

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
2709 SCOMM 122 : COMMISSION ON PRIVATIZATION. . . , 1999

AUG-31-1999 TUE 12:53 PM

FAX NO.

P. 25/25

AUG-31-99 TUE 12:00 PM NATSU LIO

FAX NO. 9073786180

P. 28

Re: privatization

From: ALBBA [mailto:albba@alaska.net] **Sent:** 8/31/99 12:00 PM
To: buz <buz@gci.net>

Buz,

The report looks good. One final point which would be nice to have incorporated is that the Bond Bank gives the State an annual dividend from interest income and fees generated. For FY 98 this dividend was \$719,794. Deducting the FY 99 operating budget from the dividend amount results in a net deposit of approximately \$384,000 to the State's General Fund

Davan

buz wrote:

>

> Davan,

> Hope you can open my report. If not, let me know and I will fax it.

> I think I'm factually correct but if not or if you want changes, please

> let me know.

> Buz

>

>

> -----
> Name: Alaska Mutual Bond Bank.doc
> Type: Microsoft Word Document
> Alaska Mutual Bond Bank.doc
> (application/msword)

> Encoding: base64

8/31/99 12:51 AM

**PRIVATIZATION REPORT
ALASKA PERMANENT FUND CORPORATION**

Prepared by Mike Barry

The Alaska Permanent Fund Corporation's mission is to invest the funds in accordance with statutes and report the results to the citizens of the State. Many of the functions of the corporation have already been privatized. Still others are performed by other State agencies with costs borne by the corporation through interagency transfer. All funding is provided by earnings of the fund, hence no general fund expenditures.

The corporation out-sources some investment functions (equity and real estate) and retains in-house some of the fixed-income investment. Performance measurement is contracted out, as is the public information program. Consequently, the total employment of the corporation numbers only 33 full-time and 3 part-time. Total compensation and benefits are less than \$3,000,000. The single largest expenditure, \$27,552,200 in 1998, is to investment advisers and custodians. Investment adviser fees vary according to type or style of investment contracted for, size of assets under management, and investment performance.

A significant portion of the equity investment is managed by "passive-style" managers resulting in lower fees being charged to the corporation. In support of the in-house management effort, sophisticated financial network information systems are maintained at an annual cost of about \$2,000,000.

No apparent inefficiencies of material amounts were discovered during my investigation and no changes are recommended.

**Privatization Report
Alaska Housing Finance Corporation
Prepared by Terry Duszynski**

- 1) Alaska Housing Finance Corp.
- 2) Component Names as listed in State Budget: AHFC Operations
- 3) Total Budget, All funds: \$33,678,961
Identify fund sources: Revenue earned from Loans
- 4) Total Revenue derived: \$33,678,961
- 5) Identify Constitutional and Statutory Provisions Governing Agency Operation:
- 6) Agency Mission, Goals and Objectives: Alaska Housing Finance serves two functions: 1) to manage State Housing units and objectives. 2) To provide specialized loan programs for all Alaskans.
- 7) Number of Employees: 316 Full time - 33 Temporary
Identify Specialized Expertise Needed for Mission: 1) Mortgage Lending
2) Bonding Specialists
3) HUD Housing Specialists
- 8) Describe Technology Used to Perform Mission: Unique Financial Computer Programs
- 9) List Existing Agency Contracts including amount, Contractor, purpose, term, and procurement method. See Attached List.
- 10) Identify existing Privatization Practices, if any. Evaluate them for effectiveness and public accountability. See item 9.
- 11) MAKE RECOMMENDATIONS PER Section 5 in SB 33, including suggestions for new legislation: Recommend further investigation of cost to corporation of Attorney General's Office. Determine per hour cost for AG's office compared to private sector. The corporation currently spends approximately 40% of its legal expenses with private firms. Determine why and what cost differential is for corporation.
- 12) Explain rationale for each recommendation, the number of votes for and against it. N/A
- 13) List problems or barriers to implementing proposed privatization: An in depth look at how the Department of Law is used and whether it is better to have the corporation represented by State Counsel or private counsel.

SUMMARY: AHFC currently contracts out approximately 30% of its operating budget. The areas I looked at were Housing Maintenance, Mortgage Lending, Information Services, and Legal Services.

Housing Maintenance: There are currently 54 positions statewide in 17 communities. AHFC is required to provide a 24-hour response to any problem in housing. HUD rates the corporation on its response time. If there is a poor response time, then HUD

*Privatization
Mortgage
Lending*

Legal Services - \$1 million
AG's office - .6
Bond - .4

matching funds may be withheld. It is important that the corporation have a tight handle on personnel. All new construction is contracted out.

Mortgage Lending: Within the Mortgage lending department, there are currently 14 positions. The servicing of the majority of mortgage loans is currently contracted to NBA and Alaska USA. The in house staff manages and services the rural loans. There are approximately 27,000 mortgage loans outstanding. Currently there are 4 mortgage loan underwriters on staff. Discussion was held concerning Direct Underwriting of banks. AHFC is looking into that process, however, the four underwriters would become auditors for the statewide Direct Underwriters. There would be no direct savings, only a shorter turnaround for loan approval.

Information Services: There are 16 positions in the IS Department. Due to the specialized proprietary loan computer programs, it is important for the corporation to have control of the staff providing support.

The amount of time available to look at a budget as large as AHFC's was not sufficient to provide a realistic look at the potential for privatization. The agency currently provides approximately \$100M to the state budget each year on an operating budget of \$33M and a capital budget of \$32M. There are no general funds that go to AHFC. When AHFC took over ASHA (Alaska State Housing Agency) and portions of DCRA (Dept of Community and Regional Affairs) the general fund was increased by the corporation taking over all cost of those two functions. Housing (public) is now being paid for by profits from mortgage loans. Housing is paying for housing. There may be many opportunities for privatization not examined due to time constraints. I would urge the legislature to give this committee several years to look at government agencies in depth.

**AHFC FY2000 Contractual Line Item
Summary**

Dept. of Law RSA/Legal fees	1,046.0	641.0 Dept. of Law 405.0 Legal services
Auditing fees	62.0	
Subscriptions/Ads/Annual Report	254.0	
Postage	152.5	
Overhead	183.6	
Copy Services	128.7	
Lease	1,209.9	
Telephone	542.6	
Professional Services	1,461.3	Architect&Engineers Rural Exchange/Regional Housing Authority Mediation/hearing services Security Training Marketing
Equipment Rental/Maintenance	2,920.4	Elevators Auto Expenses Freight Services Microfilm Janitorial
Computers/Y2K	433.7	
Insurance	210.8	
Utilities	2,359.4	366.8 water 737.2 electricity 337.0 sewer 280.0 garbage 638.4 fuel oil
TOTAL	10,964.9	

**AHFC FY2000 Contractual Line Item
Summary**

Dept. of Law RSA/Legal fees 1,046.0

|||||

Subscriptions/Ads/Annual Report 254.0

Postage 152.5

8-25-99

Revenue
Sept 1, 8:00
FBKS, Mat-Sr,
Juneau
(25 pages)

To:
MaryAnn Pease
Chairperson
Commission on Privatization
And
Delivery of Government Services

From:
Buz Hoffman, Member

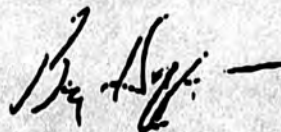
Subject: Alaska State Pension Investment Board
BRU- Revenue Operations FY2000 Budget, \$3,200,500

Attached to this report is a copy of the "Mission Statement" of the Alaska State Pension Investment Board and their FY 2000 Operating Budget. No identifiable general funds are used in this operation.

A total budget of \$3,200,500 was authorized and the Department of Revenue charges the Board that amount for contractual services, which are in turn charged to the various pension funds under the Board's control. That income and expense is accounted for in the Department of Revenue general budget.

Due to a change in accounting procedures, fees for Investment Contractual Services to outside experts are not accounted for in this budget. In FY99, roughly \$30,000,000 was paid for Investment Management and Custody fees by the Board in their management of these multi billion dollar funds. Those fees were in turn charged to the various pension funds.

It is difficult to imagine further "Privatization" of the management of these funds but I would suspect it could be done with either a greater or smaller cost to these funds. The State could turn over the management of these multi billion dollar funds along with benefit payment duties to their respective Boards and avoid the need for contractual Department of Revenue employees. This would mean a loss of control that I doubt would be acceptable to all involved.



AUG-31-1999 TUE 12:47 PM

AUG-31-99 TUE 11:54 AM MATSU LIO

FAX NO.

FAX NO. 9073788180

P. 02/25

P. 03

The information and attachments to this report was obtained by reviewing the excellent Webb Site for this operation and discussions with Laurie Perkins of the Department of Revenue.

Attached are:

Mission statement

Enabling legislation, AS 37.10.210 and 220

Letter dated 12-15-98 to the Governor outlining the Comprehensive Financial Report for the year ended 6-30-98

FY 2000 Component Detail of the Operating Budget for this Board

AUG-31-1999 TUE 12:47 PM

AUG-31-99 TUE 11:54 AM MATSU LIO

FAX NO.

FAX NO. 9073786180

P. 03/25

P. 04

ASPIB II.doc

<http://www.revenue.state.ak.us/treasury/aspi/index.htm>



The Alaska State Pension Investment Board (ASPIB) was established pursuant to AS 37.10.210 on July 1, 1993. The purpose of the board is to provide prudent and productive management and investment of state pension funds.

The Systems and Plans for which the ASPIB manages and invests funds are the:

- Public Employees' Retirement System
- Teachers' Retirement System
- Judicial Retirement System
- National Guard/Naval Militia Retirement System
- Alaska Supplemental Annuity Plan
- Alaska Deferred Compensation Plan

The board consists of eight trustees and is staffed by the Department of Revenue, Treasury Division. The board is required to appoint an investment advisory council (IAC) composed of at least three and more than five members who possess experience and expertise in financial investments and management of investment portfolios. ASPIB also contracts with an external consulting firm for assistance with asset allocation and strategy, performance measurement, and general consulting purposes.

Powers and duties of the board in managing and investing for the funds are:

- Hold regular and special meetings, including annual joint meetings with the Public Employees' and Teachers' Retirement Boards.
- Establish investment policies.
- Submit investment reports to the Legislative Budget and Appropriations Committee.
- Prepare reports to the governor and employers participating in the retirement systems concerning investments, policies, and performance.

8/24/1999 4:25 PM

Guidelines

1. Establish
2. Review and
3. Develop and

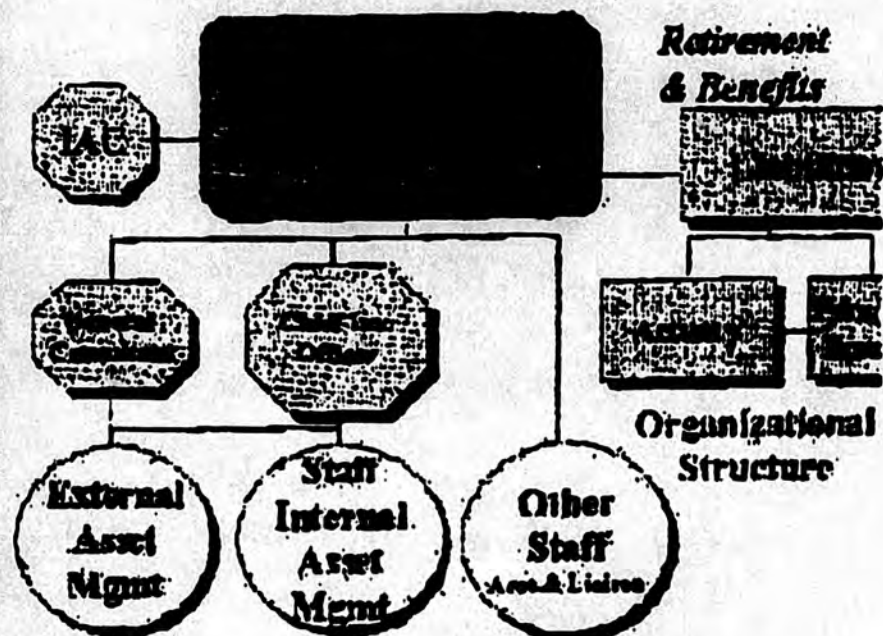
4. Review and
5. Review and
6. Review and

7. Review and
8. Review and
9. Review and

performance.

- Contract with external performance evaluators and report each year on the funds' condition to the board of trustees and other appropriate boards.
- Engage independent certified public accountants to perform annual audit.
- Review actuarial earnings assumptions.
- Select and retain external investment managers and custodians.
- Develop annual operating budget plan.

Organizational structure for management of retirement funds:



For more information
regarding the ASPIB
contact:

Judy Hall
ASPIB Liaison Officer
P.O. Box 110405
Juneau, AK 99811-0405
(907) 465-3749

For information regarding the
retirement systems or SBS,
contact:

Department of Administration
Division of Retirement & Benefits
P.O. Box 110203
Juneau, AK 99811-0203
(907) 465-4460

Alaska Supplemental Annuity Plan

Suggestions for this web site may be directed to Debbie McBride.

BRENA, BELL & CLARKSON, P.C.

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JESSE C. BELL, OF COUNSEL
KEVIN G. CLARKSON, OF COUNSEL
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PRIVATIZATION REPORT INCOME AND EXCISE AUDIT DIVISION ALASKA DEPARTMENT OF REVENUE

Prepared by Leonard Steinberg

Revised
9/30/99

The Income and Excise Audit Division of the Alaska Department of Revenue is responsible for administering and collecting most of the State of Alaska's non-oil or gas tax, the license and other fee programs, administering the state's charitable gaming laws, as well as the special income tax on oil and gas related income. Approximately two-thirds of all the revenue generated by the Income and Excise Audit Division (\$253 million in Fiscal Year 1998) is from corporate income taxes; of that just eighteen (almost all oil and gas related firms) of the nearly 15,000 filers accounted for 87 percent of the revenue received in Fiscal Year 1998. The other major programs generating in excess of \$10 million per year in revenue include: (1) Motor Fuel taxes; (2) Fisheries Business taxes; (3) Tobacco taxes; and (4) Alcoholic Beverages taxes. In addition, the Income and Excise Audit Division administers another dozen revenue generating programs each of which generates approximately \$500,000 - \$5,000,000 annually.¹

The State Budget's BRU name is Revenue Operations. The State Budget's Component name is Income and Excise Audit. The Division's current fiscal year total budget is approximately \$4.

¹ For a complete listing of all of the programs the Income and Excise Audit Division is responsible for see their annual report available on their web site.

million, 99% of which is from the State's General Fund; 87 percent of the budget is for personal services employee compensation and approximately 9 percent is for contractual services. For its efforts, the Income and Excise Audit Division brought in approximately \$400 million in revenue two-thirds of which, as stated above, comes from corporate income taxes primarily on oil and gas firms.

The Income and Excise Audit Division currently has approximately 66 employees of which 20 are in Anchorage and 46 are in Juneau. Most of the agency's employees are accountants, computer specialists, and the like and the Division has a need for computer hardware and software to fully perform their duties. Job performance is also enhanced by ensuring access to information (sometimes subscriptions with private data collection services) and employee training. In recent years, these employees have been organized into five groups.

1. The largest group (approximately 35 employees) are the operations staff in Juneau which have the responsibility of receiving and processing tax returns and payments. Within the operations group there is: (1) the accounting and collections subgroup; (2) the examination, licensing and compliance sub-group (further subdivided into the (a) corporation tax group and (b) fish and excise tax group); (3) the shared taxes group; and (4) the unclaimed property group.
2. The audit group (approximately 13 employees) in Anchorage audits all types of taxes the Division is responsible for, although their primary focus is on oil and gas related income.
3. The appeals staff (approximately 5 employees) in Juneau hears protests on tax assessments.
4. The gaming group (approximately 7 employees) in both Juneau and Anchorage.

5. The research group (1 employee) responsible for monitoring and forecasting revenues.

Existing efforts to reorganize include the following: The number of Income and Excise Audit Division employees is on the decline. This trend will be enhanced in the Spring of 2000 when the Oil and Gas Audit and Income and Excise Tax Divisions plan to combine. The most significant privatization opportunities lie in outsourcing audit and computer programming functions to private contractors. Such outsourcing, however, is not recommended for the following reasons:

1. Tax collection, tax auditing, and economic analysis are traditional government functions.
2. Private contractors may not be experienced or well-suited to interpreting and applying state tax law, the most challenging part of the audit function.
3. Private contractors would have to be supervised by state employees, introducing an additional level of management that might offset any savings from using private contractors.
4. The private accountants and computer specialists suitable for doing this type of work generally receive much larger compensation packages than state employees.
5. The costs associated with using private accountants and computer specialists might discourage the Division from pursuing matters.
6. Taxpayer confidentiality is always an issue and could be comprised through the use of private contractors.

For the reasons set forth above, the Committee recommends reviewing new opportunities to outsource some of the audit and computer functions where it is economically efficient to do so. The

Committee also endorses the consolidation of the Oil and Gas Audit and Income and Excise Audit Divisions. No further privatization initiatives are recommended at this time.

September 30, 1999 (12:34PM)

H:\WP51\OFFICE\LAS\Privatization Income and Excise Audit.wpd

**Response to Recommendations of the
Commission on Privatization and Delivery of Government Services
Department of Revenue Subcommittee**

The Department of Revenue either concurs with or is neutral toward the subcommittee's recommendations. With regard to some specific suggestions, most notably in child support enforcement, we offer detailed comments that either reflect changed circumstances since the report was issued or clarify the department's position.

We are gratified that the subcommittee recognizes the department's ongoing efforts to make our operations more efficient, whether contracting out where appropriate, consolidating functions or redesigning business processes. We believe that we have made and will continue to make significant progress in better serving Alaskans

- *Treasury Division, Permanent Fund Dividend Division, Alaska Municipal Bond Bank Authority, Alaska Permanent Fund Corporation, Alaska Mental Health Trust Authority and the Alaska State Pension Investment Board*

The subcommittee made no recommendations for changes to these units.

- *Income and Excise and Oil and Gas Audit divisions*

The two divisions are consolidating operations, with a scheduled merger date of April 1, 2000. The Oil and Gas Audit Division already contracts out a portion of its work, and we will continue to look for areas where additional outsourcing could result in improved operational efficiencies.

- *Alaska Housing Finance Corporation*

The subcommittee has not completed its review of AHFC and we will reserve our comments until that report is submitted.

- *Child Support Enforcement*

Recommendation 1. Identify cases in arrears for privatization (includes collections and accounting).

We plan to have a Request for Proposals ready within a month, asking private contractors to assist on some collections of child support debt owed to the state. We will ask for proposals on cases where we have failed to collect anything recently and where all of the debt is owed to the state as reimbursement for public assistant benefits paid to the custodial parent. Anything a private contractor can collect would be more than we have been able to get from the parent. A successful

privatization of this function on older cases could benefit the state and the contractor, which would be paid a commission on all collections.

The Request for Proposals will not include collections on debts owed to custodial parents because we may not – by law – accept reduced collections on private cases without permission of the custodial parent. We believe the contractor would perform best if limited to cases of state debt, which can be settled at less than full value by the child support agency. The other consideration is that custodial parents may turn to private collection agencies at any time to work on their case, and may negotiate their own terms with the company of their choice without jeopardizing other efforts on their behalf by the child support agency.

The Child Support Enforcement Division distributed a Request for Proposals for collections of arrears on public assistance cases earlier this year, but no one responded to the notice. We have since consulted with private collection agencies to determine why they did not respond and are incorporating their recommendations into a revised RFP. We want to make whatever accommodations we can to interest contractors in offering proposals.

Recommendation 2: Review the following sections for privatization: Investigations, Locate, Paternity, Case Maintenance Team, Cash Control and Client Services.

After the subcommittee completed its report, we learned that Internal Revenue Service rules do not allow us to give private contractors access to most federal income tax information contained in child support files. This information is disbursed throughout most of our case files because it is essential to determining a non-custodial parent's child support obligation and, in some cases, even locating that parent. Because of its wide use in our case files, it would be extremely time consuming if not impossible to remove IRS data from every file sent to private contractors. This is a nationwide problem that will have to be addressed by the federal Office of Child Support Enforcement and the IRS, since many contractors provide child support services throughout the country. We will continue to monitor it closely until the issue is resolved on the federal level.

Meanwhile, we are encouraged by the subcommittee's statement that more investigation is needed before a decision can be made to privatize certain child support functions. We believe there are many issues that need to be examined before an informed decision can be made. In addition to the IRS confidentiality issue, other questions include: How much would private services cost? Would privatization decrease or increase the cost of services? Would the service be more effective if privatized? The child support agency has many investigation tools not available to private agencies, and would these functions be diminished by transferring them to a private contractor? Are child support activities so entwined with each other that they cannot easily be separated without a reduction in services or, at the very least, a disruption in services? How would the public react to private contractors handling personal data?

Recommendations 3 and 4: Review the New-Hire Reporting Section and Accounting Section for business-process redesign.

We developed a plan to redesign the workflow of the Accounting Section in conjunction with last year's Customer Service Enhancement Project. Though we have implemented minor changes in

the Accounting Section, we are reluctant to put the entire redesign into force while we are working to clear our caseload backlog. We do not want to disrupt the momentum in handling the backlog, and certainly any major reorganization would cause downtime and an initial loss in productivity. Meanwhile, we are proceeding at a steady pace in clearing the backlog in the Accounting Section as we continue to apply all of our available resources to clearing up the problem.

New-Hire Reporting came to the child support agency last year, after the Legislature adopted the federal requirement for locating parents through their employer. The initial workload of data from employers was substantial but we have adjusted to the new assignment and will continue to monitor performance and make changes as necessary. We would be happy to discuss with the subcommittee any ideas members may have to improve the operations of this section.

Recommendation 5: Competitively bid services currently provided by other government agencies (include current provider as a bidder).

Most of the services we receive from other departments can be provided only by that agency. For example, we pay the departments of Commerce, Health and Social Services, Education and Labor to interface with their databases. We also pay the Department of Administration for use of the state mainframe and other centralized support services such as the state email system.

Alaska Statute 25.27.050 requires the child support division to contract with the Department of Law for legal assistance. In addition to the statutory provision, the business reason for continued contracting with the Department of Law is that they have experienced attorneys who know and understand child support. We, and the Department of Law, have invested heavily in training the legal staff in the intricacies and specific provisions of state and federal child support law. Periodic changes of law firms would require additional training and thus more cost.

Suggestions regarding improving efficiency within the organization. We will continue to work on developing a more customer friendly agency. We will also continue to review all functions for consolidation and increased efficiency.

Suggestion regarding increasing our level of cooperation with private agencies. We assigned a staff person to coordinate with the private Alaska contractor that collects child support after this issue was discussed at a subcommittee meeting. We have increased our communication with the contractor and will continue to work on this issue to assist the contractor and those parents who use the contractor's services.

▪ ***Alcoholic Beverage Control Board***

The department does not exercise operational control over this semi-autonomous state agency. The following is the response of the board's executive director:

The recommendation to merge tobacco and gaming enforcement with alcohol enforcement conducted by the Alcoholic Beverage Control Board deserves closer scrutiny and consideration. The concept was presented to the ABC Board at its October 6-7, 1999 meeting and several

concerns were raised. The board understands the parallels and efficiencies that exist regarding a single agency to enforce alcohol, tobacco and gaming statutes, but it has the following concerns:

- Any merger involving tobacco enforcement must be done with close involvement of the Department Health and Social Services to ensure that public health initiatives and tobacco use abatement programs are not compromised.
- The merging of tobacco and gaming into alcoholic beverage enforcement would require extensive amendment and restructuring of Title 4, probably including reconfiguration of the ABC Board.
- The politics and money involved in gaming and tobacco combined with the political and public interest concerns attributable to regulation of beverage alcohol would create a difficult enforcement challenge for the staff and any policy making board that may be involved in overseeing these separate activities. If the goal of the merger is to save money, it is uncertain that the regulatory and enforcement effort would be funded adequately on a sustained basis. Gaming and alcohol enforcement are already severely underfunded compared to the support these programs receive in other states.
- If federal funding for tobacco enforcement is reduced, will the state be able to replace these reductions with state funds?
- The ABC Board would lose its focus on regulating alcohol, a substance widely abused in Alaska, if it must also shoulder tobacco and gaming regulation and enforcement.

The ABC Board is willing to continue discussions directly and through its director on addressing these concerns. The primary motivation of considering a merger is to gain more resources to adequately enforce alcohol laws. Until it is clear that this goal will be accomplished through some type of enforcement merger, the ABC Board is skeptical about taking on more underfunded programs and responsibilities. The work of the Department of Revenue Subcommittee of the Privatization Committee to raise the question of combining similar functions is beneficial. It raises important issues regarding the state's desire to adequately support enforcement of its laws related to alcohol, tobacco and gaming.

The Department of Revenue has an additional comment on this recommendation.

Though we do not have a position on the ABC Board's duties, we oppose any effort to move charitable gaming enforcement to the board. We understand one rationale for the recommendation might be that pull-tabs are sold on licensed premises and, therefore, ABC inspectors could police gaming violations. This assumes, however, that most problems occur at the point of sale. The reality is that gaming enforcement is mostly a matter of reviewing financial records, ownership and accounting matters between permit holders, operators, vendors and distributors. We do not believe the ABC Board is equipped to undertake this function, which involves heavy accounting expertise – a much different skill than enforcement of alcohol laws. Moreover, the tasks are so dissimilar it is unlikely that combining alcohol and gaming enforcement would result in savings or other efficiencies. We believe that oversight of charitable gaming would be better served if it remains in the department's Tax Division, which is staffed with accountants and auditors.

Capital Losses as of June 30, 1899

Alaska Court System

Date **6-Aug-88**

Completed By Linda Creed

Vendor	Description of Item	Prior Year Balance	Increases	Decreases / Payments	Balance of Payments Remaining
Xerox	Copier 5100, STC-100891	57,645.00		28,605.00	31,040.00
Xerox	Scanner 180, TMO-011182	11,872.00		5,276.00	6,596.00
Xerox	Copier 5585, GWA-204100	21,544.00		9,575.00	11,971.00
Xerox	Copier 5585, GWA-318848	24,797.00	1.00	9,576.00	15,163.00
Xerox	Copier DC230, COH-016889	14,557.80		4,238.00	9,319.80
Xerox (replaced COH-0171)	Copier DC230, COH-041659	15,198.00		6,977.00	8,459.00
Xerox	Copier DC220, GMA-042391	12,680.00		5,240.00	7,434.00
Xerox	Copier DC220, GMA-040883	10,998.00		4,571.00	6,087.00
Xerox	Copier DC230, COH-021992	15,213.00		5,532.00	9,681.00
Xerox	Copier 8814, IKU-056442	4,513.00		1,547.00	2,966.00
Xerox	Decalab NP135, WT1-037687	164,968.00		44,991.00	119,977.00
GE Capital	Copier 2120, 7680845X		8,655.00	2,644.00	6,011.00
IOE Capital	Copier 401, 7208070227		17,212.00	1,434.00	15,778.00
IOE Capital	Copier 401, 7208120316		17,212.00	1,434.00	15,778.00
IOE Capital	Copier 401, 7208120324		17,212.00	1,434.00	15,778.00
IOS Capital	Copier 401, 7208120325		17,212.00	1,434.00	15,778.00
IOS Capital	Copier 401, 7208120317		17,212.00	1,434.00	15,778.00
Plenary Bowes	Copier C550, 7120244		16,672.00	5,094.00	11,578.00
Plenary Bowes	Copier C550, 8070187		16,672.00	2,778.00	13,894.00
Plenary Bowes	Copier C550, 8080142		16,672.00	3,705.00	12,967.00
Xerox	Copier 5614, ZGL-D077182		5,088.00	1,998.00	3,392.00
Xerox	Duplicator 230, COH-031307		22,249.00	1,238.00	21,013.00
Totals		510,388.00	213,663.00	258,280.00	467,769.00

REV: AHFC

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

SUBCOMMITTEE REPORT

ON THE

DEPT. OF REVENUE:AHFC

November 30, 1999

MaryAnn Pease, Chair

SUBCOMMITTEE REPORT ON AHFC

INTRODUCTION

Commissioner Fink questioned AHFC's participation in the secondary market for mortgages. The full Commission requested that the subcommittee review AHFC's participation in the secondary mortgage market and make recommendations to the full Commission.

BACKGROUND

AHFC currently holds \$2.3 billion in mortgages and has approximately \$1.8 billion in cash and short-term investments. AHFC finances its acquisition of mortgages primarily through the issuance of bonds.

Approximately two-thirds to three-fourths of AHFC's mortgage portfolio consists of mortgages backed by tax-exempt bonds. Specific loan programs financed through tax-exempt issues include loans to veterans, first-time homebuyers, and developers of multi-family housing. As tax-exempt financing allows AHFC to provide loans at lower rates than can be obtained in the taxable market, Alaska's overall demand for housing and related services is increased. Tax-exempt financing can only be provided by governmental or quasi-governmental organizations and it is our understanding that this type of financing is not currently available in Alaska from any sources other than AHFC.

Conversely, approximately one-fourth to one-third of AHFC's portfolio consists of mortgages backed by taxable bonds. For these mortgages, alternative secondary market buyers exist in both the private and public sectors, but AHFC has represented that even its taxable programs are primarily designed to provide financing in areas poorly served by other lenders such as rural Alaska. Further, it is worth noting that although AHFC has expressed a desire to become more active in the taxable market, it has not been a player in recent years, its taxable mortgage rates are currently higher than the rates of its competitors, and most of the mortgages in its portfolio backed by taxable debt are more than ten years old.

While we had neither the time nor the resources to conduct a comprehensive survey of



Alaska's private lenders, we spoke to two individuals active in housing finance who supported AHFC's activities. Jim Crawford of City Mortgage and Dick Dolman of Seattle Mortgage both said AHFC is doing a good job, that it is not crowding out private sector secondary market players, and that AHFC significantly contributes to the Alaska economy. In fact, it was suggested that significant changes to AHFC's programs could have a precipitous and long-lasting detrimental effect on Alaska's housing market in particular and its economy in general.

It was also recognized that revenue from AHFC's secondary market activity provides important benefits to the state. In addition to generating profits that can flow back into the state treasury, the revenue subsidizes AHFC's public housing programs (which might otherwise require annual appropriations of \$40-50 million) and lowers certain mortgage rates through the use of arbitrage funds.

RECOMMENDATIONS

1. AHFC currently has a good bond rating which allows it to obtain funds at the lowest rates. Part of the reason it has such a good bond rating is that it has a very strong balance sheet. However, its \$1.8 billion in cash and short-term securities may be excessive. We recommend a capital requirements study by independent experts (such as the credit rating agencies, not the Wall Street firms that underwrite the bond issues) to determine how much cash is actually needed to maintain AHFC's strong market position.
2. In addition, we recommend combining other bonding entities with AHFC. In particular, we think that AIDEA, the Postsecondary Loan Program, and perhaps the Municipal Bond Bank all should be combined under the AHFC umbrella. The reason for doing this is to release to the State treasury the cash held by each individual bonding agency that is required for a strong balance sheet. AIDEA alone has approximately \$850 million that can flow back to the State if it relies on AHFC's cash for its balance sheet strength.
3. If the Commission is interested in pursuing privatization or autonomy from government, it should not look solely at AHFC's secondary mortgage market activity. Rather, the Commission should consider privatizing or otherwise segregating the entirety of AHFC

under a state charter that requires it to provide the public services it currently provides and pay dividends on net income above a certain level.

While there are a multitude of ways to privatize AHFC, it might be useful to break these down into two conceptual categories. In the first category, AHFC and its relationship to state government could be reorganized so that it is operated as a public corporation with its shares being held solely by the State of Alaska. Under this scenario, the State treasury would receive dividends, like other shareholders, and the State government would be entitled to appoint AHFC's Board of Directors. In all other respects, however, AHFC would be operated as a private corporation in a manner such the Alaska Railroad Corporation (See AS 42.40.010) with exemption from the provisions of the Executive Budget Act (AS 37.07). (As a model for this category, the Commission may also want to investigate the corporate status of Fannie Mae, a federal corollary to AHFC.)

A second alternative would be to fully privatize AHFC, which would result in a large one-time benefit to the State treasury. There are a number of potential ways a sale of the entire corporation could be achieved. A key to this alternative is to ensure that the state housing market will continue to have access to a secondary market that continues to offer tax-exempt financing programs. A private sector investor or investment group would have to be found, or the State might also consider simply distributing shares in AHFC to all Alaskan residents.



**Alaska Industrial and Development Export Authority
Response to Consolidation of AIDEA and Alaska Housing Finance Corporation**

from Randy Simmons
November 30, 1999

Potential Impact of Merging the AIDEA with AHFC

I am going to try to limit my discussion of the potential impacts of merging the Alaska Industrial and Export Authority (AIDEA) into the Alaska Housing and Finance Corporation (AHFC), to the issues as they relate to AIDEA and not AHFC, who can speak for themselves. Any discussion of a merger between AIDEA and AHFC must be based on a clear answer to the following question: "What are the State's goals regarding AIDEA's future mission and programmatic responsibilities?" There is a spectrum of possibilities ranging from on the one hand essentially "shutting AIDEA down" and extracting the maximum amount of cash possible, to "leaving AIDEA alone" and having it continue to serve as an economic catalyst through it's variety of lending, project development, debt financing and other programs. How State policy makers answer this question should ultimately drive any investigations regarding restructuring either of these two important State Agencies.

My remarks today are premised on the assumption that the recommendation of the sub-committee is not to affect AIDEA's mission, but to allow AIDEA to continue providing the financing mechanisms necessary to participate in long-term commercial loans, to own projects that promote economic development and to manage the affairs of our sister agency, the Alaska Energy Authority (AEA).

In arriving at their recommendation, it is interesting that the sub-committee never talked to AIDEA. It is not clear whether the sub-committee spoke with any of the banks that utilize AIDEA for the purchase of loan participations or any of the private entities that operate the development projects that AIDEA owns or manages for AEA. I do not believe that the sub-committee fully understands AIDEA's programs or the true financial ramifications of merging AIDEA into AHFC. Of note is the fact that no mention is made of the energy programs that AIDEA personnel manage for the AEA, a billion dollar corporation in it's own right, including the recent addition of the rural energy programs that were transferred from the previous Department of Community and Regional Affairs, Division of Energy.

I am not going to suggest that a merger of AIDEA with AHFC is impossible to accomplish. However, before it can be successfully accomplished, we truly have to understand what we are trying to accomplish and many important points need to be considered and resolved. The report references the "smooth merger of the Alaska State Housing Authority ("ASHA") a few years ago". AIDEA is a far more complex financial entity than ASHA. It is my understanding that ASHA had only a minimal amount of bonds outstanding. AIDEA has approximately \$300 million of bonds outstanding and a variety of agreements with project participants (Cominco, Federal Express, etc.) that must be considered.

Any discussion of restructuring must be done with the recognition that capital market participants such as bond investors and bond rating agencies will be closely watching to understand if this is a "financial raid" or if there are justifiable business reasons for the restructuring. Any perceived raid on either corporation will not be looked on favorably regardless of the underlying strengths of the entities. Investors and bond rating agencies will also want to ensure that any credit implications caused by structural changes are well understood by the State, are disclosed, and are executed pursuant to all existing financing arrangements, contracts and covenants. Failure to do so could either reduce market access or increase borrowing costs to either or both agencies. Since providing access to cost-effective capital for Alaskan businesses and residents is central to the missions of both AIDEA and AHFC, stringent due diligence should be taken.

In the course of reviewing the viability and implications of any change in the corporate form of AIDEA, the following key areas must be thoroughly researched:

- **Contractual arrangements which limit the ability to extract cash** – These include leases, financing documents such as bond resolutions, bond covenants, trust agreements, bond purchase contracts etc., investment agreements, power sales contracts, loan agreements, loan funding commitments and similar documents.
- **Credit, security, cost of funds and tax impacts** – In addition to the contractual, legal implications of any changes, any change in corporate structure and financial wherewithal will automatically trigger a comprehensive credit review by the bond rating agencies. As a general matter, a reduction in the amount of assets available to pay a debt obligation will have a dilutive effect on security. This puts downward pressure on bond ratings and upward pressure on cost of funds. It also potentially creates tax issues under the IRS re-issuance regulations.
- **Defeasance of debt may be necessary** – AIDEA has approximately \$300 million of long-term debt outstanding and the removal of vast amounts of cash and securities will most likely require the retirement or defeasance of all of the outstanding general obligation bonds. AHFC has approximately \$2.2 billion of bonds outstanding. Due to existing contractual provisions with bondholders, a portion of this debt may have to be defeased to effect any structuring change. Depending on market conditions, the defeasance of AIDEA or AHFC bonds could be very costly to the State. To the extent any defeasance cost is generated, it must offset any expected savings from combining the agencies.

The sub-committee reported that \$847 million, the amount of AIDEA's equity at June 30, 1999, could be re-appropriated to the State's general fund as the result of the merger. This amount of cash does not exist at AIDEA. The Authority's assets include a combination of cash, investment securities, loans and investments in development projects. AIDEA had \$456 million of cash and investment securities at June 30, 1999; \$38 million of this amount was restricted for use under Authority contractual agreements or non-general obligation bond resolutions.

Therefore, AIDEA had less than half of the amount of cash that the sub-committee suggests could be transferred to the general fund. Depending on market conditions, the defeasance of AIDEA's outstanding bonds would require an amount that at a minimum approximates the amount of outstanding bonds. The combined amount of funds required to transfer \$847 million to the general fund and defease AIDEA's outstanding bonds leaps to over \$1 billion. We believe that the removal of in excess of \$1 billion of liquid funds from the combined AHFC/AIDEA would leave the remaining entities in a weakened financial state, precluding their ability to provide "business as usual", at least as we currently know it.

Finally, the sub-committee report indicates that \$2.5 million or half of AIDEA's operating budget could be eliminated as duplicative administrative costs. Whereas there doubtless would be some efficiencies created by the combination of the two Authority's, I do not believe that the savings would amount to the level projected by the sub-committee. The roughly \$5 million quoted is the combined budgets of both AIDEA and AEA which includes double counting of over \$300,000. The personal services component of AIDEA's budget, not including AEA is only \$2 million. Achieving the indicated savings would be difficult, if not impossible, especially since there are few positions that may be duplicative with AHFC positions due to the nature of our responsibilities.

Thank you.

TRANSPORTATION

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

SUBCOMMITTEE REPORT

ON THE

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

NOVEMBER 18, 1999

**Subcommittee Members: Frank Dillon, Co-Chair; Sam Kito, Co-Chair;
Jim Ashton, Joe Beedle, Al Brooks, Alan Christopherson, Jerry DesJarlais,
George Easley – Chairman Emeritus, Tom Fink, Glen Glenzer, Bob Griffin, Mike Hamilton, Spence
Hochstein, Andy Lindhal, Tom Maloney, Tom Meehan, Emil Notti, Marco Pignalberi. Pat Ryan, Henry
Springer, Steve Wells, Marie Wilson, Thomas Young**

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES SUBCOMMITTEE REPORT

TABLE OF CONTENTS

I. BRU and Component Names as Listed in DOT/PF Budget	1
a. Administration and Support	
b. Equal Employment and Civil Rights	
c. Internal Review	
d. Administrative Services	
e. Regional Support Services	
f. Statewide Aviation	
g. Planning	
h. Design and Engineering Services	
i. Construction and CIP Support	
j. Statewide Facility Maintenance and Operations	
k. State Equipment Fleet	
l. Measurement Standards & Commercial Vehicle Enforcement	
m. Central Region Highways and Aviation	
n. Northern Region Highways and Aviation	
o. Southeast Region Highways and Aviation	
p. International Airports	
q. Anchorage International Airport	
r. Fairbanks International Airport	
s. Marine Highway System	
t. Marine Vessel Operations	
u. Front Section	
II. Total Department of Transportation and Public Facilities Budget, All Fund.....	3
III. Total Revenue	4
IV. Constitutional and Statutory Provisions Governing DOT/PF	5
V. DOT/PF Mission, Goals and Objectives.....	6
VI. Number of DOT/PF Employees	7
VII. Technology Used to Perform DOT/PF Mission	8
VIII. Existing DOT/PF Contracts.....	11
a. Approximate Annual Procurements	16
IX. Existing DOT/PF Privatization practices	
a. Maintenance and Operations FY98 Contracted Services	17
b. FY98 Design and Engineering Services Contracts	18
X. DOT/PF Subcommittee Recommendations, Rationale and Barriers	19

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES SUBCOMMITTEE REPORT

TABLE OF CONTENTS (Cont.)

Appendices

- A. DOT/PF M&O briefing to Privatization Subcommittee dated September 3, 1999
- B. Bid schedule and scope of work for road maintenance on Elmendorf AFB, Alaska
- C. DOT/PF unified road maintenance study dated August 21, 1992
- D. Central Region agreements/contracts
- E. Director of Privatization Commission letter to Fairbanks and Anchorage Mayors, DOT/PF and Local 71 regarding joint maintenance and operations recommendations dated October 7, 1999
- F. Privatization Subcommittee member report on maintenance and operations
- G. Privatization Subcommittee member report on joint agreements
- H. DOT/PF list of Category III roads in Southeast and Northern Region
- I. DOT/PF FY98 facilities maintenance cost by building
- J. State of Alaska property schedule by department and divisions
- K. Division of Legislative Audit Report # 25-4472-95 DOT/PF Highway Design Cost and Quality Comparison dated August 16, 1994
- L. Privatization Subcommittee member report on Design and Construction activities dated October 28, 1999
- M. Privatization Subcommittee member report on Design and Construction activities dated October 4, 1999
- N. Privatization Subcommittee member report regarding on-site store; sample NAPA RFP
- O. DOT/PF SEF presentation to Privatization Subcommittee dated August 27, 1999
- P. Privatization Subcommittee member report on State Equipment Fleet
- Q. DOT/PF memo listing professional service contracts dated October 14, 1999 (5 pages)
- R. DOT/PF Component Budget Summary

I. BRU and Component Names as Listed in DOT/PF Budget

BRU	Component
a. Administration and Support	Commissioner's Office Contract Appeals & Statewide Procurement
b. Equal Employment and Civil Rights	Equal Employment and Civil Rights
c. Internal Review	Internal Review
d. Administrative Services	Statewide Administrative Services Statewide Information Systems State Equipment Fleet Administration Regional Administrative Services
e. Regional Support Services	Central Region Support Services Northern Region Support Services Southeast Region Support Services
f. Statewide Aviation	Statewide Aviation
g. Planning	Statewide Planning Northern Region Planning Central Region Planning Southeast Region Planning
h. Design and Engineering Services	Statewide Design and Engineering Services Central Design and Engineering Services Northern Design and Engineering Services Southeast Design and Engineering Services
i. Construction and CIP Support	Central Region Construction and CIP Support Northern Region Construction & CIP Support Southeast Region Construction
j. Statewide Facility Maintenance & Operations	Traffic Signal Management Central Region Facilities Northern Region Facilities Southeast Region Facilities Central Region Leasing and Property Management Northern Region Leasing and Property Management
k. State Equipment Fleet	Central Region State Equipment Fleet Northern Region State Equipment Fleet Southeast Region State Equipment Fleet

I. BRU and Component Names as Listed in DOT/PF Budget (Cont.)

BRU	Component
l. Measurement Standards & Commercial Vehicle Enforcement	Measurement Standards & Commercial Vehicle Enforcement
m. Central Region Highways and Aviation	Central Region Highways and Aviation
n. Northern Region Highways and Aviation	Northern Region Highways and Aviation
o. Southeast Region Highways and Aviation	Southeast Region Highways and Aviation
p. International Airports	International Airport Systems Office
q. Anchorage International Airport	Anchorage Airport Field Maintenance Anchorage Airport Building Maintenance Anchorage Airport Safety Anchorage Airport Operations Anchorage Airport Custodial Anchorage Airport Equipment Maintenance Anchorage Airport Administration
r. Fairbanks International Airport	Fairbanks Airport Field Maintenance Fairbanks Airport Building Maintenance Fairbanks Airport Safety Fairbanks Airport Operations Fairbanks Airport Custodial Fairbanks Airport Administration
s. Marine Highway System	Marine Engineering Overhaul
t. Marine Vessel Operations	Vessel Operations Management Southeast Shore Operations Southwest Shore Operations Southwest Vessel Operations Reservations and Marketing Southeast Vessel Operations
u. Front Section	Marine Highway Stabilization

II. Total Department of Transportation and Public Facilities FY00 Budget, All Funds

Operating Budget	General Fund	CIP Receipts	Other	Total	Federal	I/A Receipts	HWCF	IARF	AMHF	Oil/Hazard	Stat Desig	IARCF
Administration and Support	928.2	58.1	248.3	1,234.6		74.1	45.6	128.6				
EEO/Civil Rights	301.1	249.9	22.0	573.0		22.0						
Internal Review	131.4	489.9	62.9	684.2				62.9				
Administrative Services (includes SEF HQ)	4,002.0	924.9	4,433.4	9,360.3	50.3	165.3	2,638.8	609.1	961.6		8.3	
Regional Support Services	1,914.5	363.1	1,698.1	3,975.7		3.7	217.5	146.8	1,330.1			
Statewide Aviation	414.4	201.7	14.5	630.6				14.5				
Planning	330.6	4,934.3	87.7	5,352.6		70.2		17.5				
Design and Engineering Services	1,913.9	28,558.7	619.5	31,092.1		274.4		122.3			222.8	
Construction and CIP Support	736.6	25,894.2	726.1	27,356.9		548.6		177.5				
Statewide Facility Maintenance and Operations	14,694.9	0.0	2,556.6	17,251.5	2.0	2,395.6					159.0	
State Equipment Fleet	0.0	0.0	20,318.6	20,318.6		850.6	19,468.0					
Measurement Standards and Commercial Vehicle Enforcement	3,404.3	350.0	0.0	3,754.3								
Highways and Aviation	71,425.9	0.0	3,069.5	74,495.4	1,375.9	491.3	15.8	28.4		700.0	458.1	
International Airport System Office			295.7	295.7				295.7				
Anchorage International Airport	0.0	0.0	30,422.9	30,422.9				30,422.9				
Fairbanks International Airport	0.0	0.0	9,281.0	9,281.0		15.2		9,265.8				
Marine Highway System	27,129.5	1,060.2	45,246.7	73,436.4					45,246.7			
Total	127,327.3	63,085.0	119,103.5	309,515.8	1,428.2	4,911.0	22,385.7	41,292.0	47,538.4	700.0	848.2	
Capital Budget												
Alaska Marine Hwy Overhaul, Rehab, Training, Building	4,390.6		1,500.0	5,890.6					1,500.0			
Corp of Engineers Harbor Projects	8,031.1			8,031.1								
Deferred Maintenance & Emergency Repairs	3,378.0		8,000.0	11,378.0	8,000.0							
Statewide Programs - cooperative reimb, Fed Transit, SEF	150.0		24,700.0	24,850.0	2,400.0	1,500.0	11,800.0				9,000.0	
Highway Projects	47,278.2		645,763.6	693,041.7	645,763.6							
Airport Projects	5,000.0		167,931.3	172,931.3	109,787.3			33,144.0				25,000.0
Total	68,227.9	0.0	847,894.8	916,122.7	765,950.9	1,500.0	11,800.0	33,144.0	1,500.0	0.0	9,000.0	25,000.0
Total FY00 Budget	195,555.2	63,085.0	966,998.3	1,225,638.5	767,379.1	6,411.0	34,185.7	74,436.0	49,038.4	700.0	9,848.2	25,000.0

III. Total Revenue

General Fund Program Receipts

Permits (ROW, Utilities, Driveways, etc.)	433.7
Airport Leases	3,080.9
Commercial Vehicle Permits	1,364.2
Miscellaneous (reports, etc.)	165.6

Statutory Designated Program Receipts

ROW sales & leases, TODS	231.1
Employee Housing Receipts	159.0
Night call outs at rural airports/potential contracts to open highways in spring	458.1
Cooperative Reimbursements - utility companies, municipalities, etc.	9,000.0

Federal Funds

FHWA construction program (based on STIP)	370,000.0
FAA construction program (based on AIP)	75,000.0
Dept of Defense - airport maintenance at Galena, King Salmon, Kodiak	620.9
BIA - road maintenance	160.8
Dept. of Commerce - NOAA -on board fish scale inspections	47.4
FAA - maintenance or lease agreements	16.4
FHWA - emergency repairs	8,000.0
Operations at Adak airport (conditioned upon federal appropriation)	500.0

International Airport System

Landing fees, fuel flowage fees concession leases, etc.	74,436.0
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Marine Highway System

Vehicle, passenger and cabin charges, food and gift shop receipts	41,000.0
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Bond Proceeds

	25,000.0
Statewide Programs - cooperative reimb, Fed Transit, SEF	2,400.0

TOTAL 612,074.1

IV. Constitutional and Statutory Provisions Governing DOT/PF

Constitution

Article III,

Section 22- Executive Branch

Section 24 – Supervision

Section 25- Department Heads

Article IX

Section 5 – Interests in Government Property

Section 12 – Budget

Section 13- Expenditures

Article X

Section 13- Agreements; Transfer of Powers

Article XII

Section 2 – Intergovernmental Relations

Section 6 – Merit System

Section 7 – Retirement System

Statutes (applicable portions of the following)

AS 02	Aeronautics
AS 8	Business and Professions
AS 18	Health and Safety, Housing
AS 19	Highways and Ferries
AS 30	Navigation, Harbors and Shipping
AS 34.60	Relocation Assistance
AS 35	Public Buildings, Works and Improvements
AS 36	Public Contracts
AS 37	Public Finance/Executive Budget Act
AS 38	Public Lands
AS 39	Public Officers and Employee/Personnel Act
AS 43.40	Revenue and Taxation, Motor Fuel Tax
AS 44	State Government
AS 45.75	Trade and Commerce, Weights and Measures

V. DOT/PF Mission, Goals and Objectives

The mission of DOT&PF is to improve the quality of life for Alaskans by cost effectively providing, operating and maintaining safe, environmentally sound and reliable transportation systems and public facilities.

Goals and Strategies

Improve the way Alaska builds and maintains its transportation system, with a significant commitment to public participation in development of the State Transportation Improvement Program (STIP) and capital budget.

- Bring Alaska's portion of the National Highway System up to first class standards by 2010.
- Competitively select community transportation projects on a statewide needs basis through an objective system which stresses community participation in development and maintenance.
- Evaluate new transportation segments that might support significant economic development.
- Incorporate trails, recreational activities, scenic enhancements and visitor services in our transportation program.

Protect Alaska's investment in infrastructure by maintaining and operating over 13,000 state lane miles of roads, almost 700 buildings, over 250 rural airports and 80 ports and harbors.

- Invest federal construction funds in projects that reduce maintenance costs.
- Use regional maintenance equipment pools, which will be directed to the highest need, to reduce the number of maintenance vehicles.
- Implement a management structure which will identify and transfer cost saving maintenance techniques to other regions.
- Encourage local governments to assume ownership of local facilities.
- Work toward implementing a stable funding base for operation, maintenance and improvements of facilities.

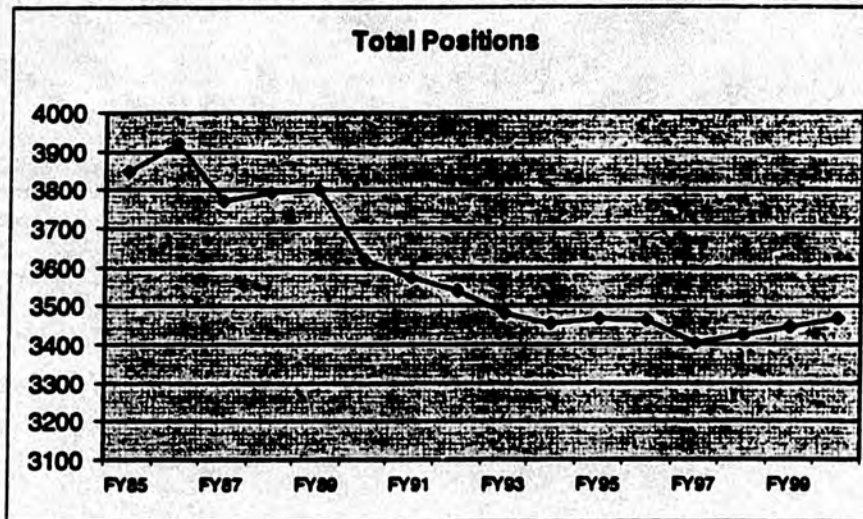
Operate the Alaska Marine Highway to meet the surface transportation needs of Southeast, Southwest and Southcentral Alaska communities.

- Refurbish and maintain vessels to allow for continued operation.
- Reduce losses on vessel services that are not required for safety reasons.
- Work with communities to promote system use.
- Increase efficiencies while improving services to the public.

Maintain, operate and promote Anchorage and Fairbanks International Airports, which are vital to the state's economy.

- Maintain and construct infrastructure to give Alaska a competitive market advantage, especially for international and domestic cargo traffic and tourism.
- Maintain and construct infrastructure to meet both required safety standards and capacity demands.
- Promote passenger service between Alaska and international destinations.

VI. Number of DOT/PF Employees



FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY98	FY99	FY00
3,846	3,920	3,772	3,792	3,803	3,619	3,575	3,541	3,479	3,426	3,446	3,467

	FY85	FY2000	% Change
Administration	264	220	-16.7%
Program Development	144	81	-43.8%
Design & Construction*	1,450	932	-35.7%
State Equipment Fleet	169	187	10.7%
Maintenance & Operations	732	665	-9.2%
International Airports	326	420	28.8%
Alaska Marine Highway	761	894	17.5%
Measurement Standards		68	
Total	3,846	3,467	-9.9%

*Professional Engineers and Architects

Classification	Budgeted Positions
Engineer/Architect I	52
Engineer/Architect II	32
Engineer/Architect III	33
Engineer/Architect IV	18
Engineer/Architect V	7
Technical Engineer I/Architect I	21
Technical Engineer II/Architect II	15
Total	178

VII. Technology Used to Perform DOT/PF Mission

Measurement Standards

- Large capacity truck scale and other large scale testing trucks
- Large volumetric liquid provers; trailer and vehicle mounted.
- Thousands of pounds of field standard test weights; 500# blocks, 1000# blocks and 50# test weights.
- Precision laboratory balances and mass comparators for tolerance testing, calibration and other measurement services.
- Precision volumetric prover for testing and calibration of test provers.

Commercial Vehicle Enforcement

- Large capacity truck scales; fixed (weigh stations) and portable.
- Inspection vehicles.

Statewide Planning

- Map and Road Inventory using Global Positioning System (GPS).
- Mapping/Geographic Information System (GIS) Services using special plotters, printers and ArcInfo, ArcView, and AutoCad software.
- Highway Data Collection using permanent and portable traffic recorders, weigh-in-motion detectors to record truck weights and other analytical software specific to highway data collection.

Maintenance and Operations

- ARFF trucks
- guns for avalanche control
- fire fighting equipment including: Self-contained breathing apparatus (SCBA), aluminized fire protective clothing, Jaws of Life extraction tools, thermal image monitors, compressed air tank refilling equipment, fire hoses, and nozzles.
- 5,000 ton/hour snow blowers, boom trucks, plow trucks and sanders, de-icing chemical spreaders
- remote weather information systems (RWIS)
- LED traffic signals
- Ferry vessels.

Design & Engineering Services Division

- Bridge Inspection Vehicle (Boom Truck)
- Drill Rigs - truck, track and skid mounted
- Laboratory Materials Testing Equipment
- Field Materials Testing Equipment
- Survey Equipment
- Computer Equipment - including drawing sized printers and plotters

Construction

- Materials testing equipment in the field labs. Examples are nuclear densometers, nuclear content gauges, electronic scales, ovens, and sieve shakers.

Computer Technology

In addition to EMS¹ we use the internet to post bids and gather specification information, the State and DOT&PF networks to tie everything together electronically, the IM machines to test vehicles for pollution in Anchorage and Fairbanks, hand held scanners to access the engine computers, e-mail to communicate internally and externally, digital cameras to share pictures of equipment problems, and computers on the spreaders and de-icers to control the dispensing of product.

Open Standards

Where possible, DOT&PF uses industry published open standards for its technology to preclude becoming fiscally controlled by proprietary solutions. Examples of these standards are:

- tcp/ip - this is the network standard for moving data over circuits and is the same standard as used by the worldwide internet (tcp/ip = transmission control protocol/internet protocol)
- SNMP - this is a network standard for monitoring whether network devices are running properly (SNMP = simple network management protocol)
- JAVA - this is an ANSI published standard computer language that lets software runs on more than one type of computer without major changes to the software. It is a very modern language designed to prevent programming mistakes.
- CORBA - this is a standard that allows different software systems to communicate over a network. It is the basis for all new department applications and will be used as part of the federal government's new billing systems
- LDAP - this standard provides a directory service so that people using software systems can have their logon information stored centrally and be used consistently across all software systems
- SNMP - this standard is the basis for all e-mail within the department and between the department and other agencies or firms in the private sector

Department Standards

To control support and licensing costs, the department issues hardware and operating system standards for desktops and servers. Standards also issued for enterprise system development and support to ensure operational costs are minimized, developed systems are long lived, and future applications make re-use basic system components from prior development. Network protocol standards are issued to ensure efficient use of the state's shared data network, make security issues manageable, and allow effective problem determination when network faults arise. Finally, the department ascribes to all state standards issued by the governor's Telecommunications Information Council. Example standards include:

¹ Equipment Management System

- **Desktop Operating Systems:** Must be 32 or 64 bit, only Microsoft NT, Unix or MacIntosh is allowed
- **Lan Server Operating Systems:** Must be either Microsoft NT or Unix
- **Enterprise Servers Operating Systems:** Must be Unix to ensure reliability and scalability; or, if application is data center based, must be OS390 for the same reasons.
- **Enterprise Application Data Bases:** Must be either ADABAS or Oracle.

Net-centric Systems

For enterprise-wide systems, the department has adopted the use of centralized, high-availability servers to control both operation costs and incremental costs as new systems are developed. Client software or hardware is specified to be thin-client to eliminate costly software distribution and to control the cost of desktop hardware purchases.

- **Desktop side of Enterprise Applications:** Must be a thin client approach in the software, typically a web-based application. The standard web browser for the department is Netscape Communications to provide a common desktop environment across the department. Alternatively, a thin client hardware solution may be used, the current standard is NCD Thin Clients.
- **Centralized, clustered servers** are used that are either SUN/Solaris or IBM/AIX. This ensures data are always backed up, and the servers run seven days a week, 24 hours a day, with as little labor as possible.

VIII. Existing DOT/PF Agreements/Contracts

Memoranda of Understanding with the Municipality of Anchorage

These agreements transfer funds from the State to the Municipality of Anchorage and are predominantly for design and construction engineering on Federal Highway Administration (FHWA) projects. These projects are for facilities that belong to the Municipality of Anchorage and are or will be their maintenance and operations responsibility.

General funds are occasionally transferred to the Muni via this mechanism as well. These transfers occur when funding that the Muni requested was appropriated to DOT/PF and we have no interest in or responsibility for the improvement.

Contact: Laurie Dilley, Project Control Chief, Central Region

Memoranda of Agreement with the City of Fairbanks

These agreements transfer funds from the State to City of Fairbanks and are predominantly for design of projects funded with federal highway funds. These projects are for facilities that belong to the City of Fairbanks and are, or will be, their maintenance and operations responsibility.

Contact: Gary C. Tyndall, P.E., Design Group Chief

Landscaping / Ownership & Maintenance Agreements

To date this type of agreement has been enacted only with the Municipality of Anchorage, the City of Fairbanks, and other non-profit groups, but could later involve other governmental agencies. These agreements obligate the other agencies to maintain landscaping and other enhancements that are included in capital projects at their request on facilities where the remainder of maintenance and operations responsibility lies with the State.

Contact: Diana Rigg, AMATS Planner, Central Region; Karen Tony, Right of Way, Northern Region

Transfer of Responsibility Agreements (TORAs)

On occasion DOT/PF is the recipient of funds that are to be transferred to other entities for implementation. There are a number of types of TORAs:

Local Government: These agreements transfer funds and responsibility for the capital improvement to these governments.

Contact: Laurie Dilley, Project Control Chief, Central Region; Ginger Johnson, Project Control Chief, Southeast Region; James R. Weed, P.E., Regional Construction Engineer, Northern Region

Corp of Engineers Match: The state supplies match to selected Corps of Engineers harbor projects.

Contact: Harold Moeser, State Harbor Engineer, Headquarters

Harbor Transfers: The Legislature appropriated funds to repair existing harbors and transfer ownership of the harbors to the local governmental agencies. In Central Region transfers have been completed to Homer, Seward, and Kodiak.

Contact: Harold Moeser

Sanitation Roads Program: Transfer FHWA funds with specific scope to Public Health Service (via MOA) or Village Safe Water (via RSA) for participation in the rural sanitation program. FHWA funds, to date, have been for roadway and boardwalk improvements to provide a transportation route to improved sewage lagoons constructed with funds from other federal and state agencies.

Contact: Project Managers, Central Region; Gary C. Tyndall, P.E., Design Group Chief, Northern Region

Roadway Surface and Transfer Program

This is a FHWA funded program to upgrade and surface roads currently owned by the State and transfer ownership, upon completion of the work, to the local government. The roads included in this program are more appropriately the responsibility of the local governments; the improvements provide the incentive to the local governments to take over ownership. Agreements must be prepared to legally transfer ownership once the work has been completed.

Contact: John Tolley, Planning Chief / Kim Rice, Right of Way Chief, Central Region; Andy Hughes, Planning Chief / Frank Mielke, Right of Way Chief, Southeast Region; Martin Ott, Northern Region Planning

M&O Maintenance Contracts

Central Region

Equipment Rental: Annual contracts to supplement the department's staff and equipment. Example: end dumps / operators for snow haul.

Specific Services: Annual contracts for street sweeping, airport bird control, and other specialty work.

Airport Maintenance Contracts: We have contracted out the maintenance work at 75 of our non-certificated rural airports.

Traffic Signal / Lighting: We have an operating agreement with the Muni, for maintenance and operations of the traffic signals and street lighting within the Municipality of Anchorage.

Winter Maintenance Road Swaps: Since 1991 we have had an agreement with the Muni to swap maintenance responsibilities for specific routes in the winter to maximize efficiencies of these operations.

Contact: Chris Kepler / Chuck Swenor, Maintenance & Operations, Central Region

Southeast Region

Equipment Rental: As needed contracts to supplement the department's equipment with routine and specialty pieces. Example: Sweeper, rubber tired compactor and oil distributor.

Specific Services: Annual contracts for brush control, highway striping, street sweeping, electrical maintenance, airport bird control, and other specialty work.

Airport Maintenance Contracts: Contract out the maintenance work at one non-certificated rural airport and three seaplane bases.

Traffic Signal / Lighting: Agreements exist with Sitka and Petersburg local governments for maintenance and operations of the street lighting within their communities.

Winter Maintenance Road Swaps: An agreement has been in place for many years with the City & Borough of Juneau to swap maintenance swap responsibilities for specific routes in the winter to maximize efficiencies of these operations.

Contact: Frank Richards / Linda Keikkala, Maintenance & Operations, Southeast Region

Northern Region:

Equipment Rental: Annual contracts to supplement the department's staff and equipment. Example: end dumps / operators for snow haul.

Annual Contracts: Annual contracts for janitorial, elevator, security, wayside maintenance, snow removal at public buildings, solid waste removal, guardrail maintenance, and crane and hoist inspections and repairs.

Specific Services: (One-time contracts): Aggregate crushing, above-ground fuel storage tanks installation, airport clearing, street paving, roofing repairs, building control systems installation and repair, asbestos removal, boiler repairs, carpet and flooring installation, housing repairs, and building ductwork repairs.

Airport Maintenance Contracts: We have contracted out the maintenance work at 59 of our non-certificated rural airports.

Alaska Railroad Crossing Maintenance Agreements: M&O agrees to pay the Alaska Railroad for maintenance performed by the Railroad at rail crossing on State highways.

Contact: Ralph Swarthout/Jim Little, Buildings Maintenance Manager

Reimbursable Services Agreements (RSA)

The Department participates in RSAs from two aspects - 'requesting' and 'servicing'. The RSAs can be for 'Capital' (continuing) or 'Operating' (annual) appropriations.

Central Region

Requesting: The Department of Natural Resources, Division of Parks is the most frequent RSA partner where we are requesting the work and they provide the services. They provide design, construction administration and interpretive signing for the projects involving trailhead and wayside facilities. We receive the funding from the FHWA, provide overall project oversight and pass the day-to-day operations on to DNR or other agencies. We have ongoing agreements with the Department of Public Safety for trooper support.

Servicing: The Department holds contracting authority on major capital improvements for the State of Alaska. Other state agencies that must implement capital improvements often transfer the funds appropriated to their agency to the Department for project development and management. The Central Region Public Facilities Design & Construction group is funded almost entirely by RSAs from other state agencies.

Contact: Laurie Dilley

Southeast Region

Requesting: The Department of Fish & Game and the Department of Natural Resources are frequent partners when we are the requesting department. DNR provides design, construction administration and interpretive signing for projects involving trailheads and wayside facilities. Fish & Game provides assistance on projects where permits are required. We receive funds from the FHWA and provide overall project administration.

Servicing: The region's RSA's are normally between the Department of Health & Social Services, Department of Environmental Conservation, and Department of Administration. The majority of the

projects provide for the design, construction, or maintenance of existing buildings and structures within the region.

Contact: Ginger Johnson

Northern Region:

Requesting: The Department of Natural Resources, Division of Parks is the most frequent RSA partner where we are requesting the work and they provide the services. They provide design services, and interpretive signing for the projects involving trailhead and wayside facilities. We receive the funding from the FHWA and provide overall project oversight. We have ongoing agreements with the Department of Public Safety for trooper support.

Contact: Susie Zimmerman

Servicing: The Department of Transportation holds contracting authority on major capital improvements for the State of Alaska. Other State agencies that must implement capital improvements often transfer the funds appropriated to their agency to the DOT&PF for project development and management.

Contact: Susie Zimmerman

Professional Services Agreements

The department currently (FY00) contracts out approximately 45% of our design work. This is accomplished via Professional Services Agreements. We also contract out a significant portion of our construction administration. In addition to design work and construction administration, the consulting community also provides specific services such as aerial photography and ground modeling, geotechnical engineering and materials testing.

The department also has Term Contracts for such work as surveying and hazardous materials investigation / mitigation.

Contact: Mike Downing, P.E., Director of Design and Engineering Services Division

Utility Relocations

Our construction contracts often require relocation of various utilities. Our Utilities section prepares and manages relocation agreements with all major utility companies in Central Region. The agreements specify the work to be performed and the responsible parties. The work can be undertaken by the individual utility or be included in the associated construction contract.

Contact: Bill Strickler, Utilities, Central Region; Al Risley, Utilities, Southeast Region; John Huber, P.E., Utilities Engineer, Northern Region

Construction Contracts

The Contracts section advertises and awards contracts for all of our highway, aviation, building and harbor projects.

Contact: Bob Wilson, Central Region; Don Black, Southeast Region; Grant L. Lewis, Contracts Engineer, Northern Region

Airport Lease Agreements

The department's airport leasing groups are responsible for managing all of the lease lots on our airports. There are 103 airports in Central Region, 102 airports in Northern Region, and 11 airports and 33 seaplane bases in Southeast Region. The lease agreements define the type of activity (aviation, non-aviation) that can occur on each individual property. These groups also administer joint-use facility (state/federal) contracts at the airports, short-term use permits, and maintenance agreements.

Contact: Bob Norton, Airport Leasing, Central Region; Linda Keikkala, Airport Leasing, Southeast Region; Pam Lewis, Chief of Leasing & Property Management.

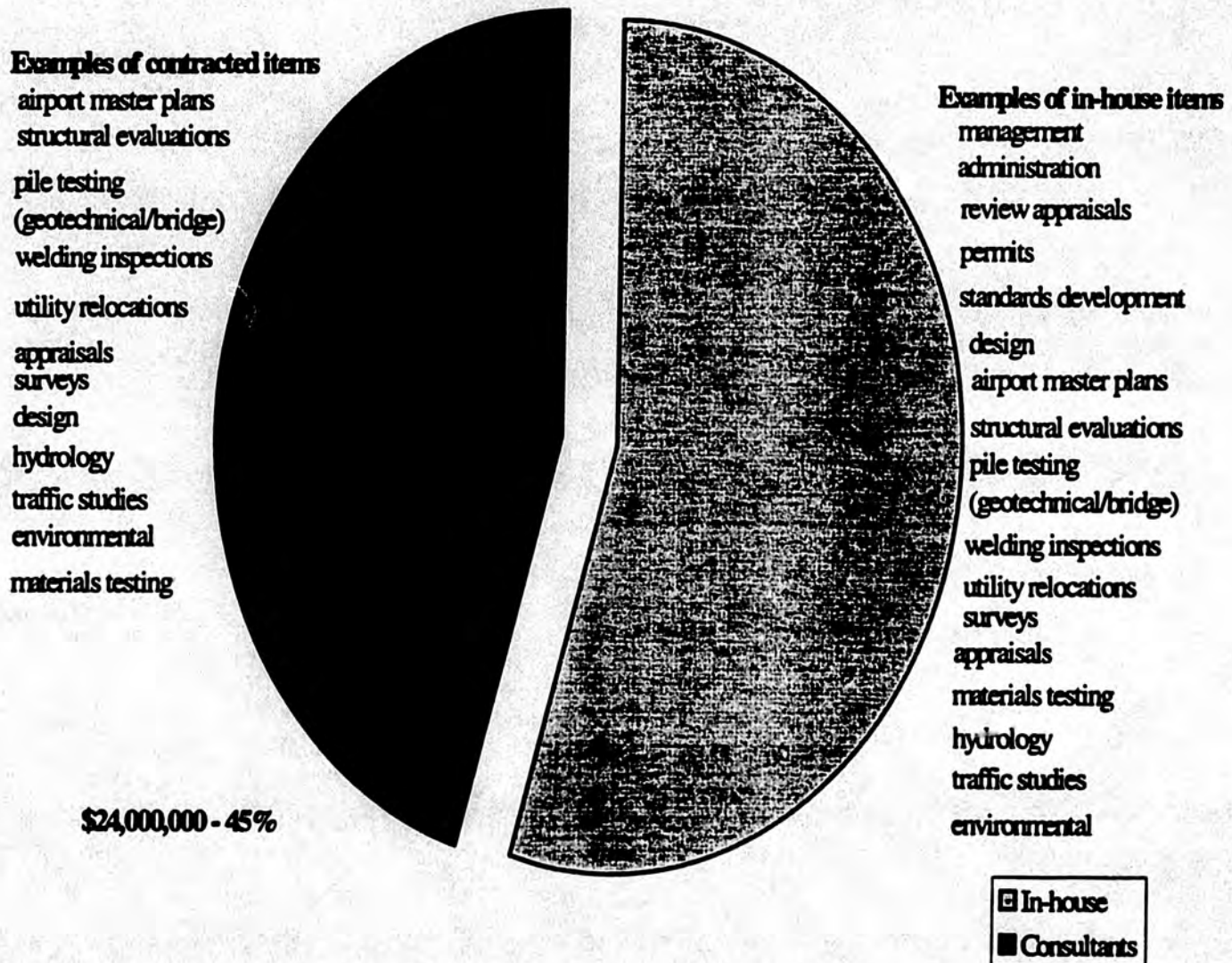
VIII. A. Existing DOT/PF Agreements/Contracts**Approximate Annual Procurements
Prepared November 5, 1999**

<u>Type of Procurement</u>	<u># of Contracts</u>	<u>amount</u>
Small Procurement Contracts:	19,700	\$51,100,000
Competitive Sealed Bids (ITBs)	200	\$222,100,000
Competitive Sealed Proposals (RFPs)	80	\$49,500,000
Single Source	35	\$2,900,000
Emergency	3	<u>\$1,700,000</u>
		\$327,300,000

IX. Existing DOT/PF Privatization practices.
a. Maintenance and Operations FY98 Contracted Services

	Central Region	Northern Region	Southeast Region	Total
Rural Airports operations & maintenance	1,020,137	1,259,409	173,681	2,453,227
Airport Repairs	75,000		0	75,000
Bird Control & wildlife studies	75,000		52,186	127,186
Street Sweeping	410,000		13,315	423,315
Dust Control	-			0
Road Illumination & traffic control	25,000		4,182	29,182
Brush removal	175,000		105,100	280,100
Striping	-		192,861	192,861
Aggregate Processing	-	851,765		851,765
Equipment Rental	35,000	103,800	58,742	197,542
Gravel Haul	9,000			9,000
Communications	-	69,198	3,085	72,283
Maintenance				0
Road	26,600		270,124	296,724
Guardrail	-	117,820		117,820
Waysides	-	14,083		14,083
Floats & harbors	-		270,381	270,381
Buildings (Facilities)	119,000	152,783	511,500	783,283
Janitorial	162,100	270,861	498,600	931,561
Elevator Maintenance	54,200	28,452		82,652
Snow Removal	405,000	19,165		424,165
Lawn Care	9,700			9,700
Engineering and architectural svcs.	-		41,870	41,870
Building Improvements	-	890,514		890,514
Environmental Compliance	-	558,846		558,846
Hazardous Waste (Remediation, UST removal, SPCC plans, etc.)	235,400			235,400
Training	50,000			50,000
Outhouses/ dumpsters	50,000			50,000
Security		49,444		49,444
Cranes & hoist repairs		7,370		7,370
Solid waste removal		6,127		6,127
TOTAL	2,936,137	4,399,637	2,195,627	9,531,401

IX. Existing DOT/PF Privatization practices
b. Design and Engineering FY98 Contracted Services





X. DOT/PF SUBCOMMITTEE RECOMMENDATIONS, RATIONALE AND BARRIERS

The General Fund budget of DOT/PF is approximately \$128 Million with \$28 Million going to the Alaska Marine Highway System. With only \$100 Million to work with, decreases in spending increased efficiency and/or decreases in department responsibility will create a limited amount of General Fund savings.

Recommendations that follow encompass the views held by the members of the DOT/PF sub-committee. As members of the community, there is no expectation that we know the inner workings of the Department, and therefore request that the department consider the recommendations in light of desired outcome, and not get mired down in the specifics of any one recommendation. If a recommendation appears particularly unworkable, this committee requests that the Department look at the desired intent of the recommendation and pursue a solution or solutions that will ultimately reach the goal.

This report makes no recommendations on the following divisions

Administration and support

EEO/Civil Rights

Internal Review

Administrative Services

Regional Support Services

Statewide Aviation

Measurement Standards & Commercial Vehicle Enforcement

International Airports

Marine Highway

1. Recommendation: OVERARCHING ISSUE: CORE GOVERNMENTAL RESPONSIBILITY (CGR)

Rationale: The subcommittee emphasizes that the overarching question to be answered by the Legislature for all activities within DOT/PF is whether they are Core Governmental Responsibilities (CGR's). Only after an activity is determined to be a CGR, do we need to address the subordinate question of whether it should be performed by state employees or the private sector. Although we make the following recommendations about certain activities in DOT/PF, we do so with the knowledge that a determination has not yet been made as to the essential nature of these activities, i.e., if they are CGR's. We urge the legislature to cause this determination to be made.

Barriers: To bring about a change in the attitudes of the managers in state government.

Maintenance and Operation

- 2. Recommendation:** It is the recommendation of the subcommittee that ownership and maintenance of local roads should devolve to the lowest level of local government.

Rationale: The state needs to get out of the business of subsidizing local roads. This is a first step.

Barriers: Inadequate revenue sharing or inability of local community to pay for maintenance. (see appendix A)

3. **Recommendation:** *Use past experience gained in other jurisdictions and the federal Department of Defense model and the Alberta and British Columbia models to determine how maintenance and operations activities can be contracted to the private sector.*

Rationale: The federal Department of Defense is, and has been in the process of privatizing many operational and maintenance functions. The department is encouraged to review programs implemented by the DOD in an effort to determine whether efficiencies can be gained by utilizing a model such as this.

Barriers: A possible roadblock to this opportunity is in the current language of union contracts regarding contracting. Future contracts should be negotiated without this clause to provide the state with the most flexibility in providing efficient services to the public. After all, the departments role is to serve the public in most cost efficient and effective manner possible, not to serve unreasonable interests of the employees.

Must determine if a competitive market exists for the work to be contracted out.
(see appendix A, B)

4. **Recommendation:** *Pilot project – In consultation with the AGC of Alaska and other interested parties, implement a demonstration project for privatized road maintenance of sufficient scope to be worthwhile for the private sector.*

Rationale: The committee feels it is best to test the waters with a demonstration project before expanding privatized road maintenance on a statewide basis.

Barriers: A possible roadblock to this opportunity is in the current language of union contracts regarding contracting. Future contracts should be negotiated without this clause to provide the state with the most flexibility in providing efficient services to the public. After all, the departments role is to serve the public in most cost efficient and effective manner possible, not to serve unreasonable interests of the employees.

Must determine if a competitive market exists for the work to be contracted out.
(see appendix A, B)

5. **Recommendation:** *Eliminate joint operations in municipalities or other areas that have multiple entities performing the same function.*

Rationale: Municipalities such as Juneau, Fairbanks, Anchorage and others have overlap in services. The department shall combine resources such that one entity will be responsible for maintenance within the community boundaries. Presumably that entity would be the municipality. This would potentially free up resources of the state to focus on the major highways connecting those communities. Note that there may be a slight increase in revenue sharing when local governments take on road maintenance responsibilities.

Barriers: Local resistance to assuming added costs. Union agreements.
(see appendix C, D, E, F, G)

6. **Recommendation:** *Transfer ownership and maintenance responsibility of non-NHS¹ roadways to local communities. Note it is the subcommittee's intention that local communities should be reimbursed at a rate not greater than present DOT/PF expenditures.*

Rationale: As much as possible, local communities should be responsible for maintenance of local roadways. Some communities are far too small for this to be an option, however, there are communities that could reasonably afford to assess for maintenance of transferred state roadways. By far the biggest impact will be a transfer of the Category III roads to the communities in which they exist. While this appears to be a shifting of responsibility, placing an undo burden on the municipalities, in actuality, it is recognition that we as Alaskans are going to have to take responsibility for our roads at a local level. Federal funds do not go very far for maintenance, and if the existing situation lingers, we will find ourselves paying a statewide sales tax, gas tax and/or income tax to provide these local services. One way or another, eventually we will pay for maintenance of our roads.

Barriers: Inadequate revenue sharing or inability of local community to pay for maintenance. (see appendix A, D, E, F, G, H)

7. **Recommendation:** *Transfer airports to local port authorities or municipalities to the greatest extent possible.*

Rationale: The committee understands that DOT/PF agrees with this but there is no concerted program to accomplish it.

Barriers: Competing DOT/PF priorities. Lack of managerial incentive. (see appendix D, E, F, G)

8. **Recommendation:** *Transfer harbor and port facilities to local port authorities or municipalities to the greatest extent possible.*

Rationale:

Barriers: Competing DOT/PF priorities. Lack of managerial incentive. (see appendix D, E, F, G)

9. **Recommendation:** *Establish a constitutionally dedicated fund for highway maintenance.*

Rationale: The existing method of funding road maintenance is inadequate and subject to fluctuations that are irrelevant to a constant need.

Barriers: Achieving a consensus for a funding source among the state's political leaders.

Statewide Facility (Building) Maintenance and Operations

10. **Recommendation:** *Remove building maintenance activities from DOT/PF. Consolidate building maintenance into one department, possibly Administration or AHFC.*

Rationale: The subcommittee understands there are two categories of buildings. First is the category of "specialized buildings" such as jails, clinics, fish hatcheries, that should be maintained by the departments that own them. The second category is buildings that are presently maintained

¹ National Highway System

by DOT/PF but owned by other agencies. The committee believes these buildings should be combined with the ASHA/AHFC buildings for maintenance purposes.

Barriers: Interdepartmental funding argument transfers.
(see appendix I, J)

- 11. Recommendation:** *Provide economic justification for ownership vs. lease of buildings from private sector.*

Rationale: To take advantage of favorable economics when a lease would save the state money.

Barriers: May need management training on analytical techniques.

Planning

- 12. Recommendation:** *Contract out to independent auditors for administration and audit controls for federally funded programs.*

Rationale: Independent confirmation is better than in-house confirmation.

Barriers: Departmental resistance. Possible federal certification requirements.

Design and Engineering Services

- 13. Recommendation:** *The core staffing level for Design and Engineering Services should be geared to meet the work level necessary to maximize FHWA funding and to provide contract compliance guidance to design/engineering vendors. Core staff should not include in-house capability to design projects during funding cycle peaks.*

Rationale: DOT/PF C.I.P. program staffing levels are expected to reduce from the current level of about 450 persons. The idea is to match the staffing level to an amount of work that is consistent over time.

Barriers: There may be a shortage of available engineers. A greater percent of work will be performed outside Alaska. Union agreements.
(see appendix K, L, M)

- 14. Recommendation:** *Restructure Bridge Design section to include only a chief bridge engineer and two or three project managers. Contract out the rest of the bridge design functions. Move Bridge Design section to Anchorage or Fairbanks.*

Rationale: The best bridge engineering expertise in Alaska resides in the private sector. Most of the bridges are in the south-central and northern regions.

Barriers: Departmental resistance.
(see appendix L, M)

- 15. Recommendation:** *DOT/PF should coordinate with appropriate local governments and specifying agencies to achieve more consistent design format and standards.*

Rationale: To achieve consistency and intergovernmental design standards.

Barriers: Personal customs, traditions and habits of design personnel.

- 16. Recommendation:** *Implement total project management. One project manager assigned to carry a project from conceptual design through construction (CalTrans model)*

Rationale: To provide continuity, consistency, and accountability for entire project rather than piecemeal management.

Barriers: Departmental resistance. May have to change skill set of current work force.
(see appendix M)

- 17. Recommendation:** *Consolidate Headquarter Materials and Regional Materials into one single Materials Section and contract out a larger share of the work*

Rationale: DOT/PF should require contractors to either contract with an independent AASHTO Certified lab for Quality Control or provide a DOT/PF-certified in-house lab with appropriate verification of procedures and results by an independent AASHTO lab retained at the expense of the contractor. The Department should not have a drill rig and crew when there are several private drilling companies able to do the work. All foundation and retaining wall geotechnical reports should be done by private enterprise to avoid the liability issues associated with them. This is probably the easiest and most logical area for privatization in the DOT. Most major material suppliers and contractors already have fully equipped labs with trained technicians for quality assurance. Also, there are many independent labs throughout the State and greater demand will stimulate growth in that area.

Barriers:
(see appendix L)

- 18. Recommendation:** *Take the Aviation Design Program and allow private engineering firms to provide planning, design and construction administration of all airport-related projects. The State will provide project managers program overview, monitoring and measures for success.*

Rationale: Consultants have done much of the design work for the Anchorage International airport already. This recommendation would further open up the rural airport design sector to private practice.

Barriers: Departmental resistance.
(see appendix K, L, M)

State Equipment Fleet

- 19. Recommendation:** *SEF shall contract for an on-Site Store for all parts and other products and services. Contract Management remains with SEF.*

Rationale: Cost savings and efficiency.

Barriers: Departmental resistance. Union contracts.
(see appendix N)

- 20. Recommendation:** *An independent survey shall be conducted to determine the type, quantity and quality of heavy equipment available in the private sector.*

Rationale: The SEF should not duplicate ownership of equipment that is available, or could be available with adequate utilization demand, from the private sector.

Barriers: Departmental resistance.
(see appendix B, O)

- 21. Recommendation:** *Lease/Purchase analysis, including a narrative rationale, for each piece of Heavy Equipment shall be written and available to the legislature and public prior to acquisition. The evaluation methodology shall be published in regulations.*

Rationale: The subcommittee notes that this kind of evaluation is not necessary for SEF activities that are privatized.

Barriers: Departmental resistance.

- 22. Recommendation:** *All audits should become public information as soon as practical.*

Rationale: Internal audits that help management find operational defects should not be discouraged. Release of internal audits should be in accordance with statutes.

Barriers: Finding a balance between public disclosure and bonafide need for confidentiality.
(see appendix P)

- 23. Recommendation:** *Establish a formalized review of spending decisions.*

Rationale: SEF needs a more effective and formalized mechanism for evaluating staff justification for major expenditures. Legislative review during the appropriation process is too superficial and relevant expertise is not brought to bear on SEF's decisions.

Barriers: Departmental resistance.

- 24. Recommendation:** *Immediately, and at least once every eight years, SEF operations shall be reviewed by a professional firm with expertise in equipment management and accounting. This should be a statutory requirement.*

Rationale: Management review is in order to keep the SEF abreast of new management and accounting techniques. Externality is a requirement to ensure freedom from political interference.

Barriers: Departmental anathema to outsiders they can't control. Cost. Lack of legislative insistence.

- 25. Recommendation:** *Create legislation to require evidence that privatization will save money and require privatization in all cases where savings meet or exceed a state-run operation.*

Rationale: This recommendation has wider application than DOT/PF. It serves to formalize the decision-making process.

Barriers: Unions.
(see appendix D, E, F, G)

26. Recommendation: DOT/PF shall publish a biannual report containing a breakdown of contracts awarded by the department for the categories of: Planning, Design and Engineering services; Construction services; Construction Management services; Maintenance and Operations.

Rationale: Provide public confidence that contract awards are distributed among vendors on a fair and equitable basis.

Barrier: Information is power. DOT/PF personnel get to exercise power because they're the only ones with the information.

(see appendix Q)

Department of Transportation & Public Facilities
Response To
Commission on Privatization and Delivery of Government Services
Subcommittee Report
November 18, 1999

Recommendation #1:

Overarching Issue: core governmental responsibility

Response:

The Department of Transportation and Public Facilities (DOT&PF) supports this recommendation because we believe the legislature and public agree with the Governor that delivery of a sound transportation infrastructure is essential.

Recommendation #2:

It is the recommendation of the subcommittee that ownership and maintenance of local roads should devolve to the lowest level of local government.

Response:

The department supports this recommendation in principle. The problem is there are few takers. We have had some success with road transfers in our STIP process, mostly with the MatSu and Kenai Boroughs. We have implemented a "surface and transfer" program where we will agree to surface a gravel road if a community agrees to assume responsibility for its maintenance. In addition, our CIP process for selecting non-NHS road projects includes incentives for communities to participate in design, construction or maintenance of the road. A community's contribution to the cost of road construction or maintenance improves a project's score and its chances of construction.

Communities are expressing a reluctance to take over roads with municipal assistance on the decline. We will have no luck with straight transfers unless communities see the benefits exceeding the costs.

Recommendation #3:

Use past experience gained in other jurisdictions and the federal Department of Defense model and the Alberta and British Columbia models to determine how maintenance and operations activities can be contracted to the private sector.

Response:

We will review Department of Defense procedures for any experience they have in providing efficient government services. We have reviewed the British Columbia experience and will take another look at it for its relative success in providing cost effective road maintenance.

Recommendation #4:

Pilot project-In consultation with the AGC of Alaska and other interested parties, implement a demonstration project for privatized road maintenance of sufficient scope to be worthwhile for the private sector.

Response:

The department is willing to discuss this recommendation further. We attempted to privatize a major portion of the Dalton Highway in 1992. We even offered our equipment and facilities to a successful contractor. We had private sector assistance in the evaluation process. The proposals we received didn't come close to the in-house effort and the effort was dropped. Privatized maintenance in Takotna and Seldovia proved unsuccessful when contractors priced themselves out of business. We contract out where it makes sense and saves money. For example, DOT&PF contracts out 137 rural airports. We also contract out one-time items, peak workload, specialty items, etc.

Recommendation #5:

Eliminate joint operations in municipalities or other areas that have multiple entities performing the same function.

Response

The department exchanges maintenance responsibility with some communities for winter maintenance to ensure logical and smooth flowing routes. Several years ago we tried to combine with the Municipality of Anchorage by turning over all the state's roads. Labor and financial issues prevented the transfer. We do exactly what is recommended right now with traffic signals in Anchorage. The state pays the municipality for the state's share of traffic signals. The municipality has indicated that we need to increase our share of funding for this service by over 30 percent. We do not anticipate a budget increase to cover these costs.

Recommendation #6:

Transfer ownership and maintenance responsibility of non-NHS roadways to local communities. Note it is the subcommittee's intention that local communities should be reimbursed at a rate not greater than present DOT/PF expenditures.

Response:

See response to recommendation #2

Recommendation #7:

Transfer airports to local port authorities or municipalities to the greatest extent possible.

Response:

This is currently a Department goal. We actively support and encourage communities to assume maintenance of their airports. (Quinahagak and Egegik are two recent examples of our efforts.)

Recommendation #8:

Transfer harbor and port facilities to local port authorities or municipalities to the greatest extent possible.

Response:

The Department has supported harbor transfers to local communities since before 1992. Fourteen harbors have been transferred to date. The first eleven transfers cost approximately \$6.1 million, the last three cost \$14.5 million. Communities require a substantial capital appropriation to upgrade existing harbors before accepting responsibility. Some want an additional financial incentive from the State since small communities with small operations may not have the revenue potential to support the full cost of ownership. The unfunded balance of Deferred Maintenance Task Force Report for ports and harbor projects is approximately \$41 million.

Recommendation #9:

Establish a constitutionally dedicated fund for highway maintenance

Response:

We support a dedicated fund for meeting the State's transportation needs.

Recommendation #10:

Remove building maintenance activities from DOT/PF. Consolidate building maintenance into one department, possibly Administration or AHFC

Response:

The department is unable to respond for AHFC or Department of Administration. We will consider any alternative that results in improved level of service. HB112 that creates the Alaska public building fund was introduced by the Governor and has passed the House. It is the first step in finding efficiencies in building maintenance. Any budget cuts, however, hampers any of these agencies' ability to perform on-going preventative maintenance.

Recommendation #11:

Provide economic justification for ownership vs. lease of buildings from private sector.

Response:

The Department of Administration handles building leases. It is more appropriate for that agency to respond to this recommendation. Authorization to purchase or build a facility must be received from the Legislature. It is our understanding that this type of information is presented at that time.

Recommendation #12:

Contract out to independent auditors for administration and audit controls for federally funded programs.

Audit of internal controls for federal programs within the Planning Division is currently covered by the Division of Legislative Audit during their annual single audit of the State which includes DOT/PF. Legislative Audit is completely independent from the Department and is acceptable to the Federal Agencies that we receive funding from, i.e. FHWA and FAA. Costs associated with this effort are currently minimal each year. It would be more expensive to contract this effort and would not accomplish any more than is currently being done to meet the minimum federal requirements.

Recommendation #13:

The core staffing level for Design and Engineering Services should be geared to meet the work level necessary to maximize FHWA funding and to provide contract compliance guidance to design/engineering vendors. Core staff should not include in-house capability to design projects during funding cycle peaks.

Response:

This recommendation supports the current staffing level of the Division.

Although we have had a dramatic increase in the size of design and construction programs in the last year, we have not added any staff. Instead we are relying on the consulting community to produce one-half of the design program. Demand for engineers nationwide and in Alaska exceeds the supply by a considerable margin

The recently released Transportation Research Board Report #277 on the outsourcing of DOT&PF design work recommends that the optimal program is a balance of one-half in-house and one-half consultant designs. Both the D&ES staff and the Alaska consulting community are fully engaged in producing the design program and making sure we do not lose any federal funding available to the State. In federal fiscal year 1999, we successfully produced the program and even positioned the State to receive an additional \$1.4 million in federal aid that other states were unable to obligate-that's a successful year for us all.

The Statewide Design & Engineering Services Division is a model of successful and responsible privatization. Our combination of competent in-house designers and a healthy and active consulting community is effective. Our decision to not add staff in response to increased federal aid meant that we have had to reassign design staff to be consultant contract managers. The net effect is a decrease in our in-house capability to perform design work but an increased ability to produce the overall program. The mix of competition, ideas and dialog that exists between the Division's design staff and the consulting community reflects a mature and healthy business environment. We invite our consultants, at no cost to them, to participate in the technical training provided under the National Highway Institute program.

Recommendation #14:

Restructure Bridge Design section to include only a chief bridge engineer and two or three project managers. Contract out the rest of the bridge design functions. Move Bridge Design section to Anchorage or Fairbanks

Response:

This recommendation brings up the question as to whether it is better to keep work in Alaska with DOT&PF staff or send it out of state to private consultants. Right now in-state highway consultants are using out-of-state sub-consultants or out-of-state staff for their bridge design work. For example: all of the new bridges associated with Whittier access were designed by CH2M in their Bellevue office; Canyon Creek Bridge and all of the Parks Highway consultant bridge designs have been designed by Harding-Lawson of Bellevue; and HDR was recently selected by the Municipality of Anchorage to design a new bridge crossing the Eklutna River using HDR's out of state bridge engineers.

The Alaska DOT&PF Bridge Section has earned distinction since Statehood and they continue to be recognized as leaders in Bridge Engineering. As an example of this leadership, they have recently developed more advanced earthquake resistant joints and computer driven girder designs which the national bridge community is adopting.

There would be little benefit in moving the Bridge Section to Anchorage or Fairbanks, and would most likely result in a loss of experienced staff. Most bridge designs do not require an on-site presence and pertinent information can be provided to the designer electronically.

Recommendation #15:

DOT/PF should coordinate with appropriate local governments and specifying agencies to achieve more consistent design format and standards

Response:

We agree with the recommendation. The standards produced by the D&ES Division's Design and Construction Standards section are in use throughout Alaska but more could be done to disseminate the standards

Recommendation #16:

Implement total project management. One project manager assigned to carry a project from conceptual design through construction (CalTrans model).

Response:

There may be benefits to pursuing this recommendation. Our current system is to use one project manager completely through project development and another for construction. Total project management has a different set of benefits and compromises than the current system. Whether the benefits of this change are substantial enough to warrant the disruption and lost productivity during transition is unknown.

Recommendation #17:

Consolidate Headquarters Materials and Regional Materials into one single Materials Section and contract out a larger share of the work.

Response:

We recently did consolidate the Headquarters Materials section with the Central Region Materials section. We are also contracting for more of the geotechnical investigation work as the design and construction program has increased.

The Rationale section of the recommendation is more problematic. The Federal Highway administration has amended their regulations for materials testing and quality control in 23 CFR 637 and we have to be in compliance with the new regulations by June 29, 2000. Whatever changes are proposed for materials testing and quality control have to be consistent with these regulations. Geotechnical investigation and reporting (drilling and the subsequent analysis) is a core competency that the Department must retain if we are to be a competent highway agency.

Recommendation #18 :

Take the Aviation Design Program and allow private engineering firms to provide planning, design and construction administration of all airport-related projects. The State will provide project managers program overview, monitoring and measures for success.

Response:

Private engineering firms already provide the bulk of our airport design program. What we have retained in airport design is the ability to produce a portion of the designs and to competently manage the consultant contracts for airport designs. Since the Department owns the international airports in Anchorage and Fairbanks as well as 260 rural airports, airport design and engineering staff is a core competency that the Department must retain. The proposed changes on foundation and retaining wall design would not change the Department's position with regard to liability nor reduce our responsibility to the public to ensure their safety.

Recommendation#19:

SEF shall contract for an on-Site Store for all parts and other products and services. Contract Management remains with SEF.

Response:

An on-site store grants a monopoly to a single vendor to supply parts, services, and commodities. In FY1999 SEF purchased about \$4.5 million in goods and services from more than 800 Alaska vendors. Most of those vendors would have their sales to the State reduced or eliminated, as the single contract vendor would substitute their own products and services for those previously purchased from the others. Please see the attached list of the FY1999 vendors. SEF makes every effort to purchase from local vendors. An on site store would not necessarily be so motivated. Even proprietary parts could be purchased from authorized dealers in the lower 48.

SEF purchases some items (pursuit tires for example) at special manufacturer's prices that are often below dealer net cost. As a government agency we are exempt from federal excise taxes. A private on-site store would not have these privileges.

SEF uses parts transaction data to bill its customers and develop internal and federal operating rates. Given the volume of transactions, the on site-store and SEF would have to construct electronic interfaces from the electronic Equipment Management System (EMS) to the store to capture the parts data accurately and eliminate the need for duplicate entry of the transactions. Such an interface could cost \$50,000 to initially develop and \$5,000 per year to maintain.

Recommendation #20:

An independent survey shall be conducted to determine the type, quantity and quality of heavy equipment available in the private sector.

Response:

See response to Recommendation 21.

Recommendation #21:

Lease/Purchase analysis, including a narrative rationale, for each piece of Heavy Equipment shall be written and available to the legislature and public prior to acquisition. The evaluation methodology shall be published in regulations.

Response:

We agree that a formal Rent/Lease/Purchase analysis can be done prior to the addition or replacement of any piece of heavy equipment. The evaluation methodology can be published in the DOT&PF Policy and Procedures Manual. The results of the analysis can be posted on the department's web site. This will increase fleet administrative costs that may be offset by a decrease in capital and operating costs.

Recommendation #22:

All audits should become public information as soon as practical.

Response is being prepared by Internal Review.

Response:

It is the Department's normal practice to release reports after management has responded to them unless they contain proprietary or confidential personnel information. The Internal Review Section will make every effort to provide timely audit information to management so that it can be responded to and available to the public.

Recommendation #23:

Establish a formalized review of spending decisions.

Response:

SEF currently projects Highway Equipment Working Capital Fund (HEWCF) assets that are to be replaced in the following budget year. Those projections can be furnished to the Legislature for their review. Because they are projections prepared two or more years in advance of the actual replacement, flexibility is needed to substitute assets if the operating condition of the fleet warrants it.

Recommendation #24:

Immediately, and at least once every eight years, SEF operations shall be reviewed by a professional firm with expertise in equipment management and accounting. This should be a statutory requirement.

Response:

We would welcome an outside professional evaluation of HEWCF and SEF. We do not agree that it should be statutory. The Governor and the Legislature can determine the frequency of the reviews. Additional resources would need to be made available to perform such an evaluation.

Recommendation #25:

Create legislation to require evidence that privatization will save money and require privatization in all cases where savings meet or exceed a state-run operation.

Response:

This is really a recommendation to the Legislature and not within the department's purview. Issues other than cost need to be taken into account when making such decisions (e.g., federal, state and local laws; collective bargaining agreements; impacts on other agencies or businesses; department authority; public safety; efficiency and effectiveness, etc.).

Recommendation #26:

DOT&PF shall publish a biannual report containing a breakdown of contracts awarded by the department for the categories of: Planning, Design and Engineering Services, Construction Services, Construction Management services, Maintenance and Operations.

Response:

It is unclear how this recommendation can reduce costs for delivery of services. It will actually increase departmental costs to compile the data. All of the information regarding department contracts is available to the general public. As noted in the report, the department issues approximately 20,000 contracts a year. We currently do not have the resources to provide a central reporting of all contracts and could not complete that task for the subcommittee in the timeframe allowed.

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OFFICE OF THE COMMISSIONER

October 27, 1999

Marco Pignalberi, Director
Privatization Commission
716 West 4th Avenue
Anchorage, AK 99501

Dear Mr. Pignalberi:

Your recommendation mentioned in your letter dated October 7, 1999 for combining efforts and resources between State and local maintenance forces has been in practice with Central Region, Department of Transportation and Public Facilities (DOT&PF) for many years. Here are agreements and practices that exist at the present time:

- 1) DOT&PF - Anchorage Maintenance and Operations (M&O) with the Municipality of Anchorage (MOA):
 - a. DOT&PF maintains 50-lane-miles of MOA streets.
 - b. MOA maintains 87-lane-miles of DOT&PF routes.
- 2) DOT&PF - Palmer M&O with the Matanuska-Susitna Borough (Mat-Su Borough):
 - a. DOT&PF maintains Seward-Meridian and Bogard/49th
Roads
 - b. Mat-Su borough maintains 8-10 DOT&PF farm roads.
- 3) A project is currently out to bid to pave 12 DOT&PF roads in the Mat-Su Borough. Upon completion, the Borough will take over maintenance and ownership. In past years, transfers have been made with Bogard Extension/Lake View, Edgerton Parks Road, and Gershmael/Herning Roads.

- 4) DOT&PF - Palmer M&O pays the City of Palmer to maintain 5 streets in Palmer that are owned by the State.
- 5) DOT&PF - Homer M&O pays the City of Homer to maintain Pioneer Street in Homer.
- 6) DOT&PF - Soldotna M&O trades with the Cities of Kenai and Soldotna traffic painting, snow haul, sweeping, and storm drain clean-outs.
- 7) DOT&PF - Kenai Peninsula District trades with the Kenai Peninsula Borough some sanding and blading for gravel.
- 8) DOT&PF - Dutch Harbor and the City of Unalaska: The City maintains the roads, DOT&PF maintains the airport. The roads and airport are State owned.
- 9) DOT&PF - King Salmon and the U.S. Air Force: The Air Force provides some equipment and pays DOT&PF a part of the cost of maintaining the runway to accommodate the jet fighters.

Hopefully, this information will be helpful for you to use.

Sincerely,

Joseph L. Perkins, P.E.
Commissioner

cc: John D. Horn, P.E., Director, Central Region
K. Chris Kepler, P.E., Chief, Central Region M&O



**Commission on Privatization and
Delivery of Government Services**

**Subcommittee Report on the Department of Transportation &
Public Facilities**

Appendix A

***DOT/PF M&O briefing to Privatization Subcommittee dated
September 3, 1999***

Department of Transportation and Public Facilities

**Maintenance and Operations
Highways and Aviation**

**Presentation to
The State of Alaska
Commission on Privatization**

September 3, 1999

Department of Transportation & Public Facilities
Maintenance and Operations
Highways and Aviation

Mission:

Aviation - The mission of the department with respect to aviation is to plan, establish, construct, enlarge, improve, maintain, equip, lease, contract, operate, regulate, protect, and police airports and air navigation facilities in the state system of airports.

Highway maintenance and operations - The mission of the department with respect to highway maintenance and operations is to maintain, protect, and control the state's highway system.

Responsibilities:

- Maintenance of the Alaska Highway System including many related facilities
- Maintenance and Operations of the state airport system (except Anchorage and Fairbanks International Airports)
- Services include: snow and ice control, grading gravel roads and airports, crack sealing and pothole patching, leveling dips and heaves, brush control, maintenance and repair of lights, signals and illumination, drainage systems, bridges, signs, guardrails, and pavement striping

Cost Distribution:

- Highways 75%
- Airports 25%

Approximately 50% of the efforts are directed to snow and ice control and removal

Major Issues

- Deferred maintenance is causing erosion of our roads and airports
- New and expanded facilities increase costs and responsibilities each year
- Fixed costs such as utilities and materials continue to increase
- Airlines are exerting pressure to extend rural airport hours of operation

Increased Responsibilities and Requirements

- Capital projects improve safety, capacity and convenience but increase costs: lighting on highways and airports, larger airports, additional lanes of highways, etc.
- New laws increase costs in areas such as: hazardous materials, storm water pollution plans, environmental assessments and clean up, drug and alcohol testing for employees with Commercial Drivers License
- Increased pressure from regulation: FAA mandates to adopt security and safety measures at our rural certificated airports like those used in more urban areas

Efficiencies

- Use magnesium chloride to reduce sand use
- Use E36 to deice certificated airport runways
- Potassium based deicer
- Convert gravel roads to paved roads – will save graders
- Use chip seals and hi float asphalt in area of light traffic and permafrost
- Use stone mastic asphalt on heavily traveled city routes to increase pavement resistance to studded tire wear
- Use of rented dozers rather than own
- Increase use of cellular phones for operators working alone
- Equip sanders with computer controls that provide an even application rate of sand
- Outfitted sanders with pre-wet systems that spray magnesium chloride on the sand as it is applied
- Maximize use by combining plowing, sanding, scraping and winging operations on one vehicle – multi function – concept truck – box stays on all year
- Establish equipment pools to reduce extra equipment at each station
- Use of 20 yd belly dump sanders instead of 8 yd
- Snowblowers – load trucks in 20 sec instead of 45 sec.

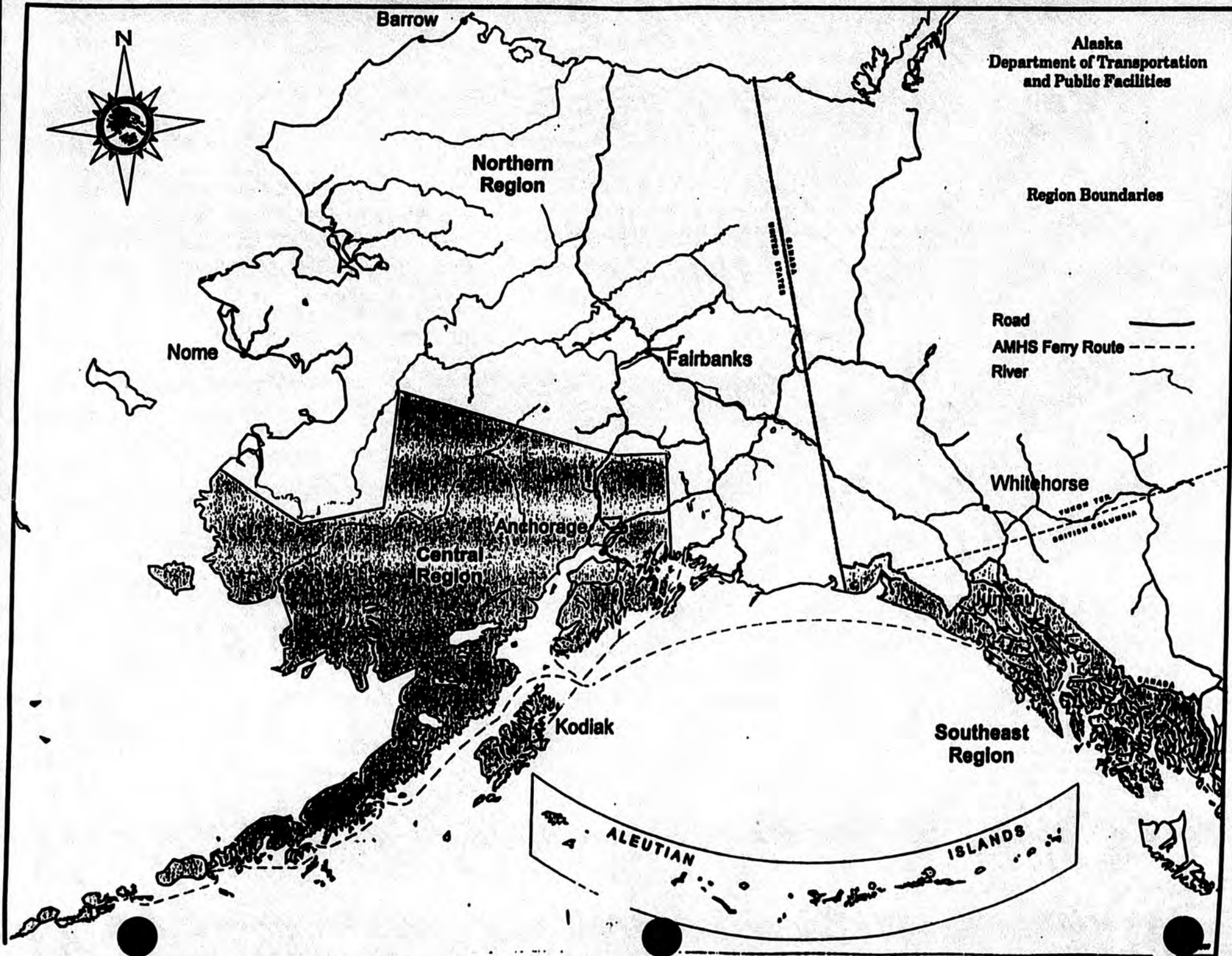
Major Contracts with Municipality of Anchorage

Traffic Signal Maintenance

- City maintains and manages all traffic signals – state as well as municipally owned, within the Anchorage Municipality
- This funding supports only for the state owned items
- Agreement has been in effect since 1983
- Municipality provides funding for the costs related to new signals added to the system
- Funding has decreased from \$1,311,600 in FY90 through FY93

National Pollutant Discharge Elimination System (NPDES)

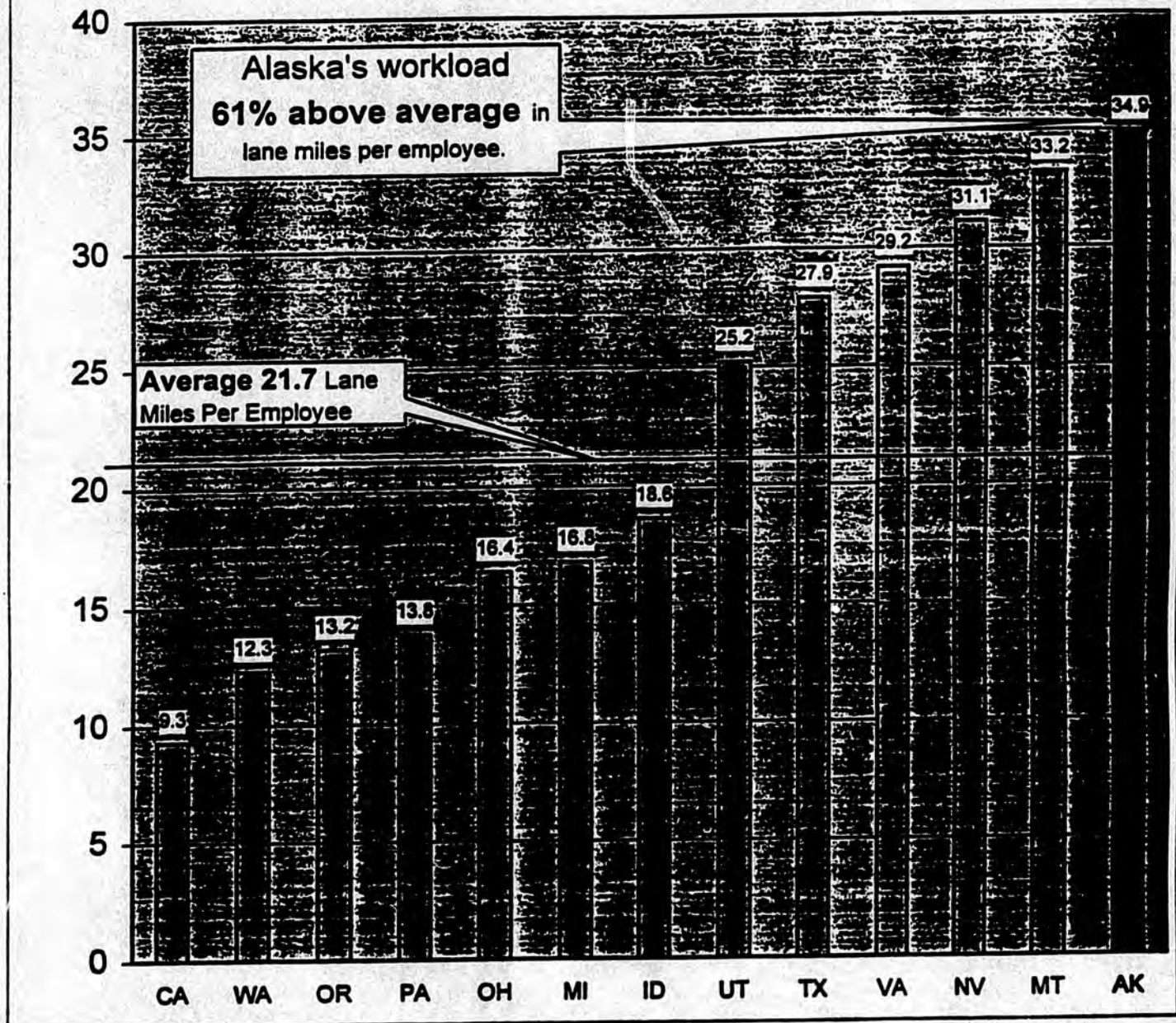
- Required program under the Clean Water Act and Environmental Protection Agency (EPA) regulations
- Approximately \$300,000 is paid to the Municipality under a negotiated Memorandum of Understanding
- Municipality provides general storm water management and monitoring programs
- Municipality prepares the required annual reports for the EPA



**Department of Transportation and Public Facilities
Regional Information**

	<u>Central</u>	<u>Northern</u>	<u>Southeast</u>
Director:	John Horn	Tony Johansen	Bob Martin
Geographic Area:	181,780 sq. miles	416,000 sq. miles	42,000 sq. miles
Roads:	1,900 miles 4,470 lane miles	3,484 miles 8,352 lane miles	539 miles 1,347 lane miles
Bridges:	226	373	126
Airports:	103	101	11
Certificated	11	6	6
Non-certificated - state	19	36	4
Non-certificated - contract	73	59	1
Harbors:	11	0	65
Buildings:	198	367	45
Maintenance Stations:	25	42	11
Pieces of Equipment:	3,400	2,858	962

State of Alaska Comparison Lane Miles Per Field Employee



Notes:

1. Data Source: 1993 Washington State, *Maintenance, Management, and Administration Evaluation Report* using survey respondents and the 1993 *Highway Statistics*, Federal Highway Administration data.
2. 1993 average of these 13 reporting states is 21.7 lane miles per employee.
3. The equivalent lane miles of the 261 airports managed by the State of Alaska are included in this data.
4. Employees are represented in FTE (Full Time Equivalents).

**Department of Transportation and Public Facilities
Maintenance and Operations- Highways and Aviation**

BRU	Component	FY00 Budget Authorization	Fund Sources	Amount
Statewide Facility Maintenance and Operations	Traffic Signal Management	1,183.0	General Fund	1,183.0
Statewide Facility Maintenance and Operations	Central Leasing & Property Management	582.9	General Fund	512.7
			Interagency Receipts	70.2
Statewide Facility Maintenance and Operations	Northern Leasing & Property Management	602.3	General Fund	545.3
			Interagency Receipts	57.0
Central Region Highways and Aviation	Central Highways and Aviation	28,623.1	Federal Receipts	919.8
			General Fund	26,185.2
			GF/Program Receipts	619.2
			Interagency Receipts	79.3
			International Airport Rev Fund	28.4
			Oil/Hazardous Response	700.0
			Statutory Designated Prg Rcpts	91.2
Northern Region Highways and Aviation	Northern Highways and Aviation	36,865.7	Federal Receipts	456.1
			General Fund	35,063.0
			GF/Program Receipts	803.8
			Interagency Receipts	327.4
			Highway Working Capital Fun	15.8
			Statutory Designated Prg Rcpts	199.6
Southeast Region Highways and Aviation	Southeast Highways and Aviation	9,006.6	General Fund	8,367.9
			GF/Program Receipts	386.8
			Interagency Receipts	84.6
			Statutory Designated Prg Rcpts	167.3
Total		76,863.6	Federal Receipts	1,375.9
			General Fund	71,857.1
			GF/Program Receipts	1,809.8
			Interagency Receipts	618.5
			International Airport Rev Fund	28.4
			Highway Working Capital Fun	15.8
			Oil/Hazardous Response	700.0
			Statutory Designated Prg Rcpts	458.1

**Department of Transportation and Public Facilities
FY96 to FY2000 New Facilities and Fixed Costs
Unfunded cost increases**

New Facilities Costs

<u>Highways & Aviation</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY2000</u>
Central Region	236.1	107.6	352.0	247.9	259.7
Northern Region	540.7	193.2	238.3	224.4	98.6
Southeast Region	150.2	101.6	40.6	25.0	5.0
Total H&A	927.0	402.4	630.9	497.3	363.3

Facilities

Central Region	131.9	292.9	193.5	27.4	41.2
Northern Region	99.0	131.8	121.0	346.7	69.1
Southeast Region	20.6	0.0	0.0	24.2	24.2
Total Facilities	251.5	424.7	314.5	398.3	134.5

Fixed Costs

Highways & Aviation

Central Region	85.2	170.9	587.7	171.9	157.8
Northern Region	85.4	304.2	255.4	225.5	215.9
Southeast Region	23.0	104.9	0.0	25.0	5.0
Total H&A	193.6	580.0	843.1	422.4	378.7

Facilities

Central Region	102.1	104.9	45.6	14.8	0.0
Northern Region	99.0	123.7	180.4	95.8	56.3
Southeast Region	20.6	0.0	0.0	16.9	7.3
Total Facilities	221.7	228.6	226.0	127.5	63.6

Department of Transportation and Public Facilities
Maintenance and Operations
FY98 Highways and Aviation Operating Budget by Station

Station	Airport Staff	Airport LM	Highway Staff	Highway LM	H&A FY98 Costs*	Aviation FY98 Costs **	Highways FY98 Costs
<i>Central Region</i>							
Aniak	2	35.7	0	17.0	300,324	300,324	0
Aniak outlying Airports					70,917	70,917	0
Bethel	5	171.6	2	43.0	1,181,754	859,413	322,341
Bethel outlying Airports					538,202	538,202	
Birchwood Airport	2	6.3	0	0.0	92,122	92,122	0
Cold Bay	4	110.3	0	28.0	604,861	604,861	0
Cold Bay outlying Airports					151,671	151,671	0
Dillingham	5	87.3	2	65.0	977,350	756,222	221,128
Dillingham outlying Airports					111,216	111,216	0
Girdwood	1	4.4	4	144.0	625,439	71,183	554,256
Homer	4	34.3	7	245.0	1,672,867	865,289	807,578
Iliamna	2.5	53.0	0.5	52.0	389,857	339,857	50,000
Iliamna outlying Airports					69,700	69,700	0
King Salmon	6	108.2	2	42.0	955,555	881,521	74,034
King Salmon outlying Airports					133,684	133,684	0
Kodiak	3	93.3	4	114.3	1,635,996	945,595	690,401
Kodiak outlying Airports					78,685	78,685	0
Mat-Su outlying Airports					48,432	48,432	0
Mc Grath outlying Airports					68,616	68,616	0
McGrath	1	26.3	0	62.0	181,442	181,442	0
Palmer	0.5	11.8	12.5	748.0	2,274,165	38,997	2,235,168
Peninsula outlying Airports					55,564	55,564	0
Seldovia	0.5	9.3	0.5	23.0	191,388	65,930	125,458
Seward	0.25	33.1	3.75	102.0	729,692	27,500	702,192
Soldotna	0.25	2.8	11.75	555.0	1,651,684	15,000	1,636,684

Department of Transportation and Public Facilities
Maintenance and Operations
FY98 Highways and Aviation Operating Budget by Station

Station	Airport Staff	Airport LM	Highway Staff	Highway LM	H&A FY98 Costs*	Aviation FY98 Costs **	Highways FY98 Costs
Talkeetna	0.5	7.2	0.5	48.0	249,751	149,751	100,000
Unalaska	3	19.5	0	0.0	491,540	491,540	0
Unalaska outlying Airports					12,071	12,071	0
Whittier Airport	0		0		12,260	12,260	0
Willow	0.5	9.1	4.5	243.0	573,703	26,000	547,703
<i>subtotal</i>	41	823.5	55	2531.3	16,130,508	8,063,565	8,066,943
Southeast Region							
Haines	0.25	7.6	4.75	174.7	744,380	36,765	707,615
Sitka	7	17.3	2	59.7	939,837	421,681	518,156
Yakutat	2.5	52.1	1.5	114.6	766,277	446,936	319,341
Craig Seaplane Base	0		see Klawock		1,134	1,134	
Kake	Contract	9.5	Contract	11.2	108,824	29,136	79,688
Gustavus	1	46.1	1	17.1	236,018	112,028	123,990
Hoonah	0.85	4.8	1.15	5.9	177,016	75,577	101,439
Klawock	0.35	9.5	3.65	301.8	844,458	70,856	773,602
Petersburg	1.5	17.1	1.5	109.4	704,426	312,789	391,637
Skagway	0.5	5.6	4.5	54.6	679,939	62,799	617,140
Wrangell	2.5	16.2	1.5	58.8	558,415	357,099	201,316
<i>subtotal</i>	16.45	185.8	21.55	907.8	5,760,724	1,926,800	3,833,924
Northern Region							
Barrow Station	3	38.7	0	0.0	516,669	516,669	0
Chandalar Station	0.08	15.7	9.92	201.4	1,133,350	9,150	1,124,200
Deadhorse Station	5.51	66.9	3.99	216.3	1,854,772	1,079,382	775,390
Healy Station	0.96	11.5	5.04	216.0	500,502	8,160	492,342
Kotzebue Station	6	187.4	0	30.8	1,084,703	1,084,703	0
Central Station	0.26	23.7	2.24	182.7	437,153	44,647	392,506
Chitina Station	0.06	7.7	2.44	212.9	581,812	14,433	567,379
Coldfoot Station	0.05	17.3	4.45	155.3	1,056,987	13,772	1,043,215
Cordova Station	3.33	80.6	3.67	171.5	1,106,554	527,330	579,224
Engle Station	0.02	13.0	0.98	61.7	271,361	29,154	242,207
Galena Station	7.5	63.0	0	21.1	540,037	540,037	0

Department of Transportation and Public Facilities
Maintenance and Operations
FY98 Highways and Aviation Operating Budget by Station

Station	Airport Staff	Airport LM	Highway Staff	Highway LM	H&A FY98 Costs*	Aviation FY98 Costs **	Highways FY98 Costs
Interior Contracted Arpts	0.18	338.2	0.32	74.4	1,115,642	954,754	160,888
Livengood Station	0	2.9	6.5	310.6	990,218	422	989,796
Manley Station	0.04	6.1	1.96	101.2	265,493	5,041	260,452
Nome Station#	6.63	179.0	6.37	632.2	2,857,828	1,459,581	1,398,247
South Fork Station*	0.02	6.9	1.48	119.0	202,034	2,765	199,269
St. Mary's Station	2.51	129.7	0.49	62.5	611,582	511,515	100,067
Tazlina Station	0.85	91.4	7.65	413.0	1,644,666	133,526	1,511,140
Tok Station	0.11	59.3	6.39	412.9	1,020,417	16,094	1,004,323
Unalakleet Station	2.5	101.6	0	0.0	489,504	489,504	0
Valdez Station	2.68	73.0	4.82	100.1	1,640,344	587,062	1,053,282
<i>subtotal</i>	42.29	1513.6	68.71	3695.66	19,921,628	8,027,701	11,893,927
Total	99.74	2522.9	145.26	7134.76	41,812,860	18,018,066	23,794,794
* Includes all stations that incurred airport-related costs; excludes stations with only highway-related costs.							
** Includes \$599,103 of federal receipts: \$374,100 Galena airport, \$13,613 Kodiak Airport, \$211,390 King Salmon Airport.							