities as grants or loans for water, wastewater and solid waste projects. Two percent (\$1.9 million) goes to the operating budget to pay for programs.



Who are our customers?

- Communities
- Community Water and Wastewater System Operators