

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2735 SCOMM 122: COMMISSION ON PRIVATIZATION. ., 1999

areas that could be well served by the private sector. However, this important issue has been neglected.

TAPE 99-9, SIDE A

MIKE ABBOTT, Economic Development Assistant, Office of the Governor, said he did not think the Department of Administration or the Knowles Administration would be at odds with this recommendation in terms of the fact that the state should be doing more in the area of Clean Water Act certification. Commissioner Brown, as a result of unallocated budget reductions in DEC, recently decided to prioritize DEC programs for which no federal programs or oversight exists and she would agree that the state should do more in regard to water quality. Mr. Abbott asserted that the Administration will be working with the legislature next year to find a way to get funding for DEC to get back into this core business.

MS. SIROKY informed the commission that DEC has established a water quality permit working group, and it has been working with industry to identify potential solutions to this significant problem.

Number 040

MS. MADSEN stated, in response to Commissioner Fink's earlier question regarding whether the Subcommittee looked at elimination of DEC programs, that the subcommittee did discuss eliminating positions, primarily those of the public information office. The discontinuance of the 401 program sparked a lot of discussion about eliminating other DEC positions to reinstate the 401 certification program. She emphasized that the subcommittee did discuss reprioritizing programs within DEC to allow the 401 certification program to continue. She noted that she is a member of the Water Quality Stakeholder Group, which is also reviewing options and the possibility of re-prioritizing the cuts for this fiscal year.

CO-CHAIR COWDERY asked if two DEC employees work with the press and disseminate information to the public.

MS. SIROKY clarified that three people work in DEC's Public Information Office: one works exclusively on DEC's website; the other two work with DEC staff to effectively communicate technical information to the public. She commented that the public information officers do more than put out press releases. Ms. Siroky explained that DEC is an organization that uses technical lingo that is unfamiliar to others so the public information staff help DEC staff to communicate better.

MR. NORTON stated that, in regard to 401 certifications, Recommendation 5 suggests that federal environmental regulations for Alaska should be DEC's top priority. That recommendation also suggests that the legislature set DEC's priorities, particularly how and where DEC is to cut its budget when it experiences future budget cuts. When DEC's budget was cut last year, the Division of Air and Water Quality took the hit.

Number 030

COMMISSIONER VALESKO expressed concern about Recommendation 28, and in particular the last sentence which reads, "These functions have been successfully privatized by CSRP without reducing ADEC's responsibility to make final cleanup decisions, or in AWQ's case, permit decisions." He asked whether "successfully privatized" implies that the subcommittee investigated that function and concluded that it is now privatized at a savings to the state. He noted that "successfully privatized" could imply that the success was in the transition to privatization itself.

GREG HORNER, Member, Department of Environmental Conservation Subcommittee, replied that he made Recommendation 28 from direct experience. He did not do a cost-benefit analysis as to whether his private firm can perform the function less expensively than the state therefore he cannot answer that question. He added that DEC does successfully hire private firms to evaluate documents prepared by other consultants for reviews. He said he is confident that the private sector can evaluate documents much more quickly than DEC because DEC project managers often have to handle multiple projects at one time.

REPRESENTATIVE GAIL PHILLIPS joined the commission at the table.

Number 074

MR. NORTON stated that the subcommittee did not have time to determine the actual dollars that would be saved by implementing the recommendations, but it believes that all 35 recommendations are valid. Subcommittee members put a lot of time and thought into the recommendations and they are anxious to see the response of DEC staff. He noted that Recommendation 26, which pertains to 401 certifications, responds to an issue raised by Commissioner Wuerch, as well as many other people who called him at home. He encouraged the legislature to direct DEC in how and where it is to take budget cuts in the future. Mr. Norton stated that an audit of DEC would examine each program to determine which overlap or could be eliminated. He suggested examining the existing programs in every department, not only DEC, and branch of government to prioritize

programs and to determine which programs are absolutely necessary.

CO-CHAIRMAN COWDERY expressed appreciation for Mr. Norton's hard work as the subcommittee chair.

SENATOR ADAMS pointed out that subcommittee members have made individual recommendations. He asked if all 35 recommendations were voted on by the full DEC Subcommittee.

MR. NORTON answered the full subcommittee discussed each recommendation at length and all voted on each recommendation.

SENATOR ADAMS said he appreciated the work done by the subcommittee, but he was concerned about the large number of recommendations made by individuals. Some subcommittee members may have grudges against DEC.

MR. NORTON acknowledged that he is the subcommittee member who was accused by the Governor's Office of "carrying a hatchet" against DEC. He didn't believe that any other subcommittee member has a particular axe to grind with DEC. Mr. Norton maintained that nothing in the subcommittee's report reflects the issue that he would like to take DEC to task for.

SENATOR ADAMS expressed appreciation for Mr. Norton's remarks, however he didn't want to carry the final report on the Senate floor to be criticized because some members are accused of having grudges. He acknowledged that the subcommittee has worked hard on the report and he hopes that all Alaskans can appreciate it.

MR. NORTON maintained that is what the subcommittee tried to do.

Number 142

JERRY BROOKMAN, Member, Department of Environmental Conservation Subcommittee, informed the commissioner that all subcommittee members tried to do a fair and objective job, although they had differing viewpoints to some extent. He noted that he originally suggested the management audit for the specific reason that such an audit would be performed by an outside firm with no axe to grind. He acknowledged that an audit would be expensive, but would likely result in a savings to the state in the long run.

CO-CHAIR COWDERY commented that he expects that some of the subcommittee members will be asked to testify at hearings in Juneau during the legislative session. He hoped some of the subcommittee members will be able to participate. He noted that he has already received requests for subcommittee information that members of the

House Finance Committee want to review.

COMMISSIONER THOMAS asked that the subcommittee give the Commission an idea of what should be reviewed in an audit of DEC or what should be established by doing an audit.

MR. NORTON responded that, if he were to write the criteria for the audit, he would be looking at the intent and scope of all of SB 33, which could be quite an undertaking when dealing with a technical department. He also suggested examining statutes to determine whether any can be streamlined or eliminated. He suggested doing a thorough program review to determine whether certain programs need to be enlarged or whether some could be incorporated into other programs so that more focus could be put on the technical side of the programs. He pointed out that he authored the recommendation to consolidate all of the information in statewide public service. He noted that good management is the key to good government and that all management decisions should be reviewed. He reiterated that it may be time for the legislature to mandate where future budget cuts are taken within DEC.

Number 211

COMMISSIONER ALLEN asked Mr. Norton if the recommendations in the report are prioritized within each division. He also asked commissioners whether the recommendations should be short-listed after they are prioritized.

MR. NORTON replied that the members of the DEC subcommittee would be happy to prioritize the recommendations under each division. Given the scope and intent of SB 33, which is to look at ways to make government more efficient and productive, all of the recommendations will save money.

COMMISSIONER ALLEN noted the DEC subcommittee has done an outstanding job, however he asked the members to prioritize the recommendations of each division in order of importance.

CO-CHAIR WARD thanked DEC subcommittee members for doing a very thorough job.

MR. PIGNALBERI asked Mr. Norton if the DEC subcommittee plans to meet again to prioritize the recommendations.

MR. NORTON noted he would talk to subcommittee members and get Mr. Pignalberi a prioritized list. Mr. Norton contended that the request for a prioritized list confirms his belief in the need for

an audit because the 35 recommendations, as well as others, would come to light in an audit.

Number 249

COMMISSIONER VALESKO noted his appreciation for the time and effort that all subcommittee members have put in.

The commission took an at-ease from 11:00 a.m. to 11:05 a.m.

Number 261

CO-CHAIR COWDERY announced that the commission would next hear from the Department of Corrections Subcommittee.

SHARON ANDERSON, Chair, Department of Corrections Subcommittee, introduced Garland Warren and noted that other subcommittee members may arrive later. Ms. Anderson informed the commission that the subcommittee met every Tuesday during the months of August and September. Bruce Richards, DOC Special Assistant, participated in all meetings and Deputy Commissioner Parker was able to attend all meetings, but one. The Department of Corrections' (DOC) staff participation was very useful to subcommittee members. Subcommittee members believe a cost-benefit analysis of DOC would be very beneficial.

MS. ANDERSON informed the commission that the subcommittee narrowed its recommendations to 12. She pointed out that the recommendations are not listed in any ranked order. Subcommittee members were concerned that they had no mechanism with which to evaluate the effectiveness of many of the DOC programs currently privatized. The DOC information system does not provide for measuring the recidivism rate of offenders in general nor after prisoners have completed some of treatment programs. The department is implementing a new system, and hopefully the Offender Based State Corrections Information System (OBSCIS) number assigned to each offender who comes into the system could be tracked to determine if the person is a repeat offender. The lack of a method to measure recidivism rates was an overriding theme in each of the subcommittee's reviews.

MS. ANDERSON pointed out that the DOC recommendations are listed on page 3 of the report, and the rationale for each recommendation begins on page 4 of the report. The subcommittee first recommends that all of the correctional industries' programs be transferred to the Department of Community and Economic Development (DCED), and that all contracts be privatized.

SENATOR ADAMS asked why the state should privatize something that is successful. He noted that only one state privatizes this sort of thing while other states keep it in-house, in their departments of corrections or departments of public safety. He didn't buy the location argument.

Number 334

MS. ANDERSON replied that the subcommittee felt DCED might be more in tune with job retraining programs or businesses that would have potential for employing offenders once they come out of the system. Many offenders move through the corrections' system quickly because of overcapacity. Therefore, subcommittee members felt it would make more sense economically to place correctional industries under DCED.

REPRESENTATIVE BRICE asked whether any discussion with DCED ensued about that department's familiarity with security and the other aspects of dealing with prisoners.

CO-CHAIR COWDERY noted that Section 8 of the report contains the DOC's comments and answers.

MS. ANDERSON indicated that subcommittee members did not speak directly to DCED staff. She asked Senator Adams to direct his question about Recommendation 1 to Mr. Pease.

SENATOR ADAMS stated that the Alaska Correctional Industries program is a successful one. He questioned why Alaska should privatize that program when 49 other states keep that program in-house. He believed Florida is the one state whose program is not in-house. He added that he is not familiar with the Fairfax County program so he feels unwilling to respond to that. He added that the factor of location should not be the reason for moving the program.

GREG PEASE, Member, Department of Corrections Subcommittee, asked why Senator Adams considers the Alaska Correctional Industries program to be a successful one. He noted that it only has two businesses and that most of their efforts are aimed at eliminating "dead" time. He added that Alaska is in the stage of corrections where most people are transitioning out of the institutions back into the community, and need meaningful training that could occur in partnership with the private sector. He noted that Alaska Correctional Industries has a laundry operation in Juneau, however inmates could not get a job at the local dry cleaner because it has no openings. Many private sector businesses are now moving into the institutions and using that arena for publicly-funded jobs for

hard-to-employ people, including many who might end up on welfare. He believes that turning it over to the Alaska Human Resources Investment Council (AHRIC) who already has people with business expertise, the unions, the WIC, and the JTPA at the table might result in a program that takes inmates out of prison and places them in meaningful jobs in the community. Therefore, Mr. Pease believed the Human Resources Investment Council can make Alaska Correctional Industries a viable operation.

Number 406

SENATOR ADAMS maintained that it is very difficult to find such programs because the state has to watch out for competition within the private sector. If technology is the focus, he suggested setting up computers in prisons so that offenders can be trained to run a travel agency. He noted that regarding "dead" time, Alaska has not experienced many prison riots because prisoners' time is occupied. He reiterated that he has concerns about privatizing the Alaska Correctional Industries program.

MR. PEASE pointed out that the focus is not so much about privatizing, as it is shifting the service over to people who know how to run a business. Mr. Pease said:

As far as competition with the private sector, the reason that they have been beat up over the years when they were going to make office panels, et cetera, was the fact that we did a poor job of partnering with the private sector and seeing where everyone can benefit. I mean after all, these individuals are only going to be, on average, in the institutions for about 18 months, then they are going to be riding the bus with my kids and your kids and you and me and the rest of the community. If they don't have a meaningful job, and they don't have a safe and sober place to live, or a GED, or some educational advancement, they are going to reoffend and that's the last thing we want to do. We're not doing a good enough job with the Chambers of Commerce and the people who run business in the state to get these folks back on their feet and employed. We can't keep holding up that flag of unfair competition when they are transitioning back into the community with us all.

CO-CHAIR COWDERY requested that further debate be saved for a later time.

COMMISSIONER VALESKO expressed concern that certain laws do not, but should, apply to prisoners. For example, prisoners should be

paid minimum wage or more if they are going to work for a private company. He felt that the competition must be even for companies who contract in this area and who will be making a profit from hiring prisoners. He stated that he could not support turning this industry over to for-profit companies if prisoners will earn 50 cents per hour.

COMMISSIONER THOMAS reminded the commissioner that it agreed earlier to finalize and accept reports later, and this time would be utilized to ask questions about the content of the reports. Debate was to be saved for later.

Number 448

MS. ANDERSON noted, in regard to Recommendation 1, that Representative Dyson put forth the following example. The State of Nevada Corrections' job retraining program allows inmates to learn to restore antique automobiles. That innovative approach resulted in jobs for trainees once they were released. She added that the subcommittee debated the issue of wages for prisoners, but felt that the most important aspect of job retraining is to give offenders job skills that will allow them to mainstream back into society when they leave the prison system.

MS. ANDERSON explained that the subcommittee's second recommendation pertains to the Sex Offender Treatment Program, a \$1 million program. The last report on sex offender recidivism rates was done in 1996, however members learned from a recent presentation that not many offenders are completing the entire program. Although 88 percent of this program is currently privatized with DOC retaining oversight, subcommittee members felt that the entire program should be privatized in order to improve the effectiveness of the program. The subcommittee also heard comments that the Native population has trouble completing the program due to some cultural differences, and that cultural relevance is an area that could be better addressed.

MR. PIGNALBERI asked if a DOC representative was available.

MS. ANDERSON responded that DOC staff may have thought the meeting was scheduled for noon.

SENATOR ADAMS asked if Recommendation 2 should be eliminated because 94 percent of the Sex Offender Program is already contracted out.

MS. ANDERSON replied that, in Section 8 of the report, DOC says that 94 percent of the program is contracted out. However, at the

presentation to the subcommittee DOC staff said the percentage is 88. She repeated that the effectiveness and the measurement of the programs that are being privatized are the greatest concern. She noted that one reason that prisoners are unable to complete the program is that they are moved from facility to facility.

COMMISSIONER ALLEN asked if the same notes would apply to domestic violence cases.

MS. ANDERSON said she could not answer that. However, she believes of all of the DOC programs presented to the subcommittee, DOC's program for victims is one of the most effective.

Number 486

REPRESENTATIVE BRICE said he is not concerned about the discrepancy between the 88 and 94 percent. However, he is concerned about the remaining six to 12 percent of the program that the subcommittee recommends be privatized. He asked Ms. Anderson to elaborate on what that will entail.

MS. ANDERSON noted the subcommittee's concerns were that very few of the prisoners enrolled in the program have actually completed it. There was no way to determine whether they did not complete the program because they refused to or because of cultural irrelevance, nor is recent data available on the recidivism rate of those offenders. The subcommittee believes that privatizing the entire program will make the program more effective by pulling it all together. She thought that six percent of the monies are spent on oversight by DOC staff.

REPRESENTATIVE BRICE asked if the dispute over the discrepancy is a question of who does the oversight.

MS. ANDERSON replied no. The subcommittee recognized that DOC staff would need to oversee the programs being carried out in each institution. Stability of population numbers at each facility will help, as well as having additional beds in-state. Two programs are in place, one at Meadowcreek and one at Lemon Creek, but questions remain about the success rate of those programs and a large amount of money is being spent on them.

Number 507

COMMISSIONER VALESKO commented that 88 percent of the \$1 million is contracted out, while the success rate at Meadow Creek is a dismal 20 percent of 72 inmates. He questioned whether he can infer that the contractors who are providing the programs are doing a poor

job.

MS. ANDERSON reiterated that without an effective measurement tool built into the contracts might have been an issue. The department does feel that the program is successful and the names of the contractors are listed in Section 1. Those contracts are generally given to individual practitioners with oversight by DOC staff.

MS. ANDERSON discussed Recommendation 3. The subcommittee felt that education is an important and essential element to prevent the re-entry of offenders into the system. The subcommittee also felt that there may be better ways to accomplish that. Some subcommittee members felt the current program merely keeps inmates occupied, and that it is difficult to determine whether inmates complete the program when they are moved among facilities. She noted there are effective means in the private sector for people to complete education programs while they move to different areas of the state.

MS. ANDERSON noted that DOC has an educational coordinator in each of the facilities and one full-time criminal justice planner that oversees those coordinators. Recommendation 3 has more to do with effectiveness. The subcommittee does believe that less money should be spent on education.

[BREAK IN TRANSMISSION]

AN UNIDENTIFIED COMMISSIONER [COMMISSIONER VALESKO] asked, regarding Recommendation 3, whether the subcommittee reviewed what educational programs are available in the private sector. He asked what education programs the subcommittee is referring to and whether the subcommittee did a cost analysis of privatizing those services.

MS. ANDERSON replied that behind Tab 4 of the report is a detailed description of inmate education programs in each facility. Those programs consist of a GED program, an adult education program and a life skills program. The subcommittee believes that numerous agencies in the state have the ability to deliver that type of education. Many subcommittee members felt the existing program is a waste of money within the facilities. Ms. Anderson referred to statistics on the percentage of inmates enrolled in education programs and the total education budget per inmate by state. Alaska ranks very low on the amount spent as compared to other states. Other national studies show that education is one of the strongest tools that can be used to keep people out of the system. Subcommittee members felt that the money DOC spends on education could, and should, be better allocated.

COMMISSIONER ALLEN asked whether the education programs are mandatory or voluntary.

MS. ANDERSON answered she believes the education programs are all taken on a voluntary basis unless they pertain to something like anger management.

COMMISSIONER FINK stated that he has not found any information in the subcommittee's report on the reasons that people are in jail. He noted that in a review he once did, he found that a substantial number of people were in prison for driving while intoxicated, which carries a mandatory three-day prison sentence. He asked whether the subcommittee considered removing the three-day mandatory prison sentence for that offense. To what extent, would such a change affect DOC's budget?

[Manual tape change, Tape 99-9, Side B is blank.]

TAPE 99-10, SIDE A

MS. ANDERSON commented that the subcommittee did not discuss whether to make a recommendation to the court system to change sentencing.

COMMISSIONER FINK pointed out that the mandatory three-day jail sentence is in statute.

SENATOR ADAMS asked whether the subcommittee considered changing the law to allow a judge to impose the three-day mandatory jail time or to sentence the offender to one week of community service.

COMMISSIONER FINK noted that it appears that DOC has already privatized a lot of its services, and that the big savings would result if prisons had offenders for a shorter period of time. He asked whether the subcommittee looked at that aspect.

MS. ANDERSON said that the subcommittee was informed by DOC staff that most people who serve the three-day sentence for DWI are placed in community residential centers. The cost per bed in those centers is about \$45 per day, compared to the jail system, which is about \$100 per day.

COMMISSIONER FINK noted that, according to the report, electronic monitoring costs about \$12 per day.

MS. ANDERSON said that is correct. The department has plans to move in that direction. The department's plan for FY 2003 provides for an electronic monitoring program that will be implemented

through the community residential centers.

COMMISSIONER [VALESKO] noted that Alaska ranks sixth in the number of inmates who are enrolled in prison education programs, but it ranks 36th in the amount it spends. He asked whether the subcommittee looked into the possibility that additional funding in education might help the program.

MS. ANDERSON replied the subcommittee was very concerned about ranking 36th in the amount spent. The subcommittee felt that a number of programs that are coined as "educational," but are not. Therefore, those programs could be eliminated and their funding could be redirected into actual education cases.

CO-CHAIR COWDERY passed the gavel to Commissioner Thomas.

MS. ANDERSON turned to Recommendation 4. The subcommittee believes that an additional source of funding for medical care for offenders might be available through the Alaska Native Medical Center (ANMC). The local ANMC administration adopted a policy to not admit offenders into their hospital. Currently, DOC has a contract with Providence Hospital for reduced percentage office charges and yet none of the Native offenders are being treated at the ANMC. She mentioned that Recommendation 4 may have to be pursued at the federal level. Tab 8 contains DOC's response to Recommendation 4. DOC did obtain the local ANMC administration's policy of non-eligibility of services for Native inmates. The cost of medical care for Alaska inmates equals about \$10 million per year. In addition, the individual contracts for nursing care could be put under a statewide bid.

Number 536

REPRESENTATIVE BRICE asked if the subcommittee looked at how DOC deals with inmates who are developmentally disabled or with have mental health issues.

MS. ANDERSON noted that DOC gave the subcommittee an excellent presentation on that subject, after which the subcommittee eliminated one of its recommendations regarding mental health. DOC is working with the Alaska Mental Health Trust Authority to develop programs in this area.

MS. ANDERSON reported that the subcommittee believes that non-violent prisoners should be moved to intermediate facilities, which may need to be expanded (Recommendation 5). Those facilities are not "fenced in" and could be extended out into the private sector, such as community residential centers. One subcommittee member

felt a cost savings would result, however the subcommittee did not do a cost-benefit analysis. The subcommittee felt community residential centers would be a better way to keep prisoners within the state rather than sending them to Arizona.

Number 517

COMMISSIONER VALESKO questioned how the committee determined that a 25-30 percent savings could be realized if Palmer and Pt. Mackenzie were privatized.

MS. ANDERSON repeated that the subcommittee is aware that the cost savings needs to be looked at. The subcommittee did not have individual costs per facility, but was told by DOC staff that the overall costs are \$100 per day system wide. At community residential centers, the cost is about \$48 per day. The subcommittee estimated the cost to be in-between those two amounts which is how it calculated the 25-30 percent.

COMMISSIONER VALESKO asked whether the subcommittee, or the commission, could provide back-up material to substantiate that recommendation.

Number 495

CO-CHAIR WARD announced that DOC will bring those numbers forward before the commission makes a final decision.

MR. WARREN remarked that DOC should be able to provide that information.

COMMISSIONER THOMAS asked Mr. Abbott whether DOC would be able to provide that information.

MR. ABBOTT informed the commission that DOC staff would arrive momentarily and could answer that question.

MS. ANDERSON added that the subcommittee did ask DOC for that information but it could only provide the data in aggregate. Apparently, the department does not have an information system available to determine costs per facility.

COMMISSIONER THOMAS asked Bruce Richards and Deputy Commissioner Parker to join the commission at the table.

MS. ANDERSON asked Mr. Richards and Deputy Commissioner Parker to respond to Commissioners' request for a breakdown on the cost per bed day at each facility.

Number 463

BRUCE RICHARDS, Program Coordinator, Department of Corrections, replied that there is a breakdown that makes up the total average cost per day for all of the institutions, but he was unaware of that amount for the Palmer correctional facility. He estimated the amount to be about \$75. With regard to community residential centers (CRCs), he believes the spread is larger, depending on their geographic location. He noted that a cost benefit analysis has not been done, and he does not know where the 25 to 30 percent estimate came from.

COMMISSIONER VALESKO remarked that he is trying to determine the validity of the statements made in the report. A statement in Recommendation 5 maintains that privatizing the Palmer and Pt. MacKenzie could result in a 25 to 30 percent savings. He noted the DOC response does not agree with that number and says that the cost of care in those facilities is the lowest per bed cost in the state and is already lower than the cost of care in privately-operated CRC houses. He asked for the facts and whether the subcommittee is recommending that those facilities be privatized even though it will cost more.

MR. RICHARDS responded that the 25 to 30 percent was a key discussion point. The department's response to the recommendation to privatize the Palmer and Pt. Mackenzie facilities was that those are the most cost-efficient facilities. However, because no analysis has been done, DOC has nothing to compare the numbers to. The department was only trying to point out that those two facilities are efficient on a cost per day average compared to CRC beds.

Number 427

COMMISSIONER THOMAS asked whether DOC has been able to provide the cost per facility per day to the subcommittee.

MR. RICHARDS replied that the subcommittee asked for a comparison of the costs between the out-of-state Arizona facility and the average per day cost in Alaska.

COMMISSIONER THOMAS asked if it would help the subcommittee to have those numbers.

MS. ANDERSON said the subcommittee would have found that information to be beneficial, however the subcommittee would have run out of time to thoroughly review it. She noted that data retrieval was difficult for DOC and that they did provide the

subcommittee with a lot of information.

MR. RICHARDS clarified that the average daily cost per facility is available. The department was not withholding that information from the subcommittee, however it focussed on the out-of-state comparison. He affirmed that DOC can provide the average daily cost per facility numbers.

COMMISSIONER THOMAS asked that DOC forward that information to the commission.

COMMISSIONER FINK asked for data on the percentage of inmates each year who are incarcerated for DWI offenses.

MR. RICHARDS offered to provide that information.

Number 398

MS. ANDERSON discussed Recommendation 6 which pertains to centralized purchasing functions. The subcommittee does recognize that a procurement process is followed by the state, but it believes the purchasing system should be centralized further to get the advantage of uniform pricing.

REPRESENTATIVE BRICE asked if the subcommittee is suggesting that one statewide office take care of purchasing food and supplies for all prisons.

MS. ANDERSON said that is correct.

REPRESENTATIVE BRICE noted that he has heard a lot of feedback over the years about de-centralizing the purchasing to give the small food distributors and suppliers a chance, otherwise only Food Services of America will get the business. He asked if the subcommittee considered how state money can be targeted to state and local businesses.

MS. ANDERSON said the subcommittee was primarily interested in finding the least expensive ways of purchasing goods. The subcommittee did not talk about having one large provider, but rather uniform pricing.

MS. ANDERSON explained that Recommendation 7 pertains to privatizing fines and collection activities. Although this function is not performed by DOC, the subcommittee reviewed it and felt it should be forwarded to the subcommittee on the Court System.

COMMISSIONER VALESKO questioned what criteria or data the subcommittee used to forward Recommendation 7 to the subcommittee on the Court System.

MS. ANDERSON repeated that the subcommittee put forward its recommendations as ideas for efficiencies within the system recognizing that there are additional data requirements that need to be looked at by the full commission.

Number 353

MR. PIGNALBERI commented that the Department of Law Subcommittee was asked to look at the issue of collecting fines. He explained that the Court System imposes the fines but the Department of Law is charged with the collections. The Department of Law Subcommittee did not get to that issue, however. He asked whether the DOC Subcommittee plans to meet again and whether it could look at that issue further.

MS. ANDERSON replied that the DOC Subcommittee has no additional meetings scheduled at this time and given that the function is not within DOC, the subcommittee felt the more appropriate action was to forward the recommendation on.

COMMISSIONER THOMAS asked whether the subcommittee would considering meeting again to further discuss that issue.

MS. ANDERSON replied the subcommittee would probably not know how to retrieve that data.

MR. PIGNALBERI said the Department of Law could provide the data but neither the Department of Law or Court System subcommittees will be able to look into it. He asked Ms. Anderson if she thinks the DOC subcommittee has the appetite to take this issue on.

MS. ANDERSON agreed to poll subcommittee members to see if interest exists.

Number 323

MS. ANDERSON indicated that Recommendation 8 pertains to vehicle maintenance activities. The subcommittee did not have much discussion on this recommendation. The department thought that an efficiency factor could be built into a more centralized system. The subcommittee did not have time to gather facts and figures for Recommendation 8.

COMMISSIONER VALESKO asked how the subcommittee could recommend

that vehicle acquisition and maintenance be privatized with no criteria, information or documents to back it up.

MS. ANDERSON replied that Recommendation 8 came at the last subcommittee hearing and given the time constraints, the subcommittee did not have the information available to look at the costs. She noted that the subcommittee believed that this recommendation could provide efficiencies if explored further.

Number 301

COMMISSIONER VALESKO asked Mr. Warren if he attended the last subcommittee meeting.

MR. WARREN stated he is not sure at which meeting this recommendation was discussed at.

MS. ANDERSON commented that Representative Dyson brought this recommendation up, and Mr. Pignalberi was at the meeting.

MR. WARREN said he was present at that meeting and opposed the recommendation vigorously.

MS. ANDERSON explained that Recommendation 9 pertains to information technology. She informed the commission that DOC is getting a new information system which should tremendously improve the effectiveness of DOC's programs, yet the subcommittee felt the administration of DOC's information technology should be privatized. The department's existing system is antiquated by everyone's standards.

COMMISSIONER NOTTI asked if any concerns about access to information were discussed.

MS. ANDERSON said that given that computer technology allows for users and authorization codes to be built into the system, the subcommittee did not take that topic up. The system will probably allow for greater confidentiality adherence than the existing system.

Number 266

COMMISSIONER VALESKO remarked that DOC's response on the information technology recommendation states that this information was formally documented in a 1996 study conducted by Compass America and that Alaska is 31 percent more efficient in this industry than industry norms. He asked if the subcommittee is recommending that information technology be privatized in those

places in which it is more expensive to do so.

MS. ANDERSON said absolutely not. The subcommittee was looking at ways for more efficient and effective use of state money, not just in the area of privatizing. She repeated that the subcommittee believes that a cost benefit analysis is an important element to all of the recommendations.

MS. ANDERSON noted that, with regard to Recommendation 10, legislation has been introduced that would provide for probationers and parolees to be charged a weekly fee. The subcommittee supports that legislation.

MS. ANDERSON explained that Recommendation 11 pertains to the repair of outdated equipment, which is sometimes more expensive than purchasing new equipment. The subcommittee felt strongly that the state should not discourage departments from being more cost effective by purchasing new equipment.

REPRESENTATIVE BRICE asked for examples of that activity.

MS. ANDERSON said that Representative Dyson had several concrete examples but he is not present. She offered to get that information for the commissioner.

Number 231

MS. ANDERSON noted that the subcommittee asked DOC to recommend functions for privatization. The information behind Tab 6 contains DOC's plan to move from hard to soft beds, and toward electronic monitoring. The department's second recommendation, behind Tab 7, is that Mt. McKinley Meats be privatized. She deferred any questions to Mr. Richards.

COMMISSIONER FINK asked Mr. Richards if DOC is moving as fast as is appropriate toward electronic monitoring of every non-violent prisoners.

BILL PARKER, Deputy Commissioner, Department of Corrections, replied that prisoners eligible for electronic monitoring will have to be classified for it. They will have to qualify for the right security level, and have a house and job to go to. Currently there are about 30 offenders in that program and DOC hopes to double that number. However, DOC has to determine, case by case, whether an individual can qualify.

Number 202

COMMISSIONER FINK asked if DOC believes that eventually, electronic monitoring will be used on a lot more offenders.

MR. PARKER said DOC has just started the program and it has been more labor intensive than expected. The department plans to use electronic monitoring on 66 offenders and that number should grow with inmate population growth.

MR. PIGNALBERI asked Commissioner Valesko to restate his earlier question about the lack of effectiveness of the current education programs.

COMMISSIONER VALESKO referred to the graphs on page 18 and 19, and asked whether they indicate that Alaska is not spending enough on the education of its prisoners. He asked what kind of education programs are available in the private sector.

MR. RICHARDS noted that DOC's response covers all programs provided in each institution and contains general statements about the programs. Adult education and GED classes are available at all institutions and each facility has additional training programs.

Number 186

COMMISSIONER VALESKO asked who provides the training now.

MR. RICHARDS answered that an educational coordinator is located in each facility, and some facilities have two educational coordinators, depending on the facility size. The programs are contracted out. The educational coordinators ensure that inmates are at the right place and that the terms of the contracts are being carried out, with educational as well as other programs.

COMMISSIONER VALESKO asked if the majority of those programs are already contracted out.

MR. RICHARDS said the programs are contracted out. The personnel costs of the educational coordinators statewide is close to \$690,000 and the contracts with the private sector amount to between \$300,000 and \$400,000.

COMMISSIONER VALESKO asked why the subcommittee recommended that educational programs be transferred to the private sector if they are already contracted out.

MS. ANDERSON referred Commissioner Valesko to Tab 4 which lists the education programs in each institution.

TAPE 99-10, SIDE B

MS. ANDERSON continued by saying that many of those [life skills classes] should have been directed into the GED level in order to complete the high school education. She clarified that she wasn't minimizing that many of these life skills classes were important. However, much money was being spent on programs which weren't effectively preparing people for life on the outside. Again, there were concerns that Alaska should not rank number four from the bottom with regard to the dollars spent on inmates. Perhaps, more effective routing of dollars could achieve a better outcome.

COMMISSIONER VALESKO reiterated his question with regard to why the subcommittee recommended that educational programs be transferred to the private sector if they are already contracted out.

COMMISSIONER THOMAS asked if the subcommittee reviewed the contractual guidelines with regard to what is privatized in education in order to determine if they are effective. She also asked if the subcommittee reviewed the recommendations curriculum.

MS. ANDERSON informed the commission that the subcommittee received an extensive departmental presentation with regard to the education component. As mentioned earlier, Ms. Anderson noted that the subcommittee had concerns in practically each of the areas. She explained that because of the time each offender spends in each individual facility and the need for the department to stay under the cap for the population per Cleary, the department is hindered from effectively providing some of the services. In recognizing that, the subcommittee noted that there is no way for the department to have a true measurement as to whether these programs are achieving the goals. Furthermore, the subcommittee felt that as contracts went out, the contract should include a mechanism which would require a contractor to measure the benefit of the service or product provided.

MR. WARREN informed the commission that there was much debate with regard to increased funding for education in all the state institutions statewide. The subcommittee had strong feelings that not enough money was being spent to educate the inmates during their incarceration.

CO-CHAIR WARD noted that he served on this subcommittee. Senator Ward addressed the measurement. He explained that the measurement is: "Do they or do they not reoffend?" That measurement hasn't been brought forward because the department doesn't have the ability to tell if an inmate has returned to jail. Therefore, the recommendation grew from the need for the private contractors to

know if an inmate has reoffended.

COMMISSIONER VALESKO asked if the subcommittee could provide one example of an education program which should be transferred to the private sector.

MS. ANDERSON said that the subcommittee focused on the GED program. She informed the commission that of the approximately 961 students in the GED program, less than 47 percent earned a diploma. Perhaps, a better outcome could result by placing that program in the private sector with an effective measurement tool. The better outcome could not only save the state money, but also, possibly, prevent offenders from returning to the system.

REPRESENTATIVE BRICE interjected that the question remains. Who is doing that - the department or a private contractor?

CO-CHAIR WARD explained that it is in how the contract is written. He reiterated that the contracts don't have a measurement mechanism with regard to recidivism. The department doesn't have records with regard to recidivism, regardless of the amount spent on education.

Number 012

COMMISSIONER VALESKO understood the recommendation of the subcommittee to be to transfer the education program to the private sector. He asked if the department is performing education programs or are all the education programs contracted out.

MR. PARKER explained that there are education coordinators who are state employees. That education coordinator coordinates the teachers, tutoring, et cetera which are mainly private employees. Therefore, a state employee oversees services provided by the private sector.

REPRESENTATIVE BRICE surmised then that currently educational programs are contracted out with an educational coordinator assuring that those to receive services do.

MS. ANDERSON directed the committee to Tab 4 which lists the contracts held with the vendors for education services.

COMMISSIONER ALLEN inquired as to why the subcommittee recommended that the education programs be transferred to the private sector when all those programs are performed in the private sector already.

MS. ANDERSON stated that the subcommittee didn't feel that all the education programs were being performed in the private sector.

MR. PIGNALBERI asked if the department provided a breakdown of the total education budget. He also asked if the department could also provide information with regard to the cost for in-house educational services versus private educational sector services.

Number 070

MS. ANDERSON submitted the subcommittee minutes from the September 14, 1999, meeting during which the educational component was discussed. She indicated that would be helpful for the commission to review. In conclusion, Ms. Anderson thanked the subcommittee members and the department representative who attended each subcommittee meeting. She commented that the subcommittee could have probably come up with more data with more time.

MR. PIGNALBERI noted that Ms. Anderson stepped in at the last minute to serve as the chair of this subcommittee. He thanked Ms. Anderson.

MR. RICHARDS commented that the department felt that the subcommittee meetings went well and were very productive.

COMMISSIONER THOMAS asked if there were any further comments. There being none, the Commission on Privatization and Delivery of Government Services adjourned at 12:30 p.m.

SCOMM

122:26

COMMISSION ON PRIVATIZATION AND DELIVERY OF GOVERNMENT SERVICES
Anchorage, Alaska
November 10, 1999
9:07 a.m.

COMMISSION MEMBERS PRESENT

Senator Jerry Ward, Co-Chair
Representative Tom Brice
Commissioner Bill Allen
Commissioner Tom Fink
Commissioner Michael Harper
Commissioner Kathryn Thomas
Commissioner Don Valesko
Commissioner George Wuerch

COMMISSION MEMBERS ABSENT

Representative John Cowdery, Co-Chair
Senator Al Adams
Commissioner Emil Notti

COMMISSION AGENDA

Presentation of subcommittee reports for the:
Alaska State Legislature
Alaska Court System
Alaska Department of Administration

PREVIOUS ACTION

See Commission on Privatization minutes dated 7/20/99, 8/16/99, 9/20/99, 10/28/99 and 11/4/98.

WITNESS REGISTER

Court System Subcommittee Members:

Ms. "B" Jarvi
Ms. Shirley Willford
Ms. Colleen Van Hatten
Mr. Al Tamagni
Mr. Doug Wooliver (Court System Representative)

Department of Administration Subcommittee Members:

Mr. Joe Henri
Ms. Andree McLeod
Deputy Commissioner Alison Elgee (Department of Administration Representative)

Legislature Subcommittee Members:

Mr. Kip Knudson

Ms. Pam Varni (Legislative Affairs Agency Representative)

ACTION NARRATIVE

TAPE 99-11, SIDE A

COMMISSIONER THOMAS called the Commission on Privatization and Delivery of Government Services to order at 9:07 a.m. Present at the call to order were Commissioners Fink, Harper, Thomas, Valesko, and Wuerch; Senator Ward; and Marco Pignalberi, Commission Director.

COMMISSIONER WUERCH moved to approve the minutes from the 10/28/99 and 11/4/99 meetings.

MR. MARCO PIGNALBERI, Commission Director and staff to Co-Chair Cowdery, informed Commission members that he has not yet reviewed the minutes from the November 4 meeting.

COMMISSIONER WUERCH amended his motion to approve the minutes from the 10/28/99 meeting and asked that the minutes from the 11/4/99 meeting be approved at the next meeting. There being no objection, the motion carried.

MR. PIGNALBERI informed Commissioners that DEC staff has requested one more week to finalize their comments to the DEC subcommittee report presented to the Commission the previous week.

COMMISSIONER THOMAS asked whether comments on subcommittee recommendations have been received from Department of Labor staff.

MR. PIGNALBERI said that Dwight Perkins of the Department of Labor has asked for another week to complete his review of the recommendations, as he is on travel status.

COMMISSIONER THOMAS announced that the Department of Community and Economic Development Subcommittee formed a working group to review the Alaska Railroad Corporation (ARRC). Members of the working group are Linda Leary, Kathryn Thomas, Jean Foreman, Jim Sanders, and Lee Wareham. That subcommittee also formed a working group, headed by Lee Wareham, to look at privatizing components of the Alaska Energy Authority.

COMMISSIONER THOMAS asked Bertha Jarvi, Co-Chair of the Court System Subcommittee, to present the subcommittee's report. Commissioner Thomas also noted that Representative Brice was on-

line from Fairbanks.

[MS. JARVI testified via teleconference from Fairbanks.]

MS. "B" JARVI, Co-Chair of the Alaska Court System Subcommittee, informed Commissioners that Co-Chair Joyce Harris was unable to attend today's meeting due to work commitments. She informed Commissioners that Ms. Harris did a lot of the work to tie the report together and finalize it.

MS. JARVI stated that the Court System Subcommittee has been very active. Members met with court officials and amongst themselves and discussed at length privatizing many of the Court System's functions and increasing the efficiency of delivery of its services. The subcommittee looked at all facets of the Court System including its budget, technology, recording systems, and hearing-assisted devices. The hearing assisted devices are a big issue in Fairbanks because the acoustics in the Fairbanks courtroom are very poor. The subcommittee also looked at privatizing security, interpretive services, building design, and all other functions.

MS. JARVI made the following comments about the subcommittee's recommendations. The subcommittee recommends that the Court System disclose more information about how its operating budget expenditures relate to the activities and services it performs. The Court System's operating budget is very difficult for the average person to understand and although more detailed budget information is available, one must ask for it.

Determining how recovered fees lessen the impact of the total cost of the Court System is very difficult to do. The subcommittee believes the Court System should keep, and periodically update, a record of all equipment leases versus purchases.

The subcommittee feels the Court System should refrain from hiring additional personnel in order to maintain its current level of services because some services could be privatized and the Court System appears to have a surplus of employees.

The subcommittee reviewed fees charged by the Court. Filing and usage fees have not been increased since 1991. Members also found that the fines and assessments levied by the Courts should be periodically reviewed.

The subcommittee believes an updated computer system would increase the efficiency of the Court System with fewer personnel and it would improve communications. The subcommittee spent a lot of time

reviewing the computer system and believes that its replacement is an absolute must and that installation and maintenance of a new system by the private sector should be considered. A new system should reduce man hours, transaction time and costs, and the cash investment return should be sufficient to offset the cost of the program.

The subcommittee would like the Legislature to review the judicial retirement system and add another tier to it. Currently, benefits to employees in that system exceed 17 percent of salary, in relation to other employees whose benefits equal about eight percent.

The Appellate and Superior Courts need to reduce the backlog of cases in a more timely manner, meet the national standard, and provide better service to the public. The subcommittee believes those changes can be accomplished while maintaining integrity and quality.

MS. JARVI continued. After speaking with judges and court officials, the subcommittee believes the legislature should more actively support the use of alternative dispute resolution mechanisms. Alternative dispute resolution has not been widely accepted due to a lack of established minimum qualifications for mediators and arbitrators. The subcommittee recommends that the legislature support and encourage court connected mediation and utilization of private alternative dispute resolutions, and that a task force be appointed to establish minimum qualifications for certification of mediators and arbitrators.

Regarding fee collection, the Court System Subcommittee found that no standardized procedure for the collection of statutorily mandated fees for court appointed legal representation for the indigent is in place. The problem is made worse by the fact that more than one agency is charged with the appointment and collection responsibility and the collection process varies among agencies. A significant portion of the fees for court appointed representation is incurred by attorneys under contract with the Office of Public Advocacy (OPA). Their attorneys often serve in probate court, and provide criminal defense and guardian ad litem services. Many times they are appointed to represent respondents only during specific litigation but if the fee cap for their services has not been met, they may continue in a case for several years. The fees are paid by the state agency, regardless of the ability of the individual to pay for services. Court appointments for attorney representation for indigents are often made with little or no investigation into the actual indigence of the individual. No evaluation process to re-evaluate the original

finding of indigence is in place, nor is a mechanism established to revert to a client-pay system. The present system to collect mandated fees is dependent on reporting by the agencies, not just the Court System, so no standardized reporting or collection of fees is in place at that level.

The subcommittee recommends that each state agency responsible for collection of fees or reimbursement should make a report to the legislature regarding the amount of fines and fees collected and the amount outstanding. The legislature should consider privatizing the collection of unpaid court assessed fees throughout all state agencies. The subcommittee also recommends that the Court System do a true finding of indigence before appointing attorneys at public expense, and that findings of indigence be re-evaluated and confirmed. In addition, all court-appointed attorneys should be required to submit billings for their services to the client or his/her conservator for payment. The Court System should establish standards to allow for the termination of a Court appointed attorney when publicly-funded representation has served its purpose.

The subcommittee's fourth recommendation pertains to the reporting of statutes which are difficult and/or costly to implement, or in direct conflict with other statutes. Court System officials are uncomfortable with the current reporting system of such statutes. A mechanism should be designed so that judicial officers can submit anonymous report forms. In addition, the Court System should prepare a written report for the public and the legislature identifying statutes that conflict with others, statutes that are impossible to achieve or too expensive to implement, and statutes that are outmoded. The subcommittee believes all forms should be made available for public review for a period of at least one year.

The subcommittee had extensive discussions on pro se litigation, an area reviewed by Mr. Rollins who could not be present. The subcommittee felt the Court System should continue to explore the development of a pro se litigant center patterned after one being looked at in Anchorage. The court administrator should continue to ensure equal access for pro se litigants and the alternative resolution process. That could be achieved, to a great extent, if the Court System made available a pro se litigation clerk and literature.

The subcommittee also felt the statute that prohibits small corporations from representing themselves in a court action, except as otherwise excluded, should be rewritten to be more specific about the exclusion. If pro se litigation is available to individuals and all corporations, the subcommittee suggests

amending the statute to exclude all corporations operating under the service provisions of AS 13.26 as well as the statute governing the filing of petitions for mental health and alcohol commitment. At this time, no agency, hospital or clinic can represent its own petitions in court. The definition of a small corporation needs to be defined, as well as which small corporations can get a waiver to have an authorized corporate officer represent the corporation pro se.

The subcommittee believes the replacement of the Court System's outdated computer system needs to be addressed. The hardware and software that service the existing system are no longer available. The current system operates as a discrete and separate system, and it is not a true database; the statewide network is incapable of handling the data for an integrated computer system. A fully integrated system, including infrastructure, hardware, and digital recording ability will cost between \$2.5 to \$3 million. With the funding, a new system should be operational within a six-month period for all major courts, and within a two-year period the outlying, smaller courts could be integrated. Fewer staff hours would be spent handling court files and mailing costs would decrease substantially if court staff could access a statewide database. To maintain such a system would cost about five percent of its total value on an annual basis.

The subcommittee recommends that the Court System publish a request for information from the private sector to satisfy the Court System's computer needs and submit the solicitation to the legislature to request the necessary funds.

The child custody investigator is a court employee whose original role was to provide services for indigent families. The Court System changed the role of that position to one who provided services to all families, regardless of income. A Supreme Court order had to be issued to require the Fairbanks' Court to use that position to provide services to indigent families only. The Court System strongly supports retaining this employee due to what it believes is a lack of expertise in the private sector. The subcommittee disagrees and believes that service could be privatized because there is no shortage of trained individuals in the private sector who could provide the service.

The collection of victim restitution is frequently ignored by the Court System. The Court System gave many reasons, one that became obvious was that nobody knows whose job it is to help victims get the restitution they are entitled to. The subcommittee recommends that the legislature privatize that function. The Department of Corrections (DOC) should encourage the signing of restitution

agreements between offenders and victims and DOC should make an annual written report to the legislature regarding the amount of restitution owed and collected.

The subcommittee decided to include the recommendations of Legislative Audit Digest 02-4577-99 in its report because that audit does impact the Court System.

MR. PIGNALBERI informed Commission members that he served as a member of the subcommittee on the Court System. He acknowledged the names of the Fairbanks contingent of the subcommittee who did the lion's share of the work: "B" Jarvi, Joyce Harris, Chuck Rollins, Colleen Van Hatten, and Shirley Willford, and commended participants for their work. He noted that Commissioners Brice and Allen who are also from Fairbanks should be aware of their good work.

COMMISSIONER WUERCH thanked Ms. Jarvi and other subcommittee members for their comprehensive report. He noted the biggest dollar cost, other than employee benefits, will be replacing the computer system. He pointed out that the subcommittee's report states that the Court System uses a UNIX-based operating system for two-thirds of its case management for which terminals are no longer produced, and that one-third of the court locations use Pentium PCs with Windows. He asked whether the subcommittee looked at the availability of private enterprises that could install new equipment, provide the software and training, and maintain the system for an annual fee, rather than purchasing a system.

MS. JARVI replied that Recommendation 6 states that the Court System should publish a request for information from the private sector and solicit cost analyses or bids to satisfy the Court System's computer needs. Those proposals should be reviewed and then submitted to the legislature for an appropriation. The subcommittee believes the private sector could better provide and maintain an upgraded computer system. It also believes that by privatizing the Court System's computer system, it will be kept in a state of updated technology more readily than if a one-time appropriation is made to the Court System to purchase a new system.

COMMISSIONER WUERCH thanked Ms. Jarvi for clarifying the subcommittee's recommendation.

COMMISSIONER VALESKO asked if the subcommittee looked at the current method the Court System is using to maintain its computer system.

MS. JARVI said that the computer system is part of the capital

outlay for each Court, which is why the systems are so different. The subcommittee is advocating statewide standardization. The computer system in Fairbanks is a "hodgepodge" collection of computers, as is the Court System's computer system throughout the state.

COMMISSIONER VALESKO asked whether the current system is provided and maintained by the private sector.

MS. JARVI asked Shirley Willford to answer that question.

MS. SHIRLEY WILLFORD, subcommittee member, informed Commissioners that she found that different repair people are called in each location. She does not believe the Court System has in-house repair people. The Court System also leases equipment. She repeated that the computer system in the Fairbanks' Court is a "hodgepodge" of equipment and that some of the computers are so old she does not know how the employees function with them. She noted that the Court System desperately needs a system that is integrated with the Department of Public Safety and the Department of Corrections because their work ties in closely with the Court System.

COMMISSIONER THOMAS noted that Doug Wooliver, a representative from the Court System, was present.

COMMISSIONER VALESKO agreed that the Court System's computer system needs to be upgraded, but he expressed concern that the cost of maintenance by the private sector runs between \$120 and \$150 per hour. In addition, an in-house person hired to fix equipment will know that particular system. He asked whether the subcommittee looked into that aspect of maintenance.

MS. WILLFORD said the subcommittee originally suggested a lease system with a maintenance agreement so that the company that installs the system will be responsible for its maintenance.

COMMISSIONER WUERCH pointed out that the state has had success in leasing equipment such as copying machines in which the state leases the equipment on a long term basis and the company that leases the equipment maintains it.

Number 445

COMMISSIONER HARPER asked about the Court System's response to that recommendation.

DOUG WOOLIVER, Administrative Attorney for the Court System,

introduced himself and informed Commission members that he attended all subcommittee meetings. He noted the Deputy Director of the Court System gave a presentation to the subcommittee about the status of the Court System's computerization effort. The Court System is in the middle of a long process of upgrading and integrating its computer system. It has looked at leasing versus purchasing and has found many drawbacks to leasing. To outsource an integrated system would cost far more than the legislature has ever appropriated to the Court System for computers. At present, adequate technology does not exist to provide a wide area network to integrate all of the agencies' systems, including DOC and the Department of Public Safety. The Court System is dependent on capital appropriations to make improvements. It has a statewide integrated plan but it is an expensive operation. He noted that leasing gets more expensive when secure information is involved as firewalls need to be built into the system.

COMMISSIONER VALESKO asked if the existing system was purchased from, and is being maintained, by the private sector.

MR. WOOLIVER answered that all computers are purchased from the private sector and that all software is provided through contracts with providers. He was not sure about individual maintenance on computers but offered to get that information for the Commission.

COMMISSIONER VALESKO asked if the Court System has in-house computer technicians to work on the hardware.

MR. WOOLIVER said it does.

COMMISSIONER FINK asked whether any subcommittee members are associated with the Court System.

MS. JARVI said that she is a professional guardian conservator and she works within the court, however she is not a court employee.

MR. PIGNALBERI added that one member is a court reporter.

MS. JARVI noted that member is not a court employee.

COMMISSIONER THOMAS asked, regarding the recommendation pertaining to victim restitution, at what point DOC would take charge of that duty.

MS. COLLEEN VAN HATTEN explained that when a judge orders restitution, its payment is often made a condition of probation. Probation is under the jurisdiction of DOC. The problem lies in the fact that caseloads are so heavy for probation officers they

cannot monitor the collection of restitution. Sometimes the offender's permanent fund dividend is garnished, but otherwise collection is ignored.

COMMISSIONER VALESKO asked, regarding Recommendation 1, whether the subcommittee looked into recruitment problems that might occur if a new tier with reduced benefits is added to the retirement system.

COMMISSIONER THOMAS informed Ms. Jarvi that Al Tamagni, a subcommittee member, was present in Anchorage.

MR. AL TAMAGNI, a subcommittee member, explained that he looked at the standard for retirement and benefits in the private sector which is about five to six percent lower.

COMMISSIONER VALESKO asked if Mr. Tamagni compared the wages with the private sector.

MR. TAMAGNI said he considered the employees to be on the same level as trade people.

COMMISSIONER WUERCH asked if the subcommittee compared the judicial retirement system with PERS.

MR. TAMAGNI explained that PERS benefits for court employees equal about eight percent of wages while PERS benefits for judges equal about 17 percent.

COMMISSIONER THOMAS thanked Ms. Jarvi and subcommittee members for their work.

NUMBER 554

MR. PIGNALBERI asked Mr. Wooliver when the Court System's response to the recommendations would be available.

MR. WOOLIVER said the Court System's response would be ready the following week.

MR. PIGNALBERI thanked Mr. Wooliver for the Court System's outstanding cooperation with the subcommittee.

MS. JARVI also expressed appreciation for subcommittee members' efforts and noted that all members acted professionally. She also thanked Mr. Wooliver for his cooperation.

MR. WOOLIVER also noted that no acrimony was experienced among subcommittee members and that he found it a pleasure to work with

them.

TAPE 99-11, SIDE B

COMMISSIONER THOMAS asked Joe Henri, Chairman of the Subcommittee on the Department of Administration (DOA), to present the subcommittee's report to the Commission. She noted that Alison Elgee, Deputy Commissioner of the Department of Administration (DOA), was participating via teleconference from Juneau.

Number 574

MR. JOE HENRI, Chairman of the Subcommittee on the Department of Administration, introduced Andree McLeod, a subcommittee member. He noted the subcommittee was a hard working group but it did not review every facet of DOA. DOA is now the third largest department with 1,300 employees, as opposed to about 280 when he was the DOA Commissioner from 1971 to 1974. DOA has taken on many more functions since that time.

MR. HENRI directed Commissioners' attention to the subcommittee's recommendations beginning on page 1 of the report. In its review, the subcommittee was struck by the large number of functions within DOA that are already privatized. Much of the work in the Division of Retirement and Benefits is contracted out to private companies. Because that work requires specialized expertise, it lends itself well to privatization. He noted the question of whether privatization is always in the best interest of Alaska's economy has to be looked at carefully. In general, privatization would appear to work better where there is a lot of competition in the private sector, however if the state privatizes with the only company who provides the service, chances are that costs will increase. He cautioned that a company may offer a low introductory price, however when the contract renewal period comes about, that company may raise its rate substantially if it is the only company available to do the work. He noted the University of Alaska experienced such a situation about five years ago. The University ceased to get coal for its power plant by train because a company offered to truck the coal in at a much lower cost. The railroad tracks were removed and this year, when the contract was up for renewal, the trucking company increased its price monstrosly, and the University had no alternative but to renew the contract. He repeated that when looking at privatization, the state needs to look down the line at the consequences five to ten years from now.

MR. HENRI discussed the 12 collective bargaining units of the state which all address contracting work outside of the state workforce. In general, those contracts allow union employees to submit a

proposal in the case of privatization.

COMMISSIONER FINK noted that the subcommittee pointed out the problem with the collective bargaining contracts and the Davis-Bacon provision, but it did not make any recommendations.

MR. HENRI said the subcommittee highlighted those conditions because they will be obstacles to privatization. The Davis-Bacon wage rule means the cost of contracting out for labor will be higher.

COMMISSIONER FINK asked if the subcommittee recommended that the legislature consider changing the statutes relating to the part of the contracts pertaining to the Davis-Bacon wage rule.

MR. HENRI said the subcommittee did not make an explicit recommendation but it pointed out the situation as one that will adversely affect privatization.

MR. HENRI repeated that the subcommittee did not review all of the functions performed by DOA, it picked a few items that the volunteer group had some insight into. He noted that Recommendation A on page 3 suggests returning DOA to the kind of an agency it was at the time of statehood. The statehood committee, in the two years before statehood, contracted with a group of experts on state government from New Jersey. DOA was set up to be the right hand of the Governor in administering the functions of the state.

COMMISSIONER THOMAS asked if the subcommittee recommended a mission statement.

MR. HENRI said it did not but that would be the logical next step.

COMMISSIONER FINK asked for clarification of Recommendation A.

MR. HENRI replied that if DOA focussed on acting as staff, it would be able to concentrate on efficiency. For that reason, the subcommittee recommended an internal audit be conducted to examine what each employee is doing. The efficiency would not result from getting rid of programs but would result from the ability of staff to concentrate more. When former Governor Keith Miller was in office, the legislature enacted program budgeting. At that time, the Office of Management and Budget was originally named as such so that it would exercise managerial influence. That idea seems to be obscure now.

COMMISSIONER FINK asked if DOA took any position on the idea of

stripping the agency out.

MR. HENRI replied that DOA staff like the way the agency is right now.

MR. HENRI referred to Recommendation B on page 3, and explained that the subcommittee originally felt that the Office of Public Advocacy (OPA) should assign attorneys to cases, however the idea of providing free defense banished with the DeLisio case. It would be much more expensive for the state to contract out the work of the public defender. The federal court requires that any defendant accused of a felony is entitled to a free public defense, and the state court ruled likewise for defendants charged with misdemeanors, which is what prompted the need for the OPA. The subcommittee was unable to find any way around the courts' rulings, however the cost to the state of providing that service is about \$10 million.

MR. HENRI noted that Recommendation C pertains to Pioneer Homes. The subcommittee recommends that the legislature take a serious look at privatizing the Pioneer Homes but the subcommittee did not have enough definitive facts to determine whether privatization would be cost efficient. The subcommittee thought that an outfit that is in that business would be more competent to run the homes. Although Deputy Commissioner Elgee has argued that DOA staff who run Pioneer Homes are very competent, he does not believe that argument washes. Ms. Elgee also argued that DOA is able to run the Pioneer Homes less expensively than the private sector, but Mr. Henri believes that point is also disputable. He noted that the Pioneer Home Advisory Board is very active in looking out for the interests of clients. The population of the Pioneer Homes' clients has changed over the years; 85 percent of current residents have either dementia or Alzheimer's Disease.

COMMISSIONER THOMAS asked why Alaska opted out of Medicaid coverage for clients with Alzheimer's Disease.

MR. HENRI did not know, but stated that Alabama and Alaska are the only two states that do not have Medicaid coverage for residents with Alzheimer's Disease.

DEPUTY COMMISSIONER ELGEE replied that Alaska never opted into that coverage. Alzheimer's Disease is one condition that the states can elect to cover but they have to take a proactive action to do so.

COMMISSIONER FINK asked why DOA did not opt in.

DEPUTY COMMISSIONER ELGEE said the senior population in Alaska has

been very small up until recently so it has not been an issue from the coverage perspective. If Alaska opts into Alzheimer's coverage today, it would opt into coverage for people suffering that condition regardless of placement. Therefore, residents of Pioneer Homes and clients who receive home and community based care services would also benefit. DOA estimates that between 2,000 and 3,000 Alaskans suffer from Alzheimer's Disease at this time.

COMMISSIONER FINK asked if the fact that 85 percent of the population of Pioneer Homes suffer from Alzheimer's Disease is accidental or by selection.

DEPUTY COMMISSIONER ELGEE replied that about 80 percent of clients suffer from some degree of dementia, and the average age of clients is 87. The ratio of people suffering dementia after the age of 85 is over 50 percent, therefore the 80 percent rate is to be expected. DOA has also expanded the availability of home and community based care for people who need extra assistance. DOA is finding that people want to remain in their own homes and communities as long as possible therefore people are not asking for admission to the Pioneer Homes until about the age of 82. In general, the people applying for admission to the Pioneer Homes have already exhausted the community resources.

COMMISSIONER FINK asked if the Pioneer Homes have a wait list.

DEPUTY COMMISSIONER ELGEE replied that DOA has both an active and inactive waiting list. Approximately 150 people are on the active waiting list at any given point in time and approximately 2500 are on the inactive waiting list.

MR. HENRI commented that when he was the Commissioner of DOA 25 years ago, the cost to stay at a Pioneer Home was about \$280 per month. That amount was nominal as the state heavily subsidized the program. The cost to clients now is about \$2,000 per month and costs continue to rise. He thought the legislature should have budget analysts look at privatizing that program.

MR. HENRI explained that Recommendation D pertains to the purchasing function of DOA, a function which is quite complex. Appendix D contains some of the contradictions in the purchasing statutes. Central purchasing was designed to get the best quality products at the lowest price. Appendix D, part 2, details the reasons why the current system does not allow the state to get the best quality products for the lowest price. The statutes are not conducive to efficiency, but they do benefit small businesses in Alaska. The subcommittee learned that the central purchasing office is not informed of purchases costing less than \$100,000,

even though 85 percent of the state's purchases fall in that category. That division does not have as much influence over purchasing activity as it should so it is trying to adjust its procedures to get that information. He advised that there may be a cost associated with the change in procedures. The subcommittee is recommending that the procedural changes be made.

COMMISSIONER FINK asked if the subcommittee can give the dollar value of the amount that could be saved if the purchasing policies are changed.

MR. HENRI said he could not give the dollar amount.

COMMISSIONER FINK asked if Mr. Henri had a feel of whether or not the amount saved would be minimal.

MR. HENRI said he does not think it would be minimal and that it may involve the need for more purchasing agents.

COMMISSIONER FINK asked Ms. Elgee to address the question.

DEPUTY COMMISSIONER ELGEE stated vendor preferences vary depending on the goods being purchased. Alaska vendors receive a five percent preference but additional preferences are given to minority firms and for special products, such as wood and agricultural products. She noted that the preferences are a huge public policy issue that were established in an attempt to support Alaskan firms.

Number 300

MR. HENRI commented that the subcommittee is recommending that the state sell the telephone system that it owns and allow the private sector to handle that service in the future. One factor that will need to be reviewed is how the rural areas will get service. He noted the subcommittee's report contains a copy of Commissioner Poe's presentation to the subcommittee (Appendix E) on this topic. DOA is in the process of requesting proposals for the state telephone system. Commissioner Poe intends that the successful bidder continue to provide services to those areas that are not economically beneficial.

COMMISSIONER THOMAS questioned whether the subcommittee gave any thought to the way DOA proposes to contract out the state telephone system. She noted, as a contractor, she is aware of the importance of how job specifications are written. If the specifications are not written to achieve the department's goal, the project is doomed to fail. She stated that she sees the proposal as a very expensive one because of the way the state wants to remain involved. She

asked whether the subcommittee accepted Commissioner Poe's power point proposal without question.

MR. HENRI remarked that the subcommittee neither accepted nor objected that proposal; they merely included it in the report to show the activity occurring at this time.

COMMISSIONER THOMAS questioned whether the subcommittee looked at what the result of that proposal may be.

MR. HENRI said the subcommittee did not critique the proposal. He noted that the subcommittee's ideas are contained in the first part of Appendix E.

COMMISSIONER THOMAS asked if the subcommittee determined that the state should remain involved in the telephone system as DOA plans to do.

MR. HENRI directed Commissioners to the first part of Appendix E which contains the subcommittee's concerns about privatization of the telephone system. Those concerns are that service be maintained to less profitable bush areas, privacy, responsiveness to emergency situations, labor union contractual obligations, and the financial stability of the new vendor.

COMMISSIONER WUERCH remarked that the telecommunications industry is changing very rapidly and that Alaska could lead the nation in new directions. He noted that the inter-agency billing rate for intrastate calls is about 25 cents per minute. He asked whether Commissioner Poe discussed getting that rate as low as the individual consumer rate.

MR. HENRI said that point was brought up, however the subcommittee did not take a stand on it. If the entire state system is privatized, the bidders will have to submit a rate.

COMMISSIONER WUERCH pointed out that he learned as an Anchorage Assembly member that the three largest municipally owned phone companies in the United States are located in Ketchikan, Anchorage and Fairbanks. Anchorage and Fairbanks have since privatized their systems. He felt the state has been a "sleeper" in this area because the public does not understand that the state runs its own independent communications business. He applauded the subcommittee's efforts to put a spotlight on that issue. He asked Commissioners to consider this issue because he believes it has far-reaching impacts. He expressed concern that the Court System does not have sufficient band widths to each courthouse.

MR. HENRI agreed that wide band widths are not available in many remote places. He added that the same problem exists for the distance learning program of the University of Alaska because many small towns do not have the technological capacity to receive.

COMMISSIONER WUERCH noted that courthouses are not situated in the smallest towns.

COMMISSIONER VALESKO said the State of Alaska is the only operator of a microwave line of sight facility between the mainland and Kodiak Island. He pointed out that the private sector is coming into some areas, however the state had to get into the business because no one else was providing a microwave system.

MR. HENRI remarked that the state got involved in many things because no private company was available or willing to do the work.

COMMISSIONER THOMAS acknowledged that Mike Abbott from the Governor's Office was present.

MR. HENRI explained that Item F on page 4 pertains to information services. The subcommittee suggests outsourcing, but not getting rid of entirely, the function because the state has some highly skilled people. Outsourcing some of this work will allow DOA to keep its payroll down.

MR. HENRI stated that Recommendation G was a fascinating idea, but the subcommittee cannot give the Commission concrete suggestions. The state payroll, accounts payable, and retirement and benefits operation is huge, and if the state were to privatize that operation to a firm in Alaska, and induce the firm to take on other functions, it could provide an economic boost in Alaska. The subcommittee was not able to research whether such a change is feasible.

COMMISSIONER VALESKO commented that he began working as a state employee in 1964. Prior to 1974, when collective bargaining began, state payroll functions were at best a "hit or miss" operation. Seasonal employees were paid once per month, and employees had a two week waiting period, therefore an employee did not receive the first paycheck for six weeks. If the payroll division made a mistake, the employee had to wait another month. With the onset of collective bargaining, penalty pay provisions were included in a lot of contracts. Those first provisions had no time limits. An employee could collect \$5000 in penalty pay for receiving a paycheck that was short \$200. He expressed concern that any new system pay employees on time because errors could cost the state a lot of money.

MR. HENRI noted the state paid over \$20 million for its present accounting system.

TAPE 99-12, SIDE A

MR. HENRI discussed a major company that changed over to a new warehouse and delivery computer program and more or less ruined itself this year.

MR. HENRI discussed privatizing the state mail distribution system and acknowledged DOA's question regarding where the profits would occur from converting that system. He referred the Commission to Appendix H and stated that if the items in Appendix H are accomplished, the state's postage bill could be reduced by approximately one-third. He indicated the need to modernize the mail room functions which could save \$1 million per year.

DEPUTY COMMISSIONER ELGEE commented that DOA has no way to refute Mr. Henri's potential savings amount. However, DOA's major mailings, such as the longevity bonus and payroll checks, are already sorted by zip code by the computer that issues those checks. To the extent that savings are anticipated due to the assumption that DOA doesn't currently sort bulk mailings by zip code, that assumption is incorrect.

MR. HENRI said that the recommendations are not definitive.

MR. PIGNALBERI noted that he sat in on the meetings at which this issue was discussed. He commented that he was impressed with the expertise that a couple of the subcommittee members had on this issue. He emphasized that the key point is that private companies exist that want this kind of business.

MR. HENRI referred the Commission to page 5, Appendix I, regarding state travel. The subcommittee only submitted the memorandum from Marsha Hubbard, Director of the Division of General Services, Department of Administration, which describes DOA's attempts to save money on travel. The subcommittee did not have any significant recommendation. He surmised that the best way to save in this area would be for fewer employees to travel.

COMMISSIONER WUERCH asked whether the subcommittee inquired into the number of airplanes the state owns.

MR. HENRI answered that the subcommittee didn't look into that, although the Department of Fish & Game does have "Grumman Goose" airplanes. Mr. Henri did not believe those planes are available to general state employees. The subcommittee only discussed travel

between Juneau, Anchorage, and Fairbanks. He reiterated that the subcommittee could only recommend that fewer people be allowed to travel and that conference calls and video conferencing be used more often.

COMMISSIONER FINK asked Mr. Henri if he felt that DOA would welcome offers of privatization or whether the department is not looking for such offers. Commissioner Fink noted, from his experience with the Municipality of Anchorage, he believes that those companies that feel they can offer savings would make proposals if the state was open to such.

MR. HENRI reiterated that Commissioner Poe has opted to privatize the phone system but he doesn't believe the bureaucracy is geared toward privatization.

COMMISSIONER FINK asked whether part of the Commission's report should say that all departments should make it clear that they are receptive to offers of privatization without the loss of efficiency.

MR. HENRI responded that such language might be worthwhile. He said that a state official charged with a function is usually concerned about getting the job done, not whether the function is privatized.

COMMISSIONER FINK commented that this Commission is charged with finding the most cost-efficient ways to perform the job. He believes it is appropriate to place the burden on the private sector to prove it can perform the job efficiently at a lower cost.

MR. HENRI said that he believes if a private sector contractor came in with a proposal, the state could issue a request for proposal (RFP).

MS. McLEOD referred the Commission to Appendix I, which contains DOA's response. The second to last paragraph reads:

Since such a high percentage of our airfare expenses are incurred on the Juneau-Anchorage route, and since Alaska Airlines is the only carrier servicing that route, our options for cost savings are limited. We have considered the idea of contracting for chartered flights, but have decided that the detrimental effects of removing our volume from the commercial throughput in Southeast Alaska would harm the citizens and communities that depend on regularly scheduled jet service in the state.

MS. MCLEOD commented that it seems the state is subsidizing Alaska Airlines. She informed the Commission that someone in the finance section of DOA came up with a cost of \$12 to \$14 million. She did not know whether that is the exact cost because much of the travel costs are couched in the accounting system due to the manner in which the financial coding is set up. She pointed out that Alaska Airlines does not enter into negotiations with the state because the state does not know exactly how much it spends on airfare.

MR. HENRI informed the Commission that a few subcommittee members wanted to eliminate the Labor Relations Office, however the vast majority of the subcommittee did not support that idea. He noted that Mr. Liston, a subcommittee member, charged that Mr. Henri didn't want to eliminate this particular office because he created it. Mr. Henri denied Mr. Liston's charge. Mr. Henri believes this office is necessary to interpret labor contracts and perform labor negotiations. The subcommittee, however, recommends that this office be more responsive.

COMMISSIONER VALESKO commented that if the Labor Relations Office is eliminated, no one will be there when disputes arise as there are inconsistencies between the various state departments. He indicated that this office is helpful in creating consistency with regard to interpretations of collective bargaining. Commissioner Valesko said that he would recommend giving the office division status with a director in order to perform more efficiently. Commissioner Valesko continued by saying without this office, those in Labor would have an advantage. He commented, "There is also quite a bit to be said for good labor relations, consistent labor relations. That takes place over a matter of years rather than just coming in and making jumps to changes." He explained that when major changes occur in labor relations, litigation increases, as do costs.

MR. HENRI stated, "Productivity of the state workforce ... always something to be desired." He requested that Ms. McLeod discuss this area which pertains to state employees.

MS. MCLEOD informed the Commission that she has a very rudimentary knowledge of the state accounting system since she has worked as an accounting clerk since 1985, which is when the new accounting system began. During that time, the departments were given leeway to use the accounting system as they saw fit, which lead to nonstandard use of the system. Ms. McLeod stated that the use of the accounting system needs to be standardized. With regard to the productivity of state employees, she believes the best way to increase productivity is to have everyone fill out time sheets. Then, through the accounting structure, the time spent by each

employee on each task could be identified. Ms. McLeod recommended that a cost accounting system be established to identify all costs associated with tasks performed by state employees. She explained that each program and project has code numbers, therefore filling out a time sheet using those codes would make it easy to identify the cost of each task. She noted that an equipment component is contained in the coding system. Ms. McLeod pointed out that the state accounting system is only about 14 years old and is fairly innovative. Standardization across departments could create a tool to determine the state's costs for providing a service and compare it to the private sector's cost. This structure is available and will not cost the state any money to implement. Such a system would merely require all the finance officers to meet and determine how to use this accounting structure.

COMMISSIONER VALESKO asked if the subcommittee reviewed state employee training and the legislative system of funding state positions. He has noticed in DOT/PF over the years that the positions that are getting cut are lower level entry positions. For example, when a crew of equipment operators is told to eliminate positions, that crew eliminates the lowest level. The crew cannot afford to eliminate higher level operators which require talent and expertise with the equipment. He expressed concern that younger people are receiving less experience and training to move up the system. Training programs are not allowed. Furthermore, the less technical jobs are now being performed by higher wage employees. This sort of situation perpetuates itself.

COMMISSIONER THOMAS asked if Commissioner Valesko had any suggestions.

COMMISSIONER VALESKO suggested that the Commission review the legislative process of recommending "across the line" cuts. He suggested that review of services occur to determine whether the service is desired or not. He stressed that the departments should be able to perform necessary jobs. Furthermore, the legislature should allow training. For example, Alyeska is concerned with its pipeline maintenance because that workforce is aging and no new employees are being hired. He noted that Alyeska is also concerned with a training budget.

MR. PIGNALBERI noted that the legislature no longer makes PCN (position control number) cuts. He explained that the Administration decides which positions have to be cut.

COMMISSIONER WUERCH agreed with Commissioner Valesko that most often the individuals who deliver the real service are cut. He commented that it is troubling that the Administration has not been

looking at support staff in the last few years. DEC has curtailed inspections of waste water and water systems throughout the state. Although the department retains researchers, staff analysts, and public relations people, those employees that deliver the service to the public are eliminated.

COMMISSIONER VALESKO agreed with Mr. Pignalberi that the legislature does not cut PCNs, but it does "across the line" cuts leaving the managers to decide which positions will be eliminated. Often, the lowest level person is cut. Commissioner Valesko stressed that the legislature did recommend and push for cuts eliminating maintenance stations and road maintenance.

COMMISSIONER THOMAS repeated her question to Commissioner Valesko asking for his recommendations to the Commission on this matter.

COMMISSIONER VALESKO asked if the subcommittee, in its review of productivity, had reviewed any training needs.

MR. HENRI responded that the state does do training, but he did not know how much or what is being done with regard to Commissioner Valesko's concern. He referred to paragraph (1) on page 5, which speaks to the idea of partnering with license issuing agencies. One of the subcommittee members, Gerri Wakefield, is a private partner with DMV; she performs duties outside of normal office hours. That partnership seems to work well. Mr. Henri noted that Ms. Wakefield is ill, and therefore her report should be forthcoming. He informed the Commission that another subcommittee member, Dale Nelson, an engineer, had an idea of how to partner with architects, engineers, and licensees. He indicated that partnering is a way to reduce pressure on state workforces. The subcommittee recommends that the state review that possibility seriously.

COMMISSIONER VALESKO thanked the subcommittee for doing an excellent job in the limited time frame. He commended the subcommittee for not automatically presuming that everything could be done more cheaply if privatized.

COMMISSIONER THOMAS thanked the subcommittee. She requested that the subcommittee provide the commission with a one page cover sheet of recommendations. Commissioner Thomas announced that the Commission would take an at-ease for ten minutes. When the Commission reconvened, Commissioner Thomas called for the report from the Legislative Subcommittee.

KIP KNUDSON, Chair of the Legislative Subcommittee, said that the legislature already seems to be privatized in that the citizens

contract with legislators to go to Juneau, therefore, the actual business of lawmaking is already contracted. Mr. Knudson turned to the subcommittee's report and explained that it is divided into three sections: a process to analyze privatization of services in the legislature; programs that are obvious starting points for the process; and services in the legislature that can be made more efficient in the short term. Mr. Knudson stated that the public and the legislature should be able to understand the legislature's budget; yet nearly every subcommittee member could not understand the current format of that budget, even former House Finance Chairman Mark Hanley. The subcommittee recommends that the budget document be divided into service components. Once that budget document is created and the cost per service is apparent, a request for proposals can occur. All services should be put out to bid regularly.

MR. KNUDSON stated that an immediate and easy money saver would be to shorten the legislative session by 30 days, which would save at least \$1.4 million in per diem and personnel costs alone. Also moving the legislative session would save some money. Mr. Knudson said that contrary to the Executive Director's memorandum, the legislature would not need a statute change to meet for less than 120 days. With regard to moving the session, he pointed out that the Constitution states that the capital is located in Juneau and that legislative sessions are to be held in the capitol. Therefore, a statute change would be necessary for the legislature to convene in a different location.

COMMISSIONER THOMAS noted that Pam Varni, Executive Director, Legislative Affairs Agency, and Mike Robbins, Alaska State Employees Association and American Federal, State, County and Municipal Employees, are present in Juneau and available to speak via teleconference.

COMMISSIONER VALESKO referred to Mr. Knudson's comment that the legislature is already privatized because the citizens elect legislators and thus are in a contract with the public. He asked why legislators are eligible for the Public Employee Retirement System (PERS) and whether legislators are private or public employees.

MR. KNUDSON clarified that was a "tongue in cheek" statement. If the public is unsatisfied with legislators' PERS eligibility, the public could elect different candidates who could repeal the legislation that allows legislators to participate in PERS. Mr. Knudson informed the committee that the subcommittee determined that every function associated with the legislature, except voting on legislation, could be privatized.

COMMISSIONER VALESKO addressed the recommendation to move the session to Anchorage and asked if the subcommittee considered the cost required to transport state officials and staff to Anchorage for legislative meetings.

MR. KNUDSON said that cost was discussed. The general feeling was that it would be an even trade. Many of the officials who testify during session travel to Juneau from other parts of the state. He acknowledged that a more careful analysis could be performed, but the end result may be a "wash."

COMMISSIONER HARPER inquired as to the notion of having legislative sessions every other year, as do other states.

MR. KNUDSON answered that the subcommittee did not discuss that idea in detail. He estimated that about \$15 million would be saved if session was held every other year. The subcommittee discussed biannual budgeting in which an operating budget would be done one year and a capital budget the next year. Mr. Knudson said the expensive part is gathering everyone in Juneau and hiring the extra staff for the session.

PAM VARNI, Executive Director, Legislative Affairs Agency, agreed that there would be a cost savings on per diem but she noted the report makes no mention of where the legislature would be housed elsewhere. Currently, the Capitol building in Juneau is fully paid for. One would need to consider the cost of leasing space for the House and Senate chambers.

COMMISSIONER THOMAS thanked the subcommittee and requested that the subcommittee provide its recommendations in a bullet points format.

COMMISSIONER FINK informed the Commission that he and Commissioner Valesko would not be able to attend the November 18, 1999 meeting.

COMMISSIONER FINK expressed the need to poll members with regard to whether they can attend the meetings. He suggested that more could be accomplished if the Commission met several days a week.

COMMISSIONER VALESKO recognized the difficulty in scheduling meetings for 11 people, especially near holidays. He said he could foresee the same attendance problems with daily meetings for a week. Commissioner Valesko commented that those who are not present during the recommendation stage are likely to have more questions later and lengthen the decision stage of the full Commission.

TAPE 99-12, SIDE B

COMMISSIONER HARPER pointed out that the commission is mandated to provide a report by January 1 and that polling members could be helpful. He expressed concern that only four members were present today. The subcommittees have put in many hours and it is a shame that six or seven Commissioners are not present. He said that he should be able to attend most of the meetings.

COMMISSIONER VALESKO understood that the Commission will hear subcommittee reports through November 30, 1999, and complete its report on December 13, 1999.

MR. PIGNALBERI reviewed the meeting schedule through November which he believes should allow the Commission to hear all subcommittee reports. He expressed concern that the Commission wait until December 13 to start the deliberation process. Mr. Pignalberi explained that December 13, 1999 is the date that staff plans to have the final report completed. He suggested that some meetings be scheduled during the first two weeks of December.

COMMISSIONER THOMAS expressed concern about the lack of meetings between November 30, 1999, and December 13, 1999 and agreed that Commissioner Fink's suggestion to meet several days in a row in December is in order. She indicated that the Commission may want to sit down and generate thoughts beyond those in the subcommittee reports. As acting chair, Commissioner Thomas said she would formulate a letter to the Commission regarding the schedule.

MR. PIGNALBERI said that staff would poll Commission members about meeting during the first two weeks of December. He pointed out that the Commission has three more meetings scheduled to hear from about ten more subcommittees, although some of those reports will be very short.

COMMISSIONER THOMAS suggested the meeting dates of December 1, 7, 8, 13, and 14. She stated that she could outline a letter to send to Commissioners explaining how this new schedule was arrived at.

MR. PIGNALBERI commented that staff could probably use one day after the last subcommittee report in order to get recommendations together.

COMMISSIONER THOMAS stated that individual Commissioners have indicated that they have ideas about how they want to finish this up, therefore the Commission would not need the materials.

COMMISSIONER FINK asked that Commissioner Thomas' letter ask that Commissioners indicate what dates they can and cannot attend.

COMMISSIONER THOMAS expressed the need to let Commissioners know they are really needed.

There being no further business before the commission, the Commission on Privatization and Delivery of Government Services adjourned at 11:52 a.m.

SCOMM

122:27

COMMISSION ON PRIVATIZATION AND DELIVERY OF GOVERNMENT SERVICES
Anchorage, Alaska
November 18, 1999
9:12 a.m.

COMMISSION MEMBERS PRESENT

Representative Cowdery, Co-Chair (via teleconference)
Senator Ward, Co-Chair
Representative Brice (via teleconference)
Senator Al Adams
Emil Notti
Mike Harper, President, Kuskokwim Corporation (via teleconference)
Kathryn Thomas, Former Chair of Alaska State Chamber of Commerce
(chairing meeting)
George Wuerch, Alaska Municipal League

COMMISSION MEMBERS ABSENT

Bill Allen, Former Mayor of Fairbanks
Tom Fink, Former Mayor of Anchorage
Don Valesko, Business Manager of Public Employees Local 71

COMMITTEE CALENDAR

Reports from the following Privatization Subcommittees:

Department of Natural Resources
Department of Transportation and Public Facilities
Department of Community and Economic Development
Office of the Governor
Department of Law

PREVIOUS ACTION

See Commission on Privatization minutes dated 7/20/99, 8/16/99, 9/20/99, 10/28/99, 11/04/99 and 11/10/99.

WITNESS REGISTER

MARCO PIGNALBERI, Commission Director and
Legislative Assistant to Representative John Cowdery
POSITION STATEMENT: Answered questions and presented information
on behalf of the commission and various subcommittees.

HUGH ASHLOCK, Member
Subcommittee on the Department of Natural Resources (DNR)
POSITION STATEMENT: Briefly addressed land development; presented

portion of DNR subcommittee report on Parks and Recreation.

BOB MOTZNIK, Member

Subcommittee on the Department of Natural Resources

POSITION STATEMENT: Presented portion of DNR subcommittee report relating to the State Recorder's Office (Information and Data Management).

RON ANDERSON, Member

Subcommittee on the Department of Natural Resources

POSITION STATEMENT: Asked questions and presented portion of DNR subcommittee report relating to Agricultural Development.

DALE URICH, Member

Subcommittee on the Department of Natural Resources

POSITION STATEMENT: Briefly addressed land development; presented portion of DNR subcommittee report on Forest Management and Development.

BOB LOEFFLER, Director

Division of Mining, Land and Water

Department of Natural Resources (DNR)

POSITION STATEMENT: Attended at request of DNR subcommittee member Marty Rutherford to discuss subcommittee report; agreed to pass requests on to Deputy Commissioner Rutherford.

JIM STRATTON, Director

Division of Parks and Outdoor Recreation

Department of Natural Resources

POSITION STATEMENT: Attended at request of DNR subcommittee member Marty Rutherford to discuss DNR subcommittee report; spoke briefly about camping passes.

RANDY RUEDRICH, Member

Subcommittee on the Department of Natural Resources

POSITION STATEMENT: Presented portion of DNR subcommittee report relating to Oil and Gas.

KURT PARKAN, Deputy Commissioner

Department of Transportation and

Public Facilities (DOTPF)

POSITION STATEMENT: Responded to questions about DOTPF's operations and the recommendations included in the DOTPF subcommittee report.

JOHN D. HORN, Regional Director

Central Region

Department of Transportation and

Public Facilities

POSITION STATEMENT: Responded to questions arising from DOTPF subcommittee report about contract possibilities for road maintenance.

STEVE LEVI, Member

Subcommittee on the Department of Community and
Economic Development (DCED)

POSITION STATEMENT: Presented and discussed recommendations in the DCED subcommittee report.

JEFF BUSH, Deputy Commissioner

Department of Community and Economic Development

POSITION STATEMENT: Replied to questions about the department's response to the DCED subcommittee report.

ANDREE McLEOD, Member

Subcommittee on the Office of the Governor and
Staff to the Commission on Privatization and Delivery of
Government Services

POSITION STATEMENT: Presented report of the Subcommittee on the Office of the Governor.

MARK JOHNSON, Member

Subcommittee on the Department of Law

POSITION STATEMENT: Presented and discussed DOL subcommittee report.

CYNTHIA COOPER, Deputy Attorney General

Criminal Division

Department of Law

POSITION STATEMENT: Answered questions about performance measurement indicators relating to DOL subcommittee report.

BARBARA RITCHIE, Deputy Attorney General

Civil Division

Department of Law

POSITION STATEMENT: Answered questions relating to DOL subcommittee report, including DOL's procurement policy, management information system and the collections section.

PETER KINNEEN, Member

Subcommittee on the Department of Law

POSITION STATEMENT: Participated in discussion of DOL subcommittee report; addressed rates charged for attorney fees by DOL.

ACTION NARRATIVE

TAPE 99-13, SIDE A

COMMISSIONER THOMAS called the Commission on Privatization and Delivery of Government Services meeting to order at 9:12 a.m. Members present at the call to order were Representative Brice; Senator Adams; and Commissioners Thomas, Harper, Notti and Wuerch. Representative Cowdery and Senator Ward joined the meeting in progress. Marco Pignalberi, Commission Director, was also present. Commissioners Allen, Fink and Valesko were not in attendance.

APPROVAL OF PREVIOUS MINUTES

COMMISSIONER THOMAS announced that the first order of business would be to approve the minutes from the meetings held November 4, 1999, and November 11, 1999.

COMMISSIONER WUERCH made a motion to approve the November 4, 1999, minutes and to bring the November 10, 1999, minutes before the commission at the next meeting; he noted that the latter had just been distributed and that he had suggested changes to the staff. There being no objection, it was so ordered.

COMMISSIONER THOMAS informed members of a correction on Davis-Bacon information, provided as an attachment to the November 10, 1999, minutes, in reference to remarks on pages 11 and 12 of those minutes. She proposed that it be addressed at the following week's meeting.

COMMISSIONER THOMAS welcomed Co-Chair Ward to the meeting and offered to turn over the gavel to him.

CO-CHAIR WARD suggested that Commissioner Thomas continue chairing the meeting.

SENATOR ADAMS informed Commissioner Thomas that he had to leave at 10 a.m. for Fairbanks.

OLD BUSINESS

COMMISSIONER THOMAS next addressed old business. First, comments by the Department of Environmental Conservation were still pending. Second, comments by the Department of Labor were included in that day's package; Commissioner Thomas asked whether any action on that was required.

MARCO PIGNALBERI, Commission Director and Legislative Assistant to Representative John Cowdery, answered that no action was necessary. When the commission votes on the Department of Labor's

recommendations, however, members should have those comments for reference.

COMMISSIONER THOMAS noted that comments from the Alaska Court System, requested by the commission, were included in packets. She confirmed that the information would become part of the commission's packet on the Alaska Court System.

NEW BUSINESS - Reports by Subcommittees

[Most of the information contained in subcommittee reports will be available at the commission's website at www.privatizealaska.org.]

Subcommittee Report on the Department of Natural Resources

COMMISSIONER THOMAS announced that the commission would first hear the Subcommittee Report on the Department of Natural Resources (DNR). A written copy was provided that included recommendations but no department comments.

MR. PIGNALBERI informed the commission that the subcommittee chairman, Leo MarkAnthony, was in Mexico and had asked members of his subcommittee to present the report. Mr. Pignalberi suggested inviting them to the table, along with DNR representatives, to go through the recommendations.

REPRESENTATIVE BRICE, speaking via teleconference from Fairbanks, advised the commission that he didn't have the appropriate materials, which had apparently been e-mailed late the previous evening.

COMMISSIONER THOMAS noted that subcommittee member Del Moss of Fairbanks was on teleconference. She asked the presenters to introduce themselves.

HUGH ASHLOCK, Member, Subcommittee on the Department of Natural Resources, introduced himself as the U.S. Forest Service and U.S. Fish and Wildlife campground concessionaire for Alaska; he advised listeners that he had addressed Parks and Recreation in the report.

BOB MOTZNIK, Member, Subcommittee on the Department of Natural Resources, introduced himself next, noting that he had addressed the portion of the report relating to the State Recorder's Office (Information and Data Management).

RON ANDERSON, Member, Subcommittee on the Department of Natural Resources, introduced himself and advised listeners that he had addressed Agricultural Development in the report.

DALE URICH, Member, Subcommittee on the Department of Natural Resources, introduced himself next, saying he had chaired the subcommittee on Forest Management and Development.

BOB LOEFFLER, Director, Division of Mining, Land and Water, Department of Natural Resources, introduced himself. He noted that Marty Rutherford, Deputy Commissioner of DNR and a member of the subcommittee, had requested his presence that day because of a scheduling conflict. Mr. Loeffler said he was quite familiar with the subcommittee's recommendations on mining, land and water, although he wasn't as familiar with the rest of the report.

JIM STRATTON, Director, Division of Parks and Outdoor Recreation, Department of Natural Resources, introduced himself and noted that he was also there at the request of Marty Rutherford, who herself would provide comments at the commission meeting on November 24, 1999.

MR. PIGNALBERI expressed his understanding that they would go through the DNR subcommittee report section-by-section. To the extent that the person who had worked on a particular section was present, that person would discuss the recommendations.

COMMISSIONER THOMAS welcomed Co-Chair Cowdery, who had joined the meeting via teleconference from Washington, D.C.

CO-CHAIR COWDERY indicated he had to meet with U.S. Senator Ted Stevens in about a half-hour, but would try to rejoin the meeting.

MR. MOTZNIK presented the portion of the DNR subcommittee report relating to the State Recorder's Office, set forth under "Information and Data Management." Recommendation 1, pages 3 and 11, read: "Establish some sort of punishment procedure for deliberate lies/distortions made on budget request documents." Mr. Motznik mentioned examples where the State Recorder's Office had made misrepresentations in trying to get more money in its budget. Information about those distortions had come out in the last legislative session in the finance committee, he said, suggesting punishment for attempting to lie might discourage such behavior.

MR. MOTZNIK summarized the three examples under Recommendation 1 on page 11. First, submitted as Attachment S-2, was a Y2K-related request for \$225,000 to convert some of the mainframe network to personal computers (PCs). However, because the mainframe network is "dumb" and doesn't know what day it is, it has nothing to do with problems in the year 2000. Although the office didn't get the money and had "back-pedaled" when confronted with this in the finance committee, there was no punishment involved.

MR. MOTZNIK discussed the second example, submitted as Attachments S-3 and S-4 to the report. In the FY00 budget, an increase of \$300,000 was requested for additional personnel because the volume of documents recorded had increased yearly from 1995 through 1998, with the same number of front-line employees. However, the 1994 volume, not included, was higher than any year on the chart, and with fewer total employees. Mr. Motznik suggested that not including 1994 distorted the data.

MR. MOTZNIK addressed the third example, submitted as Attachments S-5 and S-6. A supplemental budget request of \$92,000 from the previous session had said the size of recorded documents had increased 158 percent in the last five years. However, Mr. Motznik had calculated the average number of pages for documents over the last twenty years, and he found the average size in the last five years had gone up by only 1/100th of a page [from 2.54 pages in 1994 to 2.55 pages in 1999]. He restated concern about the lack of a penalty for putting misleading arguments into budget requests.

REPRESENTATIVE BRICE asked whether the State Recorder's Office had received the requested money.

MR. MOTZNIK said no, but if it weren't for a lot of volunteer effort, they would have gotten away with it.

REPRESENTATIVE BRICE replied that that's democracy.

MR. MOTZNIK countered that there is no discouragement from trying it again the next year, and it perpetuates the game.

CO-CHAIR COWDERY asked whether his understanding is correct that in the past the State Recorder's Office processing was done for free, but that a couple of years ago the DNR had decided to do it on its own, at quite an increase in cost to taxpayers.

MR. MOTZNIK explained that Motznik Computer Services, Inc. (MCS), his own company, had done the processing for free since June 1986. As of January 1999, it was brought in-house over the objections of the legislature. He commented that maybe it is coincidental timing that they then requested \$200,000 in capital money, \$300,000 in operating money, and \$92,000 in supplemental funds. He believes there was no justification for those increased requests because the volume had not increased.

CO-CHAIR COWDERY asked how MCS had received fees if they did it for free.

MR. MOTZNIK answered that the state had been using a system he

himself wrote in 1971. In 1986, when he was putting files online, the state was still on that old, slow system, using keypunch cards and mailing items all around the state. He had offered to take over the processing and programming at no charge, to get up-to-date, usable data.

CO-CHAIR COWDERY asked how many new employees were requested, at least approximately, because of doing away with the free service and performing it in-house. He said he didn't want to hold up the meeting but thought that should be stated. He recalled that someone from the State Recorder's Office was in his own office in Juneau several times lobbying for funds.

MR. MOTZNIK informed Co-Chair Cowdery that it wasn't on the chart he had.

REPRESENTATIVE BRICE suggested someone from the DNR could provide the information.

CO-CHAIR COWDERY asked that it be given to his staff, Annette Deal or Marco Pignalberi.

MR. LOEFFLER advised the commission that he would ask DNR Deputy Commissioner Rutherford to provide, at the next meeting, the number of positions requested by the State Recorder's Office. In response to Commissioner Wuerch, he also agreed to convey the request for a response to the following: Why would the state take on the cost of doing a service that has been provided for free?

MR. MOTZNIK informed listeners that the original agreement in 1986 was that he would do the programming and processing on the MCS machine. The file remained public, he had no priority rights, and anyone wanting a copy could get one that night. In fact, MCS sent copies of the daily data to the state for public release. Mentioning competitors, he said Geonorth, Inc., provides online access to the State Recorder's Office and got their data from that office. It worked great for years. By putting information online, the state didn't have to transfer reports and data between Fairbanks and Juneau, for example, and it was much less time-consuming.

MR. MOTZNIK continued. With the last Recorder, the drive came to bring the system in-house. An update was needed, and they wanted more things in the system. It got beyond what his company could do for free, Mr. Motznik said, although he believes MCS could have done it for considerably less than it cost the state. In 1997 the State Recorder's Office requested \$1.2 million to purchase a new system that involved imaging. However, the legislature denied the

request, saying it didn't make sense to provide \$1.2 million to replace something they were getting for free. At that point, the State Recorder wrote Mr. Motznik a letter, signed by Commissioner Shively, saying they weren't going to process with MCS anymore; it was to end July 1, 1997. However, the State Recorder's Office didn't have anything else to run; the State Recorder wrote the title companies predicting disaster on July 1 and asking them to contact legislators for money for the office. Representative Rokeberg, chairman of the House Labor and Commerce Standing Committee, then put together an oversight hearing in the last two days of the session. In the next year, MCS gradually got another agreement with the state, although they operated six months without one.

MR. MOTZNIK continued. In 1998, after session was over, there were two oversight hearings in which the State Recorder's Office said they wouldn't bring it in-house but wanted a backup system in case MCS's system failed. Following the 1998 special session, however, Mr. Motznik said he was called in and told, "That's it: We're taking it in-house, and we're going to have it in-house on November 1." That was despite the agreement's requirement of six months' notice. Mr. Motznik told the commission there has been much bickering and it has been "a mess" for years. He concluded by saying the State Recorder's Office made a lot of enemies by pulling this in-house. He mentioned a letter signed by 12 legislators, included in packets, that advised against it.

MR. MOTZNIK concluded that this system, privatized for 12.5 years, obviously could be privatized again. However, because the office risked so much bringing it in-house, he doubts that it could be "extracted" again. Furthermore, he isn't sure he would even want to bid on it if it were privatized again, because of the present personnel. Trying to force someone who doesn't want to be a customer into being one, and doing it for free, wouldn't work. He suggested it would require a different State Recorder.

CO-CHAIR COWDERY asked whether Mr. Motznik or the committee has a recommendation now.

UNIDENTIFIED SPEAKER noted that it used to be in the Alaska Court System. Adding that he has known every State Recorder, he said they had much preferred being in the court system rather than DNR; it was not nearly as political, and they could operate more efficiently.

COMMISSIONER THOMAS asked whether part of the recommendation is that it go to the Alaska Court System rather than DNR.

MR. MOTZNIK said he thinks it would take some studying. As far as privatization, it obviously can be privatized because it worked fine that way for 12.5 years. He asked how they can get back to that situation with people who don't want it privatized, however. He suggested the three choices are to change the people, move it to a different department or forget about privatizing it.

CO-CHAIR COWDERY suggested it could also be done through the budget process.

COMMISSIONER WUERCH pointed out two recommendations in the summary: Recommendation 3, to re-privatize the recorder's office index processing (page 11), and Recommendation 4, to consider contracting out the entire recorder's office process. He told Co-Chair Cowdery the subcommittee is making recommendations to privatize these functions.

UNIDENTIFIED SPEAKER responded, "We're recommending it, but I'm not sure how you're going to accomplish it."

COMMISSIONER THOMAS asked if Mr. Motznik wished to comment on the two other items in this area.

MR. MOTZNIK explained that a title company, to maintain a plant and do title searches, needs a copy of every document going back 20-some years. For example, Western Microfilm Services, Inc., is a representative of the title companies and had microfilm equipment in the State Recorder's Office. This whole process of recorded documents is duplicated over and over. Each title company maintains its own plant that duplicates what the State Recorder's Office does. The State Recorder's Office microfilms every document, and Western Microfilm microfilms every document again in that office, then distributes that data to the title company. Mr. Motznik mentioned that he had provided a letter indicating Sharon Young had written Western Microfilm, telling them they couldn't do that anymore, stopping their access to microfilmed documents. Whereas a title company could get a copy of a document from Western Microfilm for 35 cents or 30 cents a document, that company now has to pay the State Recorder's Office \$3 a document. He characterized it as holding the documents hostage for a large fee. Furthermore, that state office now makes more copies and therefore needs more employees and microfilming equipment. He suggested they are making their own business out of copying this data by blocking private enterprise from doing it at a fraction of the cost.

CO-CHAIR WARD asked how other states do it.

MR. MOTZNIK said he isn't sure. Reiterating that this has all

happened in the last few years, he recounted how Sharon Young, the new State Recorder, had decided that the way documents were indexed for the last 25 years was wrong. She believed they needed to be indexed exactly as they were on the documents, he explained. This created several situations. One function her office performs is to scrutinize every document coming in for recording to make sure it is acceptable; without a valid legal description, Ms. Young considers it unacceptable. Now, thousands of documents in the system were accepted, but when it came to indexing them, the office put in a comments card that says "Incomplete legal description, not indexed." This has bad ramifications, and Mr. Motznik believes those documents should have been rejected to begin with.

MR. MOTZNIK cited an example. The recording districts in Kenai, Homer and Anchorage are all on the Seward Meridian; if a warranty deed for a house there comes in, listing the property location including section, township and range but not "Seward Meridian," the office may accept the document but not index it. However, it is known to be the Seward Meridian; prior recorder just added that language and indexed it. Now, however, thousands of these documents are not indexed.

MR. MOTZNIK recounted how Pacific Rim Title (ph), some time ago, had issued title insurance on a piece of property, missed the document, and the recorder had to write an affidavit that said the State Recorder's Office had indexed it under the wrong name and property description. There was no way to find that document, nor any way Pacific Rim Title could know that document had anything to do with this piece of property on which they were issuing title insurance. Therefore, the bankruptcy judge ruled they weren't liable. Mr. Motznik commented, "Well, that says that these thousands of documents that people have brought in - the recorder's office accepted the money, put the document in the system, didn't tell them that there was anything wrong, did not index - that those documents are the same as not recorded. To me, that's just a horrible situation."

MR. MOTZNIK cited a further example. He had come across a document the previous day with a little information in the index, plus a comments card saying "handwriting illegible." However, the office is supposed to refuse a document if it is illegible. He emphasized that the last couple of years the indexing has deteriorated horribly. He has known all the prior recorders, some of whom have contacted him, upset about what is going on, he said. To him, the worst thing about the State Recorder's Office is that the quality of the data is deteriorating considerably. However, that has nothing to do with privatization, he added.

COMMISSIONER THOMAS asked how to go back and correct this, and whether there is some way the DNR is going to be able to take care of that.

MR. MOTZNIK replied that some previous oversight hearings, which Co-Chair Cowdery had attended, addressed some of these concerns. This spring he himself had brought them up to Marty Rutherford, who met with representatives from some of the title companies. However, there was only one meeting; Deputy Commissioner Rutherford and Commissioner Shively just met with the title companies, got them interested, and then "disappeared." Mr. Motznik also indicated he can't get Deputy Commissioner Rutherford to return his monthly telephone calls.

CO-CHAIR WARD referred to the beginning of Mr. Motznik's presentation, agreeing there is probably nothing quite as frustrating as misinformation in a budget process. Specifically referring to the desire for a penalty, as well as numbers 7 and 8 of Mr. Motznik's attachment regarding the cry to have the legislature lobbied, Co-Chair Ward commented that almost any sanctions, however, other than requiring good government, would penalize the people who own the government. He then asked whether Mr. Motznik believes there would be any takers, in Alaska or in the computer industry, if the entire procedure were put out to a request for proposals (RFP).

MR. MOTZNIK answered that the recorder's office, in toto, is a filing job: "Here's a document. Make a copy of it. Index it so I can find it. And if anybody wants a copy of it, make the copy for them." Emphasizing that it isn't a complicated procedure, he noted that each title company does exactly the same thing. Furthermore, every county in every state has its own recording system. Mr. Motznik said he isn't sure why somebody wouldn't want to try it. Mentioning a pilot project, he noted that Homer's recording office has one employee, as does Kotzebue's. "If you fly to Nome to search title, and you get to Nome and that employee is sick that day, then you [sit] until she gets well, or you fly back," he said. "It's quite costly because the office has no backup, because there's only one employee there. I would think that if the Kotzebue recording office was a contract office, there has got to be some business in Kotzebue that has a business with two employees that could operate that."

MR. ANDERSON mentioned that, during subcommittee hearings, it was suggested that if a person presenting facts at a budget hearing were under oath, that person's statements would more likely be true; if a person lied, there could be some legal recourse.

COMMISSIONER THOMAS referred Mr. Motznik to the DNR's official departmental recommendations, items 1 and 2, found on page 5 of the subcommittee report; she asked whether he had any comments on those items. [Item 1 read: "Film old recording books currently located in 14 different offices. (Page 66)."] Item 2 read: "Implement imaging technology. (Page 66)."]

MR. MOTZNIK responded that until 1971, all documents were photocopied. Microfilming started in 1971. Indexes were written ... [ENDS MID-SPEECH BECAUSE OF TAPE CHANGE]

TAPE 99-13, SIDE B

MR. MOTZNIK said they are old documents, not used a lot. Imaging gets cheaper over time, he pointed out. The main cost is holding all the documents. However, a computer image is not as secure as a microfilm image. Images scanned into a computer digitally can be altered. If the official record of a deed to a piece of property were a computer image, there would be a worry that someone could change it in the computer, thereby changing the deed. Right now, to his knowledge, a computer image won't legally stand up in court in Alaska. It would require legislation before the savings could occur, because a microfilm system would have to be maintained too, and they wouldn't really be saving much money.

COMMISSIONER THOMAS asked whether anyone wished to comment on resource development; there was no discernible response. She then asked whether anyone wished to comment on land development.

MR. ASHLOCK addressed land development from his own experience in talking with DNR representatives. He acknowledged that DNR is encumbered with a number of different processes, saying he doesn't have a specific solution but believes something needs to be done to streamline the state land leasing process. He believes the DNR staff is, for the most part, somewhat frustrated too because the process is so lengthy. Millions of acres are under DNR stewardship, and the process is cumbersome. Even to get it to the point of a competitive bid notice for the newspaper, money must be spent on surveying and whatnot. Although streamlining is needed, he doesn't know if it is necessarily an area for privatization.

MR. URICH also briefly addressed land development, adding that there was a bill, a "family entitlement land Act," pertaining to putting up a certain amount of land every year; however, that bill had gone nowhere. He indicated Fran Ulmer wouldn't sign off on it because the DNR would be selling off the state's assets. To his understanding, it will be presented again in a different manner, under leasing. He asked why that never went anywhere, and whether

Co-Chair Ward had ever looked at it.

CO-CHAIR WARD replied that it was one of many introduced. The particular bill he himself was thinking of was part of a combination of six bills introduced by Senator Taylor to try to free up some 2 to 5 million acres of the state's 103 million acres. Co-Chair Ward said the bills will be reintroduced. He added that Senator Taylor's thought process was to move existing state lands into private ownership so they could be taxed. The Municipality of Anchorage, the City of Kenai and others rely on property tax revenues. The state doesn't pay property taxes, nor should it. But if the land could be transferred to private parties in some fashion, that money would be on the tax rolls and there would be no budget deficit problem.

CO-CHAIR WARD pointed out that some people are reluctant to develop the state's resources and adamantly oppose that. He doesn't know whether that exactly fits under privatization, but if talking about funding essential government services through privatization, he believes there can be no purer way than to transfer resources from the people of Alaska to [private entities] so that the state or local municipalities could tax them through property taxes.

UNIDENTIFIED SPEAKER commented, "As long as somebody's paying for the transfer."

CO-CHAIR WARD replied, "Yes, and that's part of what Mr. Ashlock was talking about, the cost of transferring. And I don't know that anybody wants to go back to the just-metes-and-bounds of the 1940s, when we transferred homesteads, but it did work well, and most of our cities are developed because of those homestead Acts at this time. But there are ways to transfer properties fee simple without going through all the hoops that we now are going through. It worked well since the 1800s, and I'm sure it'd work well again without a bureaucrat under every tree."

UNIDENTIFIED SPEAKER responded that the good old days weren't always that good, as there were tremendous numbers of land disputes, fights and "wars" about trying to keep track of who owned what. He added, "Let's get that land out in the public hands; that's not a problem. But let's make sure we're not selling it to three different people. And I think that comes into question, and you need a state agency ... that's adequately funded that can ensure that the land's only sold once."

COMMISSIONER THOMAS returned the commission's attention to the DNR subcommittee report. She called on Dale Urich to address Forest Management and Development.

MR. URICH advised the commission that it was hard to unravel this budget and establish costs that are fair to the forest management section. Fire pre-suppression is mixed in, for example, with \$4.3 million going to that, whereas about \$8 million goes to fire suppression on its own. Mr. Urich wants to see breakdowns about costs per board foot, road costs, production costs and the costs of putting the sales up; however, they [the state agency] could never come up with that, and they weren't compelled by the legislature to have checks and balances in that area. He questioned how a business could be run without such cost breakdowns, adding that he wouldn't expect the production of raw materials to cover the road crew, for example, when maybe somebody else could build that road for half the cost.

MR. URICH continued, saying at this point the only thing he really sees is that the mission statement says they are to develop, conserve, enhance and manage the state's forests. Noting the \$1.4 million in gross receipts, Mr. Urich said if they don't get serious about putting up some sales, maybe they should get out of the business. Noting that 4.7 million acres of classified forest land probably could be boosted to 20 million acres, he attributed that statement to DNR Deputy Commissioner Rutherford. He asked: Why don't we get it classified? The biggest problem is opposition from some environmentalists about putting up these sales, he said, then acknowledged there are a lot of hoops to jump through.

MR. URICH characterized the forest as a renewable resource, like a crop, noting that he has managed his own tree farms and has seen large ones. He acknowledged that they might not look good when first harvested, but suggested thinking about the long term, 100 years. He referred to cutbacks in the Tongass National Forest, then mentioned putting up 140 sales. As for small operations with crews of four or five people and little sawmills, he said those people should be taken care of, and it appears they are covering the bases pretty well there as far as sales. However, he expressed concern about larger firms that would be interested in entertaining the idea of coming in to the area, because there aren't enough raw materials. He stated, "When I questioned that, they said ... what they're working on now is value-added sales."

MR. URICH noted that value-added sales would include a veneer plant, for example, which would require one or two lathes turning a log to create one thin layer of face stock or filler. Although there wouldn't be the expense of establishing a plywood mill, even a veneer plant takes a lot of raw materials. Mr. Urich stated, "The ones I've talked to would like to look at, maybe, like a 20-year commitment. This value-added sale program ..., they're talking of 10 years. And providing they meet all the criteria and

... fair-market value and all the other criteria that goes along with it, and reforestation, et cetera, then ... these sales would be continually put up for them. But this still is not enough. It's not enough. It should be extended to 20 years ... if they meet ... all the criteria." He suggested an industry could be enticed into the area.

MR. URICH pointed out the two different types of forests in Alaska. In Southeast Alaska, roads cost more because of solid rock requiring drilling and blasting. Production costs are also a little higher. However, the timber is of an extremely higher value. In the Interior, in contrast, there is smaller timber, although the road costs per thousand probably aren't as much. "But at this point we don't even have any costs," he added. "We don't know."

MR. URICH concluded by again suggesting perhaps expanding the commitments from 10 to 20 years in order to entice industry. Furthermore, they should be mandated to break down the costs. Restating the figure of 140 sales, he added that it doesn't cost a whole lot more to put a big sale rather than a little one, as they must go through the same hoops: flagging the sale, laying it out and the engineering, for example. And it is just as easy to manage a large sale, because the logging occurs a unit or two at a time. There is more opposition, however. He restated the need to put up more sales, saying \$1.4 million in gross receipts is ridiculous. Mr. Urich stated that the legislature had said it would monitor forest management, and they should follow through on that. He then restated that opponents to the sales are a major problem.

REPRESENTATIVE BRICE referred to the suggestions in the subcommittee report (pages 3 and 24) and requested more written detail, one page perhaps.

MR. URICH agreed to that, adding he hadn't devoted as much time as he would like to, as one could spend a whole lot more time on it.

REPRESENTATIVE BRICE said he knows, as he himself has spent about three years on it. He commented on having a regulatory system that is identical for both large and small producers, saying it has frustrated him not only with forestry but with mining and a lot of other resource development as well.

MR. URICH asked whether Representative Brice felt he was leaving out the small operations.

REPRESENTATIVE BRICE said no, not at all. He stated his understanding that Mr. Urich was expressing frustration that small

operations face the same regulatory schemes as do large operations, leaving small operators in a bind because of having to hold their capital as long as large operators do, which is prohibitive. In addition, it prohibits large operators from being interested because the state never offers contract sales long enough to allow them to recoup their costs.

COMMISSIONER THOMAS asked that Mr. Urich provide comments to Mr. Pignalberi to be taken up at another meeting.

CO-CHAIR WARD requested that Mr. Urich include the amount of product wasted yearly because of bark beetles, fire and nonharvesting. He noted that large timber industries have related to him personally the amount of timber being lost "because Mother Nature won't put up with bureaucracy." He suggested it be not the dollar amount going back into Mother Earth every year but an estimate of what may be lost by not harvesting this product.

COMMISSIONER THOMAS next called upon Ron Anderson to address agriculture.

MR. ANDERSON advised members that the DNR's Division of Agriculture has 19 employees who do a tremendous variety of jobs required by law, from inspection to ensuring grass is planted on grounds renovated after mining. In many cases, they bring in money doing their work. Therefore, he had found very little need for privatization there; their costs aren't that great to the state.

MR. ANDERSON suggested that the Agricultural Revolving Loan Fund (ARLF), however, should be done away with as a state agency. It was given a large amount of money years ago to help develop farming in Alaska, but almost all of the projects have fallen short of their goals. Now the ARLF is down to about \$5 million, with an expenditure from the principal of about \$750,000 per year. It won't be too long before the state has to inject another large sum of money if it continues this way. Mr. Anderson recommended that it be turned over to some bank or financial organization; he believes the banks could run this loan program in such a way that there would be profits to be shared. Furthermore, the Office of the Attorney General could contract out to collection agencies the recouping of funds due the state, which are now written off for some reason. At least four other groups make agricultural loans in Alaska, Mr. Anderson noted.

COMMISSIONER THOMAS thanked Mr. Anderson, then called upon Hugh Ashlock to address Parks and Recreation.

MR. ASHLOCK noted the presence of Jim Stratton, Director of DNR's

Division of Parks and Outdoor Recreation ("State Parks"); he advised members he had met with Mr. Stratton, and he expressed appreciation for the time and information provided by his office.

MR. ASHLOCK reported that State Parks is an agency that is really stretched thin, with a lot of properties to take care of, including parks, campgrounds, recreational facilities and boat launches. Their staff is stretched all across Alaska, and with increasing numbers of tourists coming to the state in recreational vehicles (RVs) - especially in areas such as the Kenai Peninsula, Fairbanks and Tok - there is particularly a need for roadside rest stops and their maintenance.

MR. ASHLOCK restated that he is a concessionaire for both the U.S. Forest Service and the U.S. Fish and Wildlife Service. The former has a very successful private concessionaire program, he noted, implemented all throughout the United States, in almost every national forest with recreational facilities; they use a number of different techniques that he has submitted in his report. Mr. Ashlock indicated some parts of his own report coincide with some U.S. Forest Service staff recommendations, such as the idea of campground "bundling" of so-called winners and losers. For example, Kenai Peninsula's Deep Creek has 100-some sites and is probably full all the time. In contrast, Little Stariski Creek, right down the road, only has 8 or 9 sites; although it loses money, people still enjoy its different atmosphere. Both need to be maintained for the public. Similarly, the Valdez campgrounds aren't used as much as those in other areas of the state, yet residents and tourists need to have those facilities maintained.

MR. ASHLOCK advised the commission that State Parks has already gone in the direction of privatization to some extent. They have some privatized campgrounds in and around Tok, which have met with various degrees of success, and they are currently looking at privatizing the Eagle River campground, for example. They are going in the right direction, Mr. Ashlock emphasized. They have been saddled with some systemic impediments for a long time but are making the best situation they can.

MR. ASHLOCK reported that the state park pass is a popular program with Alaskans and tourists from the Lower 48. According to Director Stratton, however, they will be phasing out the pass for out-of-staters beginning next year. Mr. Ashlock explained:

When I'm looking at a group of campgrounds, and I'm looking at a national forest, and I go out and I competitively bid these in the Lower 48, not just here in Alaska - we just did a campground, the Tonto (ph)

National Forest outside of Phoenix, Arizona, that had 800-and-some-odd campsites throughout the whole national forest - we use a calculation where we take the number of campsites, multiply it times the season, roughly 100 days here in Alaska. And we multiply that times the fee, an average given fee, and then we multiply that times 50 percent occupancy, because not everything is a Russian River - that's one of the campgrounds I operate that's 110 percent full all the time. We find that a calculation is within 5 percent of the actual numbers that [have] been done, both here in Alaska and in the Lower 48.

Based on that calculation, State Parks should be taking in about roughly \$1.2 million a year ... in fees. ... They're taking in, instead, \$456,000 in fees; and I based this upon four areas - Chugach, Kenai, Mat-Su and northern areas - which are the biggest revenue generators for State Parks. I think the \$800,000 dollar annual discrepancy lies mostly in the fact that there's a state park pass, and that they're not getting the revenue collection that they need.

MR. ASHLOCK extended credit to State Parks for going in a lot of the right directions, and for their candor with him. However, they need to keep phasing out the state park pass, he said, and to look at phasing out the local park pass. With only getting \$200,000 a year in revenue for the park pass, they are missing \$800,000 in revenue out in the field. Mr. Ashlock also emphasized that those in charge of campgrounds now have a lot of different jobs and are stretched thin; he believes, with budget cuts, State Parks has been doing more than less than just about any other agency. With privatization, he suggested a reservation system could be implemented more readily out in the field, although a reservation system could be implemented regardless. In addition, some campground management systems could be used. Furthermore, customer service and staffing levels could be higher, and search-and-rescue or first response systems could be done in conjunction with both State Parks rangers and law enforcement such as the Alaska State Troopers. "We provide many of those things right now in the Cooper Landing area with the Russian River campground," Mr. Ashlock noted.

MR. ASHLOCK acknowledged that total elimination of the state park pass may be a "political pill" about which constituents may complain. He again mentioned doing that in conjunction with developing a reservation system, then expressed belief that if people are given something for their money, they don't mind as much. He stressed the importance of a reservation system. Living

in Anchorage as he does, working five days a week, he is under a distinct disadvantage if he wants to go down to Deep Creek on the Kenai Peninsula for the weekend, he said, "because that blue-haired couple from Florida that's been here all summer in their RV has been squatting down there since last Tuesday." Mr. Ashlock suggested that many locals in Kenai and Anchorage, as well as locals in Fairbanks who want to enjoy the lakes, have the same problem as well. All this can be solved by privatization, he added.

MR. ASHLOCK recalled that Jim Stratton had also mentioned to him that there are a number of ways that State Parks could be funded; he asked whether Mr. Stratton wished to speak to that, but the response was indiscernible.

COMMISSIONER THOMAS suggested sticking to the agenda somewhat, including comments and recommendations. She also shared with the commission that the DNR subcommittee hadn't had an opportunity to come back together, meet and vote on the recommendations; members hadn't reviewed each other's recommendations, which was why this was being done a little differently. Therefore, these are individual reports and comments. She expressed the desire to have DNR personnel's comments, which she understood to be about the whole report, provided all at once unless there were specific questions to answer.

MR. STRATTON reported that the comments about the camping pass were right on the mark. He indicated those buying out-of-state camping passes use them a lot more than those buying in-state passes. Next summer, as they phase out the out-of-state camping pass, which has been identified as 30-40 percent of the total pass usage, it will be interesting to see whether there is a commensurate rise in revenue, he said, or whether those people, instead of basically camping for \$2 a night - which is the benefit they get now - will start camping alongside the road or go to private campgrounds. That may play into a decision about in-state camping passes because 3,500 Alaskans buy those, whereas only 350 out-of-state passes are sold. He specified that he agrees with Mr. Ashlock that it might be a difficult political pill to swallow because a lot of Alaskans really like that program.

COMMISSIONER THOMAS asked if there were further questions of Mr. Ashlock. She noted that comments on statewide fire suppression are included in the DNR subcommittee report, as are DNR's recommendations.

COMMISSIONER THOMAS next called upon Del Moss in Fairbanks, advising him that the commission had all of his materials and

comments, which staff had reviewed; there were nine points listed. She asked whether Mr. Moss wished to comment on those points, but he declined unless there were questions.

COMMISSIONER THOMAS, hearing no questions, asked Mr. Ruedrich if he wished to comment, either on the one portion of the Oil and Gas section of the DNR subcommittee report that he had worked on, or on the portion prepared by John Swanson.

RANDY RUEDRICH, Member, Subcommittee on the Department of Natural Resources, indicated he had also worked on the portion prepared by Mr. Swanson, which he would address. Specifying that he lives in Anchorage, he first advised commissioners he would share a thought relating to the Alaska Oil and Gas Conservation Commission (AOGCC). The AOGCC, by its own definition, has 11 principal functions. In thinking of not necessarily privatizing, but rather modernizing and reflecting upon what the industry has gone through in the last years, he said the British government had the opportunity to face something we will never want to see, and that was a significant tragedy. Out of that, they went back and reinvented their regulatory regime.

MR. RUEDRICH advised members that having lived under that regime and having seen the evolution in Alaska of quality assurance systems on the part of the operators - and even looking forward at the current proposed charter agreement - an operator that would come in to run Kuparuk is going to be one of basically no more than five worldwide oil companies, all with a similar level of expertise. The other potential operator for running Alpine has to be a very significant company, Mr. Ruedrich stated. Therefore, the thoughts he is sharing here are consistent with the potential spinoff of some assets to newcomers.

MR. RUEDRICH addressed the arena of well services and productions services (see report, page 95). He mentioned the tasks of approving drilling and workover operations; inspecting rigs; witnessing the mechanical integrity of blowout preventers; approving casing, cementing and completions operations; and collecting and maintaining all well history and well files. On the production side are approving and monitoring gas flaring; witnessing of subsurface safety valves and mechanical integrity tests of existing wells; and, ultimately, collecting and maintaining all production data for oil and gas.

MR. RUEDRICH indicated that in thinking of where the industry has evolved to - in terms of having programs that can be best characterized as "define what you're going to do, do it and prove it - the regulatory scheme in Alaska allows that to be adopted

fairly readily, because state laws give direction as to what to do and require documentation proving what was done. For that reason, he has concluded that the field inspection effort is somewhat secondary verification, or reverification, and has been supplanted by a change in business philosophy. He stated:

Now, if we were to go one step further and put out reports in a new, modern database, where the operator can effectively upload all the nonconfidential documentation, then anybody could look at it tomorrow morning, we would have achieved open disclosure, full disclosure and self-verification.

MR. RUEDRICH indicated he believes that is the way to go. The only state consideration other than the fundamental change would be the need for a qualified petroleum operations professional, every five to seven years, to review the code and adjust it for true changes both worldwide and in our own environment here.

MR. RUEDRICH pointed out the one service he believes should be contracted out. If the state does away with the inspector function and some of those aspects, one remaining item is quite important, he said: witnessing of calibration of the meters and oil quality testing. He noted that professional firms do this worldwide. If the operator has a quality assurance program that documents this to a large extent, periodic certification by an outsider would be a great concept for privatization.

MR. RUEDRICH reported that the four remaining tasks are: approval and monitoring of oil pool development and plans for enhanced recovery; monitoring and enforcement of spacing rules and other production practices; issuing of pool rules and conservation orders; and administration of the Underground Injection Control (UIC) program. There is an agreed-to division of duties between the DNR's Division of Oil and Gas and this organization, he pointed out. He envisions moving all these tasks to their parallel functions, either leaving them to stand alone or consolidating them, as individual cases may be, to actually make the state government more efficient.

MR. RUEDRICH noted that there is a counter-argument that this leads to some wonderful checks and balances, but he isn't sure that would gain the state much. Therefore, his proposal is that those four remaining functions would be moved to the DNR's Division of Oil and Gas, thereby eliminating at least nine state positions and reducing costs directly by a little more than \$1,050,000. Contracting out the data management and metering functions would be an offset on the order of \$250,000, for an ultimate potential benefit to the

state - and to the industry, because many of these dollars are billed straight back to the industry - of approximately \$800,000. Mr. Ruedrich concluded by offering his opinion that this would put the state in the same position that other regimes, which have needed to look at their businesses, have migrated to in the last seven to ten years.

CO-CHAIR WARD asked whether existing firms could do that contracting now.

MR. RUEDRICH answered that the meter proving activity clearly can be done. As to whether there is anyone who has an Alaskan presence today, however, he could not speak to that. Noting that they are talking about less than \$150,000 a year, he said potentially either someone would fly in to do this work or someone locally would be retained as a part-time employee of such a firm, operating under their certification to do this.

CO-CHAIR WARD referred back to discussion of nonconfidential documentation. He asked whether there is something that identifies what "nonconfidential" is.

MR. RUEDRICH replied that virtually everything in the production and development arena is nonconfidential. Off the top of his head, the only documents he recalls as being confidential would be drilling documents relative to exploratory wells and the production testing of those exploratory wells. Those would have to be kept on a private basis. He envisions at least one engineer who has been involved in this side of the business "staying in the head count" and being accountable for those types of things. He clarified that he doesn't believe there is a question of these people not being capable. Some of them, indeed, are very capable and might well find other relevant positions in government, he said, adding that some of the commissioners over the years have been outstanding, and some of the inspectors could participate in various facets of work in the industry.

COMMISSIONER THOMAS asked if there were further questions. She asked whether anyone from DNR wished to speak, then thanked participants.

MR. PIGNALBERI referred commissioners to the report prepared by John Swanson, specifically, page 28 of the DNR subcommittee report. He explained that Mr. Swanson's approach to this was to take each Business Revenue Unit (BRU) relating to oil and gas, and to break it down into four elements: the BRU name; a summary of statistics, which was the total budget for that program or programs; the number of people or employees involved; and the number of dollars

contracted out. Then he had an opinion section ... [ENDS MID-SPEECH BECAUSE OF TAPE CHANGE]

TAPE 99-14, SIDE A

MR. PIGNALBERI continued:

It was one of the BRUs that he reviewed, then the amount of the dollars that he recommended that had privatization potential, and then I just referred you back to the page where his opinion is because I found a bit of a disconnect between the language in the opinion section and the amount that he recommended be privatized. I'll try to get with him and make that a tighter connection for you before you get to the final deliberations. That's the way it's laid out, and I hope it helps when you read the whole report.

COMMISSIONER THOMAS thanked subcommittee members for their work. She announced that the commission would be relocating to a different conference room after 12:30 p.m.

Subcommittee Report on the Department of Transportation and Public Facilities

COMMISSIONER THOMAS informed the commission that Mr. Pignalberi would now begin the presentation of the Department of Transportation and Public Facilities (DOTPF) subcommittee report.

CO-CHAIR WARD asked any members of the DOTPF subcommittee and other participants to introduce themselves.

KURT PARKAN, Deputy Commissioner, Department of Transportation and Public Facilities, introduced himself; John Horn, Regional Director of the Central Region; Mike Downing, Director of Design and Engineering Services; and Gene Darling, Manager of the Statewide Equipment Fleet Section.

MR. PIGNALBERI distributed DOTPF's response to the subcommittee report. He pointed out that the subcommittee had asked DOTPF for a lot of information, which Deputy Commissioner Parkan did a great job of providing. Mr. Pignalberi noted that he would address the specific recommendations that he had discussed with subcommittee members.

MR. PIGNALBERI directed attention to page 19. He explained that the subcommittee had made an overarching recommendation that the legislature answer the question of which functions are core

government responsibilities (CGRs). Once CGRs are identified, the question of whether privatizing them is in the best interest of the state can be addressed. The subcommittee had attempted to identify DOTPF's CGRs in its report.

MR. PIGNALBERI advised commissioners that Recommendation 2 pertains to maintenance and operations, and it suggests that ownership and maintenance of local roads should devolve to the lowest level of local government. A subgroup of the subcommittee had looked at the different operating agreements between DOTPF and local governments. DOTPF maintains some roads within the municipal boundaries of Anchorage; the subgroup found that arrangement to be inefficient and to cause confusion. The subcommittee believes, as a first step, the state should get out of the business of subsidizing local roads. They recognize that inadequate revenue sharing or the inability of local communities to pay for maintenance could prevent the implementation of that recommendation.

MR. PIGNALBERI pointed out that the subcommittee's report lists each recommendation, followed by its rationale and barriers that could impede implementation of the recommendation.

DEPUTY COMMISSIONER PARKAN apologized for DOTPF's brief response to the recommendations but noted that the report was only distributed to staff for review on Monday. He stated that DOTPF staff is available for follow-up discussions at the commission's request. Deputy Commissioner Parkan said DOTPF supports, in concept, many of the recommendations made by the subcommittee, and that the subcommittee was able to identify some of the challenges DOTPF faces in its attempt to perform services less expensively.

COMMISSIONER WUERTZ said that having spent the last several years working with the Alaska Municipal League, he has become aware that local residents share a common problem: how to balance the maintenance of state-owned roads with locally-owned roads. The current situation seems fraught with inefficiencies, for example, two sets of equipment are being used when one would be sufficient. He asked whether there is an approach it could take whereby the state could contract with local governments to take on that job.

DEPUTY COMMISSIONER PARKAN responded that DOTPF currently contracts with some local governments, such as the Municipality of Anchorage (MOA).

JOHN D. HORN, Regional Director, Central Region, Department of Transportation and Public Facilities, explained that DOTPF has contracted with the MOA since about 1981 for all traffic signal maintenance. DOTPF is paying the MOA slightly over \$1 million for

signal maintenance, but the MOA estimates maintenance costs to be closer to \$1.5 million. The MOA has actually asked DOTPF which signals it should shut off. DOTPF is unable to pay more for that service without a legislative appropriation. In Anchorage, DOTPF swaps out routes with the MOA to improve plowing efficiency in the winter. The MOA plows the downtown area even though 5th and 6th Avenue actually belong to the state. One problem that occurs when DOTPF approaches a local government about contracting is that DOTPF cannot pay the local government more than DOTPF would spend. That amount is not sufficient for those who want to contract, and DOTPF does not have additional funds. DOTPF would welcome a proposal from the MOA if it would like to pursue further contracts.

COMMISSIONER WUERTZ asked if that same scenario applies to other areas of the state.

DEPUTY COMMISSIONER PARKAN said it does. For example, the City and Borough of Juneau and the Matanuska-Susitna Borough cover some state roads and vice versa. He added that many local governments do not want to take on another responsibility because they do not know how much they will receive in revenue sharing.

COMMISSIONER WUERTZ commented that he has a fairly pessimistic view of what may happen next November if the tax limitation initiative gets on the ballot. He noted that at a call-in radio show that morning, callers unanimously supported the ten-mill limit on property taxes. He thanked John Horn for the excellent job he does.

CO-CHAIR WARD asked Mr. Horn if he would accept a contract proposal from a private contractor for snow removal.

MR. HORN said he would have reservations about doing that because he has tried that approach a number of times without success. DOTPF went through an extensive process in 1992 to contract plowing of the Dalton Highway; that endeavor was not successful. If the MOA expressed interest, he would be reluctant to just go out to bid and see what happens. DOTPF would need bids from more than one contractor. DOTPF is involved in many contracts in Anchorage and currently spends over \$600,000 on snow hauling with the private sector.

MR. PIGNALBERI explained that Recommendation 4 suggests that DOTPF, in consultation with Associated General Contractors (AGC) and other interested parties, implement a demonstration project for privatized road maintenance. DOTPF's response is that it is willing to discuss this recommendation further but it cites several instances where this approach has been tried unsuccessfully. Mr.

Pignalberi noted that the subcommittee had that information when it made the recommendation. It suggested that an RFP be developed in consultation with AGC because of the economy of scale. This approach might not work with a small station, such as Seldovia, but it might work with the Anchorage station. The key point is that the RFP must contain terms that are realistic to the contractors; therefore, consulting with the AGC to develop the criteria could make the proposal workable for the private sector. Mr. Pignalberi asked DOTPF to consider that part of the recommendation and to provide an additional response.

REPRESENTATIVE BRICE maintained that the RFP must be realistic for the state as well.

MR. PIGNALBERI asserted that he does not think the state has ever written an RFP that was not good for itself.

REPRESENTATIVE BRICE contended that the commission needs to make sure it is not pushing forward an idea that is good for only one party.

MR. PIGNALBERI agreed.

COMMISSIONER NOTTI asked what DOTPF does with its employees when it implements a contract.

MR. HORN replied:

Sometime during the 1980s when I was assigned to the Fairbanks office - I wasn't a part of it - the attempt was made to line the municipality with our own forces here. I'm going a little bit from hearsay now because I, again, was not involved directly in it, but I believe there were two major issues there. And one of them was the union issue, and the other issue I think was finance. At that time they may have gotten a little closer on the finance than they did on the union issue, but the effort was eventually scrubbed because there was too much controversy over that whole thing. If we were to look into something like that, we would certainly want the employees to be considered, at least for some length of time. I don't think we want to see everybody out in the street all of a sudden, that might cause some other problems, and certainly there is enough work to do out there to keep everybody busy. Right now in Anchorage, as in every place else, we're shorthanded in our ability to respond to, for example, an average snowfall.

COMMISSIONER THOMAS thanked the participants from DOTPF.

Subcommittee Report on the Department of Community and Economic Development

COMMISSIONER THOMAS asked for a presentation from the Subcommittee on the Department of Community and Economic Development (DCED).

STEVE LEVI, Member, Subcommittee on the Department of Community and Economic Development, reported that the subcommittee was faced with dealing with two departments that had combined shortly before the subcommittee began examining it. The subcommittee found that three public sector services are being served by DCED: businesses interested in international connections; economic development within the state of Alaska; and a wide variety of services provided to the Bush.

MR. LEVI continued. Overall, the general impression of the subcommittee was that DCED is experiencing three problems: first, there is a duplication of services with other departments; second, DCED staff lack specific "nuts and bolts" business experience, which makes interaction difficult for small businesses; and third, economic development within the department has become a buzzword, as a lot of people talk about it but have little experience with it. One shortcoming of the subcommittee was that no member has substantial experience in the Bush. Mr. Levi noted that he was thankful to see that Emil Notti was appointed to the commission.

COMMISSIONER THOMAS commented that Senator Adams and Michael Harper are also on the commission.

MR. LEVI continued. The recommendations provided by the subcommittee suggest that the establishment of the Alaska Tourism Information Association will allow for consolidation of the tourism functions within the private sector and enable the state to have a smaller financial position within the association as time goes on. A second recommendation is to reestablish the Alaska Film Commission, which is in limbo right now. Recommendations for the Municipal and Regional Assistance Division include the elimination of three programs which, in essence, only exist on the books: the Alaska Products Preference Program, the Recycled Products Preference Program, and the Forest Products Preference Program. The subcommittee recommends that the Alaska Industrial Development and Export Authority (AIDEA) and the Alaska Housing Finance Corporation (AHFC) be combined. It also recommends that the Division of Investments be placed within the Department of Revenue. The hot issue was the recommendation that the Division of Trade and Development should stop doing the day-to-day nuts and bolts

business dealings and be made smaller. Currently, five different organizations are involved in helping Alaska businesses with international development. The subcommittee believes the Division of Trade and Development should focus on upper-level negotiations and dealings with consulates rather than assisting businesses to sell their products.

CO-CHAIR WARD asked whether, when the subcommittee looked at the consolidation of AIDEA and AHFC, it looked at underlying bonding capabilities.

MR. LEVI said the subcommittee had discussed that issue but was assured by Jim Crawford, who is in the business, that the consolidation would not cause a bonding problem.

REPRESENTATIVE BRICE asked what DCED's response was to that recommendation.

MR. LEVI said DCED did not respond to that recommendation.

REPRESENTATIVE BRICE asked if DCED was involved in the discussion about the consolidation.

JEFF BUSH, Deputy Commissioner, Department of Commerce and Economic Development, said that particular recommendation has raised more concern within the department than any other because AIDEA was not consulted by any member of the subcommittee, despite repeated efforts by AIDEA staff to set up meetings. No discussion with AIDEA staff occurred about the bonding implications either. Deputy Commissioner Bush noted that his response to that recommendation was distributed to commissioners this morning. He indicated that AIDEA staff are willing to meet with subcommittee members to discuss the consolidation and that AIDEA believes a consolidation will have serious bonding implications.

CO-CHAIR WARD asked that AIDEA and AHFC submit their concerns about the bonding implications to the commission in writing.

REPRESENTATIVE BRICE asked for clarification of the recommendation that pertains to the Division of Trade and Development.

CO-CHAIR WARD said he believes Mr. Levi was suggesting that the Division of Trade and Development should operate on a government-to-government basis and allow another agency to focus on helping private enterprise acquire market shares in other countries.

MR. LEVI replied that Co-Chair Ward was correct. The subcommittee found that there are two functions necessary to deal with

international trade. One is the nuts and bolts of dealing with Alaska businesses and foreign businesses, which should be handled by an organization such as the World Trade Center. The second function is the top-level negotiations between the State of Alaska and the consulates of foreign countries. That function should be handled appropriately by the state. The subcommittee recommends that the division focus exclusively on the high-level meetings.

REPRESENTATIVE BRICE remarked that the recommendation he was looking at said that business was going well within the Division of Trade and Development.

MR. PIGNALBERI clarified that Representative Brice was referring to Mr. Davidge's original report and that Mr. Levi was speaking to the recommendations that were suggested by the full subcommittee.

DEPUTY COMMISSIONER BUSH added that Mr. Davidge wrote a report on behalf of the subcommittee but the subcommittee took that division up independently and wrote a different recommendation.

COMMISSIONER HARPER asked whether AHFC has reacted to the recommendation to combine it with AIDEA.

DEPUTY COMMISSIONER BUSH indicated that AHFC is not part of DCED and it was not invited to participate; therefore, AHFC has no comments at this time.

CO-CHAIR WARD noted that he has asked for comments from both AHFC and AIDEA in writing.

COMMISSIONER THOMAS pointed out that the Department of Revenue subcommittee is reviewing AHFC.

MR. PIGNALBERI mentioned that that report will be presented at the next meeting and should be forthcoming in the next day or two. He said that he will provide a copy to AHFC and AIDEA and ask representatives of those agencies to appear at the meeting.

COMMISSIONER HARPER asked whether the commission has already discussed the other quasi-state lending agencies, such as the Commercial Fishing and Agricultural Bank (CFAB) and the lending side of the Division of Investments. He noted that if the Commission is looking at a comprehensive picture, it should discuss all of those banking functions.

COMMISSIONER THOMAS replied that some of the subcommittees did not take up those agencies while others decided to overlook them.

MR. PIGNALBERI said that is correct. He pointed out that CFAB was discussed earlier today, and that the subcommittee recommended that it be disbanded. He noted that the lending agencies are being presented out of sequence, and that those recommendations have not been coordinated yet. He said he would help pull the remarks of the different subcommittees on the same subjects together for commissioners.

Subcommittee Report on the Office of the Governor

COMMISSIONER THOMAS next requested the report of the subcommittee on the Office of the Governor.

MR. PIGNALBERI distributed a supplement to the subcommittee's report and explained that the subcommittee had made five recommendations, which are in the style of problem statements. Mr. Pignalberi noted that a serious concern expressed by almost every subcommittee is that the format of the state budget is incomprehensible. That concern was expressed by the subcommittee on the Legislature, of which Mark Hanley, a former House Finance Chairman, was a member. The Office of Management and Budget is now within the Office of the Governor. Mr. Pignalberi turned the presentation on the Office of the Governor over to Andree McLeod.

ANDREE McLEOD, Member, Subcommittee on the Office of the Governor, and staff to the commission, noted the lengthy discussions on the budget, which is very hard to understand in its current format. The fact that the Division of Finance is within the Department of Administration and that the Office of Management and Budget is within the Office of the Governor causes a lot of dysfunction, she said. The subcommittee also found that no process is available for employees to make anonymous suggestions for improvement, which they believe prevents employees from coming forward.

MR. PIGNALBERI stated that the subcommittee recommends that the legislature design a process to foster employee involvement. He referred to a second subcommittee handout, which contains more specific information and describes a task-based budget format and compares it to the current budget format. The subcommittee recommends that the legislature devise a task-based budget format and require by statute that the Governor's budget be submitted in that format.

CO-CHAIR WARD asked if the Governor's office had responded to that recommendation.

MR. PIGNALBERI said the report was only made available last night, so the commissioners are the first to see it.

CO-CHAIR WARD said he thought the Governor's office may not oppose that recommendation.

MS. MCLEOD maintained that concern about the complexity of the current budget format has been uniform in every subcommittee.

COMMISSIONER THOMAS announced that the commission would recess until 12:30 p.m.

Subcommittee Report on the Department of Law

COMMISSIONER THOMAS reconvened the meeting and introduced Mark Johnson, Chairman of the Department of Law Subcommittee, and Cynthia Cooper, Department of Law representative.

BARBARA RITCHIE, Deputy Attorney General, Civil Division, Department of Law, and JOAN KASSON, Special Assistant, Department of Law, introduced themselves via teleconference from Juneau.

MR. PIGNALBERI noted that Pete Kinneen, a subcommittee member, was also present.

MARK JOHNSON, Member, Subcommittee on the Department of Law (DOL), informed commissioners that the subcommittee had advanced ten recommendations based on meetings it had. The subcommittee believes its recommendations should be considered as ideas that deserve further pursuit by the commission or by the legislature. The subcommittee did not have extensive staff resources to flush out more details.

MR. JOHNSON gave the following presentation. The DOL's authority is currently constituted both by statute and, in the subcommittee's view, by DOL by its own interpreting memoranda. DOL's authority is almost unlimited. The subcommittee believes that broad authority serves the best interest of the department, not the citizens of Alaska. All professional employees of DOL, with the exception of a handful of administrative people, are exempt and partially exempt state employees, which the subcommittee believes may pose some dangers. The subcommittee also believes the legislature needs to engage in more extensive oversight of DOL, and that it should review the authorizing legislation of DOL because a department that believes it has extremely broad powers is likely to exercise those powers. Mr. Johnson offered to answer questions.

CO-CHAIR WARD commended subcommittee members on the thorough job. He referred to Recommendation 8, which pertains to the "pay to play" issue, and asked Mr. Johnson to address that in more detail, especially the American Bar Association's (ABA) review of the

problem in other states and its recommendations.

MR. JOHNSON drew commissioners' attention to DOL's response to Recommendation 8. He noted that the subcommittee initially addressed this issue with DOL in August. The extent of DOL's response was to say they were aware of the issue. Subcommittee members were given materials generated by a task force of the ABA. Since that time, the ABA House of Delegates acted on a proposal for the selection of outside counsel that its task force put together. The ABA did not adopt that proposal for a variety of reasons. One reason DOL gave for not adopting that proposal is that it believes this issue is more a matter of campaign finance reform than an issue of professional responsibility for lawyers.

MR. JOHNSON pointed out that in Alaska all outside counsel for the State of Alaska are potentially selected by the attorney general. In many other states, the ability to acquire the services of outside counsel is divided up among district attorneys at the county level. The defeat of the ABA proposal may be sound on a national level. However, the dangers posed by the "pay to play" issue in Alaska may be greater because of the centralization of procurement authority.

MR. JOHNSON also pointed out constitutional issues about what kind of restrictions could arise that can be placed on an individual. He feels the ultimate question is whether this question is one of professional responsibility for attorneys, and he believes the subcommittee provided enough information for the commission to look at that issue. Although DOL had assured the subcommittee that the "pay and play" scheme is not an issue, DOL runs the program, which is where the danger lies. Mr. Johnson said he does not doubt the good faith of employees, but when they have been with DOL for many years and are all selected by the attorney general, the centralization of that authority poses unique dangers.

CO-CHAIR WARD asked whether the subcommittee was supplied with a list of private attorneys who have received contracts in the last two years and the dollar amount of those contracts.

MR. JOHNSON pointed out that DOL staff were very responsive to requests for information by the subcommittee, and that the subcommittee has that information but hadn't had time to review it in detail; he offered to submit it to the commission. He noted that the list contains the names of law firms and the dollar amounts back to about 1994. He pointed out that although some law firms get contracts year after year, some do not. Subcommittee members were concerned that the same firm has been retained as bond counsel for the state for at least the last six years, and maybe