ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2731 SCOMM 122: COMMISSION ON PRIVATIZATION..., 1999

Business Advisory Panel. In addition to this panel, her civic service includes work as an English-as-a-second-language tutor for the Literacy Council of Alaska.

Timothy Sharp, who has over 20 years experience as a journeyman, freeman, shop steward, and business representative for labor unions, will serve another 4-year term in the designated labor seat on the Occupational Safety and Health Review Board.

Kes Woodward, chair of the art department at the University of Alaska Fairbanks, has served on the Alaska State Council on the Arts since February of 1997. He will serve another 3-year term on the council.

-end-

COVER SHEET FAX

To: Andree
Fax #: 269-0223
Subject: Long Range Financial Planning Commission
Date: 10/7
Pages: 2 (Including this cover sheet.)

COMMENTS:

Sorry it took awhile.

From the desk of...

Chief Clerk's Office
House of Representatives
Capitol Bldg, Room 214
Juneau, AK 99801

(907) 465-3725
Fax: (907) 465-5334

HCR 1
President Pearce made the following appointments to the Long Range Financial Planning Commission, created by HOUSE CONCURRENT RESOLUTION NO. 1:

Senator Rieger
Senator Lincoln

Public members:
Hugh Motley, Anchorage
Marie Westfall, Ketchikan
Mike O'Conner, Cooper Landing

Senator Salo moved and asked unanimous consent that she be excused from a call of the Senate on March 10. Without objection, Senator Salo was excused.

ANNOUNCEMENTS

Announcements are at the end of the journal.

ENGROSSMENT

SB 3
SENATE BILL NO. 3 "An Act relating to an antitrust exemption for persons engaged in the fishing industry" was engrossed, signed by the President and Secretary and transmitted to the House for consideration.

ADJOURNMENT

Senator Halford moved and asked unanimous consent that the Senate stand in adjournment until 11:00 a.m., March 8, 1995. Without objection, the Senate adjourned at 11:38 a.m.

Nancy Quinto
Secretary of the Senate

March 1995

Representative James - from 6:30 a.m., March 10 to 6:00 p.m., plane time, March 13, 1995

Representative Moses - from 9:00 p.m., March 11 to 7:00 p.m., plane time, March 14, 1995

Representative Hanley - from 6:45 p.m., March 10 to 8:48 p.m., plane time, March 12, 1995

Representative Foster - from 6:00 p.m., plane time, March 9 to 9:30 a.m., plane time, March 14, 1995 (amended from page 509)

Representative Nicholia - from 6:55 p.m., March 13 to 9:30 a.m., plane time, March 20, 1995

Representative G.Davis - from 6:55 p.m., March 16 to 8:48 p.m., plane time, March 19, 1995

There being no objection, it was so ordered.

HCR 1
Representative Vezey stated that pursuant to:

SENATE CS FOR CS FOR HOUSE CONCURRENT RESOLUTION NO. 1(STA) am S
Creating the Long Range Financial Planning Commission.

the Speaker had made the following appointments to that Commisssion:

Judy Brady - Anchorage
Bruce Ludwig - Juneau
Mary Nordale - Fairbanks
Representative Navarre
Representative Parnell

Alaska State Board of Public Accountancy

5 of 7 members must be certified public accountants or public accountants

Aerospace Developoment Corporation

3 members with high level of experience in finance, economic development, or marketing
2 members who hold or have held positions in the aerospace or commercial space industry

Alaska Commission on Again

6 of the 11 members must be older than 60, 2 of whom must be older that 65
7 of the 11 members must have specific knowledge and interest in concerns of older Alaskans

Agricultural Revolving Loan Fund Board

5 of 7 members must have experience in Alaskan agriculture
2 of the 5 shall be farmers with at least 5 years farming experience

Air Quality/Small Business Assistance Compliance Advisory Panel

4 of 7 members who are owners or representatives of owners of small business facilities

Advisory Board on Alcoholism and Drug Abuse

4 of 15 members must be chronic alcoholics with psychosis who are recovering
3 of 15 members must be substance abuse treatment professionals

Alcohol Beverage Control Board

2 of 5 members must be from the alcoholic beverage industry, but not wholesalers

State Board of Registration for Architects, Engineers, and Land Surveyors

2 of 11 must be civil engineers
2 of 11 must be land surveyors
1 of 11 must be mining engineer
1 of 11 must be electrical or mechanical engineer
2 of 11 must be architects

Board of Governors of the Alaska Bar Association

9 of 12 members must be active members of the Alaska Bar Association

Board of Barbers and Hairdressers

2 of 5 must be licensed barbers
2 Of 5 must be licensed hairdressers, one of whom shall be a licensed cosmetologist

Board of Chiropractic Examiners

4 of 5 members must be licensed chiropractors

Correctional Industries Commission

7 of 9 members must be representatives of manufacturing, marketing, and organized labor

1 of 7 must be an ex-offender

Board of Dental Examiners

6 of 9 members must be licensed dentists
2 of 9 must be dental hygenists

Governor's Council on Disabilities and Special Education

50% of the members must have developmental disabilities or be the guardian of an individual with a developmental disability.

Board of Dispensing Opticians

4 of 5 members must be licensed opticians

Alaska Council on Emergency Services

2 of 11 members must be physicians
3 of 11 members must be pre-hospital emergency care providers
1 of 11 must be an administrator of a Native hospital or health care organization

Board of Forestry

1 of 9 must be a commercial fishermen's organization representative
1 of 9 must be a representative of a Native Corporation
1 of 9 must be an environmental organization representative
1 of 9 must be a forest industry trade association representative
1 of 9 must be a professional fish or wildlife biologist who does not work for any government agency
1 of 9 must be a professional forester who does not work for the State of Alaska
1 of 9 must be a recreational organization representative
1 of 9 must be a mining organization representative

Alaska Historical Commission

3 of 7 members must have professional backgrounds in history, architecture, or archeology

Alaska Housing Finance Corporation Board of Directors

1 of 4 members must have expertise in finance or real estate

Statewide Independent Living Council

1 member must be a director of a center for independent living

Commission on Judicial Conduct

3 of 9 members must be attorneys with 10 years of active practice of law in Alaska
3 of 9 members must be judges

Alaska Judicial Council

Chief Justice of the Alaska Supreme Court
3 of 7 members must be attorneys

Board of Marine Pilots

2 of 6 members must be licensed pilots
2 of 6 members must be agents or managers of vessels

Board of Marital and Family Therapy

3 of 5 members must be licensed members of the board

State Medical Board

5 of 7 members must be licensed physicians

Alaska Mental Health Board

1/2 members must suffer from a mental disorder
2 members must be licensed mental health professionals

Board of Certified Direct-Entry Midwives

2 of 5 members must be midwives

North Pacific Fisheries Management Council

State Long Range Financial Planning Commission Report

FINAL REPORT

LONG-RANGE FINANCIAL PLANNING COMMISSION	FY 1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
					(Today's Dollars)					
AVAILABLE REVENUES ($ Millions):										
General Fund Source	1,952	1,882	1,669	1,641	1,607	1,575	1,509	1,464	1,414	1,362
Permanent Fund Earnings (Net of inflation proofing & ERA deposits)	565	500	630	648	677	700	727	759	785	810
NEW TAXES AND FEES ($Millions)										
Highway Motor Fuel Tax (@ $.219/gal., indexed)	-	38	39	39	40	41	41	42	43	43
Marine Motor Fuel Tax ($.08/gal., indexed)	-	5	5	5	5	5	5	5	5	6
Tobacco Tax ($1/pkg cigs; 75%/chewing; +25¢ triennially)	-	42	41	40	50	49	48	57	56	55
Motor vehicle license fees (double)	-	-	27	27	26	26	26	25	25	24
User fee increases	-	3	6	8	11	13	12	12	12	11
Fishery and other resource tax increases	-	-	28	28	28	28	28	28	28	28
Tourism tax increases	-	-	19	19	19	19	19	19	19	19
Alcohol taxes (increase triennially)	-	19	19	19	22	22	22	21	25	25
Income tax	-	-	-	-	-	-	58	224	227	230
TOTAL REVENUE	2,517	2,490	2,483	2,475	2,485	2,478	2,495	2,656	2,639	2,614
EXPENDITURES ($ Millions):										
Total GF spending on current programs	2,476	2,365	2,264	2,167	2,118	2,135	2,152	2,169	2,186	2,204
PF Dividends	565	500	438	378	367	356	345	334	324	314
TOTAL EXPENDITURES	3,041	2,865	2,702	2,546	2,485	2,490	2,498	2,503	2,510	2,517
PROJECTED ANNUAL FISCAL GAP ($ Millions)	[illegible]	[illegible]	[illegible]	(71)	1	(12)	(1)	[illegible]	[illegible]	97
CONSTITUTIONAL BUDGET RESERVE ENDING BALANCE ($ Millions)	1,500	1,456	1,412	1,368	1,326	1,285	1,245	1,207	1,170	1,134
PERMANENT FUND EARNINGS RESERVE ENDING BALANCE	922	1,194	-	-	-	-	-	-	-	-
PERMANENT FUND MARKET VALUE ($ Millions)	17,766	17,625	19,391	20,131	20,804	21,459	22,110	22,867	23,667	24,379
PER CAPITA PERMANENT FUND DIVIDEND	990	852	727	611	582	553	526	501	475	452
PER CAPITA SPENDING	4,938	4,579	4,250	3,941	3,786	3,735	3,686	3,636	3,589	3,543

Special Acknowledgements

The members of the Long Range Financial Planning Commission acknowledge with thanks the contribution of its staff: Brad Pierce, Melissa [illegible], and Bob Walsh. Thanks are due also to House Speaker Gail Phillips, Representative Richard Foster, and OMB Director Annalee McConnell for sharing their staff resources with the Commission.

In addition, the members of the Commission acknowledge the contributions of the Alaska Journal of Commerce and Northwest Strategies in producing this report.

The State Long Range Financial Planning Commission Members

Brian Rogers
Fairbanks
Chairman

Judy Brady
Anchorage
Vice-Chair

Lee Gorsuch
Anchorage

Sen. Georgianna Lincoln
Rampart

Robert Loescher
Juneau

Bruce Ludwig
Juneau

Annalee McConnell
Juneau

Hugh Motley
Cooper Landing

Rep. Mike Navarre
Kenai

Mary Nordale
Fairbanks

Mike O'Connor
Anchorage

Rep. Sean Parnell
Anchorage

Pat Pourchot
Anchorage

Sen. Steve Rieger
Anchorage

Marie Westfall
Ketchikan

An Endowment For Alaska's Future

The State Long Range Financial Planning Commission Report

State Long Range Financial Planning Commission Report
EXECUTIVE SUMMARY

Alaska's fiscal gap is real and growing

The State is spending $524 million more than it will take in during the current fiscal year. That gap will grow to $1.3 billion per year in today's dollars by 2005 if we make no changes to the State's spending and revenue policies.

The Long Range Financial Planning Commission was appointed jointly by the Legislature and Governor in March 1995 to recommend ways to close the gap and put Alaska on firm financial ground. This report details our plan and our recommendations.

What does the plan do? It:

- Makes the Permanent Fund the cornerstone of Alaska's fiscal future.
- Closes the fiscal gap by the year 2000.
- Ensures growth of the Permanent Fund to offset declining oil and gas revenues.
- Stabilizes and diversifies revenues.
- Controls State general fund spending.
- Maintains a reserve to dampen the effect of oil price swings.
- Decreases our dependence on volatile oil revenues.

This is a plan for ourselves and our grandchildren. It requires all Alaskans to share in the solution. No action to close the fiscal gap is the greatest threat to Alaska's financial future.

The Commission was asked to recommend a plan for three, five and ten years. To be sure that plans for these time frames did not create a reoccurring fiscal gap after that, the Commission also looked at the likely effects of its plan over a fifteen year period.

The first three years

The key elements of the three-year plan are to:

Cut spending

- Cut current State general fund spending by $100 million — $40 million in 1996, $30 million in 1997, and $30 million in 1998 — a reduction of $300 million in today's dollars.
- Reduce per capita State general fund spending from $4.020 to $3.692 in four years — a reduction to $3.255 in today's dollars.

Increase Revenues

- Increase tobacco taxes by $1 per pack ($43 million).
- Increase alcohol taxes by 10 cents per drink ($20 million).
- Increase motor fuel tax from the 1961 level of 8 cents/gallon to 22 cents/gallon and increase marine fuel tax by 3 cents/gallon ($44 million).
- Increase user fees by at least $3 million per year, double motor vehicle license fees, and eliminating motor vehicle license fee exemptions ($32 million).
- Establish a new tax to generate at least $20 million from tourists and increase taxes on fisheries and other resources by $30 million.

Use the Permanent Fund as an endowment

- Establish the Permanent Fund as an endowment to partially replace declining oil revenues.
- The endowment will pay up to 4 percent of the Fund's five-year average market value to the general fund for dividends and State services.
- Constitutionally protect Permanent Fund principal by building long-term inflation-proofing into the endowment plan.
- The endowment payout and increased Permanent Fund contribution require voter approval of a constitutional amendment in 1996.

Boost the earning power of the Permanent Fund

- Build Permanent Fund principal by
  (a) making additional special deposits to fund principal;
  (b) increasing the minimum annual deposit to the Permanent Fund;
  and (c) retaining additional earnings in the Permanent Fund.
- Deposit $600 million from the Constitutional Budget Reserve into the Permanent Fund this year.
- Close out the Permanent Fund Earnings Reserve once the endowment is in place, by depositing it into the Permanent Fund (approximately $1.2 billion)
- Increase to 50 percent the minimum contribution to the Permanent Fund from certain oil, gas and mineral lease revenues.
- Retain earnings in excess of the 4 percent annual payout in the fund. Since the projected rate of return to the fund is 4.79 percent after inflation, the Fund should retain earnings above inflation-proofing of at least 0.75 percent annually.

Cap the Permanent Fund Dividend pool

- Reduce the total amount spent for the dividend program from $565 million this year by $50 million a year for each of the next three years.
- Individual dividends will be about $900 next year, $800 in 1997, and $700 in 1998.

Clarify the purpose of the State's reserves

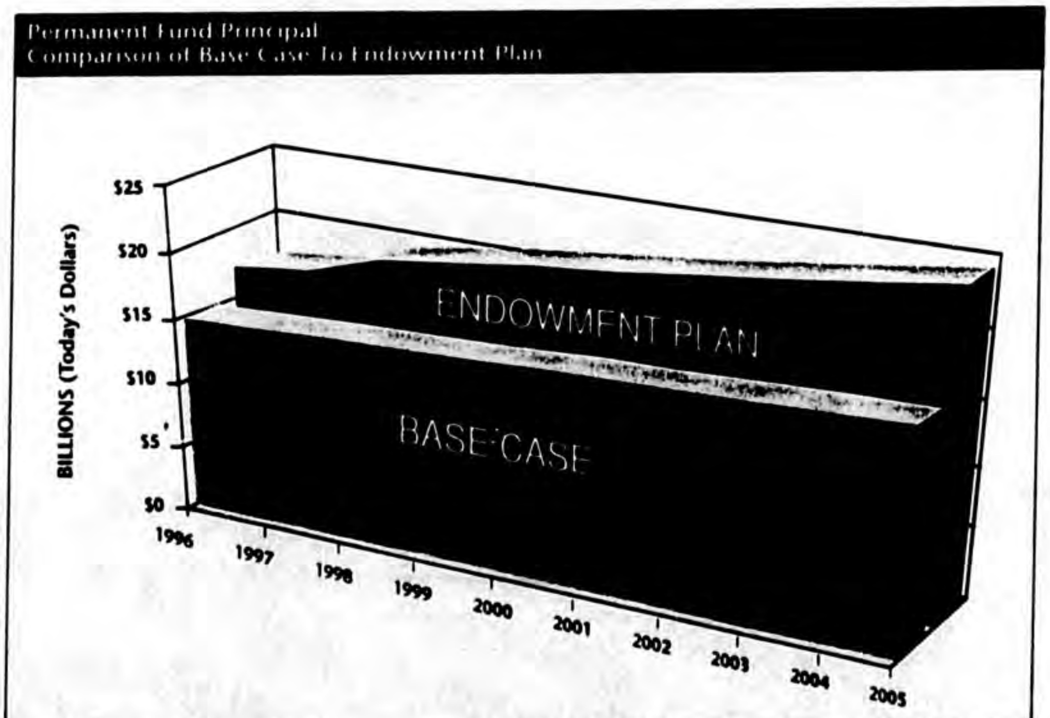
- Maintain the CBR at $1.5 billion to cushion against oil revenue volatility. Clarify its use and repayment in a constitutional amendment.

Reform the budget process

- Scrutinize all State spending, not just State general funds.
- Report annually to the public on progress toward closing the fiscal gap.
- Focus on whether programs are needed, cost-effective and achieve their intended results.

The five- and 10-year plan

In 1999, Alaska comes to a fork in the road. By that time the budget is balanced under the Commission's plan. To prevent the fiscal gap from reappearing, we can cut the budget further, institute a personal income tax, increase other taxes, and/or further reduce dividends. The Commission recommends that a follow-up review be done in late 1998 and early 1999 to adjust the overall plan as needed for the succeeding five to ten years. By that time the budget is balanced and we will know more about ANWR, the gas line and federal budget changes. As a result, decisions for first decade of the next century will be less dependent on speculation. Under our plan, after budget cuts, tax increases, the Permanent Fund endowment and dividend reductions have been made, this Commission recommends the State adopt a personal income tax in 2000 to begin in 2002, once the deficit reappears.



This publication printed for the Long Range Financial Planning Commission. The report is produced at $0.50 cost per copy. Printed and produced in Anchorage, Alaska.

State Long Range Financial Planning Commission Report
FINAL REPORT

Alaska's fiscal gap is real, and it's growing

The State of Alaska spends more than it takes in each year, and has done so for six of the past nine years.

This year, the State will spend $524 million more from the State general fund than it will take in — this is the fiscal gap. That gap will grow to $768 million in three years, to $879 million in 5 years, and $1.253 billion in 10 years (in today's dollars) if we make no changes to the State's spending and revenue policies. Our interim report contains more details about the growing fiscal gap and options available to close the gap.

The Long Range Financial Planning Commission was appointed jointly by the Legislature and Governor in March 1995 to recommend how to close the gap and put Alaska on firm financial ground. In the past six months, as directed by the resolution creating the Commission, the Commission has:

- Reviewed and evaluated State fiscal policy and strategy recommendations and assumptions from reports and publications from similar efforts in the past made by the executive branch, the legislative branch, the University of Alaska, nonprofit organizations, and private individuals and organizations,
- Identified and evaluated all current State income sources and assets, including recurring revenue, reserves, physical resources, and investments,
- Identified systemic changes to stabilize the State's revenue stream,
- Identified major reductions in State expenditures,
- Identified new sources of revenue,
- Projected a sustainable long-range financial plan based on a stable revenue stream,
- Evaluated constitutional, statutory, and regulatory language relating to the budget process,
- Reviewed and evaluated forward funding of the State budget,
- Considered the division of responsibility for providing services and raising revenue between the State and local governments and evaluated the effect of the long-range financial plan on local governments,
- Submitted a preliminary report to the Governor and the Legislature, and
- Disseminated information and solicited public comment.

The Commission's deliberations were aided by substantial work and informative presentations by State agency personnel, the Alaska Permanent Fund Corporation staff, Alaska Municipal League and Conference of Mayors, and private citizens who brought additional perspectives to the table.

The Commission's work focused on elements of State spending which affect the fiscal gap. These include:

- General funds, including program receipts
- Permanent fund earnings
- Funds created by appropriations for specific purposes or as "holding accounts"
- Special revenue funds set out in the constitution or statute.

Certain other funds, while included in the overall budget of the state, are not commonly reported in budget presentations, and do not materially affect the fiscal gap.

These include:

- Federal funds
- Loan amounts and loan administrative costs
- University receipts
- Internal service funds
- Transfers between agencies for contractual obligations, including interagency receipts.

The Commission believes the State budget process should include examination of all spending, regardless of whether the funds affect the fiscal gap. To meet the Commission's charge of closing the fiscal gap, though, we focus on the general fund and Permanent Fund.

The Commission has developed a financial plan for the State of Alaska. It brings Alaska's spending into line with recurring revenues. It balances the needs of current Alaskans with the needs of future generations. It requires that all Alaskans share in the solution.

What the plan does:

Makes the Permanent Fund the cornerstone of Alaska's fiscal future

The plan calls for a constitutional amendment establishing the Permanent Fund as an endowment fund with an annual payout to the general fund based on a rolling five year average. The Permanent Fund will continue to grow with additional deposits, and retain some of its earnings in the next few years so that its income replaces declining oil revenues in the future.

Closes the fiscal gap by the year 2000

The combination of spending cuts, revenue increases, and uses of Permanent Fund income closes the fiscal gap in four years. With imposition of a State personal income tax in about 2002, the budget balances for another five years.

Ensures growth of the Permanent Fund to offset declining oil and gas revenues

The constitutional dedication of mineral lease revenues, royalties and bonuses to the Permanent Fund increases to 50 percent. The annual payout rate from Permanent Fund earnings is capped at a rate of up to four percent of the five-year average market value of the fund, which will allow additional retained earnings to build up the fund. Earnings in excess of the four percent payout rate will, over the long term, fully inflation-proof the fund, and preserve its earning power. Since the projected earnings rate is 4.79 percent above inflation, continued good performance by the fund will result in additional retained earnings of 0.79 percent.

Stabilizes and diversifies revenues

A reliable payout from Permanent Fund earnings will stabilize Alaska's income during periods of oil price volatility and substitute for declining oil revenues. New consumption taxes and business taxes will provide a portion of the State's revenues. These revenues will grow as the State's population grows, providing some links between State revenues and its service needs. The State personal income tax, once imposed in about 2002, will be related to State population growth, and will bring in revenues from non-resident workers.

Controls State general fund spending

The "bottom line" for general fund spending will shrink by five percent per year in today's dollars for the next four years. Depositing of reserve fund balances and a higher level of oil revenues into the Permanent Fund limits the money available to fuel State spending growth.

Maintain a reserve to dampen the effect of oil price swings

The Constitutional Budget Reserve will be available to cushion oil price decreases, and be used to absorb revenues from oil price increases. The second state reserve, the Permanent Fund Earnings Reserve, will be closed and deposited into the Permanent Fund. The Commission recommends maintaining a level of $1.5 billion in the Constitutional Budget Reserve fund. That amount is approximately one year's oil revenues. Amounts in excess of the $1.5 billion level should be deposited in the Permanent Fund. The CBR will be replenished by its own interest income, and we further recommend any excess revenues from temporary oil price increases be deposited in the CBR.

Decreases our dependence on volatile oil revenues

The combination of Permanent Fund income, increased and new taxes and user fees, and the reimposed State income tax, will offset oil revenues as the primary source of funding for State government operations.

The plan closes the fiscal gap with the following steps:

- Cuts spending,
- Increases revenues, and
- Establishes the Permanent Fund as an endowment,
- Caps the Permanent Fund dividend pool.

The first three years

The key elements of the three-year plan are to:

Cut spending

The State cannot continue to spend at the same level it does today. Notwithstanding needs and demands for increased spending and the impending federal transfer of programs to the State, the Commission believes Alaska cannot close the fiscal gap without cutting State spending.

- The plan calls for State general fund spending to be reduced by $100 million in three years — $40 million in FY97, $30 million in FY98, and $30 million in FY99 — a reduction of $300 million in today's dollars.
- This decline of State spending reduces per capita State general fund spending from $4,020 to $ 3,692 in four years — a reduction to $3,255 in today's dollars.
- The Commission believes this level of reduction in State spending will be painful, but is a necessary step toward closing the fiscal gap. Recent legislatures have managed to hold spending level, which has resulted in real reductions to some State programs.
- Within these budget targets, the Commission believes the State should give attention to deficits in the State's infrastructure spending, most particularly for maintenance on publicly-owned facilities, roads and highways.
- The Legislature and the Administration may wish to con-

Continued On Next Page

The Plan Recommended By This Commission

- **Creates a new philosophy for state revenues - Permanent Fund income begins to replace oil revenues**
- **Enhances our ability to save for future generations**
- **Imposes some spending discipline on the State**
- **Defines a role of the Permanent Fund in Alaska's future**
- **Clears up some of the confusion over cash reserves**
- **Suggests embarking upon some structural changes in State government**
- **Involves the public in the decision making process**

State Long Range Financial Planning Commission Report
FINAL REPORT

Continued From Previous Page

sider voter-approved general obligation bond debt as a way to finance capital projects.

General recommendations for budget reductions include:

Public salaries and benefits

• Enact a retirement incentive program to reduce personal services expenditures.

• Enact a new Tier III retirement system to reduce retirement benefits for new State and local government employees.

• Revise geographic pay differentials for non-covered State employees.

• Study geographic cost differentials in Alaska for use during collective bargaining negotiations with covered State employees (and for use in other State formula programs).

• Compare salaries and benefits of public employees to appropriate public and private markets in Alaska and the Pacific Northwest. Use that comparison to move Alaska's public pay system for State employees, local government employees, and school districts to market.

• Examine the publicly funded health plans for State, local government, school district, and University employees as well as those who receive Medicaid. Look for opportunities to save substantial costs through pooling or other mechanisms.

Administrative realignment

• Reengineer the delivery of State services to eliminate excessive administration.

• Consolidate state departments and agencies, and realign administrative services.

• Look for opportunities to privatize State programs or to contract out State services. Allow "insourcing" so groups of State employees can offer their own solutions to reduce costs in programs that may otherwise be contracted out.

Target high-cost programs

• If the current litigation against the Alaska Longevity Bonus is successful (ending the current phase-out), eliminate the program.

• Change the Public School Foundation Formula to reduce the growth in education spending. The required local effort should be reexamined, as well as provisions that allow school districts to obtain greater funding for special category students regardless of the programs offered to those students.

• Enact a welfare reform package to reduce dependency on welfare programs and put current welfare recipients to work.

• Revise fee schedules for services such as Pioneers' Homes to reflect cost and ability to pay.

• Examine areas of State spending with disproportionately high costs when compared with other States and determine whether there are legitimate reasons for such programs.

Shift revenues and responsibilities to local governments

• Repeal the State mandate for senior citizens' and veterans' property tax relief by local municipalities, but allow local option to grant or withhold the exemption.

• Transfer a portion of State motor vehicle and motor fuel tax receipts to local governments together with the responsibility for class III local road maintenance.

• Eliminate or shift some inspections to local governments with the ability to collect fees for program support.

• Eliminate State general fund support of troopers for road patrols in communities of more than 2,500, but allow communities to continue retain such services if they are willing to pay for them.

Avoid new costs

• Freeze issuance of certificates of need for new hospitals and reassess need for additional nursing homes

Funds Which Affect The Fiscal Gap

- **General funds, including program receipts**
- **Permanent Fund earnings**
- **Created by appropriation for specific purposes or as a "holding account"**
- **Special revenue funds where specified in the constitution or statute**

Funds Which Do Not Affect The Fiscal Gap

- **Loan fund administrative costs**
- **Loan amounts**
- **University receipts**
- **Internal service funds**
- **Transfers between agencies for contractual obligations, including interagency receipts**

Funds Which Cannot Be Appropriated To Other Purposes

- **Federal funds**
- **Retirement funds**
- **Health insurance funds**
- **Trust funds**

Increase Revenues

The Commission believes Alaska cannot balance its budget responsibly without new revenues. The Commission has chosen a short-term package of taxes on consumption that imposes real service costs on the state, with a longer-term plan of reimposing the State personal income tax.

Increases to existing taxes include:

Tobacco taxes

• Increase tobacco taxes by $1 per pack on cigarettes and comparable amounts on other tobacco products (raises $43 million annually, beginning in FY97). This tax increase will dramatically lower teenage smoking and tobacco use, and should somewhat reduce tobacco use by adults, both of which will reduce the State's future expenditures on health care costs. The Commission recommends the taxes increase 25 cents per pack every three years.

Alcohol taxes

• Increase alcohol taxes by an average of 10 cents per drink (raises $20 million annually, beginning in FY97). Testimony before the Commission indicated that a substantial portion of the criminal justice system's costs — for police, prosecution, public defense, the courts, and the correctional system — are a result of alcohol abuse. This tax increase pays a small portion of the State's costs that result from abuse of alcohol. The Commission recommends also that taxes be equalized among beer, wine, and distilled spirits so that all alcohol users share in the tax burden. We further recommend that alcohol taxes increase every three years.

Over time, certain of Alaska's tax rates have fallen below the national norms, or have not kept pace with inflation.

We recommend the following increases:

Motor fuel taxes

• Increase motor fuel tax increases from the 1961 level of 8 cents/gallon to the national median of 22 cents/gallon (raises $39 million annually, beginning in FY98). This tax should be indexed to inflation, so it rises as consumer prices rise. The Commission believes these tax receipts should be used to fund road maintenance efforts at the State and local level.

Marine motor fuel taxes

• Increase marine fuel taxes by 3 cents/gallon (raises $5 million annually, beginning in FY98). This tax should be indexed to inflation, so it rises as consumer prices rise. The Commission believes these tax receipts should be used to fund port and harbor maintenance efforts at the State and local level.

Motor vehicle license plates

• Double motor vehicle license fees and eliminate exemptions (raises $29 million, beginning in FY98). These fees are currently well below the national average.

Continued On Next Page

State Long Range Financial Planning Commission Report
FINAL REPORT

User fees

• Raise user fees by approximately $3 million annually and index fees to inflation where practicable.

Fishery and other resource taxes

• Increase taxes on fisheries and other resources by $30 million.

New taxes and changes to tax apportionment include:

• Establish new taxes to generate at least $20 million from tourists. While the Commission was unable to reach consensus on the precise method for gaining additional revenue from tourists or the tourism industry. The Commission believes this part of our economy does not fully pay for the State's cost of providing infrastructure and support to the industry.

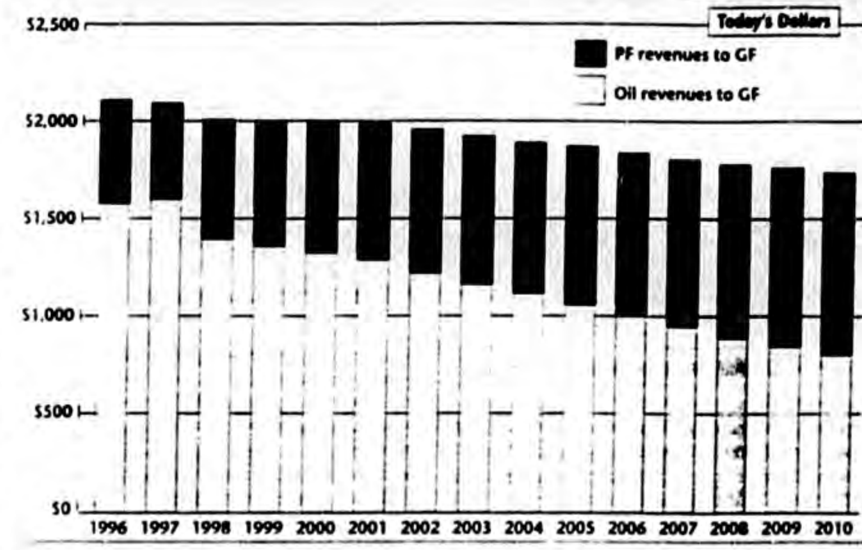
• The Commission believes the State's oil and gas production property tax, currently set at 20 mills, should benefit both the State and local governments affected by oil development. State law should be amended to limit the local government share to 10 mills on new oil and gas properties built after 1995, ensuring the State receives at least 50 percent of this revenue source.

The Commission considered additional taxes on the oil industry. We found that Alaska is currently in the mid-range of oil taxation nationally. We believe that Alaska is already too dependent upon oil revenues, and that higher oil taxes would create a disincentive to attract and retain petroleum development in Alaska. We believe our plan for closing the fiscal gap and providing a stable revenue and spending climate will ultimately result in increased petroleum revenues as the industry responds by further investment in Alaska oil exploration, development and production.

Establish the Permanent Fund as an endowment

When the Permanent Fund was established in 1976, public debate centered on setting aside a portion of today's oil wealth to meet the needs of future generations of Alaskans. Later, the Legislature adopted the dividend plan to heighten public interest in preserving the fund and guarding its investment performance, and to directly distribute some of Alaska's oil wealth to its citizens. The Commission believes it is time to follow the original intent of the fund, preserving current capital wealth for current and future generations of Alaskans. The Commission believes the best method for doing this is to follow traditional endowment principles. For our Permanent Fund those principles include preservation of the fund, the best possible level of performance of the fund, and the preservation of Alaska's oil wealth for future generations of Alaskans.

Permanent Fund Earnings Replace Oil Earnings



Our plan calls for the Permanent Fund to grow as an endowment for the State.

• The plan establishes the Permanent Fund as an endowment that pays up to four percent of the Fund's five-year average market value to the general fund for the dividend program and State services. This use of Permanent Fund earnings will partially replace declining oil revenues. The Commission recommends a four percent payout based on the experience of other endowment funds in the United States, and takes into account the Permanent Fund's earning experience, asset allocation, and need to protect the principal.

• Earnings of the Permanent Fund in excess of this four percent payout rate are retained in the fund. Years with good investment performance will, over the long run, balance years with poor investment performance in order to more than fully inflation-proof the fund.

• The plan calls for an increase to 50 percent of the minimum contribution to the Permanent Fund from certain oil, gas and mineral lease revenues. The plan calls for an amendment to the constitution to achieve that increase.

• The endowment is further built up by a deposit from the Permanent Fund Earnings Reserve and deposits of any funds in excess of $1.5 billion in the Constitutional Budget Reserve.

Cap the Permanent Fund Dividend pool

The Permanent Fund Dividend program is an important source of protection for the principal of the Permanent Fund and it is important source of income to Alaskans. Without changes to the program, however, dividends will grow to take a major share of State revenues — $965 million in 2005. The Commission recommends:

• Reduce the total amount spent for the Permanent Fund Dividend program from $565 million this year by $50 million a year for three years.

• Individual dividends will be about $900 next year, $800 in 1997, and $700 in 1998.

Clarify the purpose of State's reserves

The State maintains two reserve funds that are important in the effort to close the fiscal gap — the Constitutional Budget Reserve (CBR) and the Permanent Fund Earnings Reserve Account (PFER). The CBR consists of funds received in settlements of administrative proceedings or litigation regarding mineral lease bonuses, rentals, royalties, royalty proceeds and taxes. The PFER is a holding account into which is deposited all investment income until the transfers to principal for inflation proofing and to the dividend fund are made. Excess funds in the PFER are held and invested in the same manner as the principal of the Permanent Fund. The Commission determined that under our plan the state needs only one significant reserve.

• The CBR should be maintained at a level of $1.5 billion to provide stability in the event of a rapid decline in oil prices or production or in the event of a natural disaster. That amount is approximately one y[illegible] oil revenues. Funds in excess of that amount should be [illegible]ted into the principal of the Permanent Fund. Earnings from C[illegible]R investment should continue to flow into the CBR.

• Funds in the CBR should be invested in accordance with the prudent investor rule based upon the purposes of the reserve. The commission recommends that the general fund be allowed to borrow against the CBR to even out the flow of funds required to meet monthly cash flow needs.

• The sweep provisions in the current CBR should be eliminated (Article X, Section 17 (d) of the Constitution). Sufficient controls on the use and withdrawal of funds from the CBR are achieved by limiting withdrawals from the fund to make up for projected annual revenue declines rather than availability of funds.

• Once the constitutional amendment establishing the Permanent Fund as an endowment is in place in FY98, all funds in the Permanent Fund Earnings Reserve should be deposited into the principal of the Permanent Fund. As an endowment, the Permanent Fund will be effectively inflation-proofed. The dividends will be payable out of the automatic annual withdrawal.

Reform the budget process

The Commission found the budget process does not yield

Continued On Next Page

Total Revenues Vs Expenditures

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State Long Range Financial Planning Commission Report
FINAL REPORT

How Big Is The Fiscal Gap? $524 Million in Fiscal Year 1996

- **Equal to all the salaries and benefits paid to all state agency employees**
- **Almost as much as the whole Permanent Fund dividend program**
- **It equals three-quarters of the entire K-12 public school funding program**

Continued From Previous Page

adequate information concerning the State's finances, nor does it describe what we get for what we spend. It discourages appropriate scrutiny of overall State spending. Although the fiscal gap relates to State general fund spending, special funds set aside or collected affect services delivered by the State and require oversight and control.

• The budget process should include review of all State spending, not just State general funds. The executive and legislative branches should establish procedures to provide appropriate scrutiny and disclosure.

• A report to the public should be prepared annually on progress toward closing the fiscal gap. The Commission suggests the spreadsheet format it has used to show the existence or absence of a fiscal gap for the current and succeeding 10 years.

• The legislature should review each program funded or operated by the State, including loans and special appropriations to determine whether or not it meets its intended purpose and whether the program is needed in the 21st century. State programs should also be reviewed to determine if the service is better delivered at the local level.

• Capital improvement funding should be based on a six-year plan to achieve greater efficiencies in funding, planning, construction and maintenance.

The Commission was asked to examine the division of responsibility for providing services and raising revenues between the State and local governments. This area deserves intensive examination, substantially more than the Commission had time to give it. The Commission believes that the State and local governments must continue to work on the issue of the division of State and local responsibilities.

The five- and ten-year plan

In 1999, Alaska comes to a fork in the road. To prevent the fiscal gap from reappearing, we can cut the budget further, reinstitute the State personal income tax, increase other taxes, and/or further reduce dividends. The Commission recommends that a follow-up review be done in late 1998 and early 1999 to adjust the overall plan as needed for the succeeding five to ten years. By that time the budget should balance and we will know more about several things that are now uncertain such ANWR, the gas line and federal budget changes. As a result, decisions for the first decade of the next century will be less dependent on speculation.

This Commission recommends reimposition of the State personal income tax once the deficit reappears. Under the Commission's plan, after cutting spending and raising revenues, the fiscal gap reappears in about the year 2002. A personal income tax act will require enactment in the year 2000 in order for it to take effect in 2002.

First Session Progress Report on the Financial Plan

Legislation

1. Resolution approving financial plan.
2. Permanent fund endowment constitutional amendment goes to the voters.
3. Constitutional budget reserve constitutional amendment goes to the voters.
4. Retirement incentive program.
5. Tier III to reduce retirement costs for new hires.
6. Geographic pay differential for non-covered employees.
7. Road/harbor transfers to local government and fuel tax increases.
8. Senior/veterans tax exemption becomes local option.
9. New oil & gas property tax has 50/50 split before debt
10. Tobacco tax increase.
11. Alcohol tax increase.
12. User Fee increases of at least $3 million

Budget Action

1. Meet fiscal gap target (about $390 million): $40 million cut from FY96.
2. Show all funds in State spending plan.
3. Deposit from CBR into Permanent Fund as in plan.
4. Administrative consolidations.
5. Six year capital plan approved.
6. Show Permanent Fund earnings and dividends as part of budget.
7. Do maintenance and deferred maintenance within budget target.
8. Start performance based budgeting.
9. Reduce growth rate of Medicaid and AFDC.

Second Session Progress Report

Legislative Action

1. Fisheries and other resource tax.
2. Tourism tax or self-support of industry promotion.
3. Deposit from CBR to Permanent Fund as in plan.
4. Additional $3 million in fee increases/indexing.

Budget Action

1. Meet fiscal gap target of about $220 million: $70 million cut from FY96.

Third Session Progress Report

Legislative Action

1. Resolution creating financial planning Commission to review progress and make new recommendations.

Budget Action

1. Meet fiscal gap target of about $60 million: $100 million cut from FY96.

What The Plan Does

- **Makes the Permanent Fund the cornerstone of Alaska's fiscal future**
- **Closes the fiscal gap by the year 2000**
- **Ensures growth of the Permanent Fund to offset declining oil and gas revenues**
- **Stabilizes and diversifies revenues**
- **Controls state general fund spending**
- **Maintains a reserve to dampen the effect of oil price swings**
- **Decreases our dependence on volatile oil revenues**

Report

2004	2005
1,414	1,362
785	810
-	-
-	-
43	43
5	6
56	55
25	24
12	11
28	28
19	19
25	25
227	230
-	-
2,630	2,614
-	-
-	-
2,188	2,204
324	314
-	-
2,510	2,517
-	-
[illegible]	[illegible]
-	-
1,170	1,134
-	-
-	-
-	-
23,887	24,378
-	-
475	452
3,580	3,543

Members

State Long Range Financial Planning Commission Report
DISSENTING OPINIONS

By State Sen. Steve Rieger

The Long Range Financial Planning Commission has identified a series of measures which would balance revenues and expenditures over the next ten or more years. However, the final Commission Report goes beyond that task, and recommends additional taxes beyond those which are part of closing the fiscal gap, and which instead serve to place additional money into the corpus of the Permanent Fund. These additional measures are excessive.

The major reason for concern about the fiscal gap was the prospect that, if action was not taken, there would be a crisis reached which would trigger a sudden drop in state spending and threaten the economy and people's jobs, or a major (in the nine figures) new tax such as an income tax or statewide sales tax, or both. These outcomes are all avoided in the Minority Report's plan. However, a major new tax is included in the Commission report.

The Composite Scenario

A set of meaningful but non-precipitous budget cuts, a series of smaller taxes and fees, and use of a portion of the Permanent Fund's earnings after inflation-proofing, closes the gap entirely for about a decade. Under a "Composite Scenario" developed during the Commission's deliberations, (and using the Commission's assumptions), by the year 2010 these measures would also result in a Permanent Fund balance of almost $30 billion and additional cash reserves of over $5 billion. In today's dollars these numbers would be over $19 billion and $3 billion respectively. The Composite Scenario represents a reasonable course for Alaska.

Where the Commission Report and the Minority Report part company most dramatically is the extent to which they pursue the goal of making the Permanent Fund an "endowment" for future government spending. To pursue this thought, the Commission Report recommends diverting an additional $250 million of today's royalties away from the general fund and into the Permanent Fund, thereby cutting the present state revenue stream by approximately $250 million per year and actually increasing the fiscal gap; by dumping most present or forecast cash reserves into the Permanent Fund; reducing the dividend payout more than in the "Composite Scenario" referred to above; imposing an additional $40 million to $50 million per year in small taxes over those used in the Composite Scenario; and by imposing a major new personal income tax generating $385 million per year by the year 2010. These measures, including the smaller reserves, result in a Permanent Fund which is a little over $40 billion in the year 2010, or the equivalent of $26 billion in today's dollars.

In the Minority Report's view, these additional measures are not worth the sole accomplishment of a Permanent Fund which is 1/3 larger in size. They do not succeed in creating an endowment for state spending, and impose taxes where they are not needed. The Permanent Fund can be a very substantial source of stability and cash for the future. However, in neither the plan advanced by the Commission nor in the Composite Scenario does it come even close to being the sole source of funding for state government.

The fiscal gap can be closed satisfactorily for the next decade with a much more modest set of measures. These measures would be similar to those shown in the Composite Scenario referred to above. A full version of this Minority Report and the Composite Scenario spreadsheet are available by calling 258-8188—we will mail it to you.

State Sen. Steve Rieger, R-Anchorage, was a member of the State Long Range Financial Planning Commission.

By State Rep. Sean Parnell and Hugh Motley

The Commission's Plan Failed to Recognize and Address Alaska's Fundamental Problem: Unstable, Unpredictable Revenues

- Alaska depends upon volatile natural resource revenues for state spending.
- Alaska spends those resources, under the current system, at an unsustainable rate.
- A sustainable level of government spending cannot be defined until Alaska has a *stable* source of revenue.
- The Commission spent the majority of its time grappling with how to close the present fiscal gap rather than focusing on how to stabilize Alaska's revenue stream.
- Alaska's revenue stream must be stabilized and made sustainable for a healthy future: long range planning is impossible without a predictable revenue stream.

The Commission's Plan Is Unacceptable to the General Public

- The plan assumes the current level of government spending is acceptable and sustainable.
- The public does not accept this premise and will not accept the plan's recommendations for new taxes, cuts in permanent fund dividends, and expending permanent fund earnings to increase state government unless more meaningful reductions are made.
- The Commission's plan recommends creating a partial endowment using the permanent fund to increase spending.
- The Commission's partial endowment fails to stabilize revenues and fails to define a sustainable level of spending.
- The Commission's plan relies on "faith in the Legislature" rather than building fiscal restraint into the legislative budget process.

The Benefits of a True Endowment System

- The true endowment establishes a stable and sustainable level of revenues for state funding.
- The true endowment constitutionally forces fiscal restraint upon the Legislature and Governor.
- The true endowment strengthens and protects the permanent fund.
- The true endowment constitutionally protects future windfalls (ANWR taxes and royalties, for example) by depositing them in their entirety to the corpus of the permanent fund.

Principles to Use for Closing the Present Fiscal Gap

- Once resource revenues have been stabilized through a *system*, a long range financial plan can be developed.
- A fiscal plan should prioritize meaningful budget reductions before taxes.
- State agencies should be consolidated to operate more efficiently.
- Voters, not the Legislature, must approve an income tax.

State Rep. Sean Parnell, R-Anchorage, was a member of the State Long Range Financial Planning Commission.

By Senator Georgianna Lincoln

A Different Opinion

While I believe the Long Range Financial Planning Commission did an admirable job identifying the options for closing Alaska's ever-widening fiscal gap, I have concerns that lead to this opinion. I did vote to advance the final document to the Governor and the Legislature, as did the majority of the Long Range Financial Planning Commission. However, I do not believe any commission member considered this to be an endorsement of everything within the report. It must be pointed out the commission was given a huge task to accomplish within a very short time and with an extremely small budget.

I applaud the commission for giving the public the opportunity to participate in its work, with serious attention paid to the comments throughout our deliberations. One subject which received, in my opinion, strong public support has not been incorporated into the commission's recommendations and that is reinstitution of the state income tax now. During my years in the legislature, I have wrestled with the wisdom of such an action. Since 1990, Alaska has grown by approximately 100,000 residents with as much as 25 percent of our work force being non-resident; non-residents contribute little to our economy but take much from it. The current plan recommends immediate introduction of a number of smaller taxes based on use with the state income tax implemented *after the year 2000*. I believe a state income tax, which taxes everyone (**resident and non-resident**) equitably, would result in a reduction to the state's fiscal gap, but would not result in such a huge, immediate reduction in state government programs as proposed by the commission. Recommended cuts to these programs would devastate those who can least afford them — our youth, our elders, and the disadvantaged. *Again*, it was my sense in listening and talking to citizens across the state that folks are willing to reinstate the state income tax **now** and not later as the commission report recommends.

We **do not** know specifically what Washington D. C. will do within the next year in terms of revisions and/or reductions to programs such as welfare reform, Medicaid, and the transfer of federal responsibility for services such as transportation and education to the State. We do know many of these decisions will have a major negative fiscal impact on our Alaska citizens.

Further, I believe economic opportunity is another key to closing the fiscal gap. Jobs, jobs, jobs!!! This plan does not go far enough in providing incentives for entrepreneurship or enhancing economic opportunity throughout our state. In failing to do so, the plan does not propose solutions to diversify the economy, create jobs, and end the vicious cycle of welfare. We must analyze, in the proper perspective, the impacts of closing the fiscal gap in a rational manner. Without question, the state must cut spending to close the fiscal gap. Although I support many of the commission's current recommendations, I caution those responsible for implementing a final plan to ensure cuts are spread equitably and economic and job development reaches the smallest of communities throughout our great state.

State Sen. Georgianna Lincoln, D-Rampart, was a member of the State Long Range Financial Planning Commission.

SENATE CS FOR CS FOR HOUSE CONCURRENT RESOLUTION NO. 1(STA) am S

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Amended: **2/10/95**
Offered: **2/8/95**

Sponsor(s): REPRESENTATIVES Phillips, B.Davis, Green, Rokeberg, Navarre, James, Williams, Bunde, Kohring

A RESOLUTION

Creating the Long Range Financial Planning Commission.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS state spending has exceeded recurring revenue to the state; and

WHEREAS the state must eliminate the fiscal gap; and

WHEREAS the state is currently forced to deal with an unpredictable and declining revenue stream; and

WHEREAS the state must find a means of stabilizing revenue and expenditures at a sustainable level; and

WHEREAS the state's system of budgeting and spending must be analyzed and reevaluated by the legislature; and

WHEREAS the citizens of the state should have an opportunity to consider these topics, offer comments, and participate in developing a long-range financial plan for the state; and

WHEREAS it would be beneficial to the state and its citizens to implement a long-range financial plan to promote economic stability by diversifying the state's economy and lessening dependence on oil revenue;

BE IT RESOLVED that the Alaska State Legislature establishes the Long Range Financial Planning Commission in order to develop and recommend to the governor and the legislature a long-range financial plan for the state; and be it

FURTHER RESOLVED that the commission shall consist of the following voting members:

(1) nine members of the public, not to include members of the legislative, executive, or judicial branches; the Speaker of the House of Representatives, the President of the Senate, and the Governor shall each appoint three of these members;

(2) two members of the House of Representatives appointed by the Speaker of the House; one member shall be a member of the majority and one a member of the minority;

(3) two members of the Senate appointed by the President of the Senate; one member shall be a member of the majority and one a member of the minority; and

(4) two members of the executive branch appointed by the Governor; and be it

FURTHER RESOLVED that the commission shall select a chair and vice-chair from among the public members of the commission, shall meet as frequently as the commission determines necessary to perform its work, may meet during the interim, and may meet and vote by teleconference; and be it

FURTHER RESOLVED that the public members of the commission shall serve without compensation but are entitled to travel expenses and per diem as authorized under AS 39.20.180 for boards and commissions; and be it

FURTHER RESOLVED that the commission shall

(1) review and evaluate state fiscal policy and strategy recommendations and assumptions from reports and publications from similar efforts in the past made by the executive branch, the legislative branch, the University of Alaska, nonprofit organizations, and private individuals and organizations;

(2) identify and evaluate all current state income sources and assets, including recurring revenue, reserves, physical resources, and investments;

(3) identify and prioritize systemic changes to stabilize the state's revenue stream;

(4) identify and prioritize major reductions in state expenditures, to include formula and nonformula programs, and to include proposed consolidation, transfer, or elimination of governmental services or programs; the reductions identified and prioritized under this paragraph must at least equal the current fiscal gap between recurring revenue and recurring expenditures;

(5) evaluate forward funding of the budget;

(6) identify and prioritize new sources of revenue;

(7) project a sustainable long-range financial plan for the next three years, five years, and 10 years, based on a stable revenue stream;

(8) evaluate constitutional, statutory, and regulatory language relating to the budget process and recommend changes;

(9) consider the division of responsibility for providing services and raising revenue between the state and local governments and evaluate the effect of the long-range financial plan on local governments;

(10) submit a preliminary report to the Governor and the Legislature by July 15, 1995;

(11) disseminate information and solicit public comment;

(12) submit a final report to the Governor and the Legislature by October 1, 1995, recommending a long-range financial plan for the state, including specific actions and legislation needed to implement and monitor the plan; and be it

FURTHER RESOLVED that the commission is authorized to begin work immediately upon the appointment of its full membership or March 15, 1995, whichever date is earlier, and is terminated upon the convening of the Second Regular Session of the Nineteenth Alaska State Legislature.

MARKETING

ALASKA

The Governor's Economic Development Initiative

1996 Summary

Governor's Message

Early in my Administration, I asked Alaska's best and brightest from both the public and private sectors and challenged them to develop ideas to prepare Alaska for the changing global economy of the 21st century. Their results—the Marketing Alaska report - reinforce my belief that the path to a vibrant economic future for Alaska families depends on a cooperative partnership between government and the private sector. With this in mind, my Administration has strived to create a healthy business climate in Alaska—a climate that helps Alaskans and their businesses succeed. Marketing Alaska will take this mission one step further by promoting Alaska products outside our state and truly making Alaska open and ready for business.

These recommendations focus on areas important to Alaska's economy: forest products, mining, seafood, small business, technical services such as telecommunications and transportation, tourism, and cultural resources such as Native heritage. These recommendations will reinforce my Administration's efforts to further strengthen Alaska's economy by detailing ways state government could better assist Alaska businesses, add more value to Alaska's resources, bring more jobs to Alaska, and open up more markets for Alaska's goods and services.

I believe these recommendations will chart a path towards a strong, diverse economy. Please take a look at these recommendations and let us know what you think. By working together, we can build a bright future for Alaska's families.

Tony Knowles
Governor

Marketing Alaska

The Governor's Economic Development Initiative

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MARKETING
ALASKA

Marketing Alaska

The Governor's Economic Development Initiative

1996 Summary

I. Introduction

MISSION

Marketing Alaska is a multi-year program to create quality jobs for Alaskans, and to encourage more commerce with Alaska-based business, while protecting the state's environment and its cultural resources.

OVERVIEW

Alaska has a rich array of natural and cultural resources. Translating this wealth into economic opportunities for all Alaskans and maintaining the basis of this valuable heritage is a challenge that can be met through planned development and creative marketing. **Governor Knowles introduced the *Marketing Alaska* initiative in his State of the State Address, saying "Alaska is open and ready for business."** As a participant in the global economy, Alaska must be smarter in how it markets its uniqueness. *Marketing Alaska* will promote economic opportunities and foster job creation through the expansion and creation of industries, and will incorporate both domestic and international trade opportunities. *Marketing Alaska* creates a dynamic, ongoing development process based on a partnership between the state government, private industry, the federal government, local government, and the public.

The *Marketing Alaska* recommendations are aimed at three broad goals:

1. Investing in Alaska's Future
2. Creating Opportunities for Alaskans and their Communities
3. Selling Alaska Goods and Services to the Nation and the World

II. Process

Marketing Alaska sector work groups were established to maximize resources and set realistic targets. The work groups were limited to the following sectors:

- Cultural Resources (including Alaska history, Native heritage, and Native arts and crafts)
- Forest Products
- Mining and Minerals
- Oil and Gas (Oil and Gas Policy Council—producing separate reports)
- Seafood
- Small Business
- Technical Services (including telecommunications, environmental services, oil and gas support services, transportation and logistical services, information technology services, education and training services, research and science, and architecture, engineering and construction)
- Tourism (including film production)

Each work group was co-chaired by the private and public sectors and was comprised of government, industry, public interest, legislative, and university representatives. Staff were assigned to each work group from the Department of Commerce and Economic

Development and other state agencies. The combined work groups had 114 official members. Many other individuals were consulted for their expertise.

The primary purpose of the sector work groups was to develop sector strategies under the general direction of the *Marketing Alaska* Executive Committee. The key purpose of the sector strategies is to identify realistic and specific actions that state government can perform to enhance the sectors and fulfill the *Marketing Alaska* mission.

Essential components of the sector strategy included: an assessment of product's/service's success in existing markets; industry's capacity to expand the market; meaningful participation from industry; extensive coordination amongst state agencies; focused sector meetings; identification of each sector's commitment to work together with government (contributing time, knowledge and resources); realistic objectives; and specific action plans.

Committees were established within sector work groups to address specific issues and opportunities. To assure that the *Marketing Alaska* team created strategies that were compatible with local and regional goals, organizations including the Alaska Regional Development Organizations (ARDORs), non-profits and industry groups were identified within each sector to participate in the planning process. Out of all their work, the sector groups -- in response to the *Marketing Alaska* mission—developed 214 recommendations affecting many aspects of state government.

Marketing Alaska Executive Committee. Under the direction of Governor Tony Knowles and chaired by William Hensley, commissioner of the Department of Commerce and Economic Development, the *Marketing Alaska* Executive Committee included Jerome Komisar, president of the University of Alaska, John Katz, director of the Washington, D.C. Governor's Office, John Shively, commissioner of the Department of Natural Resources (DNR), Frank Rue, commissioner of the Department of Fish and Game (ADF&G), Mike Irwin, commissioner of the Department of Community and Regional Affairs (DCRA), Joseph Perkins, commissioner of the Department of Transportation and Public Facilities (DOTPF), and Tom Cashen, commissioner of the Department of Labor (DOL). Representing the private sector were Gregory Carr (Gregory and Associates), Janie Leask (NBA), and Bill Allen (VECO).

The primary role of the executive committee was to oversee the development and implementation of the *Marketing Alaska* program. The *Marketing Alaska* program was based on a sectoral approach to economic development, where each industry is considered as a separate sector. The executive committee ensured that other legitimate perspectives and concerns, present in each sector, were integrated into the overall program including the local and regional perspective, transportation, manufacturing, and international trade.

SECTOR WORK GROUP SCHEDULE AND PROCESS

Each sector work group established its own meeting schedule to accomplish its goal of developing a sector strategy within the established timetable.

Each sector strategy document included:

- current market situation, which presents relevant background data on the market, product, competition, distribution, infrastructure, and global environment;
- opportunity and issue analysis which identifies the main opportunities/threats, strengths/weaknesses, and issues facing the sector/product;
- goals and objectives of the strategy; and
- recommendations to meet the strategy's objectives.

Each economic sector work group submitted its strategy for initial review by the *Marketing Alaska* Executive Committee. Sector work groups made final revisions to strategies in October before submitting their final reports to the executive committee.

III. Major Themes of the Sector Work Group Recommendations

The executive committee discussed and reviewed the 214 recommendations contained in the seven sector reports, combining them into 184 recommendations. In the process, the committee, first, categorized the recommendations by nine subject areas (education and training, government policies, infrastructure, marketing and trade promotion, planning, public information, regulatory reform, research and development, and rural development) to determine the areas of state government that were addressed by the recommendations. Second, the committee identified the five major themes that were present in all sectors and cut across all subject areas.

A. MAXIMIZE THE VALUE OF ALASKA'S NATURAL AND CULTURAL RESOURCES

Appropriate access to and marketing of Alaska's natural resources and cultural heritage offers economic opportunities for all sectors as well as personal opportunities for employment, education and an improved quality of life for Alaskans and their families.

B. ENSURE A FISCALLY RESPONSIBLE AND STABLE STATE GOVERNMENT

An inviting business climate will be created by balancing the state government's budget and by maintaining state services at a level competitive with other states in the nation. Fiscal stability is needed to ensure that the state agencies managing state resources that support private sector projects would have the funding necessary to do their work and to reassure investors that Alaska is a good place to develop projects and do business.

C. STRENGTHEN THE RELATIONSHIP BETWEEN THE PUBLIC AND PRIVATE SECTORS

Continued collaboration between government, private industry and the public is needed to balance all of the state's interests in reforming the regulatory process and developing policies, regulations, enforcement procedures, services, and economic development strategies. Government should operate in a customer friendly fashion and move away from acting solely as an "enforcer" to acting as an aide to responsible commercial development.

D. PROMOTE VALUE-ADDED PROCESSING AND MANUFACTURING

Alaska has outstanding potential for advancing value-added processing and manufacturing and new product development in those areas in which the state has relative advantages, such as forestry, fisheries, and mining. The expansion of local, year-round value-added processing would increase the value of Alaska's resources and expand employment opportunities for Alaskans.

E. MAINTAIN AND ENHANCE INFRASTRUCTURE AND HUMAN RESOURCES

Maintenance and enhancement of the state's infrastructure—transportation, education systems, telecommunications—is necessary to ensure a solid foundation for economic growth. Of particular importance are federal transportation funding that keeps pace with the state's needs, investments in labor force preparation through "school to work" and "technical preparation" programs, and the advancement of the state's "electronic highways."

IV. Implementation of Recommendations

The executive committee discussed each recommendation and sorted them into implementation categories: top priority action, immediate action, and further dialogue needed. The executive committee selected 21 recommendations as top priority action items which should be implemented immediately to signal that Alaska is truly open and ready for business. The top priority recommendations are identified in each of sector recommendation sections which follow. Immediate action recommendations will be forwarded to the departments for implementation. Further dialogue recommendations will be revisited by the executive committee for additional information, research, discussion, or revision.

V. Corporate Calling Program

One of the key components of *Marketing Alaska* is the Corporate Calling Program. As the number one sales person for the state, Governor Knowles, along with each commissioner and other administration officials, when convenient during regular business travel, will personally meet with chief executive officers or senior officials of prominent companies currently doing business in the state. Often this means traveling to the company's headquarters and making an executive-level contact to find out what Alaska can do to help companies increase their level of investment in Alaska, leading to expanded production or services, and more employment.

VI. Marketing Alaska in the Future

Perhaps the greatest lasting value of *Marketing Alaska* to date is the contacts which have been made between parties who rarely meet face-to-face, and the opportunity the parties had for a wide-ranging and open discussion about many issues. All of the sector groups wanted to see this "dialogue" continued. They would like to be part of the continuing discussion about the issues and the implementation of specific *Marketing Alaska* recommendations.

The executive committee's intention is to set Alaska's state government on a new course by moving forward with the implementation of many of the specific recommendations, focusing on areas with high unemployment. For other recommendations, the initial implementation can start now with the results to occur in the years to come. All of these recommendations are listed in the "*Marketing Alaska* Executive Committee Report to the Governor" (in matrix format).

For those recommendations that, in the executive committee's judgement, require more information, further research, or additional discussion (listed under the heading "Further Dialogue Needed"), the executive committee recommends that the sector groups and the affected state agencies work with all interested parties to resolve the problems. The recommendations all highlight areas where Alaska's private/public partnership could be strengthened.

Many of the sectors deferred discussion of promotional activities. They felt that improved products, a friendlier business climate, and the development of human resources were the most important subjects to consider at this time. Other sectors felt that more discussion was needed to chart future marketing efforts.

Marketing Alaska is an on-going process through which Alaska's state government can obtain guidance on the issues and opportunities it should address related to economic development. While it continues to work with Alaska's industries, the state government will also initiate an annual report card to the Governor -- listing the *Marketing Alaska* recommendations -- to measure the progress and the effectiveness of the efforts developed through this initiative. Together, the government, the public, and industry can ensure quality jobs for Alaskans, while protecting the environment.

MARKETING

ALASKA

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Marketing Alaska

Executive Committee

Summary

The Marketing Alaska Executive Committee, in looking at the reports from all of the economic sectors, found issues that required more comprehensive consideration. To address these issues, the committee prepared four new recommendations. Three are based on recommendations in the sector reports and one is based on the separate work of the Governor's Oil and Gas Policy Council.

Recommendations

Top priority

1 Establish or continue work groups or advisory committees for industry representatives, the public, and state government officials to discuss regulatory issues and build upon present administration efforts. The goal is to promote a business friendly regulatory system in the state, while protecting the environment, maintaining healthy natural resources, and safeguarding the interests of Alaska workers. The groups and committees shall report to the Governor by July 1, 1996 with lists of recommendations involving administrative policies or statutory changes. Specific subjects to address include:

a. **Seafood Industry** — Labor, environmental, and fisheries management regulations.
b. **Forest Products Industry** — Integration of the air, land and water quality regulatory process both within agencies and where there are impacts on other agencies' jurisdictions in order to share expertise, develop common recommendations and conditions, and avoid high industry costs caused by segmented consideration and implementation of regulatory requirements.
c. **Mining Industry** — Policies for determining and facilitating how minerals projects can be developed to meet environmentally responsible and acceptable standards rather than why projects cannot be developed.
d. **Tourism and Film Production** — An effective and efficient permit process to make land use permitting consistent, accessible and timely.
e. Training for government employees, private industry and the public about how to participate in consultative, nonconfrontational decision-making.
f. Customer service training for all state employees complete with an evaluation process to ensure its effectiveness.

2 Issue a challenge to each state cabinet member to propose innovative solutions to funding resource management and economic development proposals. Report back to the Governor by August 30, 1996. Suggestions made by the Marketing Alaska sector work groups involve agreements and joint ventures with the private sector. Some of the innovative means may require legislative changes to allow the agencies to receive or direct the allocation of funds received or offered by private industry.

3 Initiate a multi-departmental analysis of the tax incentives and other fiscal measures recommended by the various sector work groups to encourage the in-state, value-added processing of seafood, timber, and other natural resources. Complete the analysis within six months. Use the analysis to determine the fiscal and other impacts of the recommendations. Based on the results, modify the proposals to maximize benefits and minimize drawbacks. Forward the proposals to the Governor for further action.

4 Promote Alaska facilities and contractors for component fabrication and construction projects related to oil and gas exploration and development. Encourage development of Alaska's natural gas resources, promoting markets for in-state use as well as export. (The Oil and Gas Policy Council will provide more detailed information and recommendations in its report to the Governor.)

MARKETING

ALASKA

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Marketing Alaska

Cultural Resources Sector

Summary

Alaska's cultural resources give the state much vitality. A McDowell Group Report concludes that nonprofit arts activity supports 1,300 Alaska jobs with a payroll of over $9 million and attracts $12.6 million in grants and revenue. In one year, arts organizations held 3,000 events attended by more than two million people that generated $23.5 million in spending in Alaska. The state has 52 active public and private historical societies and museums.

Each year more than one million people visit Alaska. Festivals, celebrations, and historic sites are popular. The Iditarod Sled Dog Race and the spring Inupiaq whale hunt receive national attention. Four of the ten most visited tourist attractions are cultural resources — Ketchikan's totems, Skagway's Historic Gold Rush District, the Anchorage Museum of History and Art, and Sitka's Russian church and dancers.

Alaska's vibrant, dynamic, indigenous people and their art and crafts are significant visitor attractions. In recent years there has been a renaissance of Alaska Native art and crafts, and a growing pride and awareness of Alaska's unique, indigenous art.

Private and public efforts to create a sustainable cultural tourism industry are underway. As the 1995 White House Conference on Travel and Tourism demonstrated, cultural resources development and tourism are growing nationally and in Alaska. Cultural tourism is one of the fastest growing segments of the world travel industry. According to the Division of Tourism, the number of visitors to Alaska between 1992 and 1994 who sought cultural experiences increased by 27 percent. These tourists stay longer and buy art and crafts from local artists and artisans.

The in-state market for cultural tourism also has potential. Alaska's transient population provides an ever-changing group that can be encouraged to learn about Alaska's people, history, and art.

One advantage of cultural tourism is that it can be controlled. Particularly in rural areas, activities can be timed and patterned to minimally disrupt residents' lives and traditional activities.

Recommendations

Top priority

1 Develop the full potential of Alaska's cultural resources as a viable economic sector. As a first step, prepare a comprehensive strategic plan using the Marketing Alaska recommendations. Allocate an existing DTD position to coordinate this effort.

- Conduct a cultural resources marketing needs assessment and baseline survey.
- Create partnerships between Alaska schools and Alaska businesses and nonprofits to create jobs, emphasize development in under-served rural areas, promote self-sufficiency, involve youth and elders, and focus resources in the community for appropriate culture-based economic development.
- Evaluate cultural resources marketing programs in Hawaii, New Mexico, the Pacific Northwest, Greenland, Russia, and Canada.
- Coordinate state planning with locally developed plans.
- Establish Internet culture web sites with a calendar and information exchange.

- Create a formal network for regular round table meetings to encourage collaboration and dialogue. Participants should come from government, Native, business, professional, nonprofit, and private sectors.
- Assess and provide support to existing partnerships (i.e., Yupik Cultural Center, Alaska Native Heritage Center, Institute of Alaska Native Arts).

Immediate Action

2 Expand preschool, K-12, and post-secondary curricula in Alaska studies.

3 Support community projects to record and preserve language and transfer language skills. Take advantage of the Native American Languages Act of 1992 to develop Native language teaching materials and train Native speakers to use these materials in K-12 schools; encourage media broadcast in Native languages; compile, transcribe, and analyze oral tradition, history, and ethnographies; involve learners of all ages; and train teachers in the use of these materials.

4 Train educators to better understand the relationship between art, history, and culture in Alaska, and its tie to Alaska's economy.

5 Encourage hands-on experience-based learning in the arts, history, archaeology, and culture of Alaska. Establish cultural resource residency programs for high school students.

6 Strengthen existing curricula and develop new cultural resource education and training programs for secondary and post-secondary learners. Priority programs should include marketing, small business management, museum studies, cultural resource management, and nonprofit management and fund raising.

7 Develop promotional materials targeting private investment in commercial historic districts.

8 Develop cultural resources marketing tools. Elements might include:

- Targeted kits for cultural resource marketing. Kits could include how-to tips, templates, sample business marketing plans, and contacts.
- Integrated marketing of Alaska's cultural resources, with special pieces for festivals, performing arts, galleries, historical sites, museums and Alaska Native arts and crafts. Produce these materials in a variety of languages and formats.
- Demonstrations, shows, exhibits, and publications throughout the state to provide opportunities to display and sell products.
- Develop an "Alaskan author" logo program to identify books by Alaskans.

9 Establish a clearinghouse for information about Alaska's cultural resources.

- Maintain a database of Alaskan organizations, events, festivals, artists, gathering places, reputable wholesalers and retailers, and suppliers.
- Maintain a detailed annual calendar and solicit information from across the state.
- Maintain a database of contacts for technical assistance.
- Distribute information through the Internet.
- Obtain private sector underwriting through advertisement.

10 Develop press strategy and package to promote Alaska's cultural resources.

11 Recognize cultural resources through awards, publicity, displays, brochures, exhibits.

- Continue "Governor's Award for the Arts."
- Create a "Governor's Award for Literature."
- Create a "Governor's Award for the Humanities."
- Print and distribute artist and artisan profiles.
- Develop a video series on artists, writers, cultural resources organizations, and sites.

12 Endorse a "give five" campaign to promote donations of time and dollars to Alaska's cultural community. The goal should be to encourage Alaskans to give five percent (time and money) to cultural organizations of their choice.

13 Promote community workshops for retail buyers, producers, and consumers addressing culture, art forms, practices, history, and laws affecting traditional and other natural materials (e.g., Marine Mammal Protection Act).

Build consumer awareness of the differences between elephant and walrus ivory.

Further Dialogue Needed

14 Form a Cultural Resources Commission.

- Advocate stable funding for state cultural resources programs.
- Include representation from public and private sectors, and urban and rural areas with at least 50 percent of the members from the private cultural resources sector. Members should be selected equally by the Governor and the Legislature.
- Develop a vision and plan for a cooperative public and private strategy for the cultural resources sector, with identifiable perform-ance measures and a monitoring plan for state marketing programs and services within a year.
- Identify performance measures and monitor progress toward responsible protection, development, and marketing of cultural resources.

15 Revamp the Silver Hand program.

- Place under the Alaska State Council on the Arts.
- Staff the program with professionals who are knowledgeable of art and crafts, customs, and Alaska Native cultures to provide adequate advocacy and to determine authenticity.
- Enact legislation to promote authentic art and curtail counterfeit art through education and sanctions.

- Review and enact Department of Commerce and Economic Development's Alaska Native Arts and Crafts Task Force recom-mendations for legislation and funding. Increase Alaska Native involvement and consumer education.

- Develop a cooperative public/private marketing strategy.

16 Encourage use of available space in vacant or under-used public buildings for studios. The space can be used to network, train, meet, and pass on tradition and art to the next generations, and to sell arts and crafts.

17 Move the Alaska State Council on the Arts (ASCA) and the Silver Hand program to a cultural resources entity in the Department of Commerce and Economic Development, or the Governor's Office.

MARKETING ALASKA

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Forest Products Sector

Summary

Alaska's forest products industry has been an important part of the state's economy for decades. It is an industry based on a renewable resource that can continue to provide jobs and strengthen the state's economy in perpetuity, with proper encouragement and management.

The potential for growth in Alaska's forest products sector is great because a large portion of the annual allowable harvest, particularly in the Interior, awaits management. Furthermore, the markets for the type of timber growing in Alaska continue to strengthen. With an expanding world population, combined with expanding economies in the lesser developed countries, there will continue to be a demand for all natural resources, including timber.

During the 1980s and the early 1990s, the forest products industry provided about 3,500 well-paying jobs, averaging $43,000 per year. These wages and the property taxes paid by forest product companies and their employees contributed significantly to Alaska's local economies.

Alaska has promising potential for increasing the capacity and vertical integration of primary and secondary value added wood processing facilities. The enhancement and expansion of finished wood products manufacturing requires the construction of facilities that provide for the conversion of wood waste and low quality logs to produce electric power or other wood chip based products. Investment in secondary manufacturing facilities and new product lines would benefit from increased dry kiln capacity statewide, and the creation of a structural grade stamp and Alaska lumber inspection bureau. The state must commit to the goal of sustainable and stable harvest allocations from state lands and encourage and support a similar program on federal and private lands.

The state must be committed to a long-term forest management policy. Cooperation among major land owners, particularly in the Interior, will enhance value-added opportunities and return on investments.

A forest products information network would enable the industry — made up of diverse businesses (from logging companies to cabinet makers) that operate independently — to develop a reliable forest products data base, industry responses to government proposals and public interest initiatives, trade and product development opportunities, and legislative recommendations.

The greatest challenge facing Alaska's forest products industry is to grow and diversify in order to capitalize upon the opportunities offered by the expected increasing demand.

Recommendations

Top priority

1 Develop and maintain a consolidated inventory of Alaska's key natural resources, starting with forest resources, as an essential first step in improving management and development of state lands. Utilize the newest techniques available — Global Positioning Systems (GPS), Thematic Mapping (TM), and Geographic Information Systems (GIS) — to identify all resources by region. Seek federal and Native Corporation participation in expanding the inventory to meet regional economic planning needs.

2 Support expansion of local value-added processing including the critical utilization of low quality hardwood. This could be accomplished through the passage of the Governor's legislation to allow negotiated sales of state timber for value-added products.

Immediate action

3 Continue the process of petitioning the Congress to permit the state to establish incentives that will encourage the in-state processing of timber from timber sales on state lands. Once the statutory authority is in place:

- Use economic incentives and raw log export restrictions on a regional basis and timed to markets in order to develop timber manufacturing capability within the state.
- Consider a primary processing requirement on a percentage of the harvest for state timber sales.

4 Form partnerships between the public and private sectors to cooperatively work toward development and implementation of new and comprehensive management systems. The value-added legislation proposed by the Governor is an example of an approach encouraging this type of cooperation between public and private interests.

5 Establish an Alaska Grading Bureau to maintain standards for Alaska lumber products.

- Authorize program receipts and use a state-funded position to provide staff support, gradually privatizing the function over a five-year period.
- Appoint an industry-based board of directors to provide oversight and direction for the Alaska Grading Bureau.

6 Provide technical assistance to timber manufacturers and in market development for low-quality logs.

7 Review the Southeast Conference paper (study) prepared by C.L. Cheshire et. al, completed in 1991[3] (a feasibility analysis of manufactured value-added wood products in Southeastern Alaska) and update the spreadsheet.

8 Fill the full-time (vacant) forest products position in the Department of Commerce and Economic Development. No new appropriation is required. The recommended duties of the position would be to:

- Compile industry information and analyze how the actions of state government will affect the wood products industry.
- Provide objective analysis of policy decisions and the effects of proposed regulations on the timber industry. Represent the state's interests in administrative and legislative forums as they relate to the Forest Products Industry.
- Work with the Division of Forestry to solicit information about the industry on all lands and at all scales to compile a credible annual report that will serve to document the industry trends.
- Identify regional limitations, unfilled needs, and problems that impede the development and expansion of a high value-added wood products industry in Alaska. Design state strategies to realize opportunities.

- Support the development of a small business network to facilitate cooperative marketing, advertising, and technology transfers for numerous small businesses processing timber in Alaska.

9 Determine the range of regional industry needed to fully utilize a specific timber base and adopt a realistic plan for encouraging the development of that industry.

10 Facilitate information exchange at the community level about the scale, fiber requirements, and economic effects of proposed forest product facilities. Develop educational material for public use to address market size required and threshold levels for different types of products, i.e., medium density fiber board, lumber, chips, etc.

11 Provide accurate information to the public on regulations, legislation, current issues and forest product industry concerns.

12 Include timber industry images in the materials produced for Alaska tourism marketing and advertising.

13 Supply small mills with a stable log supply through a small business set aside program.

14 Support investments in research and development in order to utilize low grade saw logs and pulp logs for profitable value-added products.

15 Assist industry in identifying suitable sites where a regional dry kiln and cogeneration plant could serve small local operators economically; properly sited, such facilities could also utilize wastes from local mills and municipalities.

16 Assist with feasibility studies, site selection, and where appropriate the financing of the construction of a preservative treatment plant that would allow smaller operators to produce value-added products such as fence-posts, landscape timber, all-weather wood and railroad ties economically.

17 Direct the Board of Forestry to:

- Charge the Alaska Forestry's Working Group with acting as a scientific "clearinghouse" by facilitating university and peer critique of scientific studies in relation to the existing forest industry.
- Provide or coordinate pro-forma analysis of regulations and policies, including consideration of costs and benefits, regarding the forest industry.
- Formalize the Alaska Forestry and Fisheries Working Group as a subcommittee of the Board of Forestry. The working group has a good track record for evaluating and making recommendations about selected harvesting issues.

18 Commit adequate funding and personnel to the Board of Forestry to ensure that it can meet regularly to determine the effectiveness of the Forest Practices Act and recommend changes where appropriate.

19 Base Board of Forestry appointments on expertise and a commitment to problem solving.

20 Continue to improve on the current, systematic, peer-review assessment of the effectiveness of stream-side buffers and water quality protection standards as currently being conducted through the auspices of the Alaska Forestry and Fisheries Working Group.

21 Support existing and potential value-added industries to maximize the ways we are and can be utilizing our resources.

22 Develop a (forest products) strategy that has stakeholder support and a commitment by state government that can be sustained over multiple administrations.

Further dialogue needed

23 Review existing state programs and criteria to determine conventional and equity-financing programs, and equity partnerships.

24 Establish an equity shortfall guaranteed loan program to encourage private sector loans to qualified borrowers who are unable to meet the full equity requirements in fixed asset purchases, to a maximum of $250,000 per applicant. This program should utilize as far as possible existing programs such as the Alaska Industrial Development and Export Authority (AIDEA), as an umbrella, and be restricted to the use of Best Available Technology in the new or upgraded facilities.

25 Public policy must determine whether DNR regional plans will emphasize creating jobs or generating direct revenue to the state, or some combination of the two.

26 Establish a state policy for the management of insect and disease epidemics in Alaska's forests incorporating the following elements:

- Form an interdisciplinary multi-agency team to address relevant issues in a timely manner.
- Incorporate early public input for a full range of timber harvest management options in order to achieve a credible and possible-to-implement result.
- Timber harvests would move forward on an accelerated basis when it occurs on a state land base that is allocated to commercial timber harvest. The land manager will adjust future harvest activity to maintain sustained yield of the timber resource.

27 Develop a management and fiscal budget process that would permit long term, consistent funding of forest management programs (i.e., Reforestation Fund; area plans; sale development; environmental management).

28 Based on land use plans that provide for a variety of forest uses, determine the amount of state land to be dedicated to sustained-yield timber harvesting. Based on that determination, designate specific areas as timber harvest areas.

29 Lengthen review periods from five years to ten years for Area and Forest Management Plans to keep them focused on stated objectives. This will encourage predictability and reduce funding and staff needs by reducing the frequency of plan updates.

30 Initiate public dialogue about the purpose for, and the effect of, and the number of jobs maintained by, log export activities.

31 The Alaska Forest Products Commission should be established in the Department of Commerce and Economic Development with the following provisions:

- The commission should be modeled after the Alaska Minerals Commission, to consist of 11 (eleven) members with at least five years' experience in various aspects of the timber industry in Alaska.
- The state government and the state agencies must make available all pertinent information for the commission to effectively eval[illegible] studies and to conduct basic cost benefit analysis of policies, regulations, and statutes.
- The commission should be legislatively established and be funded by a dedicated assessment on the industry.
- Coordination should be promoted between the Forestry Development Specialist and the Forest Products Commission. This position should be staffed for the Forest Products Commission.

Specific Projects for an Alaska Forest Products Commission:

a. Include the timber industry in the images of Alaska which are produced for tourism marketing and advertising.

b. Compile a database of existing public opinion polls and conduct an extensive new poll on consumer awareness of the economic and environmental significance of forest products, current environmental standards and regulations, current timber inventories, existing set-asides for wilderness and recreations, and general perceptions about the existence of the timber industry in Alaska.

32 The state and the Alaska Forest Products Industry must develop an effective and timely method of communication on critical issues.

33 Enact legislation to empower the Board of Forestry to establish, interpret, enforce and adjudicate regulations and their implementation.

34 Improve Forest Practices Act (FPA) procedures by:

a. Providing assistance to private landowners to ensure that their requests for FPA variations are timed to meet their harvest schedules.

b. Considering a separate fee requirement for short notice FPA variation requests.

c. Authorizing agencies to utilize the fees from variation requests as "Program Receipts."

d. Developing a list of private firms that could be utilized to perform FPA field inspections on a contractual basis.

35 Replace the $3 million of ASTF state funding for the Agriculture and Forestry Experiment Station (AFES) with state general funds. (This was the source of funding from Statehood to 1993. Territorial funding for the program began in 1917 and lasted until Statehood).

MARKETING

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Marketing Alaska

Mining and Minerals Sector

Summary

The mining and minerals industry provided more than 3,000 annual, full-time equivalent jobs for Alaskans in 1991-94. The average, annual income for nonmanage-ment workers at large mines was more than $44,000. Alaska Department of Labor statistics for 1994 showed $777.5 million in total yearly earnings. Each mining job provides an economic incentive for 1.74 additional Alaska jobs. The state realizes more than $3 million, annually, from mineral revenues, exclusive of corporate income taxes.

There are approximately 51,000 mining claims and leases on public land in Alaska — 23,000 on state-owned minerals; 22,000 on federal-owned minerals; and 6,000 on state-selected, but not transferred, federal land. Between 400 and 450 applications to conduct mining-related work in Alaska are processed each year.

Industry, government, private geologists, and state scientists believe that Alaska has very good potential for the discovery of new world-class mines. Current and projected favorable metal prices are stabilizing operations at the Red Dog Mine, and are driving the reopening of the Greens Creek Mine in 1996-97. Construction of the Fort Knox Mine, combined with an exploration boom in the Fairbanks area, is good economic news for the Alaska mining sector.

The mineral industry and its investors make business decisions based on the likelihood that an investment will lead to a profit. Too often the decision has been made to defer rather than to pursue new mineral investment in Alaska. To change this, Alaska could take several steps.

First, Alaska must emphasize and demonstrate that it is "open for business." Prudent development of minerals is an important part of the state's long-term efforts to diversify its economy.

Second, Alaska must be willing to consider a wide variety of "partnerships" — including financial assistance through existing programs, such as those offered by the Alaska Industrial Development and Export Authority — that would lead to responsible mineral development.

Third, Alaska must improve its competitive position in a global minerals market, but only when environmental safeguards are built into mineral development projects.

Recommendations

Priority

1 Conduct a thorough evaluation into obtaining state primacy for the National Pollution Discharge Elimination System (NPDES) water discharge program. Complete a cost-benefit analysis which examines how additional staffing and funding requirements could be covered by public and private sources. Take steps to assume primacy if the analysis shows that the state, the industry, and the public would benefit and that the cost could be covered. The legislature and the administration could be asked to support the associated staffing and funding requirements for state primacy. Industry could be asked to contribute financially, potentially through emission and permit fees. Alaska's congressional delegation could be made aware of the needs and objectives, including potential funding assistance through the federal Clean Water Act reauthorization. (Please see the Mining and Minerals Sector Report for complete details on this recommendation.)

2 Determine and facilitate how minerals development projects can be developed in environmentally responsible and acceptable ways rather than why projects cannot be developed. (See Multiple Sector recommendations.)

Immediate Action

3 Ensure that airborne geophysical surveys continue at a sustainable and productive level throughout the next decade at a funding level of $500,000 per year.

4 Develop and include a balanced and scientifically based natural resource education curriculum within the state's school system.

5 Establish ad hoc industry-state task forces during the mine permitting processes in order to provide a cadre of people to conduct informational and educational seminars and question and answer sessions within the geographic area of the proposed mineral development.

6 Include mining related themes in tourism promotion. An initial focus could be the various Gold Rush Centennial celebrations.

7 Continue and strengthen the Arctic Mining Program within the University of Alaska system. Explore ways to adequately fund programs in the engineering, geological, and other scientific disciplines along with vocational programs which educate and train Alaskans to work in mining.

8 Emphasize in a promotional campaign the state's efforts to better coordinate mine permitting, give exploration credit incentives, and enter into creative partnerships with private owners of mineral properties and the mineral industry. Continue presence at U.S. and Canadian mining conventions and expand these efforts to include other mineral industry centers not currently targeted.

9 Evaluate long-term government and industry partnerships as a means of developing a general environmental information baseline for areas with high potential for mineral development. Priority lists, not unlike those used by the State of Alaska to fund municipal wastewater treatment needs, could be developed for the various priority resource data categories.

10 Expedite complex and controversial mine permitting decisions through partnerships between applicants and state and local permitting entities. Applicants frequently are prepared to fund expedited decisions at the federal, state and local government level. Approach federal agencies such as the Environmental Protection Agency, the Corps of Engineers, the U.S. Fish and Wildlife Service, and others to officially participate in cooperative, concurrent permitting through Memorandums of Understanding.

11 Use Best Available Control Technology (BACT) as a central theme in the compliance process. Use the BACT definition of "an emission, discharge, or other pollutant control limitation based on the maximum degree of reduction for each pollutant subject to regulation, taking into account energy, environmental and economic impacts, and the costs." Use standards that are measurable and enforceable.

12 Improve the state's ability to demonstrate a stable tax and regulatory climate by: (a) developing a fiscal plan to close the budget gap in an orderly fashion, and (b) assuring full public participation in the development of regulations and then providing a reasonable period of stability after adopting and implementing regulations.

Further Dialogue Needed

13 The state should develop a comprehensive Transportation Plan, including a component that would assure access to mineral properties using existing articles as RS 2477 and ANILCA Title XI.

14 Individual State of Alaska departments which have mine permit responsibilities should be directed to proactively review and where appropriate expand the use of general permits. The agencies most affected are the Departments of Environmental Conservation, Fish and Game, Natural Resources, and the Division of Governmental Coordination through the Coastal Zone Management Program.

MARKETING

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Seafood Sector

Summary

If Alaska were an independent country, it would rank among the top 10, world seafood producers — ahead of Canada, Norway, Iceland, and other well-known fishing nations. The more than five billion pounds of seafood harvested off Alaska represents more than half of all seafood harvested in the United States. In 1994, Alaska's seafood industry exported products valued at $1.2 billion, or roughly 50 percent of all products exported from Alaska that year.

The seafood industry is Alaska's largest private-sector employer, creating more than 35,000 full-time jobs and contributing more than $87 million in taxes and fees in fiscal year 1993. It is the second highest revenue producer to the state, after oil. Each year the industry pumps approximately $3 billion into the state's economy.

Though the commercial fishing industry has a statewide impact, it is overwhelmingly composed of small business operations. In some coastal communities, it provides in excess of 70 percent of all employment opportunities.

Unlike many of the world's fisheries, Alaska's fishery resources are healthy. Neither over-harvesting nor environmental problems are major threats to Alaska's fisheries. Recent international agreements will help control harvests of Alaskan fish on the high seas.

But despite healthy resources, the Alaska seafood industry faces troubled times because of changing world markets and overcapitalization. Increasing competition and supply, coupled with recessions in major markets and dependence on the increasingly glutted Japanese market, have led to sharp price declines for many species.

Recommendations

Top Priority

1 Continue the efforts to work with seafood industry to attract and establish year-round, professional jobs in the state.

2 Electronically consolidate (unified electronic information system) state, federal, and local government reporting requirements through a multi-agency effort, involving the Telecommunications Information Council as the coordinating agency. Install a centralized (electronic) permitting informational service at the Division of Governmental Coordination to help industry and individuals through state permitting processes which are complex and often transcend single agency requirements.

3 Establish working groups for (1) fishery management issues, (2) labor regulations, (3) environmental regulations, and (4) value-added proposals to expedite review and action on specific seafood sector recommendations. The working groups should report back to the governor and the executive committee by July 1, 1996 with their recommendations. (This recommendation is also included in a different form in the Multiple Sector section.)

4 Establish regional advisory committees to address commercial fisheries management and food quality issues. Work with and advise the Department of Fish and Game and the Alaska Board of Fisheries where and how food quality gains could occur by altering current management practices.

5 Improve coordination and delivery of vocational and professional education and training intended to prepare Alaskans for careers in the seafood industry. Plan education and training programs, in consultation with representatives from the seafood industry, so the skills and education provided match those in demand within the industry. Ensure that the programs of various agencies involved in education and training are complementary and do not duplicate one another.

6 Initiate a state-directed, high priority effort with seafood industry participation to develop a pin bone removal machine for the seafood processing industry involving a state reward for the first company to perfect the technology, grants from processors to the company that agrees to work on the project, and a highly publicized Alaska Science and Technology Foundation request for proposals.

Immediate Action

7 Take specific steps to attract venture capital into Alaska's seafood industry. Host a Venture Capital Fair in 1996 or early 1997. Include several industries in the fair, not just the seafood industry.

8 Investigate the issue of herring roe utilization including an in-depth definition of the term "utilization" in regard to seafood. Definition of this term would include an economic as well as biological impact analysis and would be used in adoption of state policy on this issue.

9 Coordinate a "Seafood Industry Week" of agency and industry meetings in Juneau during the legislative session in order to enable industry, state agencies, and legislators to communicate and work together more effectively to maximize the value of the seafood resource to Alaska residents.

10 Officially recognize and support the DEC Seafood Advisory Task Force. Add subcommittees to address air and water quality issues.

11 Improve or create mechanisms for coordinating seafood research efforts by:

- Designating a contact person at the University of Alaska.
- Surveying operators to identify research interests.
- Holding regular meetings organized by the University of Alaska System and the Alaska Department of Education, between upper level and middle level university administrators, university researchers, university policy analysts, state agencies and seafood industry participants, including harvesters and processors.

12 Allocate substantial funding from the Alaska Science and Technology Foundation for research and development relating to the seafood industry and for organizations which can develop new seafood products in Alaska; make funds available to such programs as the Alaska Fisheries Development Foundation and the Fisheries Industrial Technology Center.

13 Review the UA policy relating to overhead charges to become more competitive with other research entities.

14 Encourage the departments to propose innovative solutions to funding the necessary survey and management proposals. This may involve agreements and joint ventures with the private sector. Some of the innovative means may require legislative changes to allow the agencies to receive or direct the allocation of funds received or offered by private industry. (Also see Multiple Sector recommendations.)

Further Dialogue Needed

15 Congress is currently considering reforms in shipping laws that could greatly benefit the Alaska seafood industry. Current antitrust transport laws permit shipping companies to fix high prices for the international transport of Alaska seafood. Because many of the shipping companies involved in the transport of Alaska seafood are foreign-owned, high transport costs increase their profit margin and reduce the amount to be expended on fish purchases. The Administration should work with our Congressional delegation in supporting reforms in the shipping laws which now permit artificially high transport costs.

16 The federal by-pass mail program which subsidizes air freight to remote areas of Alaska is an example of how the government can work with industry to overcome the uniquely high costs of living and working in bush Alaska. The Administration should work with our Congressional delegation and the Alaska air freight industry to amend this program so that seafood shipped on return trips of by-pass mail flights are charged the same by-pass mail rate.

17 Encourage the Alaska Legislature to provide adequate funding and program receipt authority to the resource agencies to perform the constitutionally-mandated duties regarding management of the common property resources.

18 Support adequate agency budgets to maximize seafood resource value and permit growth of industry.

19 Implement surgical tax credit program specifically targeted as an incentive for processors to purchase value-added processing equipment and cold storage capacity. The tax credit program would grant raw fish tax credits equal to 50 percent of the expenditure on equipment that will increase value-added capacity. A cap on tax credits granted could be included in this package.

20 Form a working group -- including industry, municipalities, and the administration -- to review and develop a multi-tiered tax formula to promote value-added production. For example, higher rates of taxation would occur for a dressed or round product than a further processed, filleted product. Fully processed products like nuggets, patties, smoked products, etc., would pay the least fisheries business tax.

Note: Consideration should also be given to the effect on revenue sharing to the municipalities and the relationship of the Fisheries Business Tax to the Landing Tax recently enacted.

21 Although there are many impediments to value-added production in Alaska, the lack of cold storage capacity must be overcome if such an industry is to develop. Concurrently, a number of other issues must also be resolved. These include the creation of an economic environment that encourages value-added production in Alaska, such as implementation of a graduated tax structure that rewards those who add value to their products in Alaska. We have the following recommendations:

- The state should make available low interest loans for construction of public and/or private cold storage facilities. It should also make available through AIDEA or other appropriate loan funds more favorable long-term initial deferred payment periods when substantial equity investment is made available by the borrower.
- Municipalities, on their own or in partnership with the private sector, should be encouraged to investigate the formation of public or quasi-public corporations to construct and/or operate cold storages.

22 Develop grading standard reference materials for all fresh and frozen seafood products harvested in Alaska waters in order to provide stability and growth in Alaska's seafood industry.

23 Monitor the use of the name "Alaska" as part of business names in an effort to protect the image of the state and its resources.

24 The Alaska seafood industry, through ASMI, should participate with farmed salmon and other generic seafood groups to increase consumption of Alaska seafood.

25 Recognize ASMI as critical to the marketing of Alaska seafood. Strongly support its important role in the state budget.

26 Support efforts to revise the Jones Act provisions dealing with workers compensation. Representatives of several industries being negatively affected by ballooning Jones Act claims (including seafood companies operating in the North Pacific) are working through federal channels to modify the Act to provide some measure of protection against fraudulent workers compensation claims. The State of Alaska's support in these efforts would be viewed as very valuable by those companies and individuals involved in this effort, and would help to assure the future viability of an effective seafood harvesting sector in the North Pacific.

27 Review the section of the Wage and Hours Code pertaining to supervisory capacity (AS 23.10.060) to modify or eliminate the provision that an employee must be classified as hourly if they spend 20 percent or more of their time performing production-related activities.

28 Classify the seafood industry (including the harvesting, processing, and transport segments) as a part of the agricultural sector for the purposes of the Alaska Wage and Hour Act. The Alaska Code of Regulations contains specific exemptions for the agricultural industry that provides members of that sector with the flexibility to accommodate the harvest and processing of natural commodities on an unpredictable schedule. This change would provide the flexibility needed, but also be consistent with the trend in other states and the national regulatory level to view seafood production as part of agriculture.

29 Adopt the federal employee housing minimum of 50 sq. ft./ employee for the State of Alaska, and develop a schedule of even lower space requirements for highly seasonal housing facilities that may only be occupied a few weeks of the year.

30 Accredit state inspectors to carry out that portion of the industrial safety inspections now being conducted by federal inspectors.

31 Shift the overall approach of the agencies involved in work place safety from adversarial to a partnership with concerned employers. The availability of inspectors for voluntary consultative safety inspections should be increased, and this method of achieving compliance stressed over the current policing strategy. Punitive fines need to be de-emphasized while creative and cost-effective ways of improving worker safety are developed and tested (i.e., the Federal Vessel Protection Program currently being tested in the off-shore fleet.)

32 Subject new work place safety requirements to a risk/benefit analysis before being mandated.

33 Reopen and amend the state's newly-adopted air quality regulations to conform more closely with the federal template, allowing the state to exercise permitting flexibility. Programs for de minimus thresholds, insignificant exemptions, and excess emission allowances should be incorporated into revised regulations. The application of ambient air standards to existing individual sources and the requirements for existing sources to conduct expensive modeling to show compliance should be excluded from the regulations.

34 Initiate action for reclassifying remote areas dependent upon diesel fuel-fire/internal combustion engines for power generation from "Class II" to "Class III." State regulations allow for this determination. A special project's allocation of funds should be obtained by the Department of Environmental Conservation to identify qualifying areas and develop the necessary information for reclassification.

35 Treat subsurface seafood waste piles much the same as surface landfills. Almost all cities, villages, and many industries in Alaska dispose of waste on land. Subsurface disposal of seafood waste is usually at great depth and avoids many of the problems associated with surface land disposal. The Department of Environmental Conservation should work with industry, affected communities, and environmental organizations to develop approval criteria for larger zones of deposit. Criteria that should be considered for larger zones should include: depth of waste pile, size of waste particles, total acreage of the receiving water body, and effects on subsistence, commercial, and recreational aquatic life in the waterbody.

36 Develop evaluation criteria that gauges the effect of dissolved oxygen depressions. Depressions that appear to be temporary and which may have other contributing factors should be considered of reduced significance.

37 Work with the federal government to allow for exceeding the sanitary waste treatment system limits in remote areas for seafood production facilities in communities with populations of less that one thousand.

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Small Business Sector

Summary

Small businesses play a significant role in Alaska's economy. Based on the SBA definition of a "small business," over 99 percent of Alaska's businesses are small businesses. Of the busi-nesses employing less than 100 people, over 65 percent have one to four employees. In Alaska, small business provides over 70 percent of the private sector jobs. Small businesses are the largest employers of minorities, women, and youth. The State of Alaska boasts the highest per capita percentage of women-owned businesses in the nation.

Despite the challenges involved in establishing small firms, small businesses are expected to continue to grow and make major contributions in terms of job creation, innovation, and empowerment.

Traditionally, small businesses have contributed more than their share to innovation and technological advance. More important, they have often played a unique role not only in developing technologies, but also in developing and exploiting unrealized market opport-unities for those technologies, and, by combining the two, in laying the groundwork for new industries.

While impressive in their accomplishments, small businesses do not constitute a homogene-ous category that can be dealt with in a "one type fits all" fashion by the private sector or by public policy.

Important public policy issues center on the extent to which the State of Alaska will take steps to ensure that small businesses not only survive, but flourish. In addition adopting and maintaining positive programs that encourage and assist small business and entrepreneur-ship, government should also take aggressive steps to assemble information systems for mon-itoring small firms and analyzing the laws, regulations, and programs that may affect them.

Recommendations

Top Priority

1 Establish two task forces for comprehensive evaluations of the state's loan programs and small business assistance programs. The Small Business Assistance Programs Evaluation Task Force — with a membership made up of at least half small business representatives — should, by April 30, 1996, establish evaluation tools and begin a process to regularly evaluate the effectiveness of all state operated and funded small business assistance programs. The State Loan Program Evaluation Task Force should be comprised of representatives from state loan programs, the banking industry, and small business. Both groups should examine their respective programs in order to:

(A) Assess current needs
(B) Review for effectiveness, duplication, consolidation, elimination, and/or privatization
(C) Develop products/services to meet identified needs
(D) Evaluate performance

2 Ensure adequate marketing of state loan and business assistance programs.

3 Develop and implement customer service training for all state em ployees complete with an evaluation process to ensure its effectiveness. (Also see Multiple Sector recommendations)

Immediate Action

4 Maximize coordination between and among all small business and economic development programs regardless of where they are located. The commissioner of Commerce and Economic Development and the commissioner of Community and Regional Affairs should establish a collaborative direction in economic development.

5 Ensure that state-funded business and financial assistance programs remain sensitive to the needs of rural Alaska.

6 Adopt and implement — as a state minimum level of compet- ency — the critical skills, attitudes and values for success developed by Alaska's Youth Ready for Work committee so that students are ready to enter the work force upon completion of high school.

7 Implement the work program identified by the Alaska Human Resources Investment Council (AHRIC), specifically the following two tasks:

- Establish a corps of private industry employers to speak directly to individual school districts to foster and promote teaching the essential ready-to-work skills. This corps would also give presentations to students in schools to articulate what skills, knowledge and attitude requirements are necessary to enter the work place. Presentations could be given to business groups such as Chambers of Commerce, Rotary, and professional organizations expressing the need for business involvement in school board meetings and meetings with educators.

- Encourage other employers to provide work experiences in their companies through options such as job shadowing, apprenticeships, internships, on-the-job training, and cooperative work experience.

8 Continue the University of Alaska's vocational and job training mission and programs appropriate for each region of the state. Provide continuing support for Department of Labor economic and employment surveys that are essential to develop university job training courses that quickly meet Alaskan employer needs.

9 Support economic and employment surveys that meet the needs of Alaska's employers.

10 Survey businesses representing Alaska's top ten industry classifications to determine their human resource educational and skill needs today and by the year 2005. Use survey results to set funding priorities for educational institutions and training programs. (The sector strongly recommends that AHRIC submit an annual report to the Governor, Legislature and the general public.)

11 Develop state regulatory com- pliance programs that are based on private and public sector partnerships. Deliver technical assistance services to small businesses, involving workshops and outreach programs, to help business people understand the permitting process and the reasons for various regulations.

Further Dialogue Needed

12 Establish a Small Business 42 Advocate position to:

- Assist small businesses through difficulties they may be having in dealing with a state agency.
- Serve as a resource for regulatory information regarding any and all state agencies and review proposed regulations for duplication and potential conflict with existing regulations, (include providing a "road map" through the permitting process when permits involve more than one agency).
- Disseminate clear and understandable regulatory information regarding proposed and existing regulations.
- Provide information on new and existing markets.

13 Create a method for systematic review of existing regulations. Conduct the review by teams with members from the business community, consumer advocacy organizations, and regulatory agencies. Establish a time line for recommending specific regulations for repeal or revision.

14 Prepare a Draft Regulation List to be circulated to small businesses, the public, and state agencies on a monthly basis. Include on the list current proposed draft regulations, the involved agencies, the descriptive title, and dates of upcoming hearings. Use the statewide Chamber of Commerce network for dissemination of this information directly to the small business community.

15 Continue the administration of the ARDOR program to require annual ARDOR scope of works include specific outcome measures (addressing both short and long term goals and objectives); budgets which tie directly to performance of the scope of work; funding disbursed based on performance; and an annual evaluation process. Establish job qualifications for ARDOR executive directors and set guidelines for ARDOR board selection and qualifications.

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Technical Services Sector

Summary

The total technical services sector currently employs 45,000 to 50,000 people and contributes a payroll that approaches $2 billion, based on information in the "Alaska Economy Performance Report 1994." This sector accounts for 20 percent of Alaska's workers in high-paying and highly-skilled positions.

The technical services sector includes well-developed industries such as the oil and gas service industry, environmental services, telecommunications, transportation and logistics, and architectural, engineering and construction. It also includes formative industries such as information services, education and training, and science and research.

Many of the businesses in Alaska's well-developed technical services gained their skills by responding to a demand for resource and public infrastructure development throughout the state. Because of regulatory, environmental, and logistical requirements, a high level of technology is needed to guarantee quality, reliability, and serviceability. This group now looks to basic industries such as oil and gas, mining, timber, public infrastructure development, and manufacturing to sustain itself.

Technical services industries that are in the formative stage are represented by new companies and institutions seeking to diversify and broaden Alaska's economy. They are in the start-up phase of defining themselves and their niche in the economy.

The technical services sector offers two distinct areas for business growth: (1) In-state opportunities which arise from capital investments in industrial activities and infrastructure. (2) Overseas opportunities to which Alaska employers must aggressively and persistently market their services.

Recommendations

Top Priority

1 Develop a comprehensive international marketing program by August 30, 1996, that promotes Alaska's transportation and logistics expertise for remote and northern climate resource development, air cargo based international warehousing, off-road surface transport, and intercoastal marine transport.

2 Establish a public relations/ media strategy to promote Alaskan success stories into packaged stories for national/ international publications and for talking points for the Governor and commissioners. Strategy should include all technical services subsectors.

Immediate Action

3 Prepare and publicize inventory of available technical services expertise and technologies. (Listing of technical services sectors) Enhance marketing efforts by highlighting up-to-date tools, and a competent labor force with a "can-do" attitude.

4 Educate federal officials about Alaska's unique transportation and logistical situation in order to develop federal legislation that is more sensitive to Alaska's unique conditions. Meet with federal officials regularly and organize in-state trips that illustrate the unique needs of transportation in Alaska.

5 Assist small to medium technical services businesses with information on export opportunities, export practices and financial assistance programs. Conduct seminars on financial assistance programs.

6 Develop a preferential service and pricing structure for Alaska firms wishing to utilize the University of Alaska's Cray Supercomputer, and market this advantage to both in-state software companies and potential relocation candidates.

7 Evaluate the expansion of UAF's graduate degree program in computer science to the UAA campus.

8 Support the Alaska Regional Development Organizations (ARDORs) in marketing their regions to information technology companies that are interested in relocating their operations.

9 Use Alaska fund management firms, whenever possible, to manage state funds.

10 Promote in-state investment services expertise to overcome an Alaskan tendency to discount the expertise and capabilities of in-state funds management firms.

11 Encourage federal/state and private firms to use Alaska businesses through programs such as Buy Alaska, procurement preference and local hire.

12 Complete the revisions to the portion of the Alaska Administrative Code that governs leasing policy at state airports in order to improve opportunities for Alaska transportation and logistical service providers.

13 Establish an Alaska Technology Incubator based on the successful Austin, Texas model. This would be a multi-agency effort supported by the University of Alaska, ASTF, and private, non-profit economic development organizations.

14 Develop a matrix to identify information on the capacity and capability of the existing Educational and Training Services sector.

15 Include semiconductor and flat panel display manufacturing industry as a component of the state's overall marketing strategy.

16 Aggressively promote international trade opportunities for Alaska technical services:

- Schedule and lead trade missions to high potential markets, based upon broad-based private sector input. Coordinate all state-funded trade missions to ensure that appropriate state officials are present. Contract out the arrangements for the mission. Possible actions include:

    a. Lead oil and gas support services industry on 1996 trade missions to Sakhalin, Timan Pechora, and PRC.

    b. Sponsor and coordinate Alaska architects/engineers and contractors trade missions.

- Take higher profile at international trade events and bring more international trade events to Alaska. Could expand to include other industries.

- Ensure that the aerial mapping, surveying, and geographic information services industry is fully supported by Alaska's overseas marketing programs.

- Include Alaska computer hardware vendors and systems consultants in Alaska's market development programs aimed at developing markets in Russia, China, and other developing Asian countries.

17 Clarify the Division of Trade and Development's mission regarding trade and protocol in order to maintain focus on international market development.

18 Designate a lead agency among the agencies dealing in international trade to coordinate:

- Information sharing among state, federal, and quasi-public agencies regarding international trade opportunities and economic development strategies.

- Information clearing/dissemination for all state-funded or state-sponsored trade missions and trade promotion events, including legislative missions.

- Trade missions and official communications with Senior Protocol Official.

19 The Division of Trade and Development should designate an individual to coordinate business development duties for the Technical Services sector. This would not be a new position, but instead, would be a designated responsibility for a current staff position to fulfill.

20 Stabilize the management of the Division of Trade and Development with qualified career potentials to give it continuity. Continue to fulfill division work functions through a contractual basis with clear and specific performance goals. Renewal of the contracts would be tied to past performance.

21 Explore the benefits of contracting out those state functions associated with marketing of technical services that could be done more effectively and efficiently through contracts. Areas to consider are preparation of publications, organizing trade missions and trade-related events, and providing trade assistance. The state should identify and focus on those aspects of furthering business development that must and can only be accomplished by the State of Alaska. This will include maintaining government-to-government relationships and agreements such as the Sakhalin/Alaska Agreement for the oil and gas service subsector.

Further Dialogue Needed

22 Continue efforts to establish economically-viable ship repair facilities in Alaska to provide long-term jobs and income. Assist in industry efforts to market shipyard services.

23 Identify areas of common jurisdiction with the federal government where the coordination of administrative requirements can reduce transportation costs.

24 Support industry (oil and gas support services) marketing, permitting, and other efforts when the North Slope oil export ban is lifted in order to facilitate construction and operation of an export pipeline and marine transportation system.

25 Continue to work pro-actively with resource developers to encourage the inflow of investment capital in new and marginal oil and gas fields.

26 Establish a subchapter or an organization similar to the Pacific Telecommunications Council.

27 Provide leadership and support for the formation of a dynamic Alaska Software Association. Such an association would provide the networking and professional stimulus needed to overcome the sense of remoteness that Alaskan employers sometimes experience in relation to their counterparts in larger markets.

28 Strongly support the creation of a venture financing mechanism for information technology services that blends public and private capital, includes strong expertise in the evaluation of information technology funding proposals, and brings together the support resources necessary for those receiving venture financing to succeed as viable business entities. Fully fund the Alaska Science and Technology Foundation's BIDCO initiative. Direct the initiative toward meeting information technology needs throughout the state.

29 Through the Northern Forum and other appropriate entities, continue the promotion of the Northern Sea Route. More specific actions may be identified following the completion of U.S. Army Corps of Engineers studies.

30 Improve opportunities available to the in-state market for transportation and logistical services providers. This effort includes the development of remote state and federal lands, the state's assumption of federal fire fighting activities, reduction of the state's aircraft fleet, and expansion of the state's existing transportation network. Revisions to the portion of the Alaska Administrative Code that governs leasing policy at state airports should be completed.

31 Broaden information access for education and training services businesses to information on federal procurement services.

32 Establish a task force to determine what state government educational and training services can be out-sourced. The state government, as well as federal and local, has a need for technical skills and training services on a wide variety of technical issues.

33 Strengthen coordination of public and private agencies programs in order to make information available and identify who could utilize Alaska educational and training services firms. A summit could be organized involving agencies such as the Division of Trade and Development, the Alaska Center for International Business, the American Russian Center, the Department of Community and Regional Affairs, the World Trade Center Alaska, the Alaska Industrial Development and Export Authority, the U.S. Department of Commerce, the U.S. Small Business Administration, the Northern Forum, and others.

34 Leverage state/federal agencies to make international trade opportunities within the state more accessible to the general public. A bulletin board system, such as the Washington State Market Place system, has worked well in most cases.

35 Establish a Senior Protocol Position within the Office of the Governor in Juneau. A senior protocol position should be established reporting directly to the Governor. This position should be filled with an individual experienced in matters of state. Responsibilities should include:

- Create and monitor balanced relationships between natural and potential trading partners.
- Establish routine and well-scheduled approach toward communications with local diplomatic corps and for meeting with and recognizing visiting foreign dignitaries.
- Monitor and coordinate implementation of international agreements.
- Orchestrate appropriate of staff-level working relationships with trading partners and protocol counterparts.
- Prepare annual proclamations for signature by the Governor recognizing and/or honoring International Trade Week, foreign official diplomats assigned to Alaska, and Honorary Consuls of Alaska's foreign market partners.

36 Develop information sharing strategies among agencies dealing in international trade by designating a lead state agency, co-locating all trade agencies, and designating a nonexempt director.

The Commissioner of Commerce and Economic Development should co-locate the state's lead agency with other publicly supported organizations which deal with export development. Three publicly-supported organizations in Alaska have export development as a principal element of their mission statement:

a. Division of Trade and Development
b. World Trade Center Alaska
c. Commercial Service of U.S. Department of Commerce

Businesses seeking assistance in exporting their services and technology to markets abroad should be offered "one-stop" convenience. The nucleus for that convenience already exists with the World Trade Center and U.S. Commercial Service sharing office space. Common usage of office equipment, elimination of duplicate subscriptions to trade publications and trade library materials, coupled with a lower lease rate will reduce operational costs of the State of Alaska. The state's lead agency should relocate to the downtown Anchorage location currently housing the U.S. Commercial Service, the World Trade Center, and other international entities in order to support information sharing among agencies and information collection and dissemination to this sector.

MARKETING ALASKA

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Marketing Alaska

Tourism Sector

Summary

Each year tourism proves to be an increasingly important sector of the Alaska economy as visitors come from around the world to experience our natural and scenic attractions.

Visitor dollars and visitor industry expenditures flowing into Alaskan communities create employment and entrepreneurial opportunities for Alaskans and directly employ 27,000 people in full- and part-time positions. Eighty-four percent of these employees are Alaska residents. As one of Alaska's steady growth industries, tourism will play a major role in diversifying the economy. In 1995, more than 1.2 million people visited Alaska, generating over $700 million to the state's economy.

Continued growth in the visitor industry will demand the improvement of existing infrastructure and additional education and training for Alaskans. Agencies providing visitor services such as parks, roads, and ferries will need healthy budgets for tourism to stay successful. With many of Alaska's natural and cultural attractions on lands managed by the federal government, the role of federal agencies is crucial. The film industry also has similar needs in order to reach its potential.

Alaska is in a heated competition with domestic and international destinations who outspend Alaska by a large margin. Additionally, the state has made radical cuts in budget items that affect the visitor industry, such as tourism marketing, state park operations, museums, and transportation system maintenance.

Recommendations

Top Priority

1 Implement rural tourism development and marketing strategies that assist rural communities and residents in understanding the challenges and ramifications as well as realizing the potential of tourism in their communities. Strategies include the following:

a. Use the newly-established Rural Tourism Center, a joint venture of the Division of Tourism and Alaska Village Initiatives, as a one-stop resource for rural Alaskans interested in developing and expanding tourism products.

b. Identify and develop target markets to meet rural tourism development needs.

c. Develop incentives for companies established in the visitor industry to partner with and mentor rural tour operators. Such incentives may include development and training grants, tax credits, and access to capital. Build upon existing visitor pipelines and marketing efforts to give the new tour products developed will have a better chance of viability.

d. Publish and distribute pamphlets and handbooks about such topics as guiding, starting a lodge, operating bed and breakfasts, regulatory and permitting concerns, respect for the land and environment, working with trade associations, preserving native culture, etc.

e. Disseminate information about successful marketing strategies and market research (including Alaska Visitor Survey Program and Alaska Tourism Marketing Council research) to a wide audience.

f. Assist small and rural tourism operators in gaining knowledge of new marketing technologies, including Internet access and on-line commerce.

g. Participate in community and regional strategic planning efforts to include tourism components, identify infrastructure needs, and create awareness of highway and community beautification and its benefits. Involve the Alaska Regional Development Organizations (ARDORs), which are focusing efforts on infrastructure needs for tourism this year.

2 Explore more promotional opportunities that leverage private sector partnerships and cooperatives, such as the Alaska Gold Rush Centennial efforts and the Ton of Gold Trade Show.

3 Foster development and maintenance of appropriate tourism infrastructure, in partnership with federal agencies and the private sector, by:

a. Providing agency assistance and support for the Governor's Transportation Initiative which seeks to develop an maintain Alaska's transportation infrastructure.

b. Developing an overall state park system plan for new park and recreation areas, needed facilities development, and economic strategies for quality operations and maintenance.

c. Continuing the emphasis on developing the Governor's Trails and Recreation Access for Alaska (TRAAK) program.

d. Participating in a comprehensive plan for tourism as a means of identifying new and improved infrastructure needs. The plan would be developed using a public process that involves all stakeholders and looks at the desired future condition of tourism in Alaska. In addition to infrastructure needs, the plan would identify public/private partnerships, create an efficient permitting process, consider sustainability, and create year-round jobs for Alaskans.

4 Work for the creation of federal legislation that provides a stable source of funding for supporting state programs to manage and develop wildlife viewing opportunities and wildlife-related outdoor recreation and tourism. This legislation should be modeled on the successful programs already in effect for federal aid in sport fishing and hunting, should be compatible with Alaska's social conditions and cultures, and should protect Alaska's rural residents from fiscal hardship.

5 Give continued priority to upgrading the state's transportation system by ensuring that federal transportation funding continues at a level commensurate with the state's needs.

Immediate Action

6 Use the newly-chartered Alaska Land Managers Forum as a mechanism for cooperative problem-solving on multijurisdictional tourism and land management issues. This cooperative process can lead to public/private partnerships in developing and maintaining recreation and tourism facilities.

7 Establish a Tourism Coordinating Council for in-state coordination of agencies providing tourism-related programs and activities. Assign a permanent position in the Division of Tourism as staff to the council.

8 Place more effort on tourism planning and development and create mechanisms to ensure that marketing and development are coordinated. Coordinate the development of appropriate tourism infrastructure considered by state and federal agencies and work with local communities to look for infrastructure opportunities in Alaska.

9 Prepare a comprehensive strategic plan for tourism using a public process that looks at the desired future condition of tourism in Alaska. The plan would then develop infrastructure and marketing programs needed to provide visitors with an enjoyable visit, provide jobs for Alaskans, improve the quality of life and the environment for Alaskans. The plan should:

a. address all the recommendations of this report;

b. create opportunities for public/private partnerships;

c. make appropriate infrastructure development and maintenance a priority -- Alaska Visitor Association's recent, long-term planning study, Destination Alaska, is good starting point;

d. inventory existing management plans regarding tourism policies and potential sites for tourism infrastructure development;

e. inventory exiting visitor facilities on public lands, and then assess what facilities are needed in what locations, the impacts of such facilities, and who should provide them;

f. improve appropriate access to public lands by considering tourism in land use planning and decision making, while ensuring sustainability of the land, wildlife and scenic resources upon which tourism is based;

g. include an effective and efficient permit process, perhaps using technology, to make land use permitting consistent, accessible, and timely;

h. maximize year round industry opportunities and, thus, year-round jobs; and

i. coordinate the planning activities of all land managers to provide a wide range of visitor opportunities.

10 Create project-specific teams involving all the stakeholders to work on regional, community, and site-specific tourism planning and development ventures.

11 Maximize existing tourism-marketing revenue sources by making services more appealing to small tourism businesses who currently do not participate. Recognize in-kind financial support to the marketing program as matching contributions to state funds.

12 Solicit additional support from the tourism sector for in-kind contributions of products to sponsor film-related familiarization trips to Alaska for key producers, directors and decision makers from Hollywood. Encourage governor and DCED commissioner to participate in these programs.

13 Create and publish a film industry permit procedures booklet.

14 Delineate the duties of the Division of Tourism and the ATMC including a review of the effectness of generic and targeted marketing.

15 Negotiate contracts for the management of the state park clusters (two or more facilities) that would be economically viable for private enterprise. This would provide the Division of Parks, within the constraints of its current budget, with the management flexibility needed to respond to new and increasingly-popular areas.

16 Assist organizations that coordinate visitor industry educational and training offerings around the state. Develop and circulate a tourism curriculum for use in schools, and spread the word about existing visitor industry training programs.

17 Establish a tourism entrepreneurship program that addresses marketing strategies, raising capital on a shoestring, and innovative solutions to the problems of operating small businesses.

18 Develop awareness programs to accurately educate the public, the Legislature and the visitor industry about tourism. Content should include information about how the visitor industry contributes to the economy of Alaska, how the state's tourism marketing programs work, and how to maximize the benefits of tourism and minimize its impacts on Alaska and Alaskans.

19 Educate the Alaska public and Legislature about film production and its economic impact and job opportunities on a statewide, year-round basis. Provide opportunities for legislators to be on location, and for representatives from the film companies visiting Alaska to speak to legislative committees.

Further Dialogue Needed

20 Work with Alaska's Congressional Delegation to support funding for public land facilities identified through the proposed comprehensive plan and having fees collected on Alaska's federal park lands returned to support those areas.

21 Consider reducing or waiving static lands permit fees for minimum impact on film productions as an incentive to lure more projects to Alaska.

22 Provide complimentary or reduced fees on state-owned transportation; i.e., marine highway, state automobiles, railroad, and aircraft during location scouting and production.

23 Develop stable funding sources for tourism marketing, in consultation with the visitor industry, and forward it to the Legislature. One option is a broad-based, equitable tax that is simple to implement and phased in over a reasonable amount of time. Any tax must be carefully structured so that it affects all segments of Alaska's tourism industry equitably. This is a controversial issue since some segments of the visitor industry want the tax to be constitutionally dedicated to tourism marketing. Another taxing option that was not unanimously supported is a seasonal sales tax, with the amounts not directly attributed to visitor spending utilized for general revenue sharing with communities.

24 Reinstate a tourism/small business loan program.

25 Provide low-interest loans for xfilm and video-related equipment, i.e., lights, cyclic generators, cables, etc. and facilities such as photo labs and sound stages.

26 Develop a program for stable funding to facilitate long-range planning, construction, and maintenance of the state's tourism-related infra-structure. This can be accomplished by increasing the motor fuel tax (gas tax) and designating the proceeds for funding road maintenance, including roadside pull-outs with such amenities as sanitation facilities and signage. Other sources of revenue that the group discussed but did not reach a consensus included higher park user fees, a seasonal income tax, higher marine highway rider fees in the summer, higher nonresident hunting and fishing license fees (contro-versial), and a state lottery (controversial).

27 Explore tort reform limiting liability insurance rates for guides and outfitters, and other rural tourism providers.

28 Review Alaska's wage and hour laws as they apply to small rural operators. Possible solutions may be found in other state's wage and hour laws. For example, Colorado has developed a body of wage and hour laws called Camp Law.

MARKETING

ALASKA

Credits

The Marketing Alaska Initiative would not have been possible without the support of the following people, who either worked as staff to the sector work groups or assisted the executive committee with the review and preparation of the final report.

From the Department of Commerce and Economic Development, Division of Trade and Development:

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Dave Wallingford — Department of Natural Resources

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MARKETING

ALASKA

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SCOMM

122:18

STATE OF ALASKA
STATEWIDE ACCOUNTING SYSTEM
LAA FY 00 AUTH BALANCES BY CC AS OF 10/31/99

31925632-00 HS TSK FCE PRIVATIZA

COLLOCATION CODE EXPENDITURES BY ACCOUNT

	ENTITY NUMBER AND DESCRIPTION	AUTHORIZED	EXPENDED	ENCUMBERED	BALANCE
S**	70000 TOTAL EXPENDITURES	.00	5,260.97	.00	5,260.97-
S**	70009 TOT EXPS-PRECLOSING	.00	5,260.97	.00	5,260.97-
S**	70008 OPERATING ACCT TOTAL	.00	5,260.97	.00	5,260.97-
S**	70100 GROUP CTRL-PER SER	.00	3,155.76	.00	3,155.76-
S**	71000 PERSONAL SERVICES	.00	3,155.76	.00	3,155.76-
S**	71100 WAGES	.00	2,698.08	.00	2,698.08-
S**	71150 REGULAR DUTY	.00	2,698.08	.00	2,698.08-
S**	71170 REGULAR COMPENSATION	.00	2,698.08	.00	2,698.08-
S**	71172 REGULAR PAY	.00	2,698.08	.00	2,698.08-
S**	71600 BENEFITS	.00	457.68	.00	457.68-
S**	71770 EMPLR FRINGE BENEFIT	.00	418.56	.00	418.56-
S**	71790 AK SUPPLEMNTL BENEFT	.00	165.39	.00	165.39-
S**	71800 PUBLC EMPL RETIREMNT	.00	219.35	.00	219.35-
S**	71820 UNEMPLYMNT INSURANCE	.00	17.63	.00	17.63-
S**	71840 WORKERS' COMP INS	.00	16.19	.00	16.19-
S**	71795 MEDICARE TAX	.00	39.12	.00	39.12-
S**	70200 GROUP CTRL - OTHER	.00	2,105.21	.00	2,105.21-
S**	70201 GC-OTHER-NONGRANT	.00	2,105.21	.00	2,105.21-
S**	72000 TRAVEL	.00	758.25	.00	758.25-
S**	72200 TRAVEL TRANSPORTATN	.00	653.25	.00	653.25-
S**	72240 FIELD TRAVEL	.00	185.00	.00	185.00-
S**	72250 INSTATE TRANSPORTATN	.00	185.00	.00	185.00-
S**	72330 BOARDS, COMM'S, LEG	.00	310.00	.00	310.00-
S**	72333 OUT SESSION TRANSPRT	.00	310.00	.00	310.00-
S**	72390 NON-EMPLOYEE TRAVEL	.00	158.25	.00	158.25-
S**	72397 NON-EMPL TRANS REIMB	.00	158.25	.00	158.25-
S**	72500 PER DIEM/OTHER COSTS	.00	105.00	.00	105.00-
S**	72630 BOARDS, COMM'S, LEG	.00	63.00	.00	63.00-
S**	72632 OUT SESSION PER DIEM	.00	63.00	.00	63.00-
S**	72690 NON-EMPLOYEE TRAVEL	.00	42.00	.00	42.00-
S**	72691 PER DIEM	.00	42.00	.00	42.00-
S**	73000 OTHER SRVCS & CHARGE	.00	993.27	.00	993.27-
S**	73300 COMMUNICATIONS	.00	492.51	.00	492.51-
S**	73370 DATA COMMUNICATIONS	.00	384.40	.00	384.40-
S**	73380 POSTAGE	.00	108.11	.00	108.11-
S**	73500 ADV PRINT & BIND	.00	500.76	.00	500.76-
S**	73560 PRINTING & BINDING	.00	500.76	.00	500.76-
S**	74000 SUPPLIES	.00	353.69	.00	353.69-
S**	74200 OFFICE SUPPLIES	.00	353.69	.00	353.69-
S**	74220 OFFCE/LIBRARY SUPPLY	.00	353.69	.00	353.69-
S**	74227 OFFICE FURNITURE	.00	326.94	.00	326.94-
S**	74229 OFFICE SUPPLIES	.00	26.75	.00	26.75-

*** END OF DATA FOR 31925632-00 ***

REPORT ID: ÁKAMR88 DISTRB RD: 31055 D01 STATE OF ALASKA CPD: 11/03/99 RSN: 04558 PAGE NO: 2
VIEW NO: 36483-00 FY00 WEN'S MONTHLY AUDIT TRAIL 11/03/99 22:05

	DOCUMENT NUMBER	VENDOR/DESCRIPTION	TRXN CODE	WARRANT NUMBER	SY	LC	DATE PROCESSD	ACTUALS	ENCUMBRANCES	BUDGETS
CC: 31925630										
ACCT: 73380	AA13140260017	ANCH 9/99 POSTAGE	43010		00	00000000	10/25/99	68.41	0.00	0.00
ACCT: 73560	AA13123680004	SUZANNE KELLY	31010	26315921	00	00000000	10/19/99	8.00	0.00	0.00
ACCT: 74481	AA13085130016		31010	26297472	00	00000000	10/01/99	82.44	0.00	0.00
SUBTOTAL, CC: 31925630								158.85	0.00	0.00
~~GRAND TOTALS~~								~~[illegible]~~	~~0.00~~	~~0.00~~

ASAB6000-01 RRN: 0204751 DISTRB RD: 31055 D02
RSN: 04558 CPD: 11/03/99

STATE OF ALASKA
STATEWIDE ACCOUNTING SYSTEM
LAA FY 00 AUTH BALANCES BY CC AS OF 10/31/99

PAGE: 6
DATE: 11/03/99

31925630-00 SHARED TSK FCE PRIVA

COLLOCATION CODE EXPENDITURES BY ACCOUNT

	ENTITY NUMBER AND DESCRIPTION	AUTHORIZED	EXPENDED	ENCUMBERED	BALANCE
S**	70000 TOTAL EXPENDITURES	26,000.00	448.05	.00	25,551.95
S**	70009 TOT EXPS-PRECLOSING	26,000.00	448.05	.00	25,551.95
S**	70008 OPERATING ACCT TOTAL	26,000.00	448.05	.00	25,551.95
S**	70200 GROUP CTRL - OTHER	26,000.00	448.05	.00	25,551.95
S**	70201 GC-OTHER-NONGRANT	26,000.00	448.05	.00	25,551.95
S**	72000 TRAVEL	21,800.00	286.00	.00	21,514.00
S**	72200 TRAVEL TRANSPORTATN	.00	244.00	.00	244.00-
S**	72390 NON-EMPLOYEE TRAVEL	.00	244.00	.00	244.00-
S**	72397 NON-EMPL TRANS REIMB	.00	244.00	.00	244.00-
S**	72500 PER DIEM/OTHER COSTS	.00	42.00	.00	42.00-
S**	72690 NON-EMPLOYEE TRAVEL	.00	42.00	.00	42.00-
S**	72691 PER DIEM	.00	42.00	.00	42.00-
S**	73000 OTHER SRVCS & CHARGE	4,200.00	79.61	.00	4,120.39
S**	73300 COMMUNICATIONS	.00	71.61	.00	71.61-
S**	73380 POSTAGE	.00	71.61	.00	71.61-
S**	73500 ADV PRINT & BIND	.00	8.00	.00	8.00-
S**	73560 PRINTING & BINDING	.00	8.00	.00	8.00-
S**	74000 SUPPLIES	.00	82.44	.00	82.44-
S**	74400 OPERATING SUPPLIES	.00	82.44	.00	82.44-
S**	74480 HOUSEHOLD/INSTITUTNL	.00	82.44	.00	82.44-
S**	74481 FOOD SUPPLIES	.00	82.44	.00	82.44-

*** END OF DATA FOR 31925630-00 ***

ASAB6000-01 RRN: 0204751 DISTRB RD: 31055 D02 STATE OF ALASKA PAGE: 6
RSN: 04591 CPD: 12/13/99 STATEWIDE ACCOUNTING SYSTEM DATE: 12/13/99
LAA FY 00 AUTH BALANCES BY CC AS OF 11/30/99

31925630-00 SHARED TSK FCE PRIVA

COLLOCATION CODE EXPENDITURES BY ACCOUNT

	ENTITY NUMBER AND DESCRIPTION	AUTHORIZED	EXPENDED	ENCUMBERED	BALANCE
S**	70000 TOTAL EXPENDITURES	26,000.00	448.05	.00	25,551.95
S**	70009 TOT EXPS-PRECLOSING	26,000.00	448.05	.00	25,551.95
S**	70008 OPERATING ACCT TOTAL	26,000.00	448.05	.00	25,551.95
S**	70200 GROUP CTRL - OTHER	26,000.00	448.05	.00	25,551.95
S**	70201 GC-OTHER-NONGRANT	26,000.00	448.05	.00	25,551.95
S**	72000 TRAVEL	21,800.00	286.00	.00	21,514.00
S**	72200 TRAVEL TRANSPORTATN	.00	244.00	.00	244.00-
S**	72390 NON-EMPLOYEE TRAVEL	.00	244.00	.00	244.00-
S**	72397 NON-EMPL TRANS REIMB	.00	244.00	.00	244.00-
S**	72500 PER DIEM/OTHER COSTS	.00	42.00	.00	42.00-
S**	72690 NON-EMPLOYEE TRAVEL	.00	42.00	.00	42.00-
S**	72691 PER DIEM	.00	42.00	.00	42.00-
S**	73000 OTHER SRVCS & CHARGE	4,200.00	79.61	.00	4,120.39
S**	73300 COMMUNICATIONS	.00	71.61	.00	71.61-
S**	73380 POSTAGE	.00	71.61	.00	71.61-
S**	73500 ADV PRINT & BIND	.00	8.00	.00	8.00-
S**	73560 PRINTING & BINDING	.00	8.00	.00	8.00-
S**	74000 SUPPLIES	.00	82.44	.00	82.44-
S**	74400 OPERATING SUPPLIES	.00	82.44	.00	82.44-
S**	74480 HOUSEHOLD/INSTITUTNL	.00	82.44	.00	82.44-
S**	74481 FOOD SUPPLIES	.00	82.44	.00	82.44-

*** END OF DATA FOR 31925630-00 ***

31925632-00 HS TSK FCE PRIVATIZA

COLLOCATION CODE EXPENDITURES BY ACCOUNT

	ENTITY NUMBER AND DESCRIPTION	AUTHORIZED	EXPENDED	ENCUMBERED	BALANCE
S**	70000 TOTAL EXPENDITURES	.00	7,990.70	.00	7,990.70-
S**	70009 TOT EXPS-PRECLOSING	.00	7,990.70	.00	7,990.70-
S**	70008 OPERATING ACCT TOTAL	.00	7,990.70	.00	7,990.70-
S**	70100 GROUP CTRL-PER SER	.00	5,881.19	.00	5,881.19-
S**	71000 PERSONAL SERVICES	.00	5,881.19	.00	5,881.19-
S**	71100 WAGES	.00	5,028.24	.00	5,028.24-
S**	71150 REGULAR DUTY	.00	5,028.24	.00	5,028.24-
S**	71170 REGULAR COMPENSATION	.00	5,028.24	.00	5,028.24-
S**	71172 REGULAR PAY	.00	5,028.24	.00	5,028.24-
S**	71600 BENEFITS	.00	852.95	.00	852.95-
S**	71770 EMPLR FRINGE BENEFIT	.00	780.05	.00	780.05-
S**	71790 AK SUPPLEMNTL BENEFT	.00	308.23	.00	308.23-
S**	71800 PUBLC EMPL RETIREMNT	.00	408.80	.00	408.80-
S**	71820 UNEMPLYMNT INSURANCE	.00	32.85	.00	32.85-
S**	71840 WORKERS' COMP INS	.00	30.17	.00	30.17-
S**	71795 MEDICARE TAX	.00	72.90	.00	72.90-
S**	70200 GROUP CTRL - OTHER	.00	2,109.51	.00	2,109.51-
S**	70201 GC-OTHER-NONGRANT	.00	2,109.51	.00	2,109.51-
S**	72000 TRAVEL	.00	758.25	.00	758.25-
S**	72200 TRAVEL TRANSPORTATN	.00	653.25	.00	653.25-
S**	72240 FIELD TRAVEL	.00	185.00	.00	185.00-
S**	72250 INSTATE TRANSPORTATN	.00	185.00	.00	185.00-
S**	72330 BOARDS, COMM'S, LEG	.00	310.00	.00	310.00-
S**	72333 OUT SESSION TRANSPRT	.00	310.00	.00	310.00-
S**	72390 NON-EMPLOYEE TRAVEL	.00	158.25	.00	158.25-
S**	72397 NON-EMPL TRANS REIMB	.00	158.25	.00	158.25-
S**	72500 PER DIEM/OTHER COSTS	.00	105.00	.00	105.00-
S**	72630 BOARDS, COMM'S, LEG	.00	63.00	.00	63.00-
S**	72632 OUT SESSION PER DIEM	.00	63.00	.00	63.00-
S**	72690 NON-EMPLOYEE TRAVEL	.00	42.00	.00	42.00-
S**	72691 PER DIEM	.00	42.00	.00	42.00-
S**	73000 OTHER SRVCS & CHARGE	.00	997.57	.00	997.57-
S**	73300 COMMUNICATIONS	.00	496.81	.00	496.81-
S**	73320 TELEPHONE	.00	4.30	.00	4.30-
S**	73325 TOLL COSTS TOTAL	.00	4.30	.00	4.30-
S**	73321 TOLL COSTS - VENDOR	.00	4.30	.00	4.30-
S**	73370 DATA COMMUNICATIONS	.00	384.40	.00	384.40-
S**	73380 POSTAGE	.00	108.11	.00	108.11-
S**	73500 ADV PRINT & BIND	.00	500.76	.00	500.76-
S**	73560 PRINTING & BINDING	.00	500.76	.00	500.76-
S**	74000 SUPPLIES	.00	353.69	.00	353.69-
S**	74200 OFFICE SUPPLIES	.00	353.69	.00	353.69-
S**	74220 OFFCE/LIBRARY SUPPLY	.00	353.69	.00	353.69-
S**	74227 OFFICE FURNITURE	.00	326.94	.00	326.94-

31925632-00 HS TSK FCE PRIVATIZA

COLLOCATION CODE EXPENDITURES BY ACCOUNT

	ENTITY NUMBER AND DESCRIPTION	AUTHORIZED	EXPENDED	ENCUMBERED	BALANCE
S**	74229 OFFICE SUPPLIES	.00	26.75	.00	26.75-

*** END OF DATA FOR 31925632-00 ***

714 4th Avenue, Suite 302B
Fairbanks, Alaska 99701
Phone: 459-2100
Fax: 451-7274

Doyon Properties, Inc.

Fax

To:	Marco Pignalberi	**From:**	Bill Allen
Fax:	(907) 269-0223	**Date:**	December 6, 1999
Phone:	(907) 269-0222	**Pages:**	37
Re:	Statement of opinion to the Committee on Privatization	**CC:**	

Comments:

Decemember 2, 1999

Dear Commissioner Bill Allen

This is the statement of opinion to the Committee on Privatization of State Printing Services (including UAF). It will mostly bring attention to UAF Printing Services because of its large size and direct impact on the state private sector economy. This is not to exclude, though, DOT facilities and other state printing and copying services.

By the time a 1994 state law corrected the legislative intent regarding state printing, the University of Alaska Fairbanks campus had built up a print shop as large as any other in the Fairbanks area. Since 1994, UAF has managed to subvert state law, to a large extent, aided by a Board of Regents Printing Standards policy. The 1996 Legislative Audit Report took the University to task in this regards.

The committee recognizes the need for in-house duplicating for State agencies, but we question if any agency can operate large scale duplicating and printing facilities as effective as the private sector.

We feel all State printing services should be privatized, including UAF Printing Services as well as DOT printing and copying offices.

Reason #1. As a general rule private sector printing plants are less expensive to operate than government facilities. This includes, but is not limited to, such items government rarely takes into consideration. For example, what about all the fringe benefits (free tuition to students of parents working for UAF), the true cost of space occupied by printing facilities (if this space was used for classroom space wouldn't that be more efficient use of the building?), paying retirement benefits and other such costs.

Reason #2. The intent of the law (HCS CSSB 212) is written to put printing and copying into the hands of the private sector. Quoted from Sec. 44.99.2000 says "The publications of a state agency shall be produced at a private sector facility located in the state when practicable." See attached copy of law.

Reason #3. If students of UAF need on-hands experience and access to modern equipment, it stands to reason that the private sector would be the best place for this. We feel confident that the private sector is willing to cooperate.

Reason #4. The entire process of bidding requires the private sector to be very competitive. The establishment of a sole source print shop does just the reverse. This is a major reason why the legislature generally supports privatization.

Reason #5. There are some procedural problems with UAF Printing Services. The first is that administratively it is under Purchasing and there is the potential for Printing Services seeing bids of private sector shops before bid openings. The second issue is that private sector shops are not awarded state preference points against UAF Printing Services.

Reason #6. Copying services are controlled by UAF Printing Services and are used as a revenue source. This seems to cost other departments extra money in an effort to make UAF Printing Services self-sufficent.

Support for Reason #1

The bidding process through the private sector is the reason the largest printing buyer in the world - the United States Government - established the Government Printing Office. This office does not print, but contracts with printers all over the United States to receive the best product for the best price. The US Government has closed down printing facilities all over the US and the world, to simply save money. If the largest printing buyer in the world does this, why should the State of Alaska or UAF feel they can be more efficient.

As stated in the reason above. We feel that the true costs involved with running a print shop are not always included. We doubt that all fringe benefits are added as expenses. Such costs as free tuition to UAF employees, retirement monies, all travel costs, the true cost of space used by printing plants in state or university buildings (to include heating, utilities, parking space) and equipment amorization are costs that must be included. State government should do what it does best. Let the private sector do what it does best - provide efficient services. So often government builds upon itself and although the process builds a larger government, it certainly does not build a more efficient and cost effective government.

Support for Reason #2.

Prior to 1990 the laws were fairly quiet about the establishment of printing services, but HB75 which was signed June 14, 1990 did spell out that all printing was to be done in a state facility. In discussion with one of the writers of that bill, Senator Drue Pearce, the intent was to specify a private sector facility in the state of Alaska; therefore, the final wording of the bill was in error. The UAF printing services took this as a mandate to increase their facilities and equipment to do the printing for UAF and state agencies.

Then in 1994, the law was corrected to be the intent of the lawmakers. The law says "the publications of a state agency shall be produced at a private sector facility located in the state where practicable." It was obvious that the university was not following these guidelines. A Legislative Audit was ordered and finished on April 16, 1996. Since that time, to the best of our knowledge, jobs over the $2500 threshold have been bid and other arbitrary restictions removed resulting in savings to the University of Alaska. Prior to that audit, jobs were not always bid.

See the attached copy of the Legislative Audit.

One state print shop in Juneau has since been closed, however DOT regional centers still have a full copy shop for their publications. We question this to be within the spirit of the law.

It might be pointed out that the total dollar billing by Printing Services has gone down, demonstrating that it is harder for them to compete with the private sector.

FY 94	$1,056,943.25
FY 95	1,030,203.55
FY 96	999,971.46
FY 97	873,341.12
FY 98	859,891.41

We do not know if this includes copy revenues as well as printing revenues.

UAF Printing Services are mandated to be self-supporting. This is a complicated issue. This committee does not have access to UAF accounting to know how they compute costs.

Support of Reason #3

The University Administration claims the UAF Printing Services is partially justified because of services to UAF students. This committee feels that getting students into the work force and actual job situations would be of greater value than going through UAF Printing Service on campus. A program could be developed with private industry to have the students work with experienced tradesman to achieve desired results. Through casual conversation with past and present UAF print shop employees, we believe the claim that UAF students have an opportunity to learn the printing trade is over-exaggerated. We disagree with the statement that such opportunities are not available from the private sector.

One stated justification for UAF Printing Services is having on campus consulting on design, color and layout from Printing Services. The Private Sector also provides such services.

A companion justification is that of the on-campus network and being able to electronically send files. The private sector printing shops would be more than happy to pick and deliver files and in fact do so now. The private sector has also has internet and other electronic capabilities, also.

Support of Reason #4.

Bidding does provide competition which keeps prices down.

The UAF Subcommittee mentioned that a national company visited the campus three year ago as a potential bidder to operate their plant. To our knowledge, the private sector printing businesses in the Fairbanks area have never been invited to participate in such a study. Why not? No one knows the local economy,sources of supply etc. better than local suppliers.

Support of Reason #5.

It seems a strange administrative procedure to have purchasing and one of the bidders(UAF Printing Services) both under the same office. This is not to say that UAF Printing Services has prior access to bidding prices, but the issue is certainly a potential conflict of interest. This should be addressed by the current University Administration.

There is a concern, also, when printing bids are awarded by UAF Purchasing, whether the private sector shops that have Class II and III state preferences under the Alaska Bidders Program are being considered. This committee questions if UAF Printing Services is elligible for these preferential points. This certainly could be the difference of awarding a job to the private sector or UAF Printing Services. It is generally understood that if state money is used, then state bidding policies are to be followed.

UAF Purchasing policy currently is that since this is a state facility competing against printing companies within the state, this progam does not apply. However, the private sector printing companies go through a qualifing process to become a member of the program. UAF Printing Service has not gone through this process of being qualified. This committee suggests that all private sector printing companies that are qualified under this program be given these preferential points when bidding against UAF Printing Services or out-of-state private sector printing plants.

Support of Reason #6.

It is this committee's understanding that the UAF Printing Services contols many of the copy machines on campus and charges each user 5.5 cents per copy or 11 cents for a two sided copy. If this is the practice, then it appears that UAF Printing Services is charging more than costs to support their printing plant.

Respectfully submitted,

Committee on Private Sector Printing
Wayne L. Clark, Secretary

Members
Charles L. Gray
Paul J. Massey
Wayne L. Clark

LAWS OF ALASKA

1994

Source
HCS CSSB 212(L&C) am H

Chapter No.
59

AN ACT

Relating to the giving of procurement notices; changing the content of the required procurement reports to the legislature by the commissioner of administration; relating to publications produced by state agencies; establishing an innovative construction procurement methods pilot program; and establishing legislative findings, a legislative purpose, and legislative intent for state procurement; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

Approved by the Governor: May 24, 1994.
Actual Effective Date: Section 3 takes effect August 22, 1998; remainder of Act takes effect August 22, 1994

AN ACT

Relating to the giving of procurement notices; changing the content of the required procurement reports to the legislature by the commissioner of administration; relating to publications produced by state agencies; establishing an innovative construction procurement methods pilot program; and establishing legislative findings, a legislative purpose, and legislative intent for state procurement; and providing for an effective date.

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

(1) the state needs to develop and maintain a strong, stable, and prosperous economy based on private investment;

(2) the existence of a strong and healthy free enterprise system is directly related to the well-being and competitive strength of Alaskan businesses and to the opportunity for Alaskan businesses to have free entry into the business market and to grow and expand;

(3) the use of products manufactured, grown, or produced in Alaska strengthens, stabilizes, and diversifies Alaska's economy;

(4) when governmental agencies purchase and use out-of-state products and services, they reduce job-creating investments and limit the growth of the economy of Alaska;

(5) contracts are frequently awarded to out-of-state firms, even though Alaskan suppliers, manufacturers, and providers of services are more accessible and responsive to the needs of Alaska's business community than their out-of-state counterparts;

(6) there is a need for Alaska to examine its purchasing practices in order to ensure that state agencies support Alaskan businesses by making every reasonable effort to identify available Alaskan goods and services and to foster bidding by local and resident businesses and labor forces, including union and nonunion labor;

(7) state agencies should look outside Alaska for goods and services only if they have provided notice of the procurement in Alaska.

(b) The legislature declares that the purpose of this Act is to foster a procurement process where Alaskan businesses obtain a fair proportion of Alaska's total procurement contracts by providing Alaskan businesses with a fair, equitable, and competitive bid process.

(c) It is the intent of the legislature that

(1) except as prohibited under AS 36.30.320(d), a state agency shall, when practicable and economically feasible, design procurements in a way that fosters participation by Alaska bidders or offerors;

(2) except as prohibited under AS 36.30.320(d), and unless it is anticipated that two or more Alaska bidders or offerors would be capable of performing the procurement, an agency that is proposing a procurement shall, when practicable and economically feasible, divide or otherwise structure the procurement so that it can be performed by Alaska bidders or offerors, if the proposed procurement is too large to be performed by Alaska bidders or offerors, and if the procurement officer determines that Alaska bidders or offerors generally would be capable of performing the procurement if the procurement were reduced in size or otherwise restructured; in this paragraph, "Alaska bidders or offerors" means persons who qualify as Alaska bidders under AS 36.30.170(b); and

(3) state agencies that procure investment and brokerage services increase the utilization of brokerage and investment services provided by persons located in the state; in

this paragraph, "state agency" includes the University of Alaska, the Alaska Railroad Corporation, the Alaska Housing Finance Corporation, the Alaska Aerospace Development Corporation, the Alaska State Pension Investment Board, and the Alaska permanent fund established under AS 37.13.010, but does not include the state trustees or federal trustees under AS 37.14.450.

* Sec. 2. AS 36.30.130(a) is amended to read:

(a) The procurement officer shall give adequate public notice of the invitation to bid at least 21 days before the date for the opening of bids. If a determination is made in writing that a shorter notice period is necessary for a particular bid, the 21-day period may be shortened. The determination shall be made by the chief procurement officer for bids for supplies, services, or professional services. The determination shall be made by the commissioner of transportation and public facilities for bids for construction or acquisition of property for the state equipment fleet. Notice shall be published in the Alaska Administrative Journal. The time and manner of notice must be in accordance with regulations adopted by the commissioner of administration. When practicable, notice may include

(1) publication in a newspaper calculated to reach prospective bidders **located in the state**;

(2) notices posted in public places within the area where the work is to be performed or the material furnished; and

(3) notices mailed to all active prospective contractors on the appropriate list maintained under AS 36.30.050

(A) if the contractors are located in the state;

(B) upon request, if the contractors are not located in the state.

* Sec. 3. AS 36.30.130(a) is repealed and reenacted to read:

(a) The procurement officer shall give adequate public notice of the invitation to bid at least 21 days before the date for the opening of bids. If a determination is made in writing that a shorter notice period is necessary for a particular bid, the 21-day period may be shortened. The determination shall be made by the chief procurement officer for bids for supplies, services, or professional services. The determination shall be made by the commissioner of transportation and public facilities for bids for construction or acquisition of property for the state equipment fleet. Notice shall be published in the Alaska Administrative Journal. The time and manner of notice must be in accordance with regulations adopted by the commissioner of administration. When practicable, notice may include

(1) publication in a newspaper calculated to reach prospective bidders;

(2) notices posted in public places within the area where the work is to be performed or the material furnished; and

(3) notices mailed to all active prospective contractors on the appropriate list maintained under AS 36.30.050.

* Sec. 4. AS 36.30.540 is amended to read:

Sec. 36.30.540. REPORT TO LEGISLATURE. <u>**The**</u> [BEGINNING WITH DECEMBER 1, 1989, THE] commissioner shall biennially report to the legislature concerning procurements by agencies. The report must include

(1) the records maintained by the commissioner under AS 36.30.510 and the records maintained under as 36.30.520(a) for the previous two fiscal years;

(2) recommendations for changes in this chapter or other laws based on implementation of this chapter in the previous two fiscal years;

(3) a description of any matters that involved litigation concerning this chapter in the previous two fiscal years;

(4) a list of procurements made under this chapter from out-of-state sources during the previous two fiscal years together with the total number of procurement contracts entered into during that period with out-of-state contractors and the total value of these contracts; this paragraph does not apply to procurements made under AS 36.30.320; and

(5) a list of procurements made under this chapter from state sources during the previous two fiscal years together with the total number of procurement contracts entered into during that period with state contractors and the total value of these contracts; this paragraph does not apply to procurements made under AS 36.30.320<u>**;**</u>

<u>**(6) the number of bidders and offerors that bid on or made**</u>

proposals for procurements under this chapter, the number of these bidders and offerors that were located in the state, and the number of these bidders and offerors that were located outside the state; this paragraph does not apply to procurements made under AS 36.30.320.

* Sec. 5. AS 44.99.200 is repealed and reenacted to read:

Sec. 44.99.200. PRODUCTION OF PUBLICATIONS. The publications of a state agency shall be produced at a private sector facility located in the state when practicable. The Department of Administration shall establish standards for the production of publications by state agencies, except that the Board of Regents of the University of Alaska shall establish the standards for the university. The standards shall be designed to promote simplicity, low cost, and consistency.

* Sec. 6. AS 44.99.210 is amended to read:

Sec. 44.99.210. DISCLOSURES ON PUBLICATION. If [A PUBLICATION OF A STATE AGENCY IS EXEMPTED UNDER AS 44.99.200(a) FROM BEING PRODUCED AT A STATE-OPERATED FACILITY AND IF] the actual annual costs for a [THE] publication of a state agency that are paid from the general fund exceed $1,500, or if the actual annual costs of a state agency publication that is a report required by law are paid from a source other than the general fund and exceed $1,500, the publication must include a statement that gives the name of the agency releasing the publication, the purpose of the publication, the cost for each copy of the publication, and the city and state where the printing was done. The statement must read: "This publication was released by . . . (name of state agency) . . ., produced at a cost of $ . . . . . per copy to . . . (statement of purpose) . . ., and printed in . . . . . . (city and state where printed)." If the publication is required by law, the statement must also include: "This publication is required by . . . (appropriate citation to Alaska law)." The statement may include, if applicable, a declaration of the revenue raised by the sale of the publication or from the purchase of advertising in the publication. The statement shall be printed in one conspicuous place in the body of the publication in a type size that is not smaller than 12 [EIGHT] points and shall be placed in a box composed of at least two [ONE] point rule. In this section, "cost for each copy" means the figure that results after dividing the total contract cost of producing the publication by the number of copies produced. This section does not apply to a publication that is intended primarily for foreign or other out-of-state use, [OR] to a program for a public ceremony of a state agency<u>, or to materials used by a state agency to develop a market for the agency's services or products</u>.

* Sec. 7. AS 44.99.230 is repealed.

* Sec. 8. INNOVATIVE CONSTRUCTION PROCUREMENT METHODS PILOT PROGRAM. (a) Within six months after the effective date of this section, the commissioner of transportation and public facilities shall begin a two-year pilot program for the use of innovative methods for the procurement of construction services by using bonuses to replace the preferences required under AS 36.30. The bonuses are to be offered to achieve the purposes of the preferences in AS 36.30 and shall be defined by regulations adopted by the commissioner.

(b) Notwithstanding the provisions of AS 36.30, if the commissioner determines in writing that using innovative construction procurement methods for the procurement of construction contracts would be in the best interests of the state, the commissioner may, by regulation, adopt procedures different than those provided under AS 36.30 as necessary to use bonuses instead of preferences in the procurement of construction contracts. The determination must find that the innovative methods are not contrary to the intent and purposes of AS 36.30, demonstrate that the innovative methods are in the best interests of the state, and describe how the innovative methods modify the procurement methods and procedures of AS 36.30.

(c) Within 15 months after the pilot program begins, the commissioner shall report to the legislature on the construction contracts awarded during the first year of the pilot program. Within 27 months after the pilot program begins, the commissioner shall report to the legislature on the construction contracts awarded during the second year of the pilot program. In a report under this subsection, the information must include for each contract awarded during the period covered by the report

(1) the geographical region where the construction is to be performed; and

(2) whether the contractor is classified as a minority contractor.

(d) The legislature may review the pilot program at any time during the program and may make the program permanent or broaden the scope of the innovative procurement