

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2728 SCOMM 122: COMMISSION ON PRIVATIZATION. ., 1999

Asset: Department of Natural Resources, Oil & Gas Development

Mission: To maximize economic and physical recovery to the state from its oil and gas resources. Five items are important to decision making:

- Economic and physical recovery
- Maximizing competition
- Maximizing use of Alaska's human resources
- Encouraging assessment of the state's resources
- Minimizing adverse impact

Business Activities: Issuing and controlling oil & gas leases.

Management Structure:

Chief Executive: Director of management unit

Management Oversight:

Financial Oversight: Legislative budget and audit as part of the annual budget process.

Financial Overview:

Total Revenues: Undetermined.

Total 1997 Operating Budget: \$4.2 million.

Fund Balance: Undetermined.

Contributions to State of Alaska Operating Budget: Undetermined.

Performance Measures: Undetermined.

Present Return on Asset/Activities:

Primary Return: Undetermined.

Secondary Return: Undetermined.

Public Benefit: Undetermined.

Historical Footnotes Affecting Returns: Undetermined.

Asset: University of Alaska Lands. Statewide Office of Land Management (SOLM).

Mission: The purpose of land ownership is to support the operations of the University.

Business Activities: SOLM currently generates the majority of University real property income from timber harvesting, residential/recreational subdivision and other land sales, and from commercial leasing. More than 50% of the land does not produce income, but does incur costs such as monitoring trespass/theft of resources, processing requests for easements and protecting the land from environmental contamination.

Management Structure:

Chief Executive: Martin Epstein, Director

Management Oversight: Accountable to the University Board of Regents.

Financial Oversight: SOLM reports to the University's VP of Finance.

Financial Overview:

Total Revenues: FY 97: \$5.8 M, FY 98: \$9.0 M, (Forecast) FY 99: \$7.5 M, FY 00: \$8.0 M.

Total Operating Budget: \$2.6 M.

Fund Balance: 6/30/97 \$80 M.

Contributions to State of Alaska Operating Budget: None.

Performance Measures: The University's Statewide Office of Land Management publishes an annual report which includes a Financial Report, Annual Progress Report toward their Strategic Plan and a review of both investment property and educational property projects.

Present Return on Asset/Activities:

Primary Return: Provides for the University students.

Secondary Return: Jobs are created as a result of certain land office transactions/timber harvests, etc.

Public Benefit: The presence of a University for Alaska.

Historical Footnotes Affecting Returns: Gross revenues from real property have increased from \$200,000 in FY 85 to \$10 M in FY 94 as a result of change of focus in the management and development office. The University is running out of prime land holdings for generating income.

Appendix C
Agency Interview Questions

1. Are the public purposes well defined and relevant?
2. Is the fiscal structure sound and realistic given the purpose?
3. Does the management structure adequately balance the beneficiary purposes of the agency/asset against the interest of the equity owner and other public purposes?
4. Are there current performance measures? Is this reporting adequate?
5. Does the agency know and track its beneficiaries? Does it monitor its effectiveness in meeting its public purpose with these beneficiaries?
6. To what extent does this entity compete with the private sector for goods or services?
7. What are the explicit or implicit expectations of beneficiaries, the legislature, the general public and others with this agency/asset?
8. What changes to the structure of the agency/asset management would the managers themselves make?
9. Does this agency/use of this asset have an appropriate public purpose?
10. What other paradigms/structures might be appropriate for the management of this asset?
11. Most assets are managed for dual objectives—either ownership/regulatory (land) or public service/return on investment. How is the balance between these objectives handled within the management of the agency/asset?

Appendix D
Biographies of Co-chairs

N A N C Y B E A R U S E R A

Nancy Bear Usera is currently Senior Vice President for Corporate Relations at Alaska USA Federal Credit Union. Prior to accepting that position in 1995, Usera served in key positions in the Administration of Governor Walter J. Hickel. Over the four-year term she served as Commissioner of Labor, Commissioner of Administration and as the Governor's Chief of Staff. She also served on a number of state boards including the Alaska Permanent Fund Corporation and Alaska Housing Finance Corporation.

Prior to state service, Usera spent 20 years representing a variety of state and national trade associations and was active in civic affairs. She currently serves on the boards of Commonwealth North, Anchorage Economic Development Corporation and the Alaska State Chamber of Commerce.

Before moving to Alaska in 1981, Usera was vice president of a Washington, D.C. association management and lobbying firm. She currently resides in Anchorage and has three sons.

O L I V E R S C O T T G O L D S M I T H

Professor Scott Goldsmith was been a faculty member of the Institute of Social and Economic Research, a public policy research arm of the University of Alaska, Anchorage, for 23 years. He holds a joint appointment in the College of Business and Public Policy at UAA. His research interests include regional economics, Alaska fiscal policy and energy demand. He has constructed several Alaska economic models that are regularly used at the Institute for a variety of political analyses and projections. He is the principal author of the ongoing *Fiscal Policy Paper* series, which examines the fiscal implications of the dominance of petroleum in Alaska's tax base. Professor Goldsmith contributes the results of this research regularly to academic journals as well as to a more general audience through Institute publications and frequent speaking engagements. His teaching interests include business forecasting and mathematics for economists.

Professor Goldsmith is active in professional service to the community, having served as Chairman of the Anchorage Municipal Budget Advisory Commission, as a member of the Alaska Bypass Mail Post Office Task Force and the Child Support Enforcement Task Force, as well as on various other councils and boards over the years. He is also a member of the United Way of Anchorage Allocation Panel and on the boards of a number of Anchorage athletic events.

Professor Goldsmith is a native of Chicago, a graduate of Princeton, and holds a Ph.D. in Economics from the University of Wisconsin. He is married and has two daughters.

Appendix E

Study Group Members

PRODUCTION AND MANUFACTURING:

(Fish & Game, DNR timber, Alaska Correctional Industries, oil & gas, mining, agriculture)

Chair: Cheryl Frasca – C. Frasca Co.

Sole proprietor of government relations consulting firm with expertise in the legislative process and state fiscal policy issues. Past positions include Deputy Chief of Staff to the Governor; Director, Division of Budget Review; and Chief of Staff to the Senate President. Civic board/leadership positions include Anchorage Chamber of Commerce; Budget Advisory Commission; Small Business Development Center Advisory Board; American Society for Public Administration; and Alaska Council on Economic Education. Ms. Frasca holds a Master of Public Administration from University of Alaska Southeast, and a BA. in political science from California State University Hayward.

Matthew Cronin – LGL Alaska Research Associates, Inc.

Mark Dawson – Swalling Construction, Inc.

David Hudspeth – First National Bank

James Kenworthy – Alaska Science and Technology Foundation

Steven Rieger – S. Rieger & Co.

Kirk Wickersham – Attorney at Law

RESEARCH AND DEVELOPMENT AND SUPPORT SERVICES:

(ASMI, ATMC, ASTF, Alaska Aerospace Development Corp.)

Co-chair: Mary Ann Pease – Aurora Power Resources, Inc.

Vice President of Aurora Power Resources, Inc., and is the former Finance Director for Municipal Light and Power. She has a master's degree in finance from the University of Bridgeport, Connecticut. She is on the board of directors for Alaska Children's Services and is on the Anchorage Chamber of Commerce Municipal Committee.

Co-chair: Tim Wiepking – Cardiff Wireless Communications

Operations Manager for Cardiff Wireless Communications. He has a BS degree in Business Administration from the University of Colorado in Boulder and is currently working toward his MBA degree from the University of Alaska, Anchorage. His past employment includes operating his own business and Budget and Policy Analyst for the Municipality of Anchorage.

John Hoyt – Brigadier General (retired)

Dave Kester – Ribelin Lowell & Co.

Gene O'Hara – Providence Alaska Medical Center

Jerry Strang – Remax Properties .

LOANS AND INVESTMENTS:

(AIDEA, AHFC, APFC, Alaska Fish & Agriculture Bank, Municipal Bond Bank, Alaska Student Loan Corp.)

Chair: Phoebe Wood – ARCO Alaska, Inc.

Vice President of Finance, Planning and Control for ARCO Alaska, Inc. Responsibilities include ARCO Alaska's information systems, materials, purchasing, contracting, planning, evaluation, accounting and financial analysis. Ms. Wood has been Vice President for Business Development at Vastar Resources, Inc., Vice President of Finance, Planning and Control at ARCO British Ltd., Planning and Evaluation Manager for ARCO International Oil and Gas Company, and Manager of Corporate Finance at ARCO Corporate. She currently serves on the Board of Trustees of Alaska Pacific University, and on the Executive Committee of the Boys and Girls Clubs of Greater Anchorage. Ms. Wood is a graduate of Smith College and holds a MBA degree from UCLA.

Richard Barnes – Enstar Natural Gas Co.

Carla Beam – BP Exploration (Alaska), Inc.

Joe Griffith – Chugach Electric Association

Max Hodel – Commonwealth North Founding Member

Jo Li Sellin – National Bank of Alaska

Mead Treadwell – Institute of the North

AVAILABLE FOR DEVELOPEMENT AND REAL ESTATE:

(Division of Land, Mental Health Trust, U of A lands, DOT public facilities, Pioneer Homes, Alaska Psychiatric Hospital)

Chair: Patricia DeMarco, Ph.D. – AEDC

President of Anchorage Economic Development Corporation. A graduate of University of Pittsburgh with degrees in the field of genetics. She spent seven years conducting biochemical research at Yale University and Boston University Medical Center prior to entering the field of energy and environmental policy analysis. She served as Executive Director of the Power Facilities Siting Council and as Senior Rates Specialist to the Department of Public Utility Control for Connecticut. Dr. DeMarco operated a consulting firm for four years, and in 1989 joined the Connecticut Municipal Electric Energy Cooperative as Senior Policy Advisor, where she was instrumental in founding the technology transfer company, TECHCONN, Inc. Dr. DeMarco is a member of the Anchorage Downtown Rotary and the Log Cabin Quilters.

Don Dietz – Port of Anchorage

Mano Frey – Alaska State AFL-CIO

Gov. Walter J. Hickel – Hickel Investment Co.

Lana Johnson – Northwest Strategies

TRANSPORTATION:

(AKRR, Marine Highway, International Airports, State airports, harbors and ports)

Chair: John Copeland – Elmendorf Air Force Base

Chief Information Officer for the 611th Air Support Squadron and Federal Mediator and counselor for the 3rd Wing at Elmendorf. Previous positions have included remote radar sites at Shemya Island for the 5099th Civil Engineer Squadron, the Alaska Railroad, IBM Corporation, and the United States Air Force at Elmendorf Hospital.

Wiley Brooks – Wiley Brooks Co.

Milton Byrd – Charter College

Darrell Chambers – ARCO Alaska (former Hartig Fellow)

Joseph Henri – Southcentral Timber Development, U of A Regent

Loren Lounsbury – International Management Group

SCOMM

122:14

Interim:
716 West 4th Ave., Suite
320 Anchorage, AK 99501

Phone: 907-269-0222
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**Representative
John J. Cowdery
Chairman
House Rules
Committee**

Session:
State Capitol Bldg., Suite
204
Juneau, AK 99801

Phone: 907-465-3879
Fax: 907-465-2069
Toll Free: 1-888-269-3879

MEMORANDUM:

DATE: December 10, 1999

TO: Fairbanks LIO

FROM: Representative John J. Cowdery
House Rules Committee

A handwritten signature in cursive script, appearing to read "John J. Cowdery".

RE: TR For Representative Brice

Please use this as authorization for a TR allowing Rep. Brice a rental car in the Anchorage area on Dec 13, 1999 for the purpose of the Privatization Commission Meeting. These charges should be paid for by the Privatization account.

Thank you.



and Delivery of Government Services

Co-Chairs:

Representative John Cowdery
Senator Jerry Ward

October 8, 1999

Senator Al Adams
Bill Allen
Representative Tom Brice
Tom Fink
Michael Harper
Emil Notti
Kathryn Thomas
Don Valesko
George Wuerch

Honorable Tony Knowles
Governor of Alaska
State Capitol Building
Juneau, Alaska 99801

Re: Privatization Commission

Dear Governor Knowles:

The attached September 28, 1999 article in the Juneau Empire is troubling because we believe it is true. It said:

"The issue of privatizing some state government operations is already tinged with politics...."

"The Knowles Administration is characterizing the commission as blind to ethical conflicts of interest...an apparent pre-emptive strike by the governor on the group's forthcoming report to the Legislature."

"Pugh is troubled by ties on the commission's corrections subcommittee to Texas-based Cornell Corrections, a firm that does more than half of the contracting for halfway houses in Alaska."

"David Ramseur, deputy chief of staff...describes himself as the person who's been collecting strange stories about the commission from the executive branch."

Additionally, copies have been sent to us of some of the same staff memoranda that were collected by Mr. Ramseur. And, the denigrating remarks made by some of your staff and commissioners are also relayed to us, to commission members and to subcommittee volunteers. It is clear that some people in your Administration are not invested in a positive outcome for the Privatization Commission and a campaign is underway to 'kill the baby in the cradle' before it issues its first word.

As legislators, we expect to be fair grist for your public relations juggernaut. However, in this case, Mr. Ramseur, et al, are targeting volunteer citizens to be your grist. This is flat wrong. These people are trying to achieve a goal that is set out in Chapter 61, SLA 1999, a law, which you signed without reservation.

Instead of thanking these citizens for trying to understand and improve their state government, your staff is making veiled threats about conflicts of interest and denigrating them. For example:

"Ramseur said the commission's subcommittees include people with 'pretty blatant conflicts of interest,' a former state employee with a grudge about being fired and a relative of a property owner who's in conflict with state regulators about hazardous waste cleanup."

In fact, the *former state employee with the (alleged) grudge*, Ms. Andree McLeod, informs us that she never talked with Mr. Ramseur about her situation and she wonders why the governor's office characterizes her as a grudge holder. She is not holding a grudge. Her two meetings on this subject with Mr. Ayers were pleasant, by her account. Ms. McLeod is a single mother who was a range 9 accounting clerk. She was not fired. After the mandatory probationary period, she was not retained for permanent status. The reason she was not retained had more to do with supervisory incompetence than any failing on her part. She simply doesn't have the resources to sue the state. While Mr. Ramseur may take comfort in that, we can tell you that she is quite intimidated by being singled out, labeled and pejoratively referenced by such a high government official. She considers Mr. Ramseur's quote as proof that she will never get a fair shake while your administration exists. We think she's right. We hope you will correct this situation and restrain your staff from such heavy-handed treatment against citizens of our state.

As an aside, Ms. McLeod has been a volunteer coordinator for the Commission subcommittees, working out of Rep. Cowdery's office. We can attest that she has an outstanding work ethic, is very productive and brings intelligence and diligence to her assigned tasks.

Another reference was to *"a relative of a property owner who's in conflict with the state regulators about hazardous waste cleanup."* Mr. Virgil Norton is the referenced party. He is the son-in-law and Project Manager for the owner of a site that had a 20-gallon spill of PCE and additional contamination that migrated from offsite. Although the owner hired a nationally renown environmental consultant, Hart Crowser, spent \$1 million to clean up the site and offered to treat the groundwater, DEC won't sign off on the clean up. Their standards are moving targets that are impossible to conclude. As Project Manager for the cleanup, under EPA, Mr. Norton learned the governing statutes and regulations. He gained valuable and unique experience in the way DEC follows them and doesn't follow them. It's been an awful experience for the owner and Mr. Norton. Can you imagine spending \$1 million of your restaurant's money to clean up a problem that isn't defined and for which the DEC can't prescribe a solution. Now, to make matters worse, your staff wants to disqualify Mr. Norton from imparting the benefit of his experience to the Privatization Commission.

Ms. McLeod and Mr. Norton both feel they have been wronged by state actions. This doesn't require them to forfeit their rights. Chapter 61 SLA 99 specifically requires the Privatization Commission to solicit public comment. The subcommittee members are themselves a fulfillment of the statutory obligation. Mr. Ramseur's disqualification of them is tantamount to saying, "If you're not a Knowles loyalist, please don't try and exercise your civic duties or we'll go after you."

At this level of government, we are supposed to be able to deal with people who hold viewpoints that are contrary to our own. We're even supposed to encourage it. We question whether Mr. Ramseur understands the difference between his role as your Campaign Manager and as your

Deputy Chief of Staff. The campaign is over. As a government official, he needs to be restrained. We find this whole notion of his office keeping files on subcommittee members to be a bit pernicious. We recommend that this practice be stopped immediately.

The accusation of conflict of interest from your office has, and has had, a chilling effect on the unfettered participation from our volunteers. Consequently, for the sake of our volunteers we need to clear the air on this charge. Prior to the Empire story we already received an opinion from Legislative Legal Services that volunteers are not subject to the conflict of interest statutes. A copy is attached for your information. But, because the issue has been raised by your administration, in order to clear the air, we request a written opinion from the Attorney General as soon as possible. It will be provided to all commission members and volunteers.

Every commission, board and task force appointed by the governor would have as great or greater conflict of interest than the volunteers on the privatization subcommittees. Be they liquor license holders on the ABC Board, occupational license holders on occupational license boards, farmers on the Agriculture Revolving Loan Board, lawyers and judges on the Judicial Council ... they all are appointed because of their occupational nexus to the subject for which the board exists. Their expertise and experience are what make them valuable to the public process. Did Mr. Ramseur object when you made these appointments.

We need only look at your State Long-Range Financial Planning Commission and the Marketing Alaska Program to see citizen involvement in very similar functions as the Privatization Commission. Under what postulate can Mr. Ramseur charge our volunteers with a conflict of interest without similarly charging your appointees. Such machinations are tawdry even in a campaign context, but certainly have no place in the operation of the governor's office.

Governor, you said, in your state of the state address,

"I encourage questions, scrutiny and criticisms. We must engage Alaskans in a broad discussion about the future of our state."

Those are good words, Governor, and they may be the basis on which we may be able to resume cooperation. But your staff must believe that you mean what you said. We urge you to eliminate the files being maintained in your office to discredit the Privatization Commission volunteers and to curtail the gutter-sniping emanating from your administration.

Yours truly,



Representative John J. Cowdery
Co-chair
Commission on Privatization and
Delivery of Government Services



Senator Jerry Ward
Co-chair
Commission on Privatization and
Delivery of Government Services

Enclosures

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3887 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

September 7, 1999

SUBJECT: Application of conflicts of interest provisions (CCS SB 33)

TO: Representative John Cowdery
Attn: Marco Pignalberi

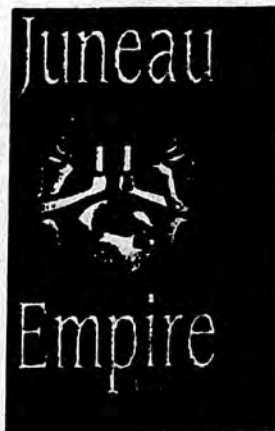
FROM: Tamara Brandt Cook
Director *TBC*

You have asked how conflicts of interest provisions might apply to members of an advisory council appointed under CCS SB 33. That act establishes the Commission on Privatization in the legislative branch and authorizes the Commission to appoint an advisory council. These members "are not eligible for compensation, per diem, or payment of travel or other expenses by the state." (Ch. 61, SLA 1999 (CCS SB 33), Sec. 3(b))

AS 24.60 (Standards of Conduct) generally applies to the legislative branch of government and it contains several provisions that address conflicts of interest issues. (AS 24.60.030, AS 24.60.040, AS 24.60.050, AS 24.60.070, AS 24.60.080, AS 24.60.085, AS 24.60.090, AS 24.60.100) All these conflicts of interest provisions apply to a legislator or legislative employee. (AS 24.60.020) The term "legislative employee" is defined in AS 24.60.990(10). Because compensation is required as part of the definition and the advisory council members appointed under CCS SB 33 are not compensated, in my opinion the majority of the conflicts of interest provisions do not apply to these members. A few of the conflicts of interest provisions do apply to another person who is acting on behalf of a legislator or legislative employee (see AS 24.60.030(d) for example), and a few apply to a member of the immediate family of a legislator or legislative employee (see AS 24.60.040 for example). However, serving on an advisory council alone will not bring a person within the coverage of even these provisions.

In conclusion it is my opinion that the conflicts of interest provisions of AS 24.60 do not apply to members of an advisory committee appointed under CCS SB 33, but be aware that the Select Committee on Legislative Ethics has authority to construe and apply AS 24.60 and that my opinion will not bind or influence the Select Committee. Advice can be requested directly from the Select Committee. (AS 24.60.158, AS 24.60.160)

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Web posted **Tuesday, September 28, 1999**

Pros and cons of going private

By BILL McALLISTER
THE JUNEAU EMPIRE

The issue of privatizing some state government operations is already tinged with politics, even as subcommittees of a task force begin making recommendations this week.

The Commission on Privatization and Delivery of Government Services picked up steam with the recent statewide advisory vote against using earnings from the Alaska Permanent Fund to balance the state budget, said commission co-chairman Jerry Ward, a Republican senator from Anchorage.

But the Knowles administration is characterizing the commission as blind to ethical conflicts of interest with subcommittee members who would personally profit from privatization - an apparent pre-emptive strike by the governor on the group's forthcoming report to the Legislature.

The move toward privatization is driven by the idea that competitive forces in the marketplace can deliver operational cost savings that government can't achieve.

Much privatization already has occurred in the state Department of Corrections: Alaska had 756 criminal inmates at a private prison in Arizona as of Monday, a program that costs about \$16 million a year; a correctional facility near Delta Junction is being considered for private operation; and state halfway houses, with 682 residents and a \$15 million annual appropriation, are in private hands.

Corrections Commissioner Margaret Pugh believes that, on balance, the state is getting good service for its money.

Still, Pugh is troubled by ties on the commission's corrections subcommittee to Texas-based Cornell Corrections, a firm that does more than half of the contracting for halfway houses in Alaska. The first subcommittee chairman was an employee of Cornell, and after his departure, former Cornell employee Sharon Anderson was named chairwoman.

"One should be extremely cautious about conflicts," Pugh said.

Anderson, however, did not see a problem: "I don't know what

they're talking about," she said.

It's unclear how much business the private sector might get.

No one has announced goals for privatization in terms of a percentage or a dollar figure that would be cut from the cost of government operations. As a result, it's open for speculation how much privatization - along with consolidation or elimination - would offset the need for new taxes or permanent fund-related budget solutions.

The term itself is open to some debate, as the commission's Website notes: "Privatization runs a very broad range, sometimes leaving very little government involvement, and other times creating partnerships between government and private service providers where government is still the dominant player."

But one thing is clear, said Ward: This month's vote on the permanent fund shows that the public expects government to wring every last dollar of waste out of the system before imposing any solutions that hit the taxpayers' pocketbook.

"I think the people of the state of Alaska said that they don't want to give any additional funds to government," Ward said.

So far, there aren't many specific privatization proposals under debate.

Commission Co-Chairman John Cowdery, a Republican representative from Anchorage, said they're not hard to come up with, though. For example, Alaska State Troopers shouldn't be doing their own radio repair, and the courts shouldn't do their own transcriptions; that work should be contracted out to private companies, he said.

Although organized labor is often cited as opposing privatization, it's not front-line state workers who would be targeted, Ward said. Rather, it's middle management in state government that has increased, resulting in "more filing of forms, more intergovernmental relations," he said.

"We don't have more people doing work. We have more people watching other people do work."

But if Ward thinks the executive branch is bloated, the governor's office portrays the commission as possibly out of control.

David Ramseur, deputy chief of staff to Gov. Tony Knowles, describes himself as "the person who's been collecting strange stories about the task force from the executive branch."

Ramseur said the commission's subcommittees include people with "pretty blatant conflicts of interest," a former state employee with a grudge about being fired and a relative of a property owner who's in conflict with state regulators about hazardous waste cleanup.

"Knowles' philosophy always has been (that) there may be some functions of government that may be better performed by the private sector," Ramseur said, mentioning engineering services as a possibility. "But what we're hearing is that the whole process may be questionable."

Michele Brown, commissioner of the Department of Environmental Conservation, said an obvious red flag comes with the commission's subcommittee chairman for her department: Virgil Norton, former site manager for a Kenai area RV park that is owned by his father-in-law and has a hazardous waste site left over from a previous dry cleaning operation. The state and the company have been in dispute about the cleanup, and the company has ongoing litigation against the state, she said.

"So far, there's really nothing in particular that's come out in the committee related to that," Brown said. "(But) it's something you naturally think about when you have a chairman with strong feelings in one direction or another."

Norton said he no longer works for his father-in-law and is not involved in the litigation against the state.

"I'm really reaching out to be very objective," he said from Nikiski. "Several sections of DEC have been very responsive."

It's possible that the subcommittee's report won't recommend the privatization of any state function, Norton said. One of the most frequently heard suggestions is to combine the agency's laboratory with the Anchorage municipal laboratory, he said.

Ward and Cowdery said they have not been worried about conflict of interest, as they view the 300 volunteers who serve on the subcommittees as civic-minded citizens seeking a leaner, more responsive state government. Cowdery said the commission simply hasn't been willing to turn away volunteers.

Subcommittee members seemed surprised that the governor's office has raised questions about procedure.

Greg Pease, executive director of Gastineau Human Services Corp. in Juneau, said he doesn't think the Knowles administration's concerns make much sense, especially given the

existing privatization of halfway houses.

"It's all competitively bid," Pease said. "I don't know how anybody could say we're going to profit from it. . . .

"Everybody, including myself, knows we should move very cautiously."

Sam Kito III, who serves on the transportation subcommittee, acknowledged a former DOT employee who's on the subcommittee did distribute an old internal audit of the agency.

But Kito downplayed the importance of the document and said subcommittee members actually have been pleased with the department's cooperation.

"I believe it's going very well, actually," Kito said. There have been some moments, but you work through them."

There are no preconceived notions about privatization on the commerce and economic development subcommittee, said chairman Craig Johnson, general manager of the Alaska Journal of Commerce.

But Johnson, former chief of staff for Ward, said that after certain essential government services are eliminated - for example, the Alaska State Troopers - "the sky's the limit" on what might be turned over to the private sector.

Johnson predicted that Knowles would oppose privatization except when the merits are so obvious that there's "no way out."

"This particular administration's power base rests with state employees," Johnson said. "This administration has grown government.

He added: "This (commission) is not a lynch mob. There are many, many state employees who are underpaid, who do yeoman's work. . . . We can save some money, and we can also give back some of the confidence in government that I think is missing right now."

The Commission on Privatization is due to release its report to the Legislature by Jan. 1.

Back to business spotlight headlines

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TONY KNOWLES
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
ANCHORAGE

October 26, 1999

Representative John Cowdery
Senator Jerry Ward
Co-Chairmen
Commission on Privatization and Delivery of Government Services
716 W. 4th Avenue
Anchorage, AK 99501

Dear Representative Cowdery and Senator Ward:

Your staff has asked for a letter to address the policy of this administration towards individuals participating in subcommittees of the Commission on Privatization and Delivery of Government Services.

Let me state clearly that it is currently, and always has been, the policy of this administration to work with the Commission as forthrightly as possible. There has never been, and there never will be, any attempt to stifle or in any way inhibit the participation of any private citizens in any Commission-related activity. This includes state employees or individuals involved in commercial relationships with the state.

I would be happy to discuss the administration's position on this matter with anyone if further clarification is necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Abbott".

Mike Abbott

Special Assistant to the Governor

TONY KNOWLES
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
ANCHORAGE

October 20, 1999

Representative John Cowdery
Senator Jerry Ward
Co-Chairmen
Commission on Privatization and Delivery of Government Services
716 W. 4th Avenue
Anchorage, AK 99501

Dear Representative Cowdery and Senator Ward:

We have received your letter of October 8. Governor Knowles asked that I respond as he has designated me to coordinate the administration's participation in the Commission on Privatization and Delivery of Government Services.

Upon signing the legislation into law, Governor Knowles directed executive branch departments to work constructively with the Commission and to the best of my knowledge, that has happened. Officials of the Administration have spent hundreds of hours working with the Commission and its subcommittees as the Commission attempts to fulfill the mission set out in SB 33.

Despite the lack of funding provided by the Legislature for this purpose, every state agency has made senior staff, and in many cases, commissioners themselves, available to the subcommittees. All requests for information consistent with confidentiality rules have been provided, which amounts to thousands of pages. I fully expect the agencies to remain engaged in the Commission's work throughout the remainder of its service.

Your letter contained several points I need to clarify:

- A number of participants in the Commission's subcommittees have potential conflicts of interest that the public should know about. We do not challenge anyone's opportunity to participate. We do believe that disclosure of any current or previous associations that might effect a subcommittee member's decisions is important information for the public.
- Your letter referenced a "Ms. Andree McLeod," as a "former employee with a grudge." But no administration official I am aware of has ever identified her as such.
- The administration has not engaged in any "public relations juggernaut" about the Commission. Deputy Chief of Staff David Ramseur was contacted by a reporter with questions about the Commission and he answered those questions.

Feel free to contact me if I can answer other questions on this subject.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mike Abbott', with a stylized flourish extending from the end.

Mike Abbott
Special Assistant to the Governor



and Delivery of Government Services

Co-Chairs:
Representative John Cowdery
Senator Jerry Ward

October 8, 1999

Senator Al Adams
Bill Allen
Representative Tom Brice
Tom Fink
Michael Harper
Emil Notti
Kathryn Thomas
Don Valesko
George Wuerch

Honorable Tony Knowles
Governor of Alaska
State Capitol Building
Juneau, Alaska 99801

Re: Privatization Commission

Dear Governor Knowles:

The attached September 28, 1999 article in the Juneau Empire is troubling because we believe it is true. It said:

"The issue of privatizing some state government operations is already tinged with politics...."

"The Knowles Administration is characterizing the commission as blind to ethical conflicts of interest...an apparent pre-emptive strike by the governor on the group's forthcoming report to the Legislature."

"Pugh is troubled by ties on the commission's corrections subcommittee to Texas-based Cornell Corrections, a firm that does more than half of the contracting for halfway houses in Alaska."

"David Ramseur, deputy chief of staff...describes himself as the person who's been collecting strange stories about the commission from the executive branch."

Additionally, copies have been sent to us of some of the same staff memoranda that were collected by Mr. Ramseur. And, the denigrating remarks made by some of your staff and commissioners are also relayed to us, to commission members and to subcommittee volunteers. It is clear that some people in your Administration are not invested in a positive outcome for the Privatization Commission and a campaign is underway to 'kill the baby in the cradle' before it issues its first word.

As legislators, we expect to be fair grist for your public relations juggernaut. However, in this case, Mr. Ramseur, et al, are targeting volunteer citizens to be your grist. This is flat wrong. These people are trying to achieve a goal that is set out in Chapter 61, SLA 1999, a law, which you signed without reservation.

Instead of thanking these citizens for trying to understand and improve their state government, your staff is making veiled threats about conflicts of interest and denigrating them. For example:

"Ramseur said the commission's subcommittees include people with 'pretty blatant conflicts of interest,' a former state employee with a grudge about being fired and a relative of a property owner who's in conflict with state regulators about hazardous waste cleanup."

In fact, the *former state employee with the (alleged) grudge*, Ms. Andree McLeod, informs us that she never talked with Mr. Ramsey about her situation and she wonders why the governor's office characterizes her as a grudge holder. She is not holding a grudge. Her two meetings on this subject with Mr. Ayers were pleasant, by her account. Ms. McLeod is a single mother who was a range 9 accounting clerk. She was not fired. After the mandatory probationary period, she was not retained for permanent status. The reason she was not retained had more to do with supervisory incompetence than any failing on her part. She simply doesn't have the resources to sue the state. While Mr. Ramsey may take comfort in that, we can tell you that she is quite intimidated by being singled out, labeled and pejoratively referenced by such a high government official. She considers Mr. Ramsey's quote as proof that she will never get a fair shake while your administration exists. We think she's right. We hope you will correct this situation and restrain your staff from such heavy-handed treatment against citizens of our state.

As an aside, Ms. McLeod has been a volunteer coordinator for the Commission subcommittees, working out of Rep. Cowdery's office. We can attest that she has an outstanding work ethic, is very productive and brings intelligence and diligence to her assigned tasks.

Another reference was to "*a relative of a property owner who's in conflict with the state regulators about hazardous waste cleanup.*" Mr. Virgil Norton is the referenced party. He is the son-in-law and Project Manager for the owner of a site that had a 20-gallon spill of PCE and additional contamination that migrated from offsite. Although the owner hired a nationally renowned environmental consultant, Hart Crowser, spent \$1 million to clean up the site and offered to treat the groundwater, DEC won't sign off on the clean up. Their standards are moving targets that are impossible to conclude. As Project Manager for the cleanup, under EPA, Mr. Norton learned the governing statutes and regulations. He gained valuable and unique experience in the way DEC follows them and doesn't follow them. It's been an awful experience for the owner and Mr. Norton. Can you imagine spending \$1 million of your restaurant's money to clean up a problem that isn't defined and for which the DEC can't prescribe a solution. Now, to make matters worse, your staff wants to disqualify Mr. Norton from imparting the benefit of his experience to the Privatization Commission.

Ms. McLeod and Mr. Norton both feel they have been wronged by state actions. This doesn't require them to forfeit their rights. Chapter 61 SLA 99 specifically requires the Privatization Commission to solicit public comment. The subcommittee members are themselves a fulfillment of the statutory obligation. Mr. Ramsey's disqualification of them is tantamount to saying, "If you're not a Knowles loyalist, please don't try and exercise your civic duties or we'll go after you."

At this level of government, we are supposed to be able to deal with people who hold viewpoints that are contrary to our own. We're even supposed to encourage it. We question whether Mr. Ramsey understands the difference between his role as your Campaign Manager and as your

Deputy Chief of Staff. The campaign is over. As a government official, he needs to be restrained. We find this whole notion of his office keeping files on subcommittee members to be a bit pernicious. We recommend that this practice be stopped immediately.

The accusation of conflict of interest from your office has, and has had, a chilling effect on the unfettered participation from our volunteers. Consequently, for the sake of our volunteers we need to clear the air on this charge. Prior to the Empire story we already received an opinion from Legislative Legal Services that volunteers are not subject to the conflict of interest statutes. A copy is attached for your information. But, because the issue has been raised by your administration, in order to clear the air, we request a written opinion from the Attorney General as soon as possible. It will be provided to all commission members and volunteers.

Every commission, board and task force appointed by the governor would have as great or greater conflict of interest than the volunteers on the privatization subcommittees. Be they liquor license holders on the ABC Board, occupational license holders on occupational license boards, farmers on the Agriculture Revolving Loan Board, lawyers and judges on the Judicial Council ... they all are appointed because of their occupational nexus to the subject for which the board exists. Their expertise and experience are what make them valuable to the public process. Did Mr. Ramseur object when you made these appointments.

We need only look at your State Long-Range Financial Planning Commission and the Marketing Alaska Program to see citizen involvement in very similar functions as the Privatization Commission. Under what postulate can Mr. Ramseur charge our volunteers with a conflict of interest without similarly charging your appointees. Such machinations are tawdry even in a campaign context, but certainly have no place in the operation of the governor's office.

Governor, you said, in your state of the state address,

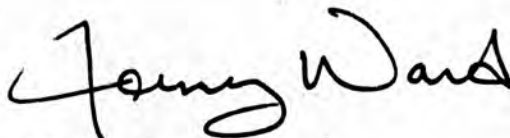
"I encourage questions, scrutiny and criticisms. We must engage Alaskans in a broad discussion about the future of our state."

Those are good words, Governor, and they may be the basis on which we may be able to resume cooperation. But your staff must believe that you mean what you said. We urge you to eliminate the files being maintained in your office to discredit the Privatization Commission volunteers and to curtail the gutter-sniping emanating from your administration.

Yours truly,

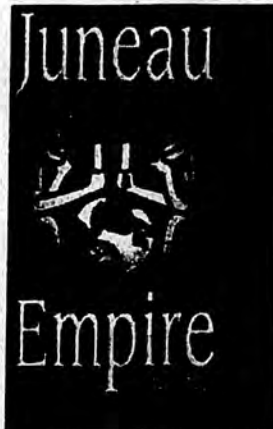


Representative John J. Cowdery
Co-chair
Commission on Privatization and
Delivery of Government Services



Senator Jerry Ward
Co-chair
Commission on Privatization and
Delivery of Government Services

Enclosures



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Web posted **Tuesday, September 28, 1999**

Pros and cons of going private

By **BILL McALLISTER**
THE JUNEAU EMPIRE

The issue of privatizing some state government operations is already tinged with politics, even as subcommittees of a task force begin making recommendations this week.

The Commission on Privatization and Delivery of Government Services picked up steam with the recent statewide advisory vote against using earnings from the Alaska Permanent Fund to balance the state budget, said commission co-chairman Jerry Ward, a Republican senator from Anchorage.

But the Knowles administration is characterizing the commission as blind to ethical conflicts of interest with subcommittee members who would personally profit from privatization - an apparent pre-emptive strike by the governor on the group's forthcoming report to the Legislature.

The move toward privatization is driven by the idea that competitive forces in the marketplace can deliver operational cost savings that government can't achieve.

Much privatization already has occurred in the state Department of Corrections: Alaska had 756 criminal inmates at a private prison in Arizona as of Monday, a program that costs about \$16 million a year; a correctional facility near Delta Junction is being considered for private operation; and state halfway houses, with 682 residents and a \$15 million annual appropriation, are in private hands.

Corrections Commissioner Margaret Pugh believes that, on balance, the state is getting good service for its money.

Still, Pugh is troubled by ties on the commission's corrections subcommittee to Texas-based Cornell Corrections, a firm that does more than half of the contracting for halfway houses in Alaska. The first subcommittee chairman was an employee of Cornell, and after his departure, former Cornell employee Sharon Anderson was named chairwoman.

"One should be extremely cautious about conflicts," Pugh said.

Anderson, however, did not see a problem: "I don't know what

they're talking about," she said.

It's unclear how much business the private sector might get.

No one has announced goals for privatization in terms of a percentage or a dollar figure that would be cut from the cost of government operations. As a result, it's open for speculation how much privatization - along with consolidation or elimination - would offset the need for new taxes or permanent fund-related budget solutions.

The term itself is open to some debate, as the commission's Website notes: "Privatization runs a very broad range, sometimes leaving very little government involvement, and other times creating partnerships between government and private service providers where government is still the dominant player."

But one thing is clear, said Ward: This month's vote on the permanent fund shows that the public expects government to wring every last dollar of waste out of the system before imposing any solutions that hit the taxpayers' pocketbook.

"I think the people of the state of Alaska said that they don't want to give any additional funds to government," Ward said.

So far, there aren't many specific privatization proposals under debate.

Commission Co-Chairman John Cowdery, a Republican representative from Anchorage, said they're not hard to come up with, though. For example, Alaska State Troopers shouldn't be doing their own radio repair, and the courts shouldn't do their own transcriptions; that work should be contracted out to private companies, he said.

Although organized labor is often cited as opposing privatization, it's not front-line state workers who would be targeted, Ward said. Rather, it's middle management in state government that has increased, resulting in "more filing of forms, more intergovernmental relations," he said.

"We don't have more people doing work. We have more people watching other people do work."

But if Ward thinks the executive branch is bloated, the governor's office portrays the commission as possibly out of control.

David Ramseur, deputy chief of staff to Gov. Tony Knowles, describes himself as "the person who's been collecting strange stories about the task force from the executive branch."

Ramseur said the commission's subcommittees include people with ``pretty blatant conflicts of interest," a former state employee with a grudge about being fired and a relative of a property owner who's in conflict with state regulators about hazardous waste cleanup.

``Knowles' philosophy always has been (that) there may be some functions of government that may be better performed by the private sector," Ramseur said, mentioning engineering services as a possibility. ``But what we're hearing is that the whole process may be questionable."

Michele Brown, commissioner of the Department of Environmental Conservation, said an obvious red flag comes with the commission's subcommittee chairman for her department: Virgil Norton, former site manager for a Kenai area RV park that is owned by his father-in-law and has a hazardous waste site left over from a previous dry cleaning operation. The state and the company have been in dispute about the cleanup, and the company has ongoing litigation against the state, she said.

``So far, there's really nothing in particular that's come out in the committee related to that," Brown said. ``(But) it's something you naturally think about when you have a chairman with strong feelings in one direction or another."

Norton said he no longer works for his father-in-law and is not involved in the litigation against the state.

``I'm really reaching out to be very objective," he said from Nikiski. ``Several sections of DEC have been very responsive."

It's possible that the subcommittee's report won't recommend the privatization of any state function, Norton said. One of the most frequently heard suggestions is to combine the agency's laboratory with the Anchorage municipal laboratory, he said.

Ward and Cowdery said they have not been worried about conflict of interest, as they view the 300 volunteers who serve on the subcommittees as civic-minded citizens seeking a leaner, more responsive state government. Cowdery said the commission simply hasn't been willing to turn away volunteers.

Subcommittee members seemed surprised that the governor's office has raised questions about procedure.

Greg Pease, executive director of Gastineau Human Services Corp. in Juneau, said he doesn't think the Knowles administration's concerns make much sense, especially given the

existing privatization of halfway houses.

"It's all competitively bid," Pease said. "I don't know how anybody could say we're going to profit from it. . . .

"Everybody, including myself, knows we should move very cautiously."

Sam Kito III, who serves on the transportation subcommittee, acknowledged a former DOT employee who's on the subcommittee did distribute an old internal audit of the agency.

But Kito downplayed the importance of the document and said subcommittee members actually have been pleased with the department's cooperation.

"I believe it's going very well, actually," Kito said. There have been some moments, but you work through them."

There are no preconceived notions about privatization on the commerce and economic development subcommittee, said chairman Craig Johnson, general manager of the Alaska Journal of Commerce.

But Johnson, former chief of staff for Ward, said that after certain essential government services are eliminated - for example, the Alaska State Troopers - "the sky's the limit" on what might be turned over to the private sector.

Johnson predicted that Knowles would oppose privatization except when the merits are so obvious that there's "no way out."

"This particular administration's power base rests with state employees," Johnson said. "This administration has grown government.

He added: "This (commission) is not a lynch mob. There are many, many state employees who are underpaid, who do yeoman's work. . . . We can save some money, and we can also give back some of the confidence in government that I think is missing right now."

The Commission on Privatization is due to release its report to the Legislature by Jan. 1.

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LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

September 7, 1999

SUBJECT: Application of conflicts of interest provisions (CCS SB 33)

TO: Representative John Cowdery
Attn: Marco Pignalberi

FROM: Tamara Brandt Cook
Director *TBC*

You have asked how conflicts of interest provisions might apply to members of an advisory council appointed under CCS SB 33. That act establishes the Commission on Privatization in the legislative branch and authorizes the Commission to appoint an advisory council. These members "are not eligible for compensation, per diem, or payment of travel or other expenses by the state." (Ch. 61, SLA 1999 (CCS SB 33), Sec. 3(b))

AS 24.60 (Standards of Conduct) generally applies to the legislative branch of government and it contains several provisions that address conflicts of interest issues. (AS 24.60.030, AS 24.60.040, AS 24.60.050, AS 24.60.070, AS 24.60.080, AS 24.60.085, AS 24.60.090, AS 24.60.100) All these conflicts of interest provisions apply to a legislator or legislative employee. (AS 24.60.020) The term "legislative employee" is defined in AS 24.60.990(10). Because compensation is required as part of the definition and the advisory council members appointed under CCS SB 33 are not compensated, in my opinion the majority of the conflicts of interest provisions do not apply to these members. A few of the conflicts of interest provisions do apply to another person who is acting on behalf of a legislator or legislative employee (see AS 24.60.030(d) for example), and a few apply to a member of the immediate family of a legislator or legislative employee (see AS 24.60.040 for example). However, serving on an advisory council alone will not bring a person within the coverage of even these provisions.

In conclusion it is my opinion that the conflicts of interest provisions of AS 24.60 do not apply to members of an advisory committee appointed under CCS SB 33, but be aware that the Select Committee on Legislative Ethics has authority to construe and apply AS 24.60 and that my opinion will not bind or influence the Select Committee. Advice can be requested directly from the Select Committee. (AS 24.60.158, AS 24.60.160)

TBC:pl
99-125.plm

Legislative Research Services

Alaska State Legislature
Legislative Affairs Agency
Division of Legal and Research Services

State Capitol
Juneau, AK 99801-1182
Phone: 907-465-3991
Fax: 907-465-3908

November 3, 1999

Memorandum

TO: Representative John Cowdery
Attn: Marco Pignalberi

FROM: Mary E. Miller 
Legislative Analyst

RE: Privatization clearinghouse (short request 00.013)

You wished to know of a national or state level clearinghouse for information pertaining to privatization efforts of government services. In addition to information obtained on the internet, experts we contacted identified several organizations as primary resources for research and studies on privatization.¹ Table 1 includes the organizations and contact information of primary resources for information on the privatization of government services.

Table 1: Primary Resources for Information on the Privatization of Government Services

Agency	Phone	Internet address
American Federation of State, County, and Municipal Employees	(202) 429-1000	http://www.afscme.org/
Council of State Governments	(606) 244-8000	http://www.statesnews.org/
National Conference of State Legislatures	(303) 830-2200 x238	http://www.ncsl.org/legis/index.htm
Reason Public Policy Institute	(310) 391-2245	http://www.rppi.org/ and http://www.privatization.org
U.S. Government Accounting Office	Not available	http://www.gao.gov/

I hope you find this information useful. Please do not hesitate to contact us if you have questions or need additional information.

¹ We contacted analysts at the National Conference of State Legislatures and the Council on State Governments. We also contacted several state government officials involved with privatization.

Legislative Research Services

Alaska State Legislature
Legislative Affairs Agency
Division of Legal and Research Services

State Capitol
Juneau, AK 99801-1182
Phone: 907-465-3991
Fax: 907-465-4908

October 4, 1999

Memorandum

TO: Representative John Cowdery
Attn: Marco Pignalberi

FROM: Mary E. Miller
Legislative Analyst

RE: Privatization Reports (short request 00.003)

As requested in our recent conversation, I am sending copies of previous Legislative Research reports on privatization minus attachments (see Table 3 of previous memorandum dated September 28, 1999). In addition, the following documents are included in this packet:

- 1) List of conference papers available from the American Society for Public Administration annual conferences in 1993 to 1996. The list was accessed at <http://www.aspanet.org/research/private.htm>.
- 2) The executive summary and table of contents of "Privatization in Hawaii," (December 1997) by Mark J. Rosen of the Legislative Reference Bureau. Complete 186-page report may be accessed at <http://www.state.hi.us/lrb>.
- 3) "Private Contracts, Public Services: Weighing the Choices," by Kimberly J. Bandy and Stephen Grimes of the Tennessee Office of Research, November 3, 1995.
- 4) "Competition and Privatization Measures in State Government," Louisiana, Office of Legislative Auditor, February 1995.
- 5) Brochure and statutory reference governing the Virginia Commonwealth Competition Council (VCCC), and "Report on the Privatization Efforts of Executive Branch Agencies in the Commonwealth of Virginia," January 1998, by the Planning and Evaluation Section of the Virginia Department of Planning and Budget.
- 6) Cover pages, executive summaries, and tables of content from the following documents:
 - a) "Establishing an Employee Stock Ownership (ESOP) Information and Resource Service Within the Executive Branch of Government," House Document No. 10, 1999. (Complete report is 10 pages plus appendices.)
 - b) "Methods to Privatize Appropriate State Function Through the Development and Promotion of Employee-Owned Companies (ESOP's)," Senate Document No. 12, 1998. (Complete report is 26 pages plus appendices.)
 - c) "Commonwealth Competition Council annual report," 1998. (Complete report is 215 pages.)
 - d) "The Privatization/Competition Manual," by the VCCC. (Complete report is 83 pages.)
 - e) "Employee Stock Ownership Pre-Assessments," final report to the Commonwealth of Virginia, Commonwealth Competition Council, September 14, 1998. (Complete report is 39 pages plus appendices.)

I hope you find this information useful to you. If you have any questions or would like complete copies of reports, please feel free to contact us. I will continue to send you information as it arrives.



and Delivery of Government Services

Co-Chairs:
Representative John Cowdery
Senator Jerry Ward

Senator Al Adams
Bill Allen
Representative Tom Brice
Tom Fink
Michael Harper
Emil Notti
Kathryn Thomas
Don Valesko
George Wuerch

December 2, 1999

TO: Commissioners

FM: Marco

RE: RECOMMENDATION MASTER LIST

Attached is the master list completed to date.

When we receive your personal recommendations, we will fax or email copies to all commissioners and post them on the web site. We will add your personal recommendations to this master list as time allows. But, for working purposes, you should rely on the full, unabridged copies we send to you as they come in. (So far, Fink is the only one who has submitted his personal recommendations.)

In the "Notes" column we referenced the page number in the subcommittee report where you may find contextual background for the recommendation. Most, but not all, recommendations have a contextual background.

When you bring this list to the next meeting we can 3-hole punch it for your notebook.

NOV-22-33 MON 22:43

KELLY

FAX NO. 4519293
FAX NO.

P. 01

P. 01/01

**Alaska State Legislature
PRIVATIZATION TASK FORCE**

Representative John Cowdery
Senator Druc Pearce



State Capitol
Juneau, Alaska 99801

TRAVEL REQUEST / AUTHORIZATION MEMO

NAME: Representative Tom Brice will travel

from Fairbanks on Dec 13

to Anchorage & return on Dec 14

for the purpose of: Privatization Commission Meetings

The specific meeting / business dates are:

Requested by:

[Signature]
Traveller's Signature

SUBMIT COMPLETED FORM TO REPRESENTATIVE COWDERY

Approved:

Rep. John Cowdery
Representative John Cowdery

11-23-99

Date

Approved:

Senator Druc Pearce
Senator Druc Pearce

Date

Charge to Account

TR#

Issued through

TONY KNOWLES
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
ANCHORAGE

October 26, 1999

Representative John Cowdery
Senator Jerry Ward
Co-Chairmen
Commission on Privatization and Delivery of Government Services
716 W. 4th Avenue
Anchorage, AK 99501

Dear Representative Cowdery and Senator Ward:

Your staff has asked for a letter to address the policy of this administration towards individuals participating in subcommittees of the Commission on Privatization and Delivery of Government Services.

Let me state clearly that it is currently, and always has been, the policy of this administration to work with the Commission as forthrightly as possible. There has never been, and there never will be, any attempt to stifle or in any way inhibit the participation of any private citizens in any Commission-related activity. This includes state employees or individuals involved in commercial relationships with the state.

I would be happy to discuss the administration's position on this matter with anyone if further clarification is necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Abbott".

Mike Abbott
Special Assistant to the Governor

TONY KNOWLES
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
ANCHORAGE

October 20, 1999

Representative John Cowdery
Senator Jerry Ward
Co-Chairmen
Commission on Privatization and Delivery of Government Services
716 W. 4th Avenue
Anchorage, AK 99501

Dear Representative Cowdery and Senator Ward:

We have received your letter of October 8. Governor Knowles asked that I respond as he has designated me to coordinate the administration's participation in the Commission on Privatization and Delivery of Government Services.

Upon signing the legislation into law, Governor Knowles directed executive branch departments to work constructively with the Commission and to the best my knowledge, that has happened. Officials of the Administration have spent hundreds of hours working with the Commission and its subcommittees as the Commission attempts to fulfill the mission set out in SB 33.

Despite the lack of funding provided by the Legislature for this purpose, every state agency has made senior staff, and in many cases, commissioners themselves, available to the subcommittees. All requests for information consistent with confidentiality rules have been provided, which amounts to thousands of pages. I fully expect the agencies to remain engaged in the Commission's work throughout the remainder of its service.

Your letter contained several points I need to clarify:

- A number of participants in the Commission's subcommittees have potential conflicts of interest that the public should know about. We do not challenge anyone's opportunity to participate. We do believe that disclosure of any current or previous associations that might effect a subcommittee member's decisions is important information for the public.
- Your letter referenced a "Ms. Andree McLeod," as a "former employee with a grudge." But no administration official I am aware of has ever identified her as such.
- The administration has not engaged in any "public relations juggernaut" about the Commission. Deputy Chief of Staff David Ramseur was contacted by a reporter with questions about the Commission and he answered those questions.

Feel free to contact me if I can answer other questions on this subject.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mike Abbott', with a long horizontal flourish extending to the right.

Mike Abbott
Special Assistant to the Governor



and Delivery of Government Services

Co-Chairs:
Representative John Cowdery
Senator Jerry Ward

October 8, 1999

Senator Al Adams
Bill Allen
Representative Tom Brice
Tom Fink
Michael Harper
Emil Notti
Kathryn Thomas
Don Valesko
George Wuerch

Honorable Tony Knowles
Governor of Alaska
State Capitol Building
Juneau, Alaska 99801

Re: Privatization Commission

Dear Governor Knowles:

The attached September 28, 1999 article in the Juneau Empire is troubling because we believe it is true. It said:

"The issue of privatizing some state government operations is already tinged with politics...."

"The Knowles Administration is characterizing the commission as blind to ethical conflicts of interest...an apparent pre-emptive strike by the governor on the group's forthcoming report to the Legislature."

"Pugh is troubled by ties on the commission's corrections subcommittee to Texas-based Cornell Corrections, a firm that does more than half of the contracting for halfway houses in Alaska."

"David Ramseur, deputy chief of staff...describes himself as the person who's been collecting strange stories about the commission from the executive branch."

Additionally, copies have been sent to us of some of the same staff memoranda that were collected by Mr. Ramseur. And, the denigrating remarks made by some of your staff and commissioners are also relayed to us, to commission members and to subcommittee volunteers. It is clear that some people in your Administration are not invested in a positive outcome for the Privatization Commission and a campaign is underway to 'kill the baby in the cradle' before it issues its first word.

As legislators, we expect to be fair grist for your public relations juggernaut. However, in this case, Mr. Ramseur, et al, are targeting volunteer citizens to be your grist. This is flat wrong. These people are trying to achieve a goal that is set out in Chapter 61, SLA 1999, a law, which you signed without reservation.

Instead of thanking these citizens for trying to understand and improve their state government, your staff is making veiled threats about conflicts of interest and denigrating them. For example:

716 W. 4th Ave. Anchorage, AK 99501
Senator Jerry Ward: 907-269-0106 Fax 907-269-0109
Representative John Cowdery: 907-269-0222 Fax 907-269-0223
<http://www.privatizealaska.org>

"Ramseur said the commission's subcommittees include people with 'pretty blatant conflicts of interest,' a former state employee with a grudge about being fired and a relative of a property owner who's in conflict with state regulators about hazardous waste cleanup."

In fact, the *former state employee with the (alleged) grudge*, Ms. Andree McLeod, informs us that she never talked with Mr. Ramseur about her situation and she wonders why the governor's office characterizes her as a grudge holder. She is not holding a grudge. Her two meetings on this subject with Mr. Ayers were pleasant, by her account. Ms. McLeod is a single mother who was a range 9 accounting clerk. She was not fired. After the mandatory probationary period, she was not retained for permanent status. The reason she was not retained had more to do with supervisory incompetence than any failing on her part. She simply doesn't have the resources to sue the state. While Mr. Ramseur may take comfort in that, we can tell you that she is quite intimidated by being singled out, labeled and pejoratively referenced by such a high government official. She considers Mr. Ramseur's quote as proof that she will never get a fair shake while your administration exists. We think she's right. We hope you will correct this situation and restrain your staff from such heavy-handed treatment against citizens of our state.

As an aside, Ms. McLeod has been a volunteer coordinator for the Commission subcommittees, working out of Rep. Cowdery's office. We can attest that she has an outstanding work ethic, is very productive and brings intelligence and diligence to her assigned tasks.

Another reference was to *"a relative of a property owner who's in conflict with the state regulators about hazardous waste cleanup."* Mr. Virgil Norton is the referenced party. He is the son-in-law and Project Manager for the owner of a site that had a 20-gallon spill of PCE and additional contamination that migrated from offsite. Although the owner hired a nationally renown environmental consultant, Hart Crowser, spent \$1 million to clean up the site and offered to treat the groundwater, DEC won't sign off on the clean up. Their standards are moving targets that are impossible to conclude. As Project Manager for the cleanup, under EPA, Mr. Norton learned the governing statutes and regulations. He gained valuable and unique experience in the way DEC follows them and doesn't follow them. It's been an awful experience for the owner and Mr. Norton. Can you imagine spending \$1 million of your restaurant's money to clean up a problem that isn't defined and for which the DEC can't prescribe a solution. Now, to make matters worse, your staff wants to disqualify Mr. Norton from imparting the benefit of his experience to the Privatization Commission.

Ms. McLeod and Mr. Norton both feel they have been wronged by state actions. This doesn't require them to forfeit their rights. Chapter 61 SLA 99 specifically requires the Privatization Commission to solicit public comment. The subcommittee members are themselves a fulfillment of the statutory obligation. Mr. Ramseur's disqualification of them is tantamount to saying, "If you're not a Knowles loyalist, please don't try and exercise your civic duties or we'll go after you."

At this level of government, we are supposed to be able to deal with people who hold viewpoints that are contrary to our own. We're even supposed to encourage it. We question whether Mr. Ramseur understands the difference between his role as your Campaign Manager and as your

Deputy Chief of Staff. The campaign is over. As a government official, he needs to be restrained. We find this whole notion of his office keeping files on subcommittee members to be a bit pernicious. We recommend that this practice be stopped immediately.

The accusation of conflict of interest from your office has, and has had, a chilling effect on the unfettered participation from our volunteers. Consequently, for the sake of our volunteers we need to clear the air on this charge. Prior to the Empire story we already received an opinion from Legislative Legal Services that volunteers are not subject to the conflict of interest statutes. A copy is attached for your information. But, because the issue has been raised by your administration, in order to clear the air, we request a written opinion from the Attorney General as soon as possible. It will be provided to all commission members and volunteers.

Every commission, board and task force appointed by the governor would have as great or greater conflict of interest than the volunteers on the privatization subcommittees. Be they liquor license holders on the ABC Board, occupational license holders on occupational license boards, farmers on the Agriculture Revolving Loan Board, lawyers and judges on the Judicial Council ... they all are appointed because of their occupational nexus to the subject for which the board exists. Their expertise and experience are what make them valuable to the public process. Did Mr. Ramseur object when you made these appointments.

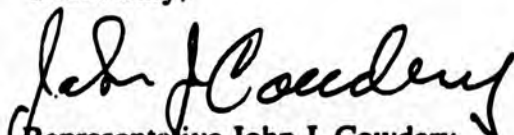
We need only look at your State Long-Range Financial Planning Commission and the Marketing Alaska Program to see citizen involvement in very similar functions as the Privatization Commission. Under what postulate can Mr. Ramseur charge our volunteers with a conflict of interest without similarly charging your appointees. Such machinations are tawdry even in a campaign context, but certainly have no place in the operation of the governor's office.

Governor, you said, in your state of the state address,

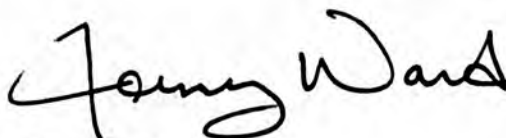
"I encourage questions, scrutiny and criticisms. We must engage Alaskans in a broad discussion about the future of our state."

Those are good words, Governor, and they may be the basis on which we may be able to resume cooperation. But your staff must believe that you mean what you said. We urge you to eliminate the files being maintained in your office to discredit the Privatization Commission volunteers and to curtail the gutter-sniping emanating from your administration.

Yours truly,

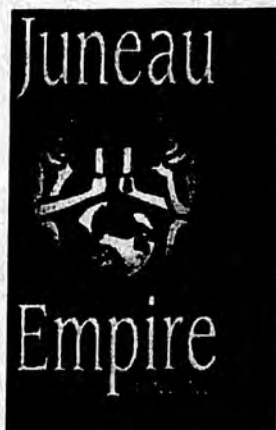


Representative John J. Cowdery
Co-chair
Commission on Privatization and
Delivery of Government Services



Senator Jerry Ward
Co-chair
Commission on Privatization and
Delivery of Government Services

Enclosures



Web posted **Tuesday, September 28, 1999**

Pros and cons of going private

By **BILL McALLISTER**
THE JUNEAU EMPIRE

The issue of privatizing some state government operations is already tinged with politics, even as subcommittees of a task force begin making recommendations this week.

The Commission on Privatization and Delivery of Government Services picked up steam with the recent statewide advisory vote against using earnings from the Alaska Permanent Fund to balance the state budget, said commission co-chairman Jerry Ward, a Republican senator from Anchorage.

But the Knowles administration is characterizing the commission as blind to ethical conflicts of interest with subcommittee members who would personally profit from privatization - an apparent pre-emptive strike by the governor on the group's forthcoming report to the Legislature.

The move toward privatization is driven by the idea that competitive forces in the marketplace can deliver operational cost savings that government can't achieve.

Much privatization already has occurred in the state Department of Corrections: Alaska had 756 criminal inmates at a private prison in Arizona as of Monday, a program that costs about \$16 million a year; a correctional facility near Delta Junction is being considered for private operation; and state halfway houses, with 682 residents and a \$15 million annual appropriation, are in private hands.

Corrections Commissioner Margaret Pugh believes that, on balance, the state is getting good service for its money.

Still, Pugh is troubled by ties on the commission's corrections subcommittee to Texas-based Cornell Corrections, a firm that does more than half of the contracting for halfway houses in Alaska. The first subcommittee chairman was an employee of Cornell, and after his departure, former Cornell employee Sharon Anderson was named chairwoman.

"One should be extremely cautious about conflicts," Pugh said.

Anderson, however, did not see a problem: "I don't know what

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they're talking about," she said.

It's unclear how much business the private sector might get.

No one has announced goals for privatization in terms of a percentage or a dollar figure that would be cut from the cost of government operations. As a result, it's open for speculation how much privatization - along with consolidation or elimination - would offset the need for new taxes or permanent fund-related budget solutions.

The term itself is open to some debate, as the commission's Website notes: "Privatization runs a very broad range, sometimes leaving very little government involvement, and other times creating partnerships between government and private service providers where government is still the dominant player."

But one thing is clear, said Ward: This month's vote on the permanent fund shows that the public expects government to wring every last dollar of waste out of the system before imposing any solutions that hit the taxpayers' pocketbook.

"I think the people of the state of Alaska said that they don't want to give any additional funds to government," Ward said.

So far, there aren't many specific privatization proposals under debate.

Commission Co-Chairman John Cowdery, a Republican representative from Anchorage, said they're not hard to come up with, though. For example, Alaska State Troopers shouldn't be doing their own radio repair, and the courts shouldn't do their own transcriptions; that work should be contracted out to private companies, he said.

Although organized labor is often cited as opposing privatization, it's not front-line state workers who would be targeted, Ward said. Rather, it's middle management in state government that has increased, resulting in "more filing of forms, more intergovernmental relations," he said.

"We don't have more people doing work. We have more people watching other people do work."

But if Ward thinks the executive branch is bloated, the governor's office portrays the commission as possibly out of control.

David Ramseur, deputy chief of staff to Gov. Tony Knowles, describes himself as "the person who's been collecting strange stories about the task force from the executive branch."

Ramseur said the commission's subcommittees include people with "pretty blatant conflicts of interest," a former state employee with a grudge about being fired and a relative of a property owner who's in conflict with state regulators about hazardous waste cleanup.

"Knowles' philosophy always has been (that) there may be some functions of government that may be better performed by the private sector," Ramseur said, mentioning engineering services as a possibility. "But what we're hearing is that the whole process may be questionable."

Michele Brown, commissioner of the Department of Environmental Conservation, said an obvious red flag comes with the commission's subcommittee chairman for her department: Virgil Norton, former site manager for a Kenai area RV park that is owned by his father-in-law and has a hazardous waste site left over from a previous dry cleaning operation. The state and the company have been in dispute about the cleanup, and the company has ongoing litigation against the state, she said.

"So far, there's really nothing in particular that's come out in the committee related to that," Brown said. "(But) it's something you naturally think about when you have a chairman with strong feelings in one direction or another."

Norton said he no longer works for his father-in-law and is not involved in the litigation against the state.

"I'm really reaching out to be very objective," he said from Nikiski. "Several sections of DEC have been very responsive."

It's possible that the subcommittee's report won't recommend the privatization of any state function, Norton said. One of the most frequently heard suggestions is to combine the agency's laboratory with the Anchorage municipal laboratory, he said.

Ward and Cowdery said they have not been worried about conflict of interest, as they view the 300 volunteers who serve on the subcommittees as civic-minded citizens seeking a leaner, more responsive state government. Cowdery said the commission simply hasn't been willing to turn away volunteers.

Subcommittee members seemed surprised that the governor's office has raised questions about procedure.

Greg Pease, executive director of Gastineau Human Services Corp. in Juneau, said he doesn't think the Knowles administration's concerns make much sense, especially given the

existing privatization of halfway houses.

"It's all competitively bid," Pease said. "I don't know how anybody could say we're going to profit from it. . . .

"Everybody, including myself, knows we should move very cautiously."

Sam Kito III, who serves on the transportation subcommittee, acknowledged a former DOT employee who's on the subcommittee did distribute an old internal audit of the agency.

But Kito downplayed the importance of the document and said subcommittee members actually have been pleased with the department's cooperation.

"I believe it's going very well, actually," Kito said. There have been some moments, but you work through them."

There are no preconceived notions about privatization on the commerce and economic development subcommittee, said chairman Craig Johnson, general manager of the Alaska Journal of Commerce.

But Johnson, former chief of staff for Ward, said that after certain essential government services are eliminated - for example, the Alaska State Troopers - "the sky's the limit" on what might be turned over to the private sector.

Johnson predicted that Knowles would oppose privatization except when the merits are so obvious that there's "no way out."

"This particular administration's power base rests with state employees," Johnson said. "This administration has grown government.

He added: "This (commission) is not a lynch mob. There are many, many state employees who are underpaid, who do yeoman's work. . . . We can save some money, and we can also give back some of the confidence in government that I think is missing right now."

The Commission on Privatization is due to release its report to the Legislature by Jan. 1.

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LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

September 7, 1999

SUBJECT: Application of conflicts of interest provisions (CCS SB 33)

TO: Representative John Cowdery
Attn: Marco Pignalberi

FROM: Tamara Brandt Cook
Director *TBC*

You have asked how conflicts of interest provisions might apply to members of an advisory council appointed under CCS SB 33. That act establishes the Commission on Privatization in the legislative branch and authorizes the Commission to appoint an advisory council. These members "are not eligible for compensation, per diem, or payment of travel or other expenses by the state." (Ch. 61, SLA 1999 (CCS SB 33), Sec. 3(b))

AS 24.60 (Standards of Conduct) generally applies to the legislative branch of government and it contains several provisions that address conflicts of interest issues. (AS 24.60.030, AS 24.60.040, AS 24.60.050, AS 24.60.070, AS 24.60.080, AS 24.60.085, AS 24.60.090, AS 24.60.100) All these conflicts of interest provisions apply to a legislator or legislative employee. (AS 24.60.020) The term "legislative employee" is defined in AS 24.60.990(10). Because compensation is required as part of the definition and the advisory council members appointed under CCS SB 33 are not compensated, in my opinion the majority of the conflicts of interest provisions do not apply to these members. A few of the conflicts of interest provisions do apply to another person who is acting on behalf of a legislator or legislative employee (see AS 24.60.030(d) for example), and a few apply to a member of the immediate family of a legislator or legislative employee (see AS 24.60.040 for example). However, serving on an advisory council alone will not bring a person within the coverage of even these provisions.

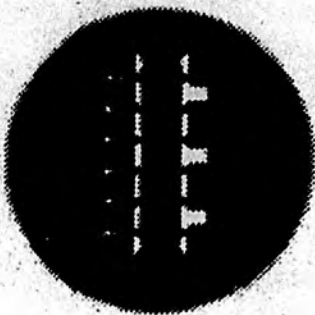
In conclusion it is my opinion that the conflicts of interest provisions of AS 24.60 do not apply to members of an advisory committee appointed under CCS SB 33, but be aware that the Select Committee on Legislative Ethics has authority to construe and apply AS 24.60 and that my opinion will not bind or influence the Select Committee. Advice can be requested directly from the Select Committee. (AS 24.60.158, AS 24.60.160)

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THE Department of Administration



FY2000 Budget Overview

**Bringing Tomorrow's Solutions
to Government Today:
Improving Service for All Alaskans**

Tony Knowles, Governor

Robert Poe, Jr., Commissioner

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ORGANIZATIONAL CHARTS

Department Management

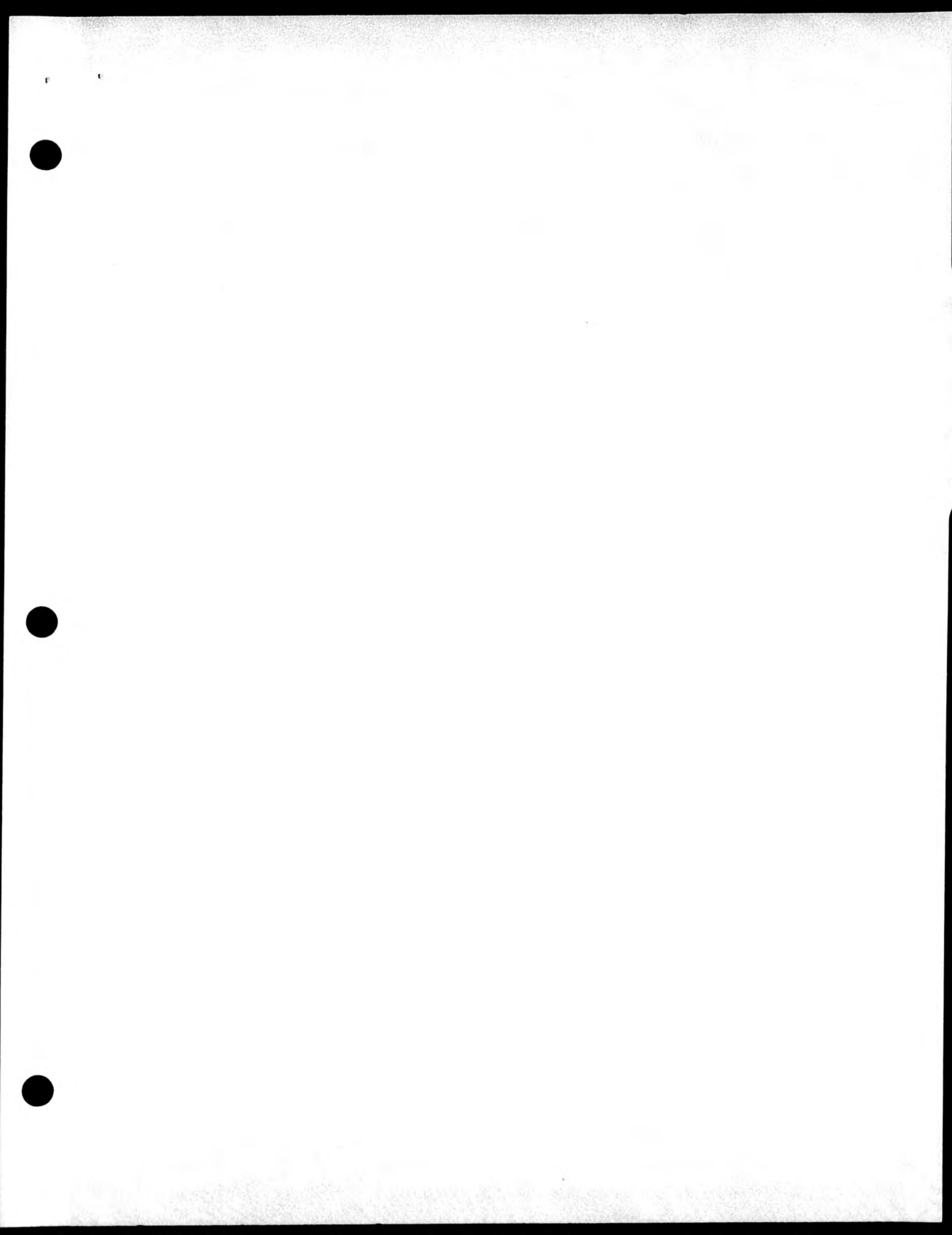
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Department of Administration Office Locations

Divisions

Commissioner's Office
Administrative Services
Alaska Longevity Programs

Alaska Oil and Gas Conservation
Commission

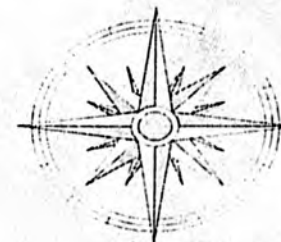
Alaska Public Offices Commission
Finance
General Services
Information Technology Group
Motor Vehicles

Office of Public Advocacy
Office of Tax Appeals
Personnel
Public Defender Agency

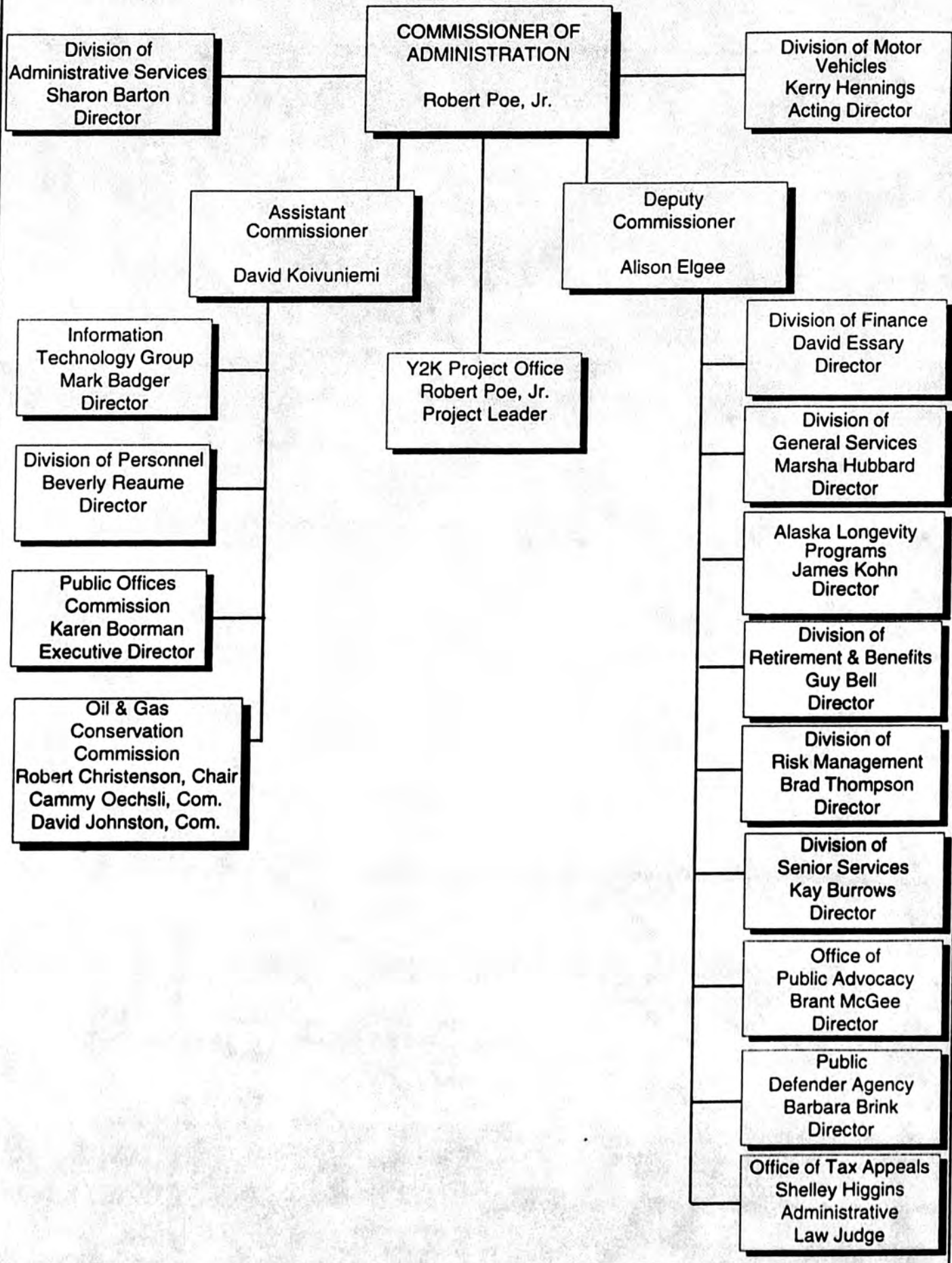
Retirement and Benefits
Risk Management
Senior Services
Y2K Project Office

Location

Juneau
Juneau
Anchorage, Fairbanks, Juneau,
Ketchikan, Palmer, Sitka
Anchorage
Anchorage, Juneau
Juneau
Anchorage, Juneau
Anchorage, Fairbanks, Juneau
Anchorage, Bethel, Delta Junction,
Elmendorf, Eagle River, Fairbanks,
Glennallen, Haines, Homer,
Juneau, Ketchikan, Kodiak, Nome,
Palmer, Sitka, Soldotna, Valdez
Anchorage, Fairbanks, Juneau
Juneau
Anchorage, Juneau
Anchorage, Barrow, Bethel,
Dillingham, Fairbanks, Juneau, Kenai,
Ketchikan, Kodiak, Kotzebue, Nome,
Palmer, Sitka
Anchorage, Juneau
Juneau
Anchorage, Juneau, Fairbanks
Juneau



Department of Administration



Program Contacts

Department Management

Commissioner's Office

Department Management: Robert Poe, Jr., Alison Elgee,
David Koivuniemi (465-2200)
Legislative Liaison: David Koivuniemi (465-2200)
Telecommunications Information Council: Robert Poe, Jr.
(465-2200)

Administrative Services

Budget: Eric Swanson (465-5654)
DOA-IT Team: John Monagle (465-5768)
Fiscal: Chris Parce (465-5653)
Human Resources: Bruce Cummings (465-5658)
Municipal Grants: Lena Simmons (465-5647)
Payroll: Judy Elphic (465-5663)
Property: Jack Gregson (465-5656)
Procurement: Jack Gregson (465-5656)

Services to the Public

Alaska Longevity Programs

Longevity Bonus/Pioneers' Homes: James Kohn
(465-4400)

Alaska Oil and Gas Conservation Commission

General Information: Robert Christenson (793-1228)

Alaska Public Offices Commission

Campaign Finance: Chris Ellingson, Therese Green
(276-4176)
Conflict of Interest: Nancy Freeman (276-4176)
General Info: Karen Boorman, Jenifer Kohout (276-4176)
Legislative Financial Disclosure: Nancy Freeman (276-4176)
Lobbying: Brooke Miles (465-4864)

Motor Vehicles

Drivers License: Sandra Eckerson (465-2650)
Driving Records: Sandra Eckerson (465-2650)
Vehicle Records: Charles Hosack (269-5559)
Vehicle Documentation: Charles Hosack (269-5559)

Office of Public Advocacy

General Information: Brant McGee (269-3500)

Office of Tax Appeals

Administrative Law Judge: Shelley Higgins (465-5641)

Public Defender Agency

General Information: Barbara Brink (264-4400)

Senior Services

Adult Protective Services: Dwight Becker (269-3674)
Assisted Living Home Licensing: Gary Ward (269-3655)
CHOICE Medicaid Home Care: Barbara Hendrickson
(269-3663)
Grants and Technical Assistance to Senior Services
Providers: Jane Demmert (465-4879)
Long-Term Care Ombudsman: Jane Demmert (465-4879)

Long-Term Care Services Unit: Barbara Hendrickson
(269-3663)

Personal Care Grants Admin: Susan Cook (269-3653)
Alaska Commission on Aging: Jane Demmert (465-4879)

Services to State Agencies

Finance

General Information: Debbie Bump (465-5615)
Accounting: Kevin Worley (465-5614)
Annual Financial Report: Joe Thomas (465-5616)
Payroll Systems: Bill Diebels (465-5600)
Systems Administration & Security: Linda Murray (465-5603)
Payroll: Mark Minthorn (465-5599)
W-2s/1099s: Jim Barnes (465-5590)
Accounting Systems: Guy Warren (465-5602)

General Services

Central Mail: John Schauwecker (465-6546)
Leasing & Facilities: Keith Gerken (465-5683)
Property Control: Rob Spoo (279-0596)
Purchasing: Vern Jones (465-5684)
Surplus Property: Rob Spoo (279-0596)
Vendor Lists: Vern Jones (465-5684)

Information Technology Group

Computer Services: Ron Hensley (465-5789)
Customer Services: Karen Morgan (465-5794)
Public Communications Services: Mark Badger (465-2220)
Telecommunication Services: Mark Badger (465-2220)

Personnel

ADA, FMLA, FLSA: Mike McMullen (465-4431)
Alaska Professional Development Institute: Arlene Abbott
(465-3412)
Classification: Elaine Williams (465-4054)
EEO Investigations: John Dede (563-0226)
Labor Relations: Kent Durand (465-4098)
Personnel Board: Mike McMullen (465-4431)
Workplace Alaska: Elaine Williams (465-4054)
Employee Acquisition: Elaine Williams (465-4054)

Retirement and Benefits

Deferred Compensation: Anselm Staack (465-5703)
Group Health and Life Insurance: Janet Parker (465-4473)
PERS/TRS Boards: Guy Bell (465-4471)
Retirement Programs: Bill Church (465-5700)
SBS Benefits: Janet Parker (465-4473)
Supplemental Annuity Plan: Anselm Staack (465-5703)

Risk Management

Property and Marine Insurance: Scott Jordan (465-2183)
Claims Administration and General Insurance Issues:
Ted Lehrbach (465-5724)
Workers' Comp & General Liability: Betty Johnson (465-2184)
Legal Defense & Self-Insurance: Brad Thompson (465-5723)

Y2K Project Office

General Information: Robert Poe, Jr. (465-2200)

NOTES

FY2000 Major Goals and Strategies

FY2000 Goal

Continue to pursue opportunities for efficiency, cost reduction, innovation, and effective delivery of state services and programs.

FY2000 Strategies

- Enable and support state agencies' efforts to efficiently deliver improved and cost effective state services electronically.
- Ensure that state services remain viable in the face of Y2K-related computer problems.
- Work with the Telecommunications Information Council to design and implement an electronic commerce strategy for statewide procurement and other key transactions.
- Implement state purchasing cards in order to reduce the cost of these high volume/low value transactions.
- Implement procurement officers' certification program that ensures competent application of state law as delegated to state agencies.
- Complete space utilization, information technology infrastructure, business management, and rental structure planning for the Bank of America Center.
- Implement the Eden Alternative in all six Pioneers' Homes.
- Expand the volunteer guardian ad litem court-appointed special advocate (CASA) program to Southeast Alaska.
- Expand care plan counseling for seniors and adults with physical disabilities seeking long-term care.

1998-1999 Major Accomplishments

- **Y2K:** Adopted life, health, safety, and economic wellbeing of Alaskans as Y2K criteria for identifying the most critical public services provided by executive branch departments.
- Established guidelines and standards for Y2K work in departments including the achievement of Y2K compliance in all critical automation systems, preparation of department contingency plans, and preparation of the state's emergency response capabilities.
- Created a Y2K monthly progress reporting system for all departments and executive branch agencies.
- Assisted departments in identifying Y2K problems and resource needs and prioritized funding needs, particularly in the areas of state facilities, transportation systems, and the state's mainframe computing environment.
- Established a statewide Y2K web site as a guide to Y2K readiness for Alaskans.
- Established a statewide outreach program for providing information and assistance to local communities, small and medium-sized businesses, the public, and others.
- **Division of Motor Vehicles (DMV) Services Improvements:** Improved motor vehicle services to the public by implementing Interactive Voice Response (IVR) and Internet-based transactional services allowing the public to do business with DMV by telephone or computer rather than coming to a DMV office.
- **Electronic Commerce Initiatives:** Prepared the state's accounting infrastructure for electronic commerce and piloted purchasing cards.
- **Recruitment for State Employees:** Fully implemented Workplace Alaska providing on-line vacancy-based recruitment for state employees.
- **Statewide On-line Services:** Leveraged the work done at DMV to assist the Departments of Commerce and Economic Development and Revenue with on-line services projects at minimal cost.
- **Pharmacy Program:** Established and implemented the Pioneers' Home pharmacy program serving all six Homes by the end of FY1999 as a cost-saving service for Pioneers' Homes residents.

- **Purchased Bank of America Building.** Established a contract for a private sector property management firm to provide the needed building services and run the daily operations of the building; continued negotiation with private building tenants for their early departure in order to make room for state tenants; prepared an overall building space plan for the accommodation of the new state agency occupants and put in place contracts for the implementation of physical moves during 1999.
- **Central Mail:** Consolidated the Juneau mail offices of the Departments of Revenue and Corrections and the Division of Motor Vehicles into the Central Mail Service operation. All three agencies reported substantial savings and improved service as a result of this effort.

NOTES

Key Issues

Year 2000 Date Conversion

Alaska, like all other states, is facing a major challenge to ensure that key government services are not interrupted due to computer problems resulting from the date change to the new Millennium. The Y2K Project Office is working with all state agencies to ensure that all mission-critical systems are made Y2K-compliant and that all nonmission-critical systems are properly supported by contingency plans. The Y2K Project Office will continue to provide ongoing statewide coordination, progress reporting, and budget control for this effort.

Personnel/Labor Relations

With all 12 union contracts up for renegotiation, the state's labor relations resources will, of necessity, be focused on collective bargaining. Backlogs in grievance and arbitration work are expected during this period. (See Appendix 9, page 105, for details.)

Pioneers' Homes

A movement has begun nationwide to convert long-term care facilities from sterile, institutional settings to more home-like atmospheres including plants, animals, and birds. The "Eden Alternative" has been demonstrated to be very effective in combating loneliness and depression in the elderly. During the remainder of FY1999 and FY2000, the Pioneers' Homes will fully implement the Eden Alternative in all Homes. (See Appendix 2, page 96, for details.)

Senior Services

Alaska is experiencing the second most rapid growth of seniors in the nation relative to the state's total population. This growth rate will result in increased numbers of seniors seeking long-term care. The division is working to expand long-term care alternatives throughout the state by educating and recruiting care providers and developing reasonable reimbursement schedules for home and community-based care alternatives. The care plan counseling project, begun as a pilot in the Anchorage area during FY1998, will be expanded so individuals seeking long-term care will be informed about all options available.

CASA Volunteers

The use of court-appointed special advocates (CASAs) for guardian ad litem services in children's cases has proven cost effective while improving children's advocacy in Southcentral Alaska. The Office of Public Advocacy will begin expansion of this program into Southeast Alaska.

DMV Reengineering

Implementation of interactive voice and Internet transactions will be completed in 1999. Automation of back office processes must be completed to realize maximum potential efficiencies and cost savings. Programming resources are spread thin on this work with the need for complete update to accommodate continuing changes in state and federal law. Otherwise the focus of the division will continue on streamlining core processes, developing additional private partners, and assessing other avenues for providing faster, more convenient service to the public. These include: stand alone self-service devices, and expanding physical locations in Anchorage and the Mat-Su Borough.

Bank of America Building Occupancy

The occupancy project will involve multi-agency planning and management teams focused on business practice improvement opportunities, space planning, and technology infrastructure. During the latter half of FY1999 and early FY2000, the Department of Natural Resources, Office of the Governor, and most of Department of Commerce and Economic Development will be relocated from more expensive leases to the Bank of America Building.

Alaska Oil and Gas Conservation Commission (AOGCC) Funding

Expanded oil field development on the North Slope and in the Cook Inlet area coupled with downsizing of the oil companies calls for an increased level of attention by the Oil and Gas Conservation Commission, requiring a larger commitment of human and capital resources. (See Appendix 10, page 106, for details.)

Children's Initiative

The Office of Public Advocacy, as the advocate for children in need of aid cases, and the Public Defender, as it is assigned to represent the parents in such cases, are partners in the success of the Governor's initiative to reform the state's process for handling children in need of aid cases. Additional funding requested in the Governor's budget may not be adequate to keep up with growing caseloads. This situation must be monitored through FY1999-FY2000 to assure that these agencies do not become the bottleneck in the Children's Initiative.

Electronic Commerce

Budget constraints and pressures from a public being conditioned by private sector models to deliver products and services fast, right, cheap, and easy, as well as from the business community and the federal government, require aggressive implementation of electronic commerce initiatives. The department is working to implement electronic purchasing and payment wherever possible without additional CIP funding.

State Facilities Rental Structure

A rental structure is being developed for all leased and owned state facilities. A rental structure is planned for a pilot in select buildings in FY2000.

NOTES

FY2000 CIP Request

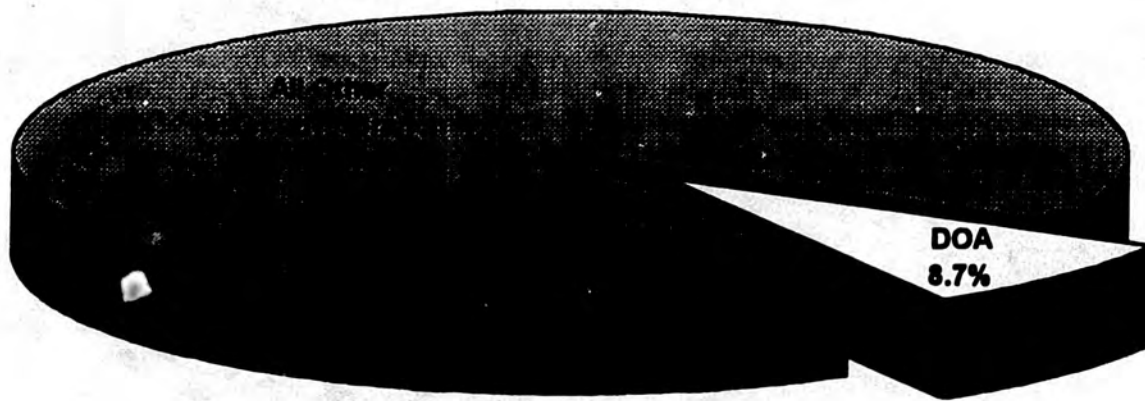
- **Pioneers' Homes Health and Safety Repairs** **\$500.0 GF**
Funding will provide for continued repairs to address health and safety issues in the Homes. The projects proposed for this funding directly relate to failures in the integrity of emergency, electrical, and other building systems.
- **Public Defender Criminal Justice Information Integration** **\$400.0 GF**
This project will electronically connect Public Defender Agency offices allowing them to share internal databases, case management systems, and legal documents, as well as information available from external criminal justice agencies. This project increases the agency's access to and dissemination of information through the purchase and installation of Y2K compatible hardware and software.
- **DMV License Plates and Manuals** **\$200.0 GF**
This project provides for the purchase of license plates to maintain stock levels needed in FY2000. Funds are also included for regular, motorcycle, and commercial driver manuals which must be available at all motor vehicle office locations, and for the purchase of motor vehicle law books for use in DMV field offices.
- **Information Technology Literacy Project** **\$175.0 GF**
This funding is requested to continue the IT Literacy project partnership established in FY1999 with the Gartner Group and the University of Alaska providing on-line training across a broad spectrum of information technology to all state employees.
- **ITG Bandwidth Increase** **\$500.0 GF**
General Funds are requested for capacity increases to the state's Wide Area Network (WAN). Normal capacity increases are a routine requirement of doing IT business and are funded through computer services rates for services. This request would fund extraordinary capacity needs that have arisen from two situations: agency-specific new application development and implementation of the 1996 Federal Telecommunications Act.
- **Satellite Interconnection Project Equipment Replacement/Repair** **\$150.0 GF**
Funding will be used for repair and replacement of essential components of the Satellite Interconnection Project (SIP). The SIP provides news, weather, government, and educational information to all Alaskans. It also serves as backbone of the emergency alert system, providing an essential component of contingency planning and communications for rural communities.

- **Land Mobile Radio Migration** **\$615.0 GF**
This project covers state infrastructure costs of converting state two-way radio systems to allow interoperability of two-way radio resources at the federal, state, and local levels so that response to life threatening situations can be quick and efficient.
- **Criminal Justice Integration Project Analysis** **\$200.0 GF**
Funding will be used for an analysis of the criminal justice data processing integration project. Current status of individual projects funded in prior years will be reviewed in light of overall system objectives and a strategy will be developed to complete the integrated criminal justice system.
- **ISF Equipment Replacement** **\$3,500.0 ISF**
Through the depreciation component of chargeback, approximately \$3,500.0 will be collected in FY2000 for the purpose of replacing worn-out and/or outmoded equipment. Authorization is requested to expend those funds on necessary equipment replacement during FY2000.

Department of Administration

FY2000 Operating Budget Comparison

General Fund Only



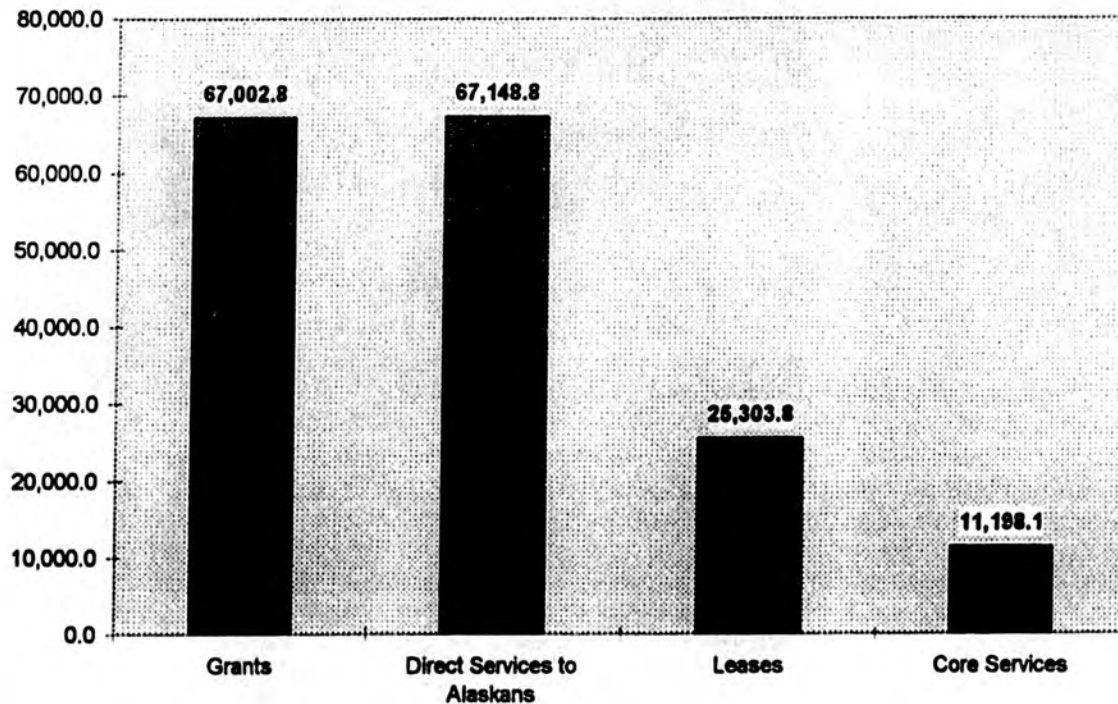
All Other Executive Branch Agencies	\$1,780,424.5
Department of Administration	\$ 170,653.5
Total Executive Branch Operating Budget	\$1,951,078.0

Department of Administration

FY2000 Operating Budget by Service Category

General Fund Only

Total \$170,653.5



Grants

Public Broadcasting
Longevity Bonus
Senior Services

Direct Services to Alaskans

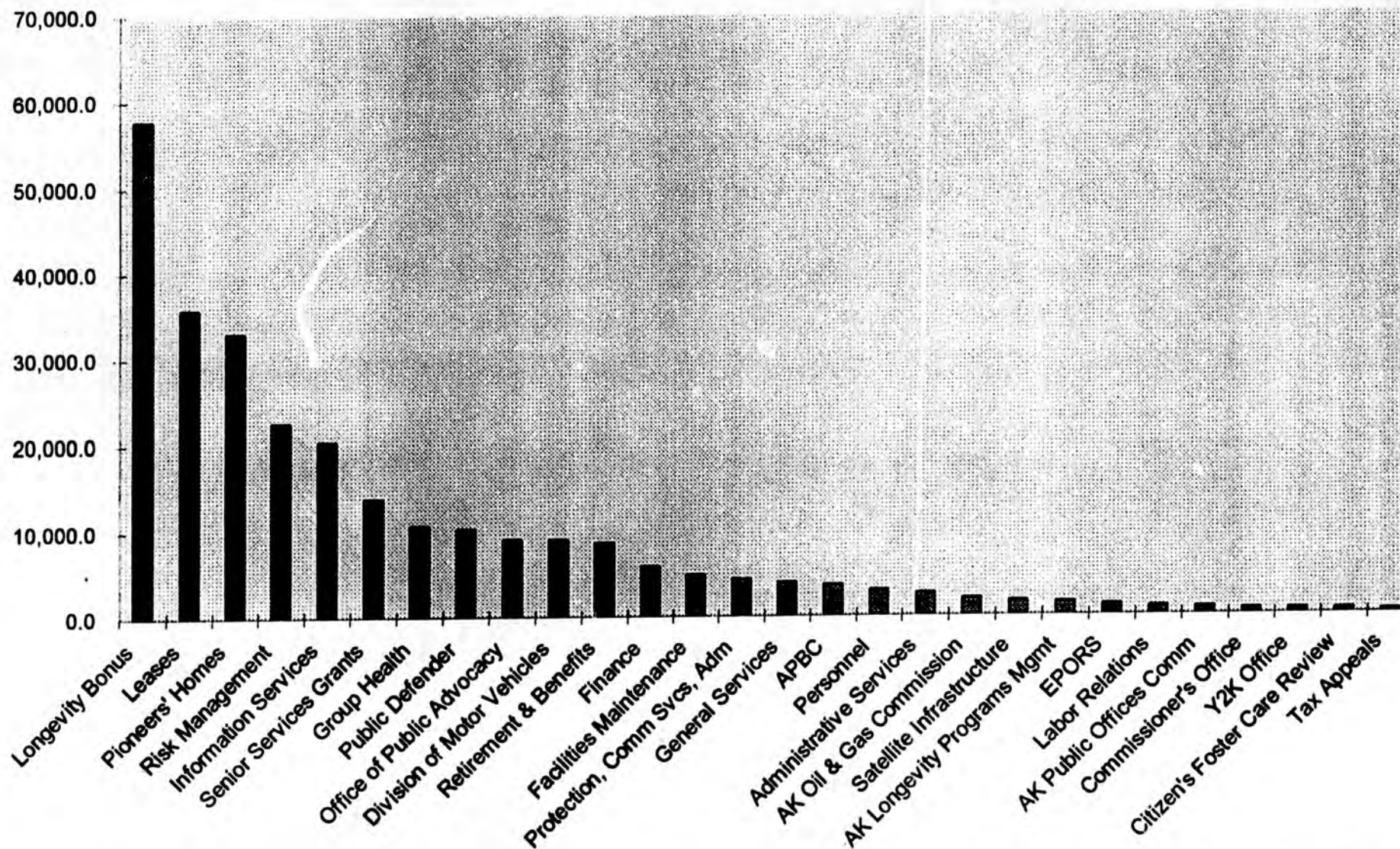
Tax Appeals
EPORS
Public Broadcasting Commission
Satellite Infrastructure
Pioneers' Homes
Alaska Longevity Programs Mgmt.
Protection, Community Services,
and Admin.
Home Health Services
Citizen's Foster Care Review
Panel
Office of Public Advocacy
Public Defender Agency
AOGCC
APOC
Motor Vehicles

Leases

Core Services

Office of the Commissioner
Administrative Services
Finance
Personnel
Labor Relations
General Services

Department of Administration FY2000 Operating Budget Comparison by Program--All Funds (Millions)



Department of Administration

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Office of the Commissioner

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Mission

Provide management oversight and policy direction to departmental programs, and to interface with the judicial, legislative, and executive branches of government to assure the effective, efficient, and economical delivery of public services to Alaskans.

Funding Summary

Office of the Commissioner Component

	<u>FY1999 Authorized</u>	<u>FY2000 Governor's Request</u>
Gen Fund	373.0	373.5
I/A Rcpts	168.5	168.5
Invst Loss	0.5	0.0
Total Funds	542.0	542.0
PFT Positions	5.0	5.0
PPT Positions	2.0	1.0

Staff Changes

Office of the Commissioner (-1 PPT)
One student intern position is being deleted.

Primary Services Provided

- Provide policy direction and leadership for departmental programs.
- Provide inter/intraagency coordination as necessary.
- Facilitate Better Business Practices throughout state government.

Customers

- Departmental programs
- State agencies
- The Governor
- The public
- The Legislature

Accomplishments

See division Accomplishments.

Key Issues/Initiatives

See division Key Issues/Initiatives.



Division of Administrative Services

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Mission

Facilitate delivery of all DOA programs by providing efficient and cost-effective business management support; effectively administer state municipal grants programs; and aggressively support improvements in business practices throughout the department and state government.

Funding Summary

Administrative Services Component

	FY1999 Authorized	FY2000 Governor's Request
Gen Fund	599.0	600.6
I/A Rcpts	913.7	963.7
Invst Loss	1.6	0.0
Total Funds	1,514.3	1,564.3
PFT Positions	23.0	25.0
PPT Positions	0.0	0.0

DOA Information Technology Support Component

	FY1999 Authorized	FY2000 Governor's Request
I/A Rcpts	0.0	988.6
Total Funds	0.0	988.6
PFT Positions	0.0	13.0
PPT Positions	0.0	0.0

Significant Budget Changes

Administrative Services: \$50.0 I/A. This increment will fund increased costs for personal services, information technology support, and department-wide staff training.

DOA Information Technology Support: \$988.6 I/A. The Information Technology Support budget component is new in FY2000. The IT Support Section was created by consolidating staff and associated budget for departmental IT

support. No new funds are requested. (See Appendix 4, page 98, for details.)

Staff Changes

Administrative Services (+ 2 PFT)

One PFT position is transferred to DOA-IT and three PFT positions are added, funded by Interagency Receipts.

DOA-IT (+ 13 PFT)

Ten PFT positions are transferred from various divisions and three new PFT positions are added. All positions are funded through Interagency Receipts.

Primary Services Provided

- Establish departmental business management policies and procedures and provide training for all DOA administrative staff.
- Develop the DOA annual budget; act as the department liaison with the Office of Management and Budget and the Legislature regarding budget matters.
- Provide procurement, accounting, personnel, and payroll support to divisions.
- Oversee department business management practices to assure compliance with state and federal rules.
- Provide comprehensive 7x24 centralized desktop support which includes maintenance of the department Local Area Network (LAN), analysis of software and hardware product enhancements, and liaison with the Information Technology Group and the TAC.
- Administer the Municipal and Capital Matching Grants programs for incorporated municipalities.

Customers

- DOA program managers and employees
- Private sector vendors
- Office of Management and Budget
- The Legislature
- Incorporated municipalities and organized boroughs (Municipal and Capital Matching Grants)

Accomplishments

Administrative Services

- Sponsored Administrative Services' second DOA Administrative Workshop, a

three-day event in both Anchorage and Juneau, providing a broad spectrum of administrative and technical training for the DOA Administrative Support Team and department managers.

- Provided intensive support to the Division of Motor Vehicles as it integrated into the department and as it launched organizational and business process changes.

DOA-IT

- Established logical departmental network and migrated approximately half the divisions onto the new network.
- Established department standards for computer hardware and software.
- Migrated the department to standard email.
- Established remote dial-up services for some users.

Key Issues/Initiatives

- A statewide crisis is developing from the increasing difficulty in recruiting qualified accounting staff at all levels above the Accounting Technician I level. Positions are left vacant for too long while recruitment periods are extended in the hope of attracting additional candidates. The result is degradation in the state's accounting integrity, late payments to vendors, and burn out of incumbent staff having to cover more than one desk over long periods of time, followed by long training periods required by minimally qualified new employees. Redesign of the classification and pay structure for these positions is needed.

NOTES



Alaska Longevity Programs

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Mission

Provide cash payments to Alaskan seniors as authorized by the Alaska Longevity Bonus program and provide assisted living support for Pioneers' Home residents.

Funding Summary

Pioneers' Homes Component

	FY1999 <u>Authorized</u>	FY2000 <u>Governor's Request</u>
Gen Fund	13,965.0	10,528.7
GF/Prgm	9,873.7	9,873.7
I/A Rcpts	66.2	134.0
GF/MH	6,552.2	10,032.9
Invst Loss	44.4	0.0
MHTAAR	0.2	0.2
Pioneers' Home Receipts	0.0	2,364.0
Total Funds	30,501.7	32,933.5
PFT Positions	486.0	550.0
PPT Positions	79.0	78.0

Pioneers' Homes Facilities Maintenance Component

	FY1999 <u>Authorized</u>	FY2000 <u>Governor's Request</u>
I/A Rcpts	0.0	2,125.0
Total Funds	0.0	2,125.0
PFT Positions	0.0	0.0
PPT Positions	0.0	0.0

Longevity Bonus Grants Component

	FY1999 <u>Authorized</u>	FY2000 <u>Governor's Request</u>
Gen Fund	63,499.4	57,702.1
Total Funds	63,499.4	57,702.1
PFT Positions	0.0	0.0
PPT Positions	0.0	0.0

Alaska Longevity Programs Management Component

	FY1999 Authorized	FY2000 Governor's Request
Gen Fund	981.1	983.0
I/A Rcpts	322.1	322.1
GF/MH	64.3	64.3
Invst Loss	1.9	0.0
CIP Rcpts	53.0	53.0
Total Funds	1,422.4	1,422.4
PFT Positions	15.0	14.0
PPT Positions	0.0	0.0

physical condition
of bldgs is bad -
see Deferred Maintenance
Rept.

Repairs -
contracted out
at \$0?

MAJOR MTNG -
work performed
by DOT/PF if they
want to.

Significant Budget Changes

Longevity Bonus: (\$5,797.3 GF). Decrement reflects cost reduction due to program phase out. (See Appendix 6, page 102, for details.)

Pioneers' Homes: \$2,364.2 PH Receipts. Authority for Pioneers' Home Receipts is proposed in a pending Governor's bill. The FY2000 revenue forecast exceeds the FY1999 program receipt authorization level by \$2.36 million. This increment proposes to use the additional collections to provide badly needed direct care staff. Also, authorization for \$3,480 is transferred from GF to GF/MH. This fund source change recognizes the Pioneers' Homes' involvement with and service to a mental health trust client group (ADRD residents).

Facilities Maintenance. A new component is included in the department budget to segregate the facility maintenance budget for the Pioneers' Homes. (See Appendix 7, page 103, for details.)

Staff Changes

Pioneers' Homes (+ 64 PFT, -1 PPT)

One PPT position was changed to PFT to meet workload demand at the Ketchikan Pioneers' Home. This change actually occurred in FY1997 but was never properly recorded in the budget. Sixty-three PFT nurse aide positions are added to meet the increased demand for direct care support in all the Homes. Funding for these positions is Pioneers' Home receipts.

ALP Management (-1 PFT)

One PFT position is transferred to DOA-IT.

Primary Services Provided

- Long-term assisted living care for up to 600 Alaskan seniors providing special capacities for individuals with Alzheimer's Disease and Related Disorders (ADRD).
- Cash bonus program for Alaskan seniors.

Customers

- Alaskan seniors receiving the longevity bonus and their families
- Pioneers' Home residents and their families
- Alaskan seniors on the Pioneers' Homes' waiting list and their families
- Representatives of Alaskan seniors, including the Legislature and the Governor
- Communities in which Pioneers' Homes are located (Anchorage, Fairbanks, Juneau, Ketchikan, Palmer, and Sitka)
- Senior organizations
- Senior service provider agencies

Accomplishments

- Established and fully implemented the centralized revenue unit that is responsible for billing Pioneers' Homes residents, receiving and posting payments and processing all payment assistance applications. Prior to the establishment of the revenue unit, these functions were performed separately at each of the six Pioneers' Homes.
- Consolidated the majority of administrative functions previously performed separately at each of the six Homes into two offices, allowing the Pioneers' Homes to reclassify administrative positions into much needed direct-care positions.
- Continued to pursue other strategies for cost containment including centralization, computerization and standardization. Group purchasing, division-wide facilities management, and the in-house pharmacy all provide immediate cost savings while other programs, such as reducing employee injury and therefore workers' compensation costs, will provide savings over time.
- Established the Pioneers' Home pharmacy which resulted in:
 - a cost savings for Pioneers' Home residents. The Pioneers' Home pharmacy provides medications without additional markup or dispensing fees;
 - on-staff pharmacists who have a background and interest in the specialty area of geriatrics and who are dedicated specifically to serving Pioneers' Homes residents; and
 - improved efficiencies and safety controls. Prior to the implementation of the

Pioneers' Home pharmacy, a number of pharmacy sources supplied medications to residents. The difference in the ordering, packaging, labeling, storing, and administration of medications resulted in inefficiencies and potential safety problems.

National Awards:

Anchorage Pioneers' Home: 1998 American Society on Aging Award--Best Practices in Human Resource Management. The Anchorage Pioneers' Home transitioned from a skilled nursing facility into an assisted living facility focusing on the care of those with Alzheimer's Disease and Related Disorders (ADRD). Increased needs of this population, coupled with budget cuts, created a demand for radically increased efficiency. Through the use of cross-functional care teams, the facility was able to improve the quality of care, reduce sick leave usage by over 40 percent, and dramatically reduce employee injury costs.

Juneau Pioneers' Home: August 1998 Eden Alternative Home of the Month. This award is given by the creators of the Eden Alternative. Each month a long-term care facility which best exemplifies commitment to the Eden philosophy, is featured in the Eden Alternative discussion. (See Appendix 2, page 96, for details.)

State Awards:

The 18th Annual Governor's Safety and Health Conference. Out of all public and private organizations in Alaska, two awards were won by the Palmer Pioneers' Home:

1. Governor's Safety Award of Excellence: Given to a company or corporation that has made significant improvement in its overall safety and health program.
2. Special Recognition Award: Given in recognition for developing projects which have had a lasting, positive affect on safety and health.

Key Issues/Initiatives

- The Pioneers' Home system must continue to strive to maintain affordability, defined as the ability of the residents and the state to jointly fund the program.
- Based upon a recent staffing study, the Pioneers' Homes need additional nurse aides to meet the direct-care staffing needs of the residents. Over 190 Pioneers' Home beds were converted from "residential" (coordinated services) to other levels of care within the last ten years. As Alaskans age, this trend will continue and has resulted in a dramatic increase in the amount of direct-care staff assistance required by residents. The Governor's

budget includes a request for 63 additional nurse aide positions which amounts to approximately three aides per Home per shift.

- The heating system in the Fairbanks Pioneers' Home is in urgent need of replacement; funding must be sought to avoid an outright emergency.
- Provide ongoing training opportunities to the staff of all six Pioneers' Homes to enable each home to be registered as an Eden Alternative facility by June 30, 2000. The Eden Alternative concept and approach for care provide a comprehensive prescription for change in the long-term care giving environment. (See Appendix 2, page 96, for a list of the ten principles; see also the Eden Alternative website at 222.edenalt.com.)