

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2756 SCOMM 122: COMMISSION ON PRIVATIZATION. . . , 1999

Component Summary - FY00 Operating Budget

Agency: Department of Administration

<u>Page</u>	<u>Budget Component</u>	<u>FY98 Act</u>	<u>FY99 CC</u>	<u>FY99Auth</u>	<u>Gov Amd</u>	<u>House</u>	<u>Senate</u>	<u>ConfComm</u>	<u>FY99Auth to ConfComm</u>	
	Other Funds	75,414.5	75,767.9	75,950.4	87,979.1	87,458.9	88,234.8	87,558.9	11,608.5	15.3%

Department of Administration Subcommittee Membership

~~7/27/99 11:30 AM~~

ADM	Henri, Esq.	Joe	279-1493	279-4785				
ADM	Allen	Bill	459-2100	451-7274	Doyon Properties	allenb@doyon.com		Fairbanks
ADM	Cottrell, CPA	David	278-8878	278-5779	Edu, Law, Dnr, Rev	dcottrell@mcc-cpa.com (Sandy)		
ADM	Liston	Don	463-4977	463-4950	ASEA			
ADM	Martone	Paul	349-7506	349-4398	AT Publishing			
ADM	McLeod	Andree	561-8595	561-3757				
ADM	Nelson	Dale	258-5755	258-5766	GCI, Inc.		230-5416	
ADM	Polley	Patty	463-3488		Juneau Chamber of Commerce			Juneau
ADM	Quinn	Lewis	777-1500244-1730	777-1515	Capital Office Supply			
ADM	Rhyner	James	564-5260	564-5812	NANA Corporation	RhynerJL@BP.com		
ADM	Springer	Carl	269-5566	269-6084	APEA			
ADM	Stewart	Scott	277-7555	277-9595	Arctic Controls, Inc.	sstewart@arcticcontrols.com		
ADM	Valesko	Don	276-7211	279-7171	Public Employees Local 71 AFLCIO	local71@alaska.net		

Tuesday, July 27th, 1999, 11:30 am – 2nd floor LIO

Springer	YES
Allen	~~LMVM~~ YES
Cottrell	YES
Liston	LMVM
Martone	YES
McLeod	YES
Nelson	LMVM
Polley	LMR
Quinn	LMVM
Rhyner	VACATION
Springer	LMR
Stewart	LM
Valesko	LMVM
Commissioners Office – Department of Administration	
Allison Elgee	LMVM

Bob Poe
Marsha Hubbard
Vern Jones

MARCO P.

Commission on Privatization and Delivery of Government Services

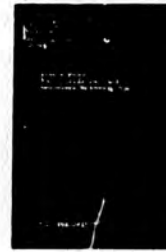


Department of Administration
Comprehensive Telecommunications RFP

Bob Poe, Commissioner
August 19, 1999



TIC Plan 1996



- “...a balance must be developed through partnership between the state and public telecommunications providers.”



Guiding Principles Excerpts-- TIC Plan 1996



- The State should be a stimulator of public telecommunications by serving as an anchor tenant.
- The state should be a stimulator as well as a facilitator of private-sector efforts.
- The State should be pro-active and pro-competition throughout these efforts.

Guiding Principles Excerpts-- TIC Plan 1996



- The State should encourage partnership development.
- The state should ... encourage providers to develop cost effective enhancements, expansions of existing services, and provision of new ones.

Guiding Principles Excerpts-- TIC Plan 1996



- The State should pursue the provision of highway emergency communication systems... State control of the system (can not be) compromised in a time of emergency.
- The State should consider contracting with providers ... in order to provide the needed communication links between it and its various business partners.





Need for Advanced Telecommunications

- Many Alaskans will never be connected by a road system. Alaskans rely on telecommunications to connect to the world and the rest of Alaska
- Alaskans prefer to conduct business quickly, without bureaucracy
- Efficiencies can be gained through automation



Need for Advanced Telecommunications

- Alaskans demand more be done with less
- To reach this goal the State is partnering with non-profits, other governmental entities and the private sector
 - One stop - Alaska Job Center Network
 - Education- distance learning - charter schools
 - Telemedicine -- tribal governments, Indian Health Service, private/public hospitals
 - Emergency Communications -- local governments, volunteers
 - Public Safety -- State troopers, local and federal government
 - Economic development -- AIDEA, Airport Communications



Need for Advanced Telecommunications

- State Government continues to improve its services to the citizen through new automated systems:
 - Workplace Alaska
 - DMV Online
 - Online Public Notices
 - Fingerprint imaging, mobile data
 - Telemedicine, distance education



Need for Advanced Telecommunications

- State owns an extensive microwave system --
State of Alaska Telecommunications
System(SATS)
 - State has been approached by private providers
and local governments to allow access to SATS



Contracting Environment

- State contracts for more than \$20 Million annually for telecommunications services/equipment
- Telecommunications industry in Alaska continues to be more competitive

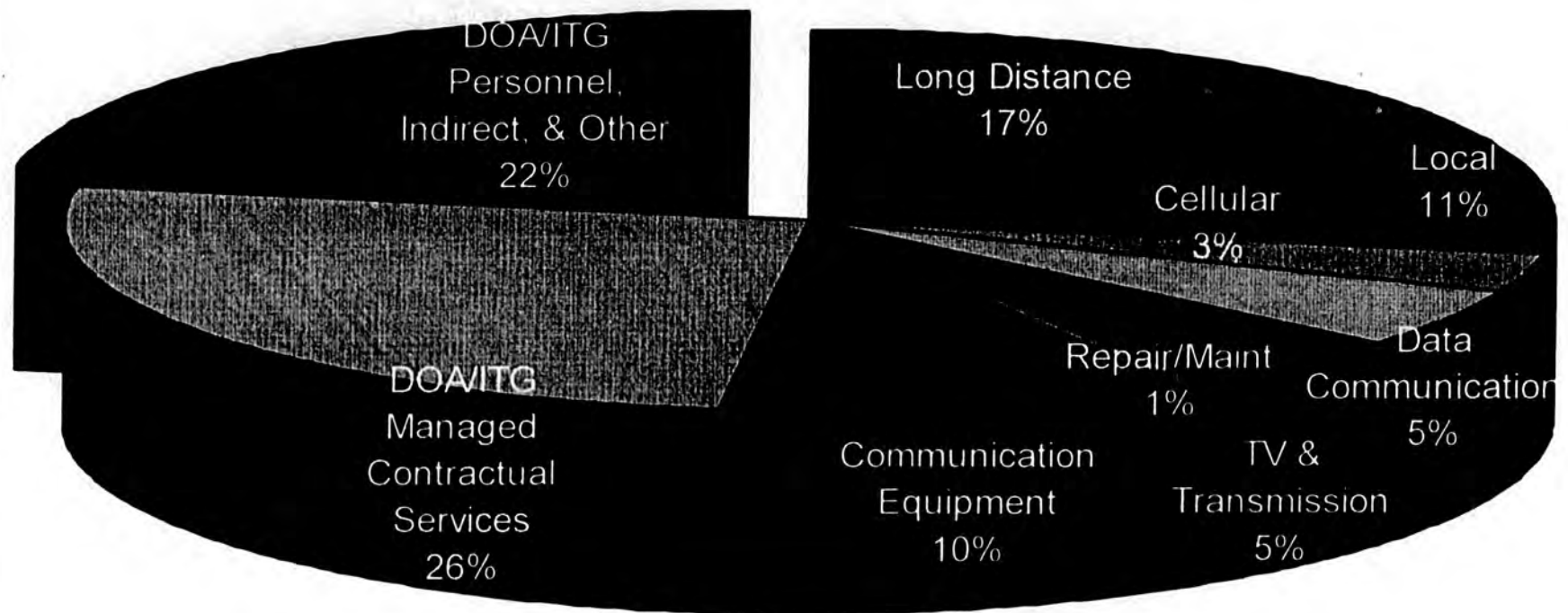


Contracting Environment

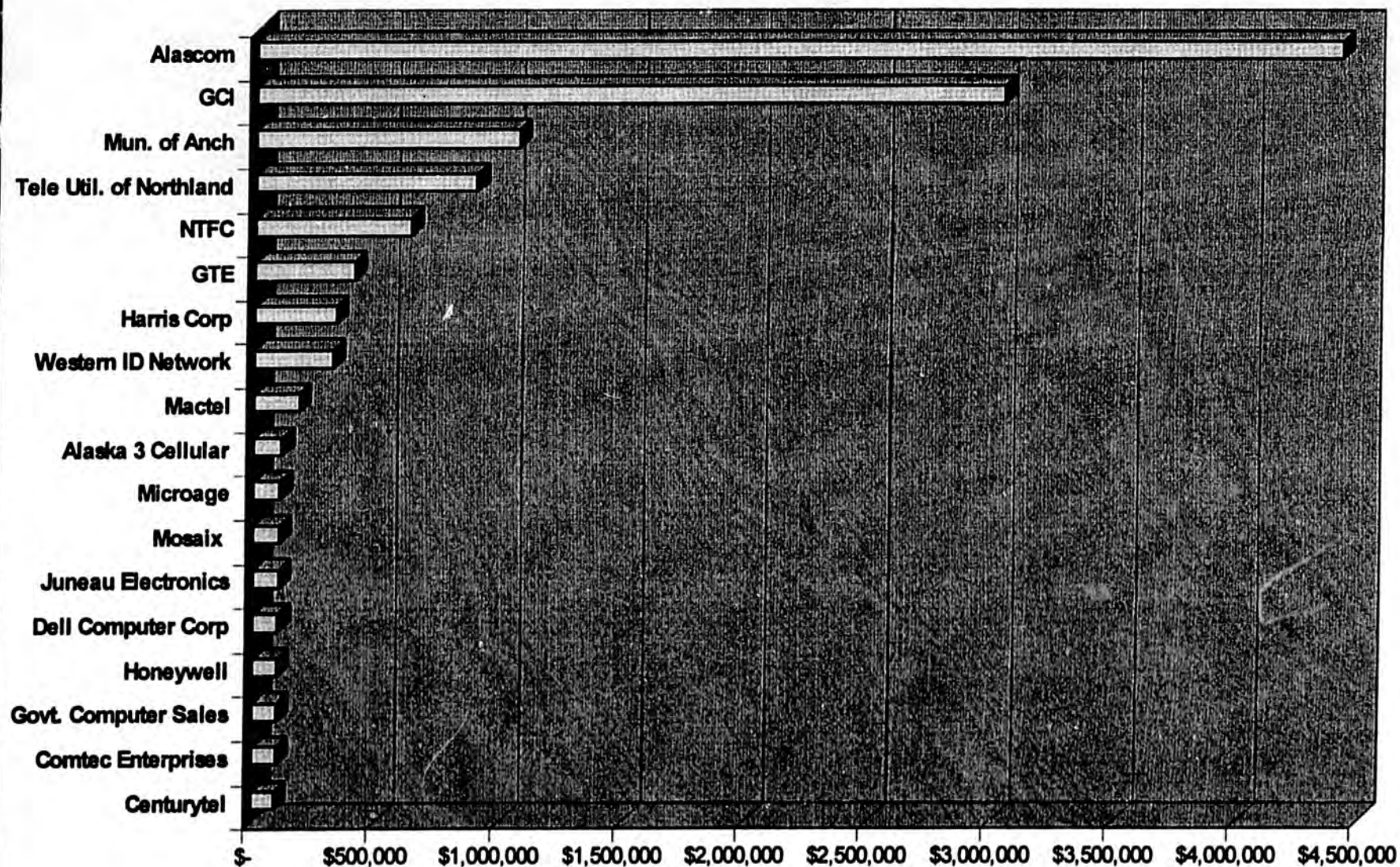
- The following multi-year contracts have or will expire within the next year:
 - Data communications(Frame relay)
 - Long Distance services
 - 800 or toll-free service
 - Local Phone moves, adds, changes
 - Telephone switch maintenance and repair
 - Internet Service

The Whole Ball of Wax

Annual State Telecommunications
Costs= \$26.6M



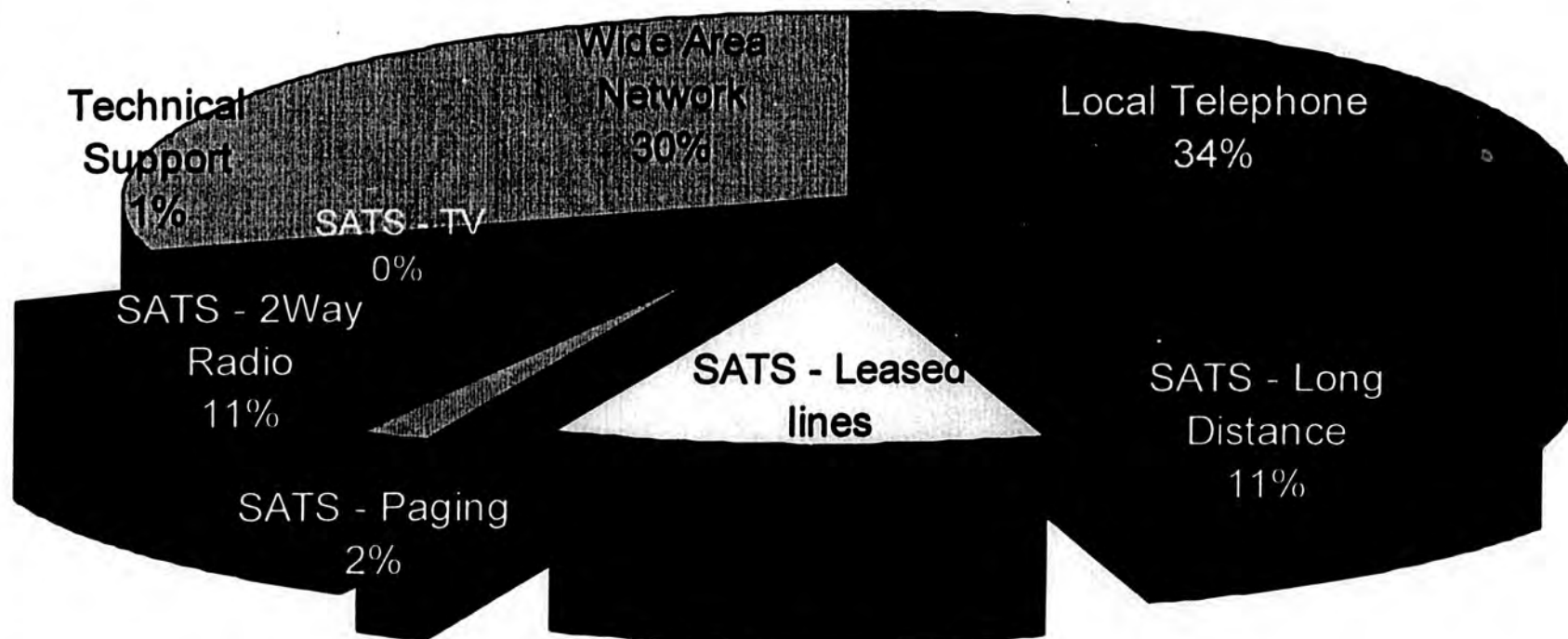
Who's Getting the Contracts Now?



See other graph - show getting better

Services Managed by ITG and Costs

Annual DOA/ITG Costs=\$12.8M



SATS Service Area Map

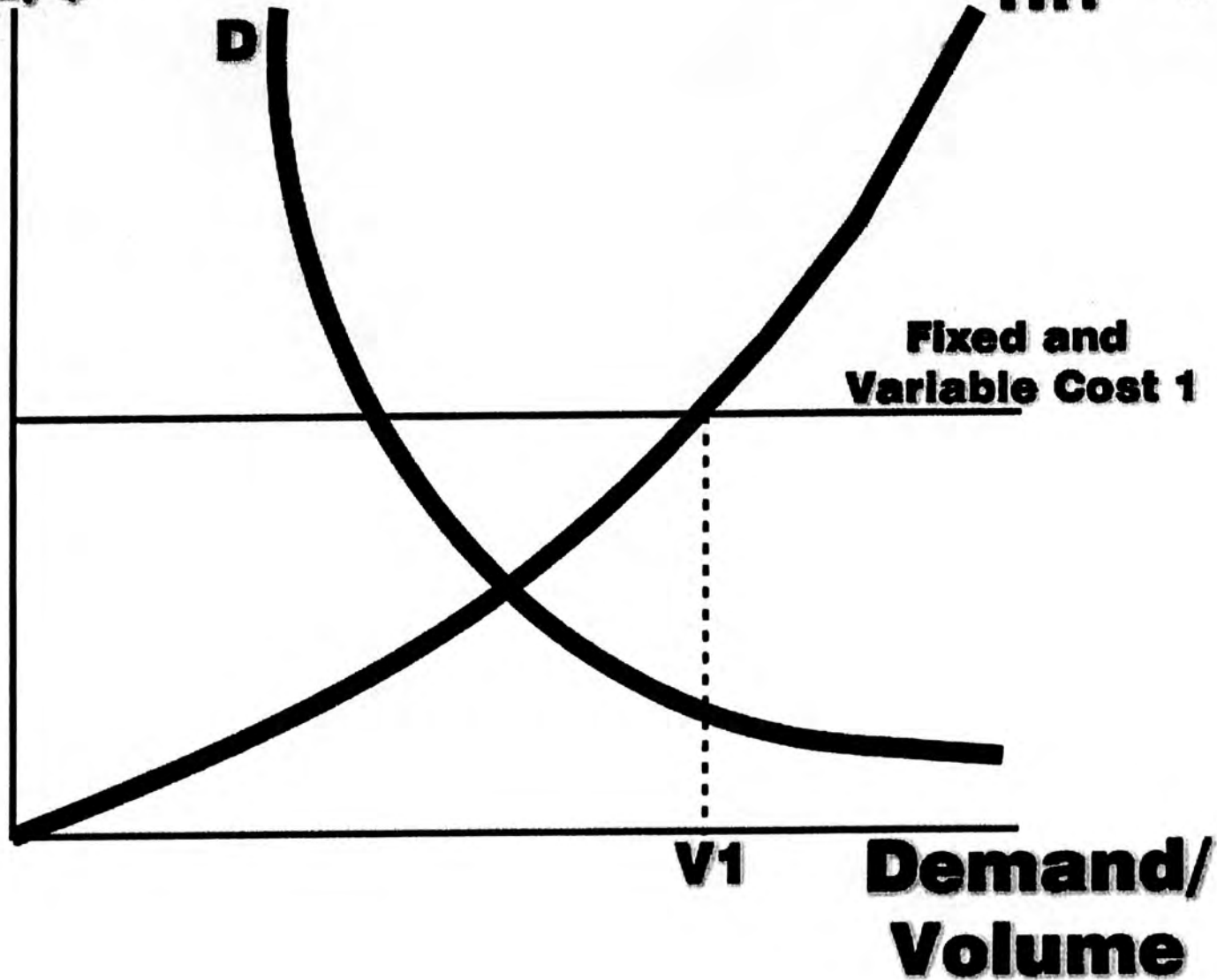
- Road System
- Analog Microwave
- Digital Microwave



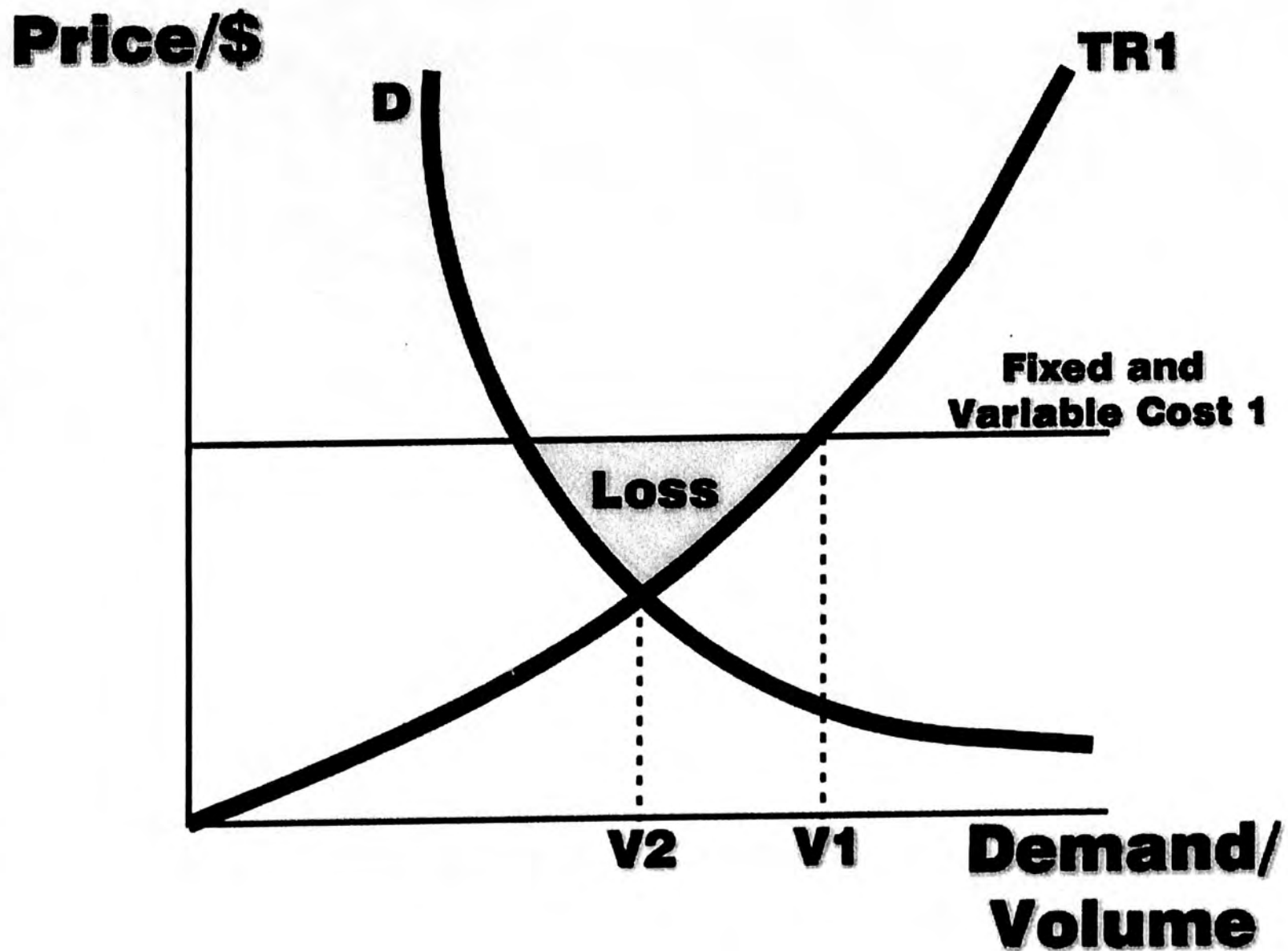
Options within current structure

*Charge each dept
by # of devices
304 +
\$29 per device*

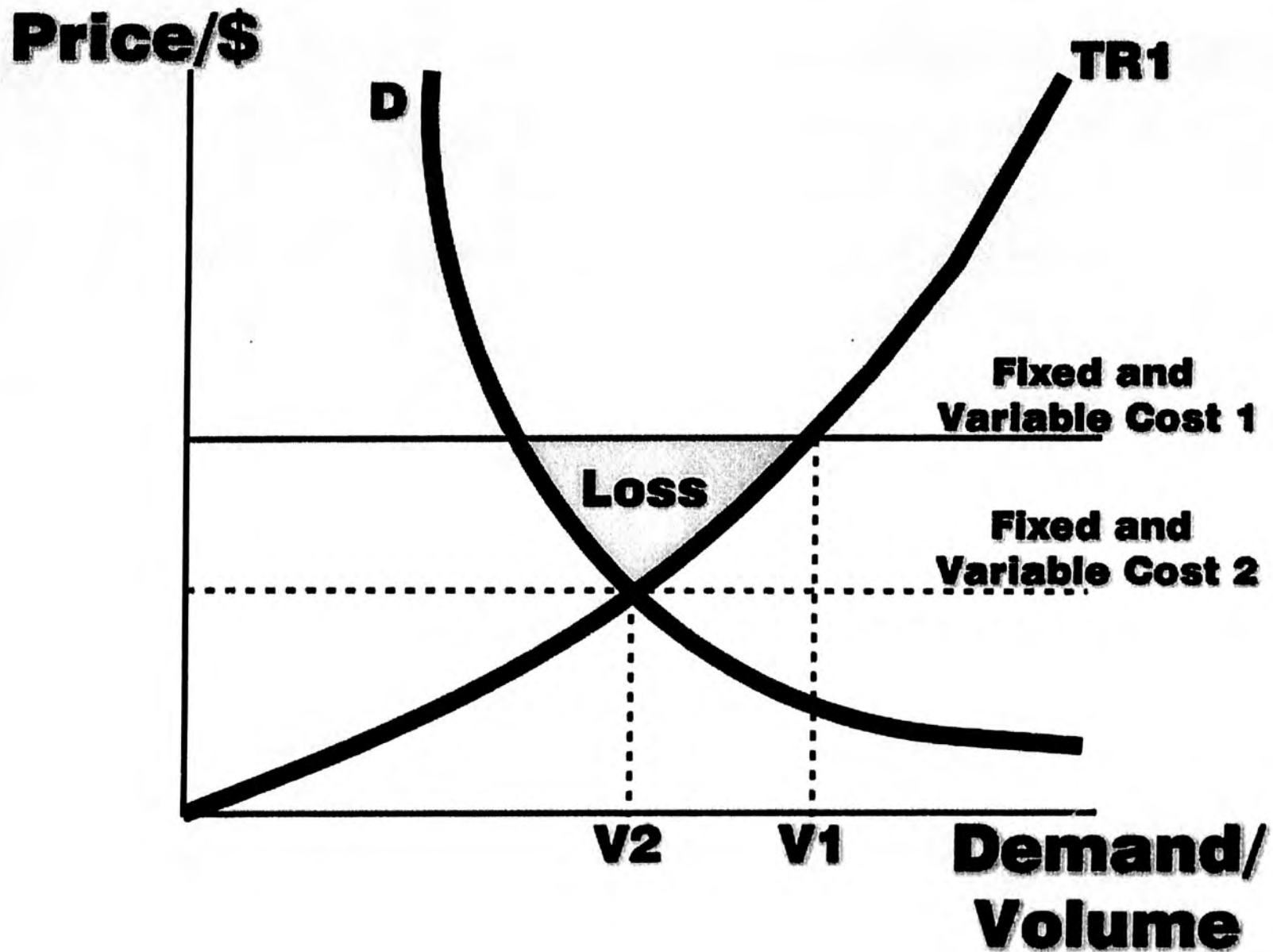
Price/\$



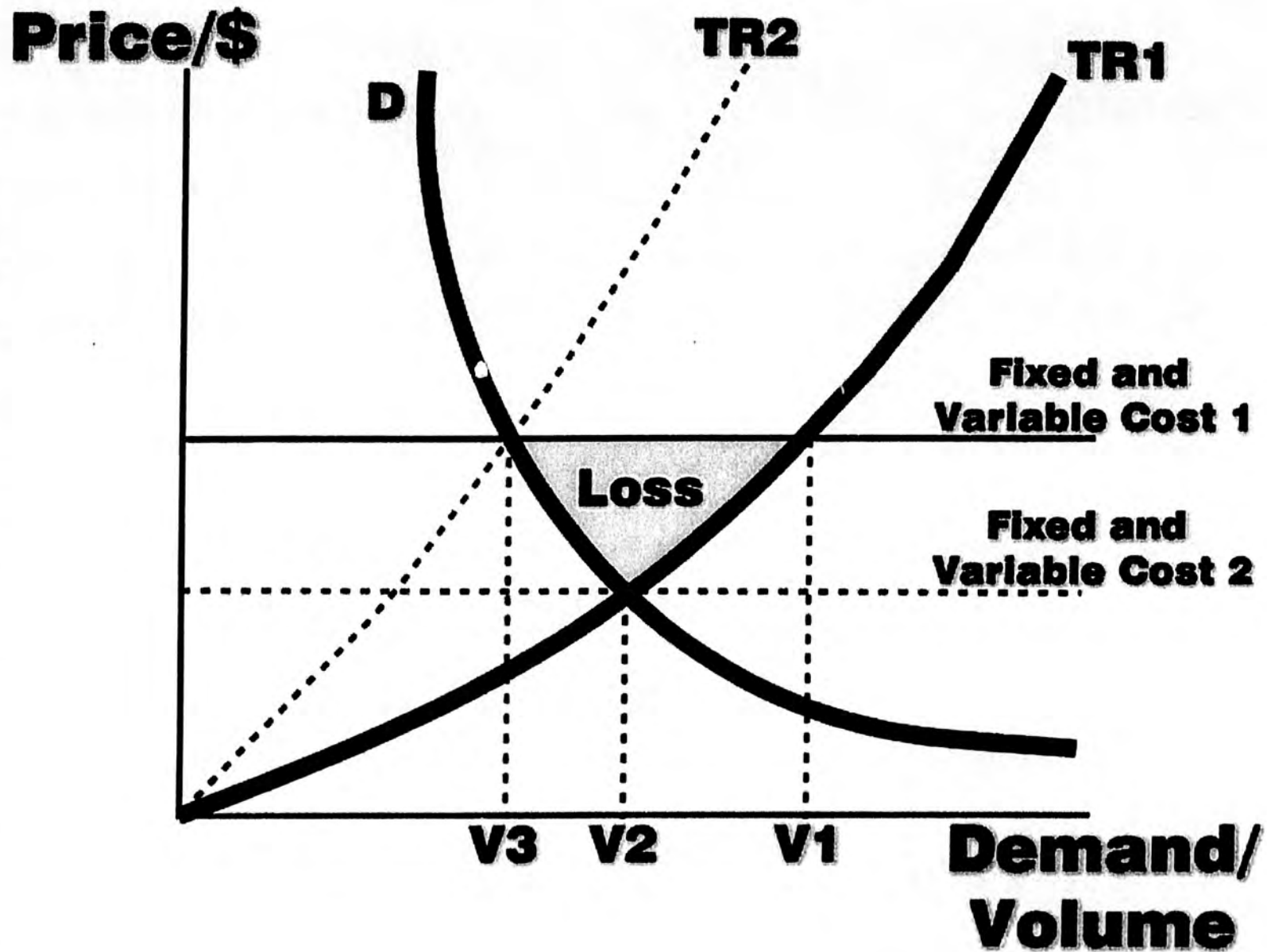
Options within current structure



Options within current structure



Options within current structure





Conceptual Process:

Develop comprehensive telecommunications Request For Proposal (RFP) for long term (3-5 years) contract.

- Phase I: SATS inventory, assess land and legal issues surrounding allowable uses and sublease.
- Phase II: Establish budget, develop consultant RFP and contract with consultant to develop and execute RFP process.



Conceptual Process:

- Phase III: Conduct multiple RFP work sessions with industry and state agencies to assure RFP meets bidder concerns/needs and that it has greatest likelihood to meet current and future state requirements.
- Phase IV: Award contract, complete conversion(s).



Conceptual Structure of Contract

- Successful bidder must provide complete range of telecommunication services currently needed or anticipated by the state over life of contract.
- Bidder can be one company or consortium.
- Bidder must factor use of SATS infrastructure in bid - any revenues earned from SATS will be split with vendor and state.



Conceptual Structure of Contract

- Any cost savings, below original bid, achieved over life of contract to be split with vendor and state.
- SATS remains under ownership of state.
- State employees will not be adversely affected by contract.



Required Outcome

- **Expanded partnership** with private sector to provide comprehensive telecommunications services.
- State should benefit from private sector flexibility in finding effective telecommunications solutions.
- Revenue sharing and cost reduction sharing offers state opportunity to benefit from continual efforts by vendor to increase profitability of contract.



Required Outcome

- Long term contract -- 3-5 Years.
- Agencies can focus on good solutions to business problems and leave bandwidth issues to telecommunications providers.
- Expansion of telecommunications capability in the state.
- State government will have access to best solutions to telecommunication needs.

Questions?



Commission on Privatization and Delivery of
Government Services

Department of Administration

Comprehensive Telecommunications RFP

Bob Poe, Commissioner

August 19, 1999

MINUTES



Date: Tuesday, September 21, 1999

Place: LIO

Meeting was called to order by Joe Henri.

Roll Call: Joe Henri, Andree McLeod, Carl Springer, Gerri Wakefield, Janelle Norman, Maro Pignalberi
Tom Wagner

Lewis Quinn was unable to attend as the State Chamber of Commerce was having a convention.

Joe wondered if some on Committee had resigned but didn't say.

Tom talked to the head of the Public Defender Agency and doesn't see a cost savings in regards to transferring to private sector. He talked about the Barry Jackson case in which there is no constitutional obligation to compensation and the Delisio case that overruled it. If it were to transfer to private sector they would expect to be paid. Tom will report on Staff Agency back to other Departments ie Executive Branch—Public Defender. Marco asked Tom to email him on where Public Defender Dept is housed in other states. Tom excused himself and Joe said excellent work.

Donn Listen was out today—Secretary. But Andree brought up from the old minutes the Travel was missing from them. She suggested putting a letter into the minutes. Marsha Hubbard was getting information on employee travel and Andree asked for email in regards to how much is spent she stated it was in Archives and would dig it up but Andree still has had no response. August 19th minutes show this as amended.

Louis Quinn was supposed to have progress in Purchasing and Telecommunications. Jack Coghill and Joe Henri had 2 teleconferences about it. Joe told us a story of when Coghill was Hickel's Lt Gov he did a dot chart and the Commissioners had certain colored dots some dots showed little importance they didn't like it. The moral is that no Commissioner is going to like this (or want to do this) but it is a good way to save money.

Joe also told of the old days where you had to come to Anch, Fbks or Jnu to see the Judge but now you have more employees in small locations with Judges, Attorneys Jails etc. The state needs to find more money to keep this going. Somethings can be contracted out.

Everyone is anxious to get going and some are writing their own reports.

Janelle Norman introduced herself and spoke about the State saving money through the mail. She will write a report about this. She suggested surveying the mailrooms to find out how much postage is spent and what kind of equipment is now in use. Marco asked how much is spent on postage. Andree said AKSAS has the numbers.

Gerri spoke about her experiences with DMV and how Snowmachines can have the registrations done on site at the dealership. But that some are not interested in doing this because the amount of money to be made is so low and they would have to have the computer setups and the people to manage it that it wouldn't be feasible for most small dealers. Privatization does work for titles on line. Gerri also brought up other agencies that close early like Vital Statistics that could be handled on-line or by private firms. Gerri will look into this. Gerri and Carl talked about DMV privatization and a partnership program. Marco brought up the "personal shopper" for consumers for agencies like DMV, Vital Statistics etc. Getting partnerships with agencies would have requirements and Insurance concerns, police background checks etc. Gerri will write up possibilities of partnering state agencies. Dropped was snowmachines. With a positive note to encourage POS registration.. Gerri will bring up who does research in her report.

CORRECTION

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



Rev. 6/98

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

Questions?



Commission on Privatization and Delivery of
Government Services

Department of Administration

Comprehensive Telecommunications RFP

Bob Poe, Commissioner

August 19, 1999

Buy Alaska
AK Bidders Prof.
Correctional Industry Purchase
DBE
LABOR Contract Restrictions

"A.S. total or to
blow off when we
asked for a discount"

When did Internal Audit go away
Admin Contracts w/ LBA for audits

G.S.:- purchasing
leasing
property urgent.

Public Notice
Official Record
Use I-Net

SATS RFP

"we're not going to see a
lot of new roads in this state"
POE

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Andree brought up a letter that is going out to all State employees that will solicit ideas from them on ways to privatize Alaska it will include an 800 number and email to send their suggestions in to.

Dave Cotrell was going to do a report on the OMB and Finance decentralized it was suggested to get John Fox Worthington involved.

Productivity—John Tonus is doing a report on time and motion studies he will give a report on it.

Labor Relations—Donn Liston redid employee grievances. Because 12 Depts could each read it their own way decided to scrap idea. Management deal in favor of unions to provide more uniformity.

Travel Savings—Joe Thomas (controller in finance dept DOA) is to find out what amount of travel is on Alaska Airlines specifically Travel Costs. What about personal travel cards, travel agencies—there needs to be a way to track dollars. In regards to mileage cards—it is still be pursued. Sometimes the employee might fly a more expensive time how much are ticket costs keep down. As far as the Corporate Card from American Express some are cutting it up and sending it back because the employee is responsible for their own individual cards. Like Federal agencies they have their own travel dept that makes employee arrangements. Andree— will have a report on an audit on travel.

Pioneers Home—Very few states have their own Pioneers Homes. Committee thought it would be a good idea to transfer this to the H & SS Dept Committee.

Carl—Lewis Quinn working on IT Information Technology

Everyone advised to draft reports—shorter rather than longer.

Next meeting Beginning of October—October 5th, 1999 @ 11:30 am

Email with a virus was sent by Joe it has been corrected.

Meeting adjourned

STATE OF ALASKA MAILROOMS

Need to survey State mailrooms (Anchorage, Juneau, Fairbanks)

North Mail, Inc. cost to State \$5,000 (no charge if North Mail outsource is the solution).

Postal Discounts will average up to 22% if the State has the ability to barcode and the State has met Postal Regulations minimums per mailing.

1. TAKE IN MAIL FROM ALL DEPARTMENTS (Anchorage, Juneau, Fairbanks) & PURCHASE EQUIPMENT TO PROCESS PRE-ADDRESSED MAILPIECES.

Costs are—Per Location—and Equipment to accomplish this:

Automatic In-Motion Rate Selection	\$16,000.00—\$25,000.00
MLOCR Barcode Printer/Sorter	\$49,000.00—\$160,000.00
Software up-dates Quarterly	\$10,000.00—\$19,000.00 annually
Service Agreements	\$4,500—18,000 annually

Other recommended equipment:

Folding Machines	Bursting Machine
Digital Electronic Printing	Banding Equipment
Addressing Equipment	Tabbing Machine

OPTIONS:

A. Continue with under-equipped mailrooms with 4 to 7 years replacement of equipment.

Service Agreements	Rate Changes
Personnel With Backup Staff	Paying Too Much For Postage

B. Set up local State operated central mailrooms (Juneau, Anchorage & Fairbanks) with MLOCR barcode printers/sorters or have every database certified to print current barcodes. Then have the mailroom merge the mail for submission to the Post Office.

Estimated costs:

Up-Date all databases @1,200.00 per year

Purchase Equipment for \$100,000.00 plus \$9,000.00 per year for software updates or lease for \$3,800.00 to \$4,000.00 per month for 5 years.

2. PURCHASE ALLIED EQUIPMENT:

Folder	Addressing Machine & Software	
Scales	Mailing Machines	Inserters

Estimated costs:

Purchase every 4 to 7 years @ \$120,000.00 to \$250,000.00 with service and software @ \$15,000.00 to \$30,000.00 per year. Or lease for approximately \$4,400.00 per month for 5 years.

3. OUTSOURCE MANY MAILROOM FUNCTIONS:

Folding	Printing
Inserting	Addressing
Barcoding/Sorting	Imprinting of Postage

ADVANTAGES:

- No Equipment Costs
- No Service Agreements
- Less Personnel
- Can Be Supplied in State Facility or in Vendors Location
- Postage Cost Control
- Fringe Benefits Reduced

Medicaid fraud Silicon Graphics

icious patterns in Medicaid claims and physician payments.

"Imagine a human brain and how it learns," he said. "Once you burn your hand on a hot stove, you don't touch it again. That's what neural network technology does. It identifies a certain anomaly, say, a drugstore that is selling an unusually large amount of controlled substances. You tell the computer to ... identify anything like that."

Spotlighting fraud

Intelligent Technologies Corp. of Austin, Texas, supplies the neural network software called FraudSpotlight, as well as WebSpotlight, a browser interface that provides drill-down capabilities.

HNC Software of San Diego provides the system with Data-see DETECTION Page 38

Deskpro EP gets from 440BX

benchmarks, 400-MHz Pentium II performance rose about 10% percent over that of a 333-MHz Pentium II.

The GCN Lab compared the benchmarks for the new 400-MHz Deskpro EP from Compaq Computer Corp. with the scores earned by the 333-MHz Deskpro 6333/4200. The Deskpro 6333/4200 had performed about 11 percent faster than an earlier 300-MHz Pentium II.

Why is the performance delta about the same when the clock rate difference is almost double? Intel fabricated the 400-MHz and 333-MHz chips using a 0.25-micron see TEST DRIVE Page 37

ELECTRONIC COMMERCE

Web-based procurement lets agencies finalize bids faster

Password-protected Web sites simplify process for agencies

BY GCN Staff

State and local governments are turning to online vendor registration and bidding systems to automate the procurement process.

In many cases, the Web programs let vendors view requests for proposals and other procurement documents and then e-mail their bids to procurement offices.

In Oregon, an online buying system has saved huge amounts of resources and time, said Rob Rickard, the state's chief purchasing officer.

Online procurement is here to stay, according to a report from the National Association of State Information Resource Executives. The report, *Buying Smart*, concluded that a slow, paper-intensive procurement process tells businesses that an agency is unable or unwilling to compete in the marketplace.

Password protected

Online vendor registration is an important part of the electronic procurement process. Some state and local governments require vendors to register before they can do business. Companies must include information such as tax numbers, licenses and other professional accreditation.

Typically, after a government buying shop approves a vendor's registration, it assigns the vendor a password to gain access to its databases.

Some systems use password protection so that vendors can send proprietary information safely and with confidence that only authorized personnel will view bids.

State and local procurement offices use the registration data to compile a database of approved vendors.

Such systems let agencies' source selection team members get quick access to bids and make contract award decisions at their PCs.

Many states are somewhere between partial online buying and full-fledged electronic commerce.

How Wisconsin handles electronic procurement



GCN graphic by Carl Estes

Wisconsin's electronic commerce system lets vendors submit bids via a Web site. Proprietary information is protected by a firewall.

Wisconsin, for instance, has a procurement Web site at <http://vendornet.state.wi.us> that posts RFPs and information about contracts that the state has awarded. But the state does not accept bids online.

"We're not at the point where we can accept bids electronically because of security issues," Wisconsin Procurement Bureau spokeswoman Helen McCain said.

At the bureau, the extent of Web access that vendors enjoy depends on how much they pay to participate, McCain said.

Download RFPs

For \$125 annually, the state will post a company's name and a list of the services and products it sells. The state also will notify the vendor of any state procurements see PROCUREMENT Page 36

INSIDE STATE & LOCAL

■ **THE 50 STATES** Read about what's going on around the nation in information technology Page 6

■ **STATISTICAL ANALYSIS** StatServer 2.0 shares data sets over intranets and has data mining tools Page 23

■ **PUBLIC HOUSING** Oakland, Calif., will install IBM NCs in new housing projects Page 27

■ **INTERNET** The National Science Foundation enrolls university talent to build Internet 2 Page 29

■ **BUYERS GUIDE** Learn how to critique the many roles that office suites perform Page 31

More and more, states turn to Web for procurement processes

PROCUREMENT from Page 1

worth more than \$25,000. Registered vendors can download RFPs and other data from the Web site.

The state recognizes subscribers as companies that pay a \$100 annual fee. These companies, too, can search the site and download procurement information and RFPs, but they do not receive automatic notification of upcoming buys.

It's a vendor net

The state sends companies procurement information via e-mail or through first-class mail. Each RFP has a bid number that the vendors can type into a search engine on the Web site. Vendors can also search by commodity codes, McCain said.

After a company responds to an RFP, which the bureau will accept on paper or as a fax, procurement clerks key in the bid and store the data in the bureau's VendorNet database, McCain said.

Once a contract is awarded, the agency posts the data on the site, where companies and the public can read about the contract's price and terms.

"One of our main goals in creating this system was to simplify bids for the state purchasing staff," bureau director Jan Abrahamson said.

"Wisconsin municipalities can also use this bid system under our cooperative purchasing system agreement," he said. The local agencies must pay a \$125 annual fee to get access to data on the Web site about contracts that are open to them.

Wisconsin maintains two token-ring networks separated by a firewall. The database of vendor information is hosted on a Compaq ProLiant 5000 server on the internal network. The Web server, also a ProLiant 5000, is attached to a network accessible to the public.

Vendors seeking procurement information via VendorNet can do so by launching a Structured Query Language request from the Web

server across the firewall. The request pulls data from a Microsoft Access database hosted on the internal server.

The firewall between the two token-ring networks prevents vendors from getting to proprietary or competitive information in the procurement office, McCain said.

In Oregon, state officials have taken the next step and are accepting vendors' bids electronically.

The state's Administrative Services Department maintains the Vendor Information Program that companies can access via the Web at <http://www.das.state.or.us>.

Registered vendors can post their bids on the VIP site using a five-digit identification number, said Brenda Hill, Administrative Services' information technology manager.

Online bid sheets for each procurement list companies that have submitted bids and the products they offer. When a bid sheet changes because a new company has submitted a bid or a vendor has dropped out of the competi-

tion, the state notifies all the would-be contractors via e-mail.

Oregon, like Wisconsin, has a cooperative purchasing program. Local governments can use state contracts to buy goods and services through an annual membership program.

Oregon hosts the VIP applications on an IBM AS/400 server, said Greg Dubenko, Administrative Services' LAN administrator.

Florida begins

Some states are just beginning their online procurement initiatives.

Florida, which has an online procurement program—Purchasing Direct—at <http://purchasing.state.fl.us>, has not reached the functionality of either Oregon or Wisconsin. But the state's procurement officials said they plan to expand the project.

Now companies and state buyers can view contract prices and get purchase order information on the site. Procurement officials also can view vendor lists of products and services.

"This is the first stage of a three-stage automation project where vendors will eventually be able to register bids online," said George Banks, state purchasing director at the Management Services Department.

The next step is an online registration system, which will be ready in the fall, he said.

Although under construction, the Web site includes downloadable forms, such as vendor registration applications.

The site also includes an electronic version of the State Negotiated Agreement Price Schedule form.

Each SNAPS form lets a company tout its products available on Florida contracts. Buyers then can compare product specifications, warranties and other company information on multiple SNAPS forms.

Registered vendors can view more than 600 SNAPS and 150 contracts at the site. To view SNAPS forms, users need Adobe Systems Acrobat.

Cities, counties move procurement online, too

By THOMAS R. TEMIN
GCN Staff

Cities and counties are joining the states in building online procurement systems. A case in point is Los Angeles County, with its annual acquisition budget of \$700 million.

According to Chrys Varnes, project director in the county's Internal Services Department, the new system will incorporate the latest electronic catalog and commerce software while preserving the county's IBM mainframe workflow package that generates orders and shipping documents, and authorizes payment of invoices.

The result, Varnes said, will be better prices for commodity buys and a faster procurement process.

The existing workflow software is Advanced Governmental Purchasing System (AGPS) from Informis Inc. of Montgomery, Ala. Informis is acting as prime contractor, she said, in integrating a suite of applications from Commerce One Inc. of Walnut Creek, Calif. Together, the apps will be known as the Countywide Acquisition Management Information System, Varnes said.

The \$2.2 million CAMIS is scheduled to go online Sept. 30, she said. When finished, the county and the vendors with whom it has standing supply contracts will be connected by a virtual private network, or, as Varnes dubbed it, an extranet.

Here's how it will work:

Residing on a county-owned PC is BuySite, a component of Commerce One's CI Commerce Chain Solution suite. The host is a Compaq ProLiant 5500R with 9G of RAID storage and running Microsoft Windows NT. BuySite is an electronic catalog and search engine containing the line items available under each vendor's contract. The catalog can be searched by vendor, product or product attribute, Varnes said. The buyer selects items for price quotes and creates a virtual worksheet.

Meanwhile, each vendor under contract has a copy of another Commerce One app, SupplySite, on its own host, to which it

uploads its latest pricing and other information.

"Like the Federal Supply Service schedule contracts, our contracts are dynamic in pricing," Varnes said.

The worksheet is transmitted over the VPN to a Commerce One transaction server, the Realtime Electronic Ordering System. REOS polls the relevant vendors' SupplySites.

For example, she said, the county has standing contracts with seven suppliers of PC hardware and software products. If the solicitation is for PC products, the REOS engine searches the SupplySites of the seven vendors and updates the worksheet at the county's BuySite with the vendors' latest prices, availability and other data.

REOS and VPN are hosted on machines operated by MCI Communications Corp.

Now the county buyer has, in effect, a list

of bids from which to order. When the buyer hits the order button, BuySite sends a message to the IBM mainframe and the AGPS generates the purchase documents.

Varnes said all of the county's purchasing regulations are embodied in the AGPS configurations.

"For example, suppose I want to buy a mainframe for the Sheriff's Department. The chief information officer would have to approve that purchase. Our workflow makes sure the request is routed to the CIO's office," Varnes said.

She said one planned enhancement will be to give BuySites access to small vendors that don't have standing contracts but that may offer better prices or terms than the preferred suppliers. All the small businesses would need is a PC and an Internet account, Varnes said.

The screenshot shows a web browser window with the title "C:\WWW\Public\Adm\Procurement\Procurement.html". The page content includes a header "E-PROCUREMENT - Request/Quote System" and "POWERED BY COMMERCE ONE". Below this is a table titled "Regulation Name: Office supply re-order". The table has columns for Item #, Description, Unit, Supplier, Contract Price (\$), Current Price (\$), Qty. Avail., and Order. There are four rows of data, each with a checkbox in the first column. The total at the bottom right is "Total \$28,539.00".

Item #	Description	Unit	Supplier	Contract Price (\$)	Current Price (\$)	Qty. Avail.	Order
☐ 1	0RT10000 CHARTERMAN	Quoted Mfg. Co./JCN of GBC	BT Office Products	\$2,000.00	\$2,000.00	7	
☐ 2	0RT17000 LABEL/LIPCHART	Quoted Mfg. Co./JCN of GBC	BT Office Products	\$200.00	\$200.00	1042	
☐ 3	0RT10000 CART, CHARTERMAN	Quoted Mfg. Co./JCN of GBC	BT Office Products	\$215.00	\$215.00	400	
☐ 4	0RT10000 BANNER/LIP CHART/ART	Quoted Mfg. Co./JCN of GBC	BT Office Products	\$2.00	\$2.00	40	
							Total \$28,539.00

Los Angeles County's procurement Web site includes BuySite, an electronic catalog searchable by vendor that contains line items available under each vendor's contract.

Dumb terminals get smarter; Georgians search jobs on Web

By MICHELLE MCCANN
GCN Staff

Georgia information technology workers hope software that acts as a CICS-compatible Web browser will enable unemployment case-workers to use dumb terminals to search the Internet.

Jack Jolin, director of IT at the state Labor Department, said state employees need Internet access to find jobs for unemployed Georgians participating in the welfare-to-work program. Officials are testing the Novation software from GT Software Inc. of Atlanta, which they hope will give them Web access until the dumb terminals are replaced with PCs.

"Because we couldn't afford to replace all state dumb terminals at once, we decided that this software would be a good interim solution for Internet access," Jolin said.

Two other departments—Human Resources and Administrative Services—also

see JOBS Page 38

Legislative Research Services

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April 19, 1995

MEMORANDUM

TO: Representative Al Vezey

FROM: Patricia Young
Legislative Analyst

RE: **California Department of Motor Vehicles: Decentralization and Partnerships
with Private Enterprises**
Research Request 95.185

You asked for a brief history of the decentralization of the California Department of Motor Vehicles Services. You were also interested in knowing if the department has any plans for privatization or business partnerships.

Gary Nishite, chief of the Office of Technology for the California Department of Motor Vehicles (DMV), provided the following background information. Historically, DMV was the sole provider of vehicle registration and driver licensing services. The only exception was that auto clubs, such as Triple A, were allowed to handle registration paperwork for their clients. Every transaction, however, was processed through the Sacramento office. According to Mr. Nishite, about ten years ago DMV changed its information technology structure in order to decentralize. At the same time, DMV provided the auto clubs with computers and a secure method for entering data, thereby "effectively doubling" the number of field offices across the state.

In addition to this decentralization effort, the state is actively seeking partnerships with other public agencies and with a number of industry clients with business operations similar to DMV's and a frequent need for interface with DMV. These industry clients include automobile rental and leasing companies, automobile clubs, dealers, carriers, and registration service firms. As noted in the DMV document developed as the "System Architecture & Requirements to Support Public/Public & Public/Private Partnerships,"

With the adoption of its *Strategic Business Plan* in June of 1993, DMV formalized a commitment to "actively seek partnerships and new relationships that are in the public interest." In order to better service its customers, DMV is interested in developing partnerships that offer a demonstrable benefit to the people of

Representative Vezey

April 19, 1995

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California while ensuring that services are provided efficiently, reliably, and conveniently. Within this context, DMV seeks partnerships that offer a bonus of "value-added services," whereby services to our customers are actually enhanced when compared to traditional means of delivery. The Department views partnerships as an "opportunity to share potential risks and benefits with other organizations: risks associated with new technologies, changes in service delivery mechanisms, and new ways of doing business."

According to the *Strategic Business Plan*, DMV will continue to develop alternative methods of service delivery, including the use of kiosks and payment of fees through electronic funds transfer systems. The following is noted under the heading of "Changing organizational relationships with business and government":

The vast majority of transactions with organizations, such as automobile dealers, auto clubs, insurance companies, and California's courts, will be handled by DMV via direct and secure electronic linkages. These linkages will minimize duplication of data entry, support transaction validation against established databases, and speed data transfer. Wherever possible, data will be captured at the source rather than re-entered by DMV (p. 12).

By way of example, Mr. Nishite notes that nearly two years ago, the automobile rental industry approached DMV in an effort to get cars registered and on the road faster. The result was a pilot project whereby DMV supplied Hertz with a terminal in order to key-in data, as well as plates and other materials necessary to get the cars in operation. The project was a success, and consequently, about one year ago, it was expanded to include five or six of the major car rental companies in the state.

Mr. Nishite describes the process of decentralization and partnerships as a "shift in the paradigm" with the dealerships and industry organizations--rather than DMV--being the "center of the universe." He stresses that DMV's ultimate goal is more efficiency and better customer service.

I hope this information is helpful. If you have questions or need more information, please let me know.

Attachments available upon request from Legislative Research Agency.

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November 25, 1994

MEMORANDUM

TO: Representative Al Vezey

FROM: Patricia Young
Legislative Analyst

RE: Privatizing Motor Vehicle Registration and Drivers' Licensing
Research Request 95.032

You asked for samples of pertinent statutes and regulations from states that have privatized motor vehicle registration and drivers' licensing. You also wished to know if such privatization is considered successful.

Drivers' Licensing Services

A majority of states use third parties for testing the driving skills of operators of *commercial* vehicles, as authorized under the Commercial Motor Vehicle Safety Act of 1986.¹ Additionally, many states use third parties or private agents for noncommercial drivers' license *renewals*. According to David Hugel, director of government affairs with the American Association of Motor Vehicle Administrators, however, **the use of third-party or private agents for the**

¹The Commercial Motor Vehicle Safety Act of 1986 (43 CFR Section 383) was passed by Congress in an attempt to reduce truck and bus accidents by requiring all commercial drivers to meet standards for procedures, methods, and minimum passing scores. To this end, each commercial driver must qualify for and carry a single commercial driver's license (CDL). The Act requires an inspection of commercial vehicles, an off-road driving test (such as in a parking or loading area), and an on-road test over a predetermined route. Although states generally administer applicant screening and knowledge testing, many state drivers' bureaus are neither trained to inspect commercial vehicles, nor equipped to administer the driving skills tests. States are authorized under the Act to use third parties to administer commercial driving skills tests. *Third party* is defined as "another state, an employer, a private driver training facility or other private institution, or a department, agency or instrumentality of a local government."

Representative Al Vezey

November 25 1994

Page 2

original testing and issuance of noncommercial drivers' licenses has only recently been considered in some states.

Arizona relies heavily on third parties for commercial drivers' license (CDL) testing and is considering their use for licensing of noncommercial drivers as well. Statutory language was added last year to allow for third-party testing for noncommercial drivers' licenses. According to a representative of Arizona's Division of Motor Vehicles, the provision is due to go into effect on an experimental basis soon. The intent is to allow high school drivers' training programs to administer "all tests required" in order to determine an applicant's eligibility for a regular passenger automobile or motorcycle driving license. Copies of the pertinent statutes are attached.

Michigan is another state making extensive use of third-party CDL testing. According to Bill Charron, Michigan Office of Traffic Safety, the state screens applicants and administers the knowledge tests, but relies on private agents to administer the vehicle inspections and actual driving tests. Mr. Charron considers the private CDL testing as very successful, and he believes the program could be expanded to noncommercial drivers' licensing as long as the state maintains a strict auditing practice. The pertinent statute in Michigan simply specifies that the state may enter into third-party agreements for driver testing services. A new contract for third-party agents is currently being developed. Mr. Charron is sending a draft copy of the contract, and that contract will be forwarded to your office upon its arrival.

Motor Vehicle Registration

A survey conducted this year by the Office of Legislative Auditor in Minnesota, entitled *Motor Vehicle Deputy Registrars*, suggests that **although nearly all states use a central office to regulate motor vehicle registration and title services, many also employ third parties to perform a variety of services.**² The survey contains a useful synopsis of current state regulation and potential approaches for streamlining motor vehicle services of all kinds. The survey is attached along with statutes from Washington and North Dakota. A copy of the contract used in North Dakota is also included.

I hope you find this information useful. Please let us know if we can be of further help.

Attachments

²Office of the Legislative Auditor, State of Minnesota, *Motor Vehicle Deputy Registrars*, March 1994, attached.

A-1 - MAR 20

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Agency Totals - FY00 Operating Budget

								Agency: Department of Administration	
	FY98 Act	FY99 CC	FY99Auth	Gov Amd	House	Senate	ConfComm	FY99Auth to ConfComm	
Totals for Agency	259,202.4	255,350.5	256,096.4	268,400.2	262,903.7	258,057.0	257,531.8	1,435.4	0.6%
<u>Objects of Expenditure:</u>									
Personal Services	70,746.8	72,787.3	73,104.0	79,565.8	78,521.1	76,717.6	76,026.4	2,922.4	4.0%
Travel	1,541.1	1,234.8	1,265.7	1,490.4	1,443.2	1,284.2	1,241.0	-24.7	-2.0%
Contractual	94,529.8	95,466.6	95,463.1	106,480.0	104,522.3	102,513.5	102,713.5	7,250.4	7.6%
Commodities	3,149.0	2,810.6	2,816.8	3,123.9	3,089.2	3,105.4	3,070.7	253.9	9.0%
Equipment	3,437.3	1,413.3	1,408.9	1,436.4	1,436.4	1,418.0	1,408.1	-0.8	-0.1%
Lands/Buildings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	%
Grants, Claims	85,744.8	81,982.9	81,982.9	76,248.7	73,886.5	73,847.5	73,859.5	-8,123.4	-9.9%
Miscellaneous	53.6	-345.0	55.0	55.0	5.0	-829.2	-787.4	-842.4	-1531.6%
<u>Funding Sources:</u>									
1002 Fed Rcpts	6,387.2	6,912.9	6,993.7	7,042.8	7,042.8	6,942.6	6,942.6	-51.1	-0.7%
1003 G/F Match	1,161.7	1,163.4	1,164.5	1,164.5	1,164.5	1,164.5	1,164.5	0.0	0.0%
1004 Gen Fund	157,503.9	146,111.6	146,428.1	139,923.6	135,572.4	129,928.0	130,325.7	-16,102.4	-11.0%
1005 GF/Prgm	15,560.9	16,041.5	16,200.2	16,160.4	16,049.3	15,965.4	15,924.3	-275.9	-1.7%
1007 I/A Rcpts	36,579.5	35,548.1	35,566.9	45,194.6	44,506.9	45,170.8	44,606.9	9,040.0	25.4%
1017 Ben Sys	12,985.8	13,218.1	13,226.3	14,543.6	14,543.6	14,543.6	14,543.6	1,317.3	10.0%
1023 FICA Acct	90.8	90.9	91.2	90.9	90.9	90.9	90.9	-0.3	-0.3%
1029 P/E Retire	2,787.1	3,603.2	3,613.3	4,016.4	4,016.4	4,016.4	4,016.4	403.1	11.2%
1033 Surpl Prop		311.5	312.8	397.8	397.8	397.8	397.8	85.0	27.2%
1034 Teach Ret	2,136.5	1,493.7	1,502.4	1,636.5	1,636.5	1,636.5	1,636.5	134.1	8.9%
1037 GF/MH	3,095.8	9,353.2	9,359.5	13,405.0	13,405.0	13,405.0	13,405.0	4,045.5	43.2%
1042 Jud Retire	39.3	23.8	24.0	24.7	24.7	24.7	24.7	0.7	2.9%
1045 Nat Guard	33.3	76.8	76.9	87.3	87.3	87.3	87.3	10.4	13.5%
1053 Invst Loss	405.0		97.1	-0.0	-0.0	0.0	0.0	-97.1	-100.0%
1061 CIP Rcpts	128.0	128.0	128.7	433.7	433.7	433.7	433.7	305.0	237.0%
1081 Info Svc	19,522.9	19,738.6	19,775.4	20,269.9	20,269.9	20,269.9	20,269.9	494.5	2.5%
1091 GF/Desig	78.4							0.0	%
1092 MHTAAR	328.6	1,106.5	1,106.7	742.5	910.0	910.0	910.0	-196.7	-17.8%
1108 Stat Desig	377.7	428.7	428.7	541.2	541.2	653.2	541.2	112.5	26.2%
1118 Pioneers'				2,364.0	1,850.0	2,055.9	1,850.0	1,850.0	%
1119 Tobac Setl				360.8	360.8	360.8	360.8	360.8	%
<u>Positions:</u>									
Perm Full Time	1,268.0	1,261.0	1,262.0	1,370.0	1,349.0	1,341.0	1,328.0	66.0	5.2%
Perm Part Time	111.0	111.0	114.0	106.0	105.0	104.0	103.0	-11.0	-9.6%
Non-Perm	106.0	108.0	108.0	102.0	102.0	102.0	102.0	-6.0	-5.6%

Component Summary - FY00 Operating Budget

Agency: Department of Administration

Page	Budget Component	FY98 Act	FY99 CC	FY99Auth	Gov Amd	House	Senate	ConfComm	FY99Auth to ConfComm	
Centralized Administrative Services										
1	Office of the Commissioner	567.7	540.8	542.0	542.0	542.0	542.0	542.0	0.0	0.0%
2	Tax Appeals	155.2	231.6	231.9	214.0	214.0	139.0	179.0	-52.9	-22.8%
3	Administrative Services	1,683.6	1,507.7	1,514.3	1,564.3	1,564.3	1,514.3	1,514.3	0.0	0.0%
4	DOA Info Technology Support				988.6	988.6	988.6	988.6	988.6	%
5	Finance	5,700.5	5,683.0	5,697.3	6,059.8	6,059.8	5,749.8	5,749.8	52.5	0.9%
6	Personnel	2,203.8	2,195.7	2,202.9	2,280.0	2,180.0	2,180.0	2,180.0	-22.9	-1.0%
7	Labor Relations	906.0	907.9	911.4	911.4	911.4	911.4	911.4	0.0	0.0%
8	AK Professional Develop Inst.	385.1	674.5	675.9	675.9	0.0	675.9	-0.0	-675.9	-100.0%
9	Purchasing	1,512.4	1,057.3	1,061.1	1,061.1	1,061.1	1,061.1	1,061.1	0.0	0.0%
10	Property Management	840.0	932.6	934.9	1,019.9	1,019.9	894.9	894.9	-40.0	-4.3%
11	Central Mail	1,407.9	790.7	795.5	1,280.5	1,280.5	1,280.5	1,280.5	485.0	61.0%
12	Retirement and Benefits	8,884.4	7,954.2	7,981.8	8,500.3	8,500.3	8,500.3	8,500.3	518.5	6.5%
13	Group Health Insurance	9,188.4	10,553.3	10,553.3	11,900.3	11,900.3	11,900.3	11,900.3	1,347.0	12.8%
14	Unallocated Reduction						-665.8	-665.8	-665.8	0.0%
	* BRU Total	33,435.0	33,029.3	33,102.3	36,998.1	36,222.2	35,672.3	35,036.4	1,934.1	5.8%
Leases										
15	Leases	33,559.8	31,934.5	31,934.5	35,731.4	34,714.1	33,564.9	33,797.6	1,863.1	5.8%
16	Lease Administration		489.1	491.0	491.0	491.0	491.0	491.0	0.0	0.0%
	* BRU Total	33,559.8	32,423.6	32,425.5	36,222.4	35,205.1	34,055.9	34,288.6	1,863.1	5.7%
Elected Public Officers Retirement System Benefits										
17	EPORS	1,077.1	1,111.5	1,111.5	1,111.5	1,111.5	1,111.5	1,111.5	0.0	0.0%
	* BRU Total	1,077.1	1,111.5	1,111.5	1,111.5	1,111.5	1,111.5	1,111.5	0.0	0.0%
Information Services										
18	Information Services	19,522.9	19,738.6	19,775.4	20,269.9	20,269.9	20,269.9	20,269.9	494.5	2.5%
19	Information Svc Fund Front Sec	53.6	55.0	55.0	55.0	55.0	55.0	55.0	0.0	0.0%
	* BRU Total	19,576.5	19,793.6	19,830.4	20,324.9	20,324.9	20,324.9	20,324.9	494.5	2.5%
Public Communications Services										
20	Public Broadcasting Commission	45.2	56.8	57.0	57.0	57.0	57.0	57.0	0.0	0.0%
21	Public Broadcasting - Radio	2,613.9	2,613.9	2,613.9	2,613.9	2,613.9	2,599.9	2,599.9	-14.0	-0.5%
22	Public Broadcasting - T.V.	845.2	845.2	845.2	845.2	794.0	794.0	794.0	-51.2	-6.1%
23	Satellite Infrastructure				1,578.0	1,134.0	1,134.0	1,134.0	1,134.0	%
24	AK Rural Communications Svcs	1,539.9	1,578.0	1,578.0	0.0	-0.0	0.0	0.0	-1,578.0	-100.0%
25	AIRRES Grant					89.0	64.0	76.0	76.0	%
		5,044.2	5,093.9	5,094.1	5,094.1	4,687.9	4,648.9	4,660.9	-433.2	-8.5%

Component Summary - FY00 Operating Budget

Agency: Department of Administration

Page	Budget Component	FY98 Act	FY99 CC	FY99Auth	Gov Amd	House	Senate	ConfComm	FY99Auth to ConfComm	
	Public Communications Services									
	* BRU Total									
	Risk Management									
26	Risk Management	21,861.4	21,952.9	21,955.0	22,405.0	22,405.0	22,405.0	22,405.0	450.0	2.0%
	* BRU Total	21,861.4	21,952.9	21,955.0	22,405.0	22,405.0	22,405.0	22,405.0	450.0	2.0%
	Longevity Bonus									
27	Longevity Bonus Grants	68,031.9	63,499.4	63,499.4	57,702.1	55,302.1	55,302.1	55,302.1	-8,197.3	-12.9%
	* BRU Total	68,031.9	63,499.4	63,499.4	57,702.1	55,302.1	55,302.1	55,302.1	-8,197.3	-12.9%
	Alaska Longevity Programs									
28	Pioneers Homes	30,475.0	30,386.6	30,501.7	32,933.3	32,419.3	32,625.2	32,419.3	1,917.6	6.3%
29	Alaska Longevity Programs Mgmt		1,418.8	1,422.4	1,422.4	1,422.4	1,392.4	1,392.4	-30.0	-2.1%
	* BRU Total	30,475.0	31,805.4	31,924.1	34,355.7	33,841.7	34,017.6	33,811.7	1,887.6	5.9%
	Senior Services									
30	Protection, Comm Svcs, & Admin	4,807.1	4,256.2	4,266.7	4,260.7	4,428.2	4,428.2	4,428.2	161.5	3.8%
31	Senior Services Grants				11,959.9	-0.0	0.0	0.0	0.0	0.0%
32	Nutrition, Trans & Support Svc	5,199.2	5,514.3	5,514.3	-0.0	5,514.3	5,514.3	5,514.3	0.0	0.0%
33	Senior Employment Services	1,744.2	1,808.5	1,808.5	0.0	1,857.6	1,857.6	1,857.6	49.1	2.7%
34	Home & Community Based Care	3,301.6	3,587.7	3,587.7	0.0	3,573.0	3,573.0	3,573.0	-14.7	-0.4%
35	Senior Residential Services	1,015.0	1,015.0	1,015.0	0.0	1,015.0	1,015.0	1,015.0	0.0	0.0%
36	Home Health Services	1,730.2	1,732.9	1,734.0	1,734.0	1,734.0	1,734.0	1,734.0	0.0	0.0%
37	Citizens Foster Care Review	294.1	295.9	296.8	420.6	-0.0	296.8	-0.0	-296.8	-100.0%
	* BRU Total	18,091.4	18,210.5	18,223.0	18,375.2	18,122.1	18,418.9	18,122.1	-100.9	-0.6%
	Legal and Advocacy Services									
38	Office of Public Advocacy	7,875.0	8,076.9	8,141.5	8,938.7	8,858.7	8,318.8	8,645.7	504.2	6.2%
39	Public Defender Agency	8,968.4	9,324.9	9,460.4	10,219.8	10,219.8	9,418.6	9,460.4	0.0	0.0%
	* BRU Total	16,843.4	17,401.8	17,601.9	19,158.5	19,078.5	17,737.4	18,106.1	504.2	2.9%
	Alaska Oil and Gas Conservation Commission									
40	Ak Oil & Gas Conservation Comm	1,652.6	1,654.0	1,658.7	1,890.2	1,890.2	-0.0	-0.0	-1,658.7	-100.0%
	* BRU Total	1,652.6	1,654.0	1,658.7	1,890.2	1,890.2	-0.0	-0.0	-1,658.7	-100.0%

Component Summary - FY00 Operating Budget

Agency: Department of Administration

Page	Budget Component	FY98 Act	FY99 CC	FY99Auth	Gov Amd	House	Senate	ConfComm	FY99Auth to ConfComm
	Alaska Public Offices Comm								
41	Alaska Public Offices Comm	755.3	759.0	783.0	783.0	733.0	733.0	733.0	-50.0 -6.4%
	* BRU Total	755.3	759.0	783.0	783.0	733.0	733.0	733.0	-50.0 -6.4%
	Division of Motor Vehicles								
42	Administration	1,225.2	1,226.3	1,308.4	0.0	0.0	0.0	0.0	-1,308.4 -100.0%
43	Driver Services	1,259.7	1,316.2	1,436.9	0.0	-0.0	-0.0	0.0	-1,436.9 -100.0%
44	Field Services	6,114.7	5,923.1	5,991.3	0.0	0.0	-0.0	-0.0	-5,991.3 -100.0%
45	Financial Respons Act Enforce.	149.2	150.0	150.9	0.0	-0.0	0.0	0.0	-150.9 -100.0%
46	Motor Vehicles				8,887.5	8,887.5	8,537.5	8,537.5	8,537.5 %
	* BRU Total	8,748.8	8,615.6	8,887.5	8,887.5	8,887.5	8,537.5	8,537.5	-350.0 -3.9%
	Pioneers' Homes Facilities Maintenance								
47	Pioneers' Facil Maint				2,125.0	2,125.0	2,125.0	2,125.0	2,125.0 %
	* BRU Total	0.0	0.0	0.0	2,125.0	2,125.0	2,125.0	2,125.0	2,125.0 %
	General Services Facilities Maintenance								
48	Genl Svcs Facil Maint				2,589.7	2,589.7	2,589.7	2,589.7	2,589.7 %
	* BRU Total	0.0	0.0	0.0	2,589.7	2,589.7	2,589.7	2,589.7	2,589.7 %
	AOGCC Facilities Maintenance								
49	AOGCC Facilities Maint				49.3	49.3	49.3	49.3	49.3 %
	* BRU Total	0.0	0.0	0.0	49.3	49.3	49.3	49.3	49.3 %
	Information Technology Facilities Maintenance								
50	ITG Facilities Maint				23.0	23.0	23.0	23.0	23.0 %
	* BRU Total	0.0	0.0	0.0	23.0	23.0	23.0	23.0	23.0 %
	Y2K Coordination Office								
51	Y2K Coordination Office				305.0	305.0	305.0	305.0	305.0 %
	* BRU Total	0.0	0.0	0.0	305.0	305.0	305.0	305.0	305.0 %
	Labor Agreements Miscellaneous Items								
52	Labor Agreements Misc Items	50.0							0.0 0.0%
	* BRU Total	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0 0.0%
	*** Total Agency Expenditure	259,202.4	255,350.5	256,096.4	268,400.2	262,903.7	258,057.0	257,531.8	1,435.4 0.6%
	Federal Funds	6,387.2	6,912.9	6,993.7	7,042.8	7,042.8	6,942.6	6,942.6	-51.1 -0.7%
	General Funds	177,400.7	172,669.7	173,152.3	173,378.3	168,402.0	162,879.6	163,030.3	-10,122.0 -5.8%

Component Summary - FY00 Operating Budget

Agency: Department of Administration

<u>Page</u>	<u>Budget Component</u>	<u>FY98 Act</u>	<u>FY99 CC</u>	<u>FY99Auth</u>	<u>Gov Amd</u>	<u>House</u>	<u>Senate</u>	<u>ConfComm</u>	<u>FY99Auth to ConfComm</u>	
	Other Funds	75,414.5	75,767.9	75,950.4	87,979.1	87,458.9	88,234.8	87,558.9	11,608.5	15.3%

SCOMM

122:40



Tony Knowles, Governor

Department of Community and Economic Development

Office of the Commissioner

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Telephone: (907) 465-2500 • Fax: (907) 465-5442 • TDD: (907) 465-5437

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November 17, 1999

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

Re: DCED Response to Subcommittee Recommendations

Dear Commission Members:

The Department of Community and Economic Development submits these comments in response to the draft Subcommittee Report on the Department of Community and Economic Development that was received by the department on November 16, 1999. Because of the limited time given to the department for this response, it is necessarily only a preliminary response to the many recommendations made. I will be in attendance at the Commission meeting tomorrow, November 18, when these recommendations are scheduled to be taken up, and I will be available at that time to answer any questions and assist the commission in whatever way I can in its deliberations. I have organized our comments in the order the various agencies and divisions are addressed in the draft report.

TOURISM

We agree that State tourism functions should be carried out in the manner set forth in the new legislation, passed in 1999. The bill that was passed is fairly clear about the respective roles of the State of Alaska, through the Department of Community and Economic Development (DCED) and Division of Tourism. DCED is responsible for identifying components of the marketing plan and approving the plan. Pursuant to state statute, the Department will enter into a contract, *not a grant*, with a qualified trade association (QTA), to implement a tourism marketing plan. We anticipate that the Alaska Travel Industry Association (ATIA, incorrectly identified as the Alaska Tourism Information Association in the report) will be the QTA. This contractual relationship requires a reasonable amount of responsibility and oversight over the use of public funds including the identification of deliverables and performance measures. Many of the issues regarding implementation of the tourism program, such as

whether the QTA will choose to perform a particular function, will be addressed through the contract negotiation process. If there are any components of the plan that the QTA refuses to accept and perform as part of the contract, DCED can and will look elsewhere to have that portion of the plan conducted. Any speculation at this time on the results of the contract negotiations and the details of the respective responsibilities of the QTA and the state under that contract is premature at this time.

Tourism marketing in Alaska is currently primarily conducted via multiple contracts with the private sector. Under this new legislation, these contracts will be consolidated into a single contract with the QTA. There will continue to be the need for the Division of Tourism to conduct research, transportation and land use planning, and business and community tourism development technical assistance, especially in rural areas. These roles were clearly maintained in the legislation that was passed.

ALASKA FILM COMMISSION

The administration fully supports the continuation of an Alaska film program. As there has never been a "film commission" in Alaska, it is unclear whether or not this recommendation envisions anything different than the current structure.

SEAFOOD MARKETING

Implementation of this recommendation is impossible given current legal and practical limitations on the activities of the Alaska Seafood Marketing Institute (ASMI). Under federal law governing the funding of its export program, ASMI is permitted to operate overseas only in countries approved by the US Department of Agriculture. By statute, ASMI cannot promote the seafood products of a particular company, brand or region of the state. Also, because ASMI's board is comprised of representatives of several private seafood companies and fishermen engaged in all aspects of Alaska's fishing industry, ASMI cannot engage in activities that might arguably favor one company over another.

Therefore, ASMI's main focus and statutory mandate is seafood marketing and quality enhancement. ASMI promotes all species of Alaska seafood to retailers, food service (hotels, restaurants and institutions) and consumers in the United States and certain countries overseas. The organization promotes Alaska seafood in a "generic" manner, creating the opportunity for all industry members to sell through ASMI promotions.

In contrast, the main focus for DCED, through the Division of Trade and Development (DTD), is export promotion, which ASMI is precluded from doing. DTD works to connect Alaska exporters with overseas importers, primarily in Asia. DTD is able to work with individual companies as well as organizations seeking to market a "regional" brand of fish products. The division also works closely with individual companies to find markets for their value-added fish products through trade shows, trade missions, catalogs, and visits to companies. All of these promotional activities would be eliminated if the proposed recommendation is implemented.

INTERNATIONAL TRADE

Virtually every state in America has a state-funded, state-conducted international trade program. The legislatures and administrations support strong international trade programs because they understand how important trade is to the economic well being of their states. A reduced or weakened trade program by the State of Alaska would automatically place Alaska companies at a competitive disadvantage to competitors from other states (and countries) who can call upon not only their own corporate resources but also strong support from their government trade agency.

The Division of Trade and Development (DTD) possesses unique capabilities to assist Alaska companies identify and pursue trade opportunities in the markets most important to Alaska. The division has three in-state trade specialists who focus their efforts on specific markets. Markets covered are Japan, Korea, China, Taiwan, Canada and Russia. DTD's specialists have knowledge on how to do business in these markets and can provide both information and assistance to companies seeking to initiate or expand exports to those countries. While there are several other organizations in Alaska that provide trade services, we are not aware of any other that provides the country-specific expertise provided by the division. Also, only official State representatives can provide government-to-government support often necessary for private industry to succeed in foreign countries.

Those who benefit most from these services are the small and medium size companies that are seeking to grow their business and expand into new markets. These are the companies that DTD works with on a daily basis. Typically, these companies lack the research and marketing resources of larger companies and thus rely upon the State to provide these important services.

It should also be noted that the efforts of DTD's in-state country specialists are complemented by the work of the State's contract trade representatives in Alaska's key export markets. It is an effective combination providing convenient in-state access to information and service matched with knowledgeable in-country assistance.

The State of Alaska has made a significant investment in developing these capabilities. The recommendation by the subcommittee that the State remove itself from day-to-day trade assistance by eliminating these functions would represent an unnecessary waste of money and years of gained expertise. It would serve to deny these services to the companies who need them most as they strive to be globally competitive. Further, the State has an obligation to provide services to all Alaskans, not only to those who are members of private membership organizations.

MUNICIPAL AND REGIONAL ASSISTANCE DIVISION

Two of the recommendations relating to the Municipal and Regional Assistance Division (MARAD), numbers three and five, are not consistent with the Department's understanding of what was adopted by the sub-committee. Recommendation number three is that "DCED contract out to the private sector some services now performed by personnel within its divisions." Although this recommendation makes reference to the department and multiple

divisions, this particular recommendation is under the heading of MARAD, and we therefore assume it relates to this division's activities.

A discussion around this issue did occur while the committee reviewed MARAD's operations. Initial discussion was favorable to the concept. However, when it was explained that less than 2 FTE's are associated with this service and that the division presently contracts with the private sector for such services, the recommendation was not adopted.

Recommendation number five is that the National Flood Insurance Program be privatized. Again, our understanding of what transpired was a discussion of the nature of the program, recognition that it was federal, and that the state had no ability to privatize the program. It was also noted that flood insurance is issued by private insurance companies.

Recommendation numbers one, two and four are consistent with the Department's understanding of what the sub-committee adopted and are endorsed by the department.

ECONOMIC DEVELOPMENT

The department does not object to the recommendations to eliminate the various Alaska product preference programs. However, it should be noted that this will not result in any budget reductions, since the department has no budgeted staff allocated to the programs at this time.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

The subcommittee never talked to AIDEA. It is clear that they do not have adequate information about AIDEA's programs (or the programs that AIDEA manages for AEA) and its outstanding bonds or financial covenants to make a recommendation to merge AIDEA into AHFC without having a serious negative impact. Assuming the purpose of the proposal is not to curtail the mission of AIDEA or AHFC, before the recommendation is seriously considered it needs to be studied fully.

The number the committee recommends that can be freed up for other purposes is AIDEA's net worth on its 1999 Financial Statements. Net worth does not correlate to liquidity. The actual liquidity that could be freed up, if any, depends on bond covenants and long term contractual arrangements. The two corporations have hundreds of millions of dollars of bonds outstanding. The bonds are held by investors in Alaska and throughout the Lower 48. If this level of cash were extracted, it could have a major negative impact on the corporations, including a potential rating decrease. This decrease would not only affect outstanding bonds, but would also affect any future issuances, which in turn would decrease the ability to finance future projects because of the higher cost of capital. In turn, it would negatively affect the fulfillment of the missions of the corporations.

Additionally, AIDEA is not a lender but is a financier and owner of business and industrial enterprises and industrial projects that create jobs for Alaskans and help diversify the economy. We also manage the State's energy programs and projects, both small and large.

DIVISION OF INVESTMENTS

Like the situation with AIDEA, we have never been afforded the opportunity to discuss the functions of the Division of Investments (ADI) with the subcommittee or any of its members. The recommendations of the subcommittee, therefore, are based on inaccurate information and misunderstandings of the functions and operations of the division.

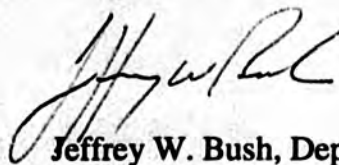
No Investments Division exists in the Department of Revenue. The Treasury Division in Revenue, which handles some investment functions for the State, does not perform direct lending and loan servicing. In fact, ADI currently services loans for the Treasury Division, as well as several other state agencies.

The operations of ADI are fully funded by the loan programs administered and serviced. The ADI administers and services primarily small business loan programs that were designed to strengthen and diversify Alaska's economic base through direct state lending in industries not adequately serviced by the private sector. Private sector financing is generally not feasible due to constraints on the types of collateral available or because of the high risk nature of these loans. These programs are unique to this division within state government; the Alaska Housing Finance Corporation, for example, is not a direct lender or loan servicer, instead using private banks to perform these functions with mostly home mortgages.

On several occasions, Alaska banks have been queried regarding the purchase of portions of ADI's loan portfolios, without much success. Private financial institutions are not interested in purchasing these loans because they involve high risk ventures, difficult to access collateral, junior lien positions, complicated statutory requirements, small loan amounts, risky credit histories, or federal reporting requirements. Therefore, privatization of this fully self-supporting service is impossible and would result in the elimination of this important economic development engine.

Thank you in advance for your consideration of these comments.

Sincerely,



Jeffrey W. Bush, Deputy Commissioner

Cc: Deborah B Sedwick, Commissioner
Mike Abbott, Office of the Governor

**Privatization Subcommittee
CED**

**8-24-99 3:30PM
Anchorage LIO Building
Chair: Craig Johnson**

AGENDA

- 1) Call to Order
- 2) Review Department Material
 - a) Material provided 8/24/99
 - b) Additional Questions
- 3) Subcommittee Request and Assignments
 - a) Department contacts
 - b) Timeline for review
- 4) Schedule next meeting
- 5) Adjourn

MEMORANDUM

State of Alaska

TO: Privatization Subcommittee on the
Department of Community and
Economic Development

DATE: August 23, 1999

FILE NO:

TELEPHONE NO:

FROM: Tom Lawson, Director
Division of Administrative Services
Department of Community and
Economic Development

SUBJECT: Requested Materials

Per your request, attached is the following information:

1. FY2000 Component Summary & Line Item/Funding Source Detail for the Department of Community and Economic Development. This information combines the budget information for the two departments you received at the first meeting and includes the new budget totals for the Commissioner's Office and Administrative Services components within the Executive Administration and Development BRU, as a result of the merger. Please note that the Renter's Equivalency Rebate BRU is not listed since this program was eliminated by the legislature.
2. Department of Commerce and Economic Development Department Overview. This material is excerpted from the FY2000 budget request and includes the following information on all the department's divisions and agencies: mission, services provided, goals and strategies, key issues, major accomplishments, and statutory and regulatory authority references. Please note that in some cases the legislature revised missions statements through the adoption of SB169, included as the last attachment of this packet.
3. Organizational charts for the Department of Commerce and Economic Development. Please note that organizational charts have not yet been updated to reflect changes made during the 1999 legislative session.
4. Overview of the Department of Community and Regional Affairs. This overview summarizes all of the functions of the department.
5. Excerpts from the Department of Community and Regional Affairs FY2000 Budget Request. The following information is included for the BRU and components that were merged into the new department: BRU overview, component goals and services, component objectives and accomplishment measures, and organizational charts (if staff are budgeted within the component). Again, please note that in some cases missions statements may have been revised through the adoption of SB169.
6. Senate Bill 169. Includes missions and measures (in some cases) for the departments of Commerce & Economic Development and Community & Regional Affairs.

Marco Pignalberi requested information on how the Department of Community and Regional Affairs positions were allocated to other departments. After five positions were deleted in the merger bill fiscal note, the remaining positions were allocated as follows:

Department	PFT (Permanent Full Time)	PPT (Permanent Part Time)
Community and Economic Development	102	2
Labor and Workforce Development	56	1
Education and Early Development	22	
Total	180	3

Component Summary
Department of Community & Economic Development

DRAFT

Budget Request Unit / Component	DCED FY2000 Authorized
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Insurance

Insurance Operations	4,364.5
BRU Total:	4,364.5

Banking, Securities and Corporations

Banking, Securities and Corp	1,722.8
BRU Total:	1,722.8

Occupational Licensing

Occupational Licensing	5,519.3
BRU Total:	5,519.3

Alaska Public Utilities Commission

APUC Operations	4,699.2
BRU Total:	4,699.2

Executive Administration and Development

Commissioner's Office	703.6
Trade and Development	2,972.6
Administrative Services	2,630.8
BRU Total:	6,307.0

State Facilities Maintenance

State Facilities Maintenance	6.7
BRU Total:	6.7

National Forest Receipts

National Forest Receipts	10,000.0
BRU Total:	10,000.0

Municipal Revenue Sharing

State Revenue Sharing	14,389.2
Municipal Assistance	17,504.2
BRU Total:	31,893.4

Component Summary
Department of Community & Economic Development

DRAFT

Budget Request Unit / Component	DCED FY2000 Authorized
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Local Government Assistance

Local Government Management	2,752.4
State Assessor	150.2
Local Boundary Commission	248.3
Statewide Assistance	6,750.8
National Petroleum Reserve	50.0
BRU Total:	9,951.7

Community and Economic Development

Community & Economic Develo	1,769.3
BRU Total:	1,769.3

Tourism Development

Tourism Development	2,063.5
BRU Total:	2,063.5

Alaska Science and Technology Foundation

AK Science & Tech. Foundation	8,984.6
BRU Total:	8,984.6

AK Tourism Marketing Council

Alaska Tourism Mktg Council	4,611.1
BRU Total:	4,611.1

Investments

Investments	3,295.5
BRU Total:	3,295.5

Alaska Industrial Development and Export Authority

AIDEA	3,952.2
AIDEA Facilities Maintenance	73.0
Alaska Energy Auth Op & Maint	1,049.5
BRU Total:	5,074.7

Component Summary
Department of Community & Economic Development

DRAFT

Budget Request Unit / Component	DCED FY2000 Authorized
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Alaska Seafood Marketing Institute

Alaska Seafood Marketing Inst	10,517.3
BRU Total:	10,517.3

Alaska Aerospace Development Corporation

AK Aerospace Development Cor	823.4
BRU Total:	823.4

Rural Energy Program--Energy Operations

Energy Operations	2,151.3
Power Cost Equalization	12,100.0
BRU Total:	14,251.3

Circuit Rider Program

Circuit Rider	300.0
BRU Total:	300.0

Totals	126,155.3
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General Funds:	58,928.4
Federal Funds:	18,964.6
Other Funds:	48,262.3

Department Line Item / Fund Source Detail
Department of Community & Economic Development

DRAFT

Scenario: DCED FY2000 Authorized

Fund Source	Totals	Personal Services	Travel	Contractual	Supplies	Equipment	Land/ Buildings	Grants/ Claims	Misc.	Non Specific	PFT	PPT	NP
Department Totals	126,155.3	27,633.7	2,077.4	26,078.3	657.3	176.0	0.0	69,632.6	0.0	0.0	466	10	1
1002 Fed Rcpts	18,914.6	638.5	143.2	3,990.6	23.6	5.0	0.0	14,113.7	0.0	0.0			
1003 G/F Match	604.9	567.9	12.0	24.0	1.0	0.0	0.0	0.0	0.0	0.0			
1004 Gen Fund	39,784.9	4,894.7	331.7	5,604.0	93.6	2.5	0.0	28,858.4	0.0	0.0			
1005 GF/Prgm	18,638.6	8,634.2	979.6	8,299.6	329.5	95.7	0.0	0.0	0.0	0.0			
1007 VA Rcpts	5,602.9	2,065.9	64.8	487.9	17.7	5.7	0.0	2,960.9	0.0	0.0			
1025 Sci/Tech	9,639.8	920.3	134.0	742.8	20.5	8.0	0.0	7,714.2	0.0	0.0			
1035 Vet Loan	147.8	102.7	2.0	40.3	2.4	0.4	0.0	0.0	0.0	0.0			
1036 Cm Fish Ln	2,608.9	1,825.3	24.7	505.1	30.0	3.8	0.0	220.0	0.0	0.0			
1040 Surety Fnd	270.6	122.1	7.5	137.5	3.5	0.0	0.0	0.0	0.0	0.0			
1051 Rural Dev	98.0	81.3	8.4	7.0	1.3	0.0	0.0	0.0	0.0	0.0			
1054 Empl Trng	3,400.0	0.0	0.0	0.0	0.0	0.0	0.0	3,400.0	0.0	0.0			
1057 Small Bus	3.3	2.7	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0			
1061 CIP Rcpts	1,495.3	1,162.5	78.0	233.5	6.3	15.0	0.0	0.0	0.0	0.0			
1062 Power Proj	802.6	445.5	93.8	245.2	13.0	5.0	0.0	0.0	0.0	0.0			
1063 NPR Fund	50.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	0.0	0.0			
1067 Mining RLF	6.0	3.8	0.1	1.0	0.1	0.0	0.0	0.0	0.0	0.0			
1068 Child Care	5.8	4.5	0.1	1.1	0.1	0.0	0.0	0.0	0.0	0.0			
1069 Hist Dist	2.6	2.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0			
1070 Fish En Ln	325.6	260.7	2.9	58.0	3.5	0.4	0.0	0.0	0.0	0.0			
1071 Alt Energy	148.7	116.3	1.4	29.0	1.8	0.2	0.0	0.0	0.0	0.0			
1074 Bulk Fuel	49.0	49.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
1089 Power Cost	12,100.0	0.0	0.0	0.0	0.0	0.0	0.0	12,100.0	0.0	0.0			
1101 AERO Rcpts	43.2	0.0	0.0	43.2	0.0	0.0	0.0	0.0	0.0	0.0			
1102 AIDEA Rcpt	3,705.9	2,000.3	68.2	1,583.0	38.9	15.5	0.0	0.0	0.0	0.0			
1107 AEA Rcpts	1,049.5	0.0	30.0	1,009.5	8.0	5.0	0.0	0.0	0.0	0.0			
1108 Stat Desig	1,299.9	0.0	0.0	1,299.9	0.0	0.0	0.0	0.0	0.0	0.0			
1110 APUC Rcpts	4,699.2	3,267.0	35.0	1,300.9	62.5	13.8	0.0	0.0	0.0	0.0			

State of Alaska

Department Line Item / Fund Source Detail
Department of Community & Economic Development

DRAFT

Scenario: DCED FY2000 Authorized

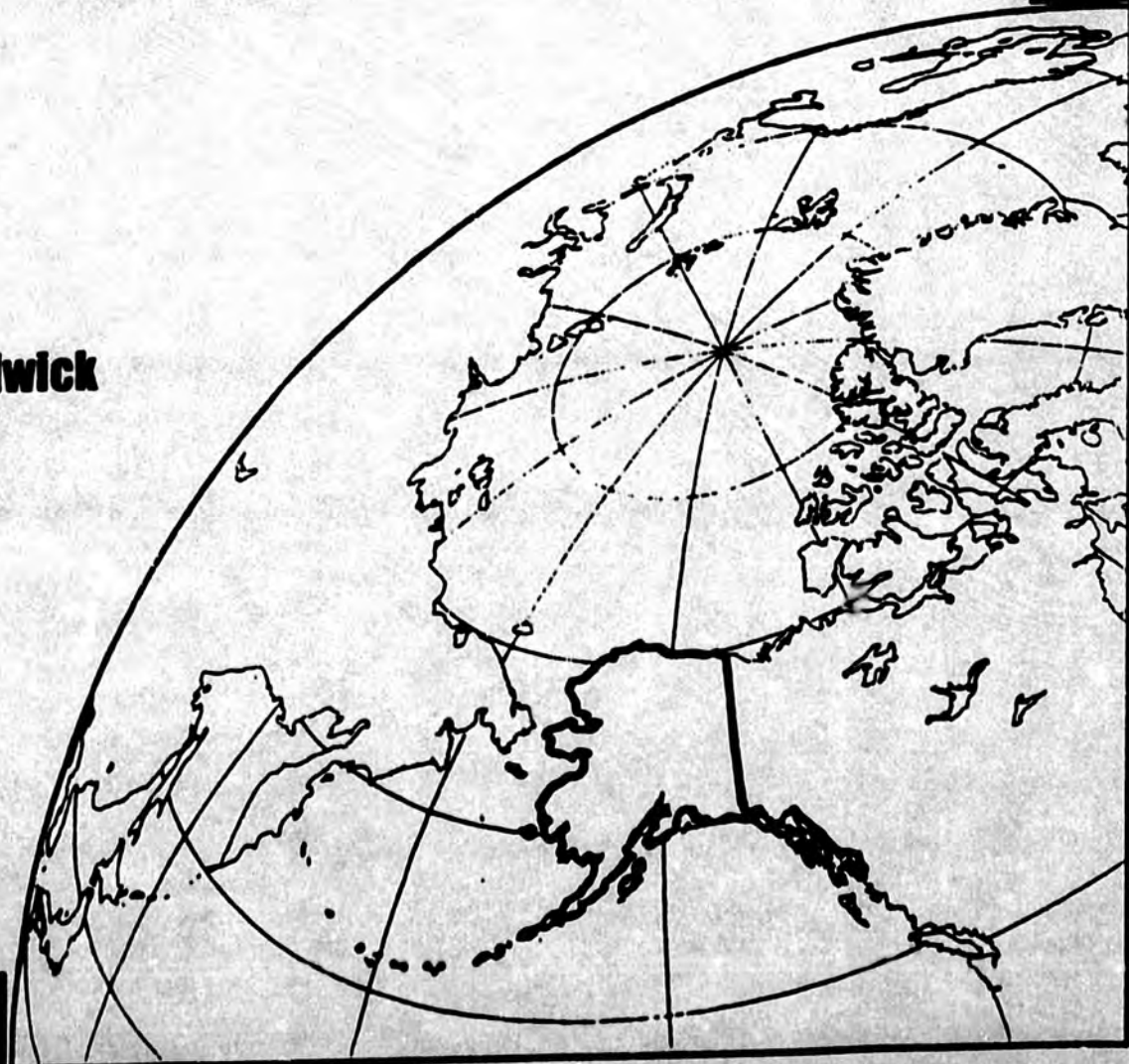
Fund Source	Totals	Personal Services	Travel	Contractual	Supplies	Equipment	Land/ Buildings	Grants/ Claims	Misc.	Non Specific	PFT	PPT	NP
Department Totals	126,155.3	27,533.7	2,077.4	26,078.3	657.3	176.0	0.0	69,632.6	0.0	0.0	466	10	1
1111 FishFndInc	100.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0			
1115 InT/BuEnIn	759.0	146.5	60.0	437.1	0.0	0.0	0.0	115.4	0.0	0.0			



**Commerce and
Economic Development**

Department Overview

**Deborah B. Sedwick
Commissioner
February 1999**



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Department Mission

To work with the private sector and our communities in creating new jobs for Alaskans, strengthening Alaska's competitiveness in the world marketplace, and maintaining a fair and consistent business regulatory environment in the state.

Department Goals and Strategies for FY2000

1. Work with the private sector and communities in creating new jobs for Alaskans.

- Facilitate the exchange of information between Alaska exporters and potential customers through business intelligence services and trade practice assistance.
- Partner with other state agencies, private businesses and local governments to identify and develop opportunities for regional and local economic development.
- Work with the Governor's Jobs Cabinet in seeking solutions and strategies for improving the economic climate in rural Alaska.
- Help restore the financial health of the Alaska salmon industry by implementing recommendations from the Governor's Salmon Forums and the Salmon Cabinet work plan.
- Encourage new international and domestic air carriers to use Alaska as a passenger and freight delivery point.
- Increase the use of Alaska's highways and roads by independent visitors.
- Develop and implement targeted tourism marketing programs to expand Alaska's tourist season and increase visits to rural Alaska.
- Assist with special team efforts in economically distressed regions of the state, including participating in the economic recovery phase of the State's response to the Western Alaska economic disaster.

2. Marketing Alaska-Sell Alaska's goods and services throughout the world.

- Raise national and international awareness of Alaska as a tourist destination and increase the consumption of Alaska seafood products through generic and targeted marketing.
- Continue the Governor's Business Opportunities Program under which the Governor, Commissioner and other Alaskans visit corporate boardrooms to solicit investment in Alaska.
- Participate in special promotions and presentations, trade shows and seminars to raise the visibility of - Alaska as a good place to do business.
- Organize and conduct business trade missions to expand product sales in current markets and develop new markets.
- Make information on Alaska's economy, goods and services, investment opportunities, and departmental databases available on the Internet.
- Expand public's ability to obtain department services through the Internet.

3. Maintain a fair and consistent business regulatory environment in the state.

- Assist businesses and consumers by placing the database of licensed professionals, corporations, and insurance carriers on the Internet, including information about disciplinary actions.
- Expedite the conversion of Alaska's telecommunications industry from a monopoly-based to a competitive, market-based industry structure, while guaranteeing universal access to service.
- Create simple, self-explanatory securities, corporations, insurance, and occupational licensing applications and forms available on the Internet to reduce requests for staff assistance.

Key Department Issues for FY1999 - 2000

Investments

The lack of fish during the 1997 and 1998 seasons in many parts of the state, especially Bristol Bay and the Yukon/Kuskokwim region, has resulted in many Commercial Fishing Revolving Loan and Fisheries Enhancement Revolving Loan extension requests. The division will continue to provide outreach in communities offering a range of financial and technical assistance services.

Trade and Development

The division will focus on seafood and other natural resource markets in Japan, Korea and the People's Republic of China, with increased emphasis on Taiwan. The division will seek to identify and facilitate export opportunities in other markets within Asia, Europe and with Canada. Activities in Sakhalin, Russia will continue to emphasize oil and gas support services. The division will target new and emerging markets for Alaska goods and services, particularly from rural Alaska, while strengthening established domestic and overseas markets.

Tourism

The division will emphasize increased road and marine highway traffic and air access to Alaska, elimination of trade barriers, increased winter visitation and promotions, and greater access to Alaska's public lands to disperse the effects of tourism. The Alaska Tourism Marketing Council will again have a limited broadcast schedule (70% less than FY94) so that distribution of the State Vacation Planner can continue.

Alaska Seafood Marketing Institute

As worldwide farmed salmon production and marketing efforts increase, ASMI will use innovative and creative methods to generate international awareness of the intrinsic qualities, health benefits, and sustainable management of wild and natural Alaska salmon. ASMI will work with the Alaska seafood industry to form a long-term partnership of commitment to improve product quality, work towards new product forms, develop new markets (i.e., China/Hong Kong and Taiwan), and maintain strong relationships with existing markets.

Alaska Aerospace Development Corporation

The Kodiak Launch Complex will be completed for commercial launches in the Fall of 1999.

Alaska Public Utilities Commission

The APUC will work closely with designated legislative committees to study the feasibility of reducing electric costs by restructuring the market for electric utility service in Alaska. The Commission will hire and make available to the legislature a neutral outside consultant to assist the work.

Banking, Securities, and Corporations

In 1996, Congress passed the National Securities Markets Improvement Act (NSMIA). This Act results in significant changes in both the registration of securities (creating a new class of federally regulated securities) and those who market them. States are required to amend their securities laws to conform to these federal changes by October 1999, and the division will seek changes to the Alaska Securities Act required by federal law in the legislative session beginning in January 1999. These changes to State law are required to enable Alaska to continue to collect approximately \$5 million annually in notice fees.

Major Department Accomplishments for FY1998

- Conducted first launch from the Kodiak Launch Complex for the US Air Force's atmospheric interceptor technology program in November 1998.
- Began generating clean coal-fired electricity for Alaskans at the Healy Clean Coal Project while operating in the demonstration testing phase.
- Acquired the Snettisham Hydroelectric Project from the federal government, helping to ensure a stable energy source for long-term economic growth in the Juneau area. Snettisham provides 85% of Juneau's electrical energy.
- Increased number of requests for Alaska travel information by roughly 75% without increasing budget.
- Created the Bristol Bay/Kuskokwim Disaster Loan Program with federal money providing small loans to permit holders who needed help covering living expenses because of a disastrous salmon season.

Department of Commerce and Economic Development

- Began issuing and renewing business licenses via the internet. Applicants may obtain a business license instantly using a credit card at the Division of Occupational Licensing "Business Online" web site.
- Completed the Marketing Alaska project. Based on the project report recommendations, changes were made throughout state government to support the private sector and help strengthen the state's economy. A final status report was prepared.
- Organized and held the Second Annual Salmon Forum, to help the salmon industry develop strategies for coping with changing world markets and industry conditions.
- Worked with other agencies to organize and hold successful Procurement Conferences in Anchorage, Juneau, and Fairbanks to show the private sector how Alaska businesses can sell goods and services to the state government.
- Attracted "junior" mining companies to Alaska. The number increased from four the previous year to 13.
- Introduced potential customers to Alaskan goods and services through missions and trade shows in Alaska, Japan, Korea, and Taiwan.
- Produced first-ever national television commercial for the Alaska Marine Highway System.
- Adopted first-ever comprehensive Internet strategy for marketing tourism to Alaska.

BRU/Component: Banking, Securities and Corporations

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

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Component Mission

Mission: Our overall Mission is Public Protection

Banking: Maintain a stable financial network in Alaska for the safe conduct of financial services.

Securities: Protect Alaskan investors in their purchase of securities and advice from others and protect ANCSA corporations shareholders from false and misleading proxy solicitations.

Corporations: Provide Alaska and out-of-state businesses a legal structure in which they can transact commerce as a legal entity in Alaska.

Component Services Provided

Banking Section: regulates financial institutions which are chartered or licensed under state law.

- Charters, licenses, and supervises state-chartered commercial banks, mutual savings banks, credit unions, trust companies, bank holding companies, interstate branching, small loan offices, premium finance companies, Commercial Fishing and Agriculture Bank(CFAB), and Business and Industrial Development Corporations(BIDCOS); and accepts filings under the Model Foreign Bank Loan Act.
- Monitors all aspects of the regulated financial industry, including various financial ratios and management policies through examinations and from information gathered through other reporting by institutions. Suggestions are made for improvement of weak practices and policies. The division may require an institution to take corrective actions when material safety and soundness concerns are found. The division seeks industry ideas on ways to improve banking services.

Securities Section: administers the Alaska Securities Act which deals with broker/dealers, investment advisers, and the securities and advice they sell.

- Regulates the offer and sale of securities in Alaska. Enforces the anti-fraud and disclosure requirements of the Alaska Securities Act. Regulation and enforcement provides a responsible marketplace that encourages the financing of legitimate business and industry in the state. Seek to increase small business access to capital while assuring that investor protection is not compromised.
- Regulates proxy solicitations for certain ANCSA corporations, affecting thousands of Alaska natives who are shareholders of corporations with billions of dollars of assets. The Alaska Securities Act provides for the filing of proxy statements and remedial action authority for violations of the act and regulations.

The Corporations Section: provides legal recognition to a business by serving as a filing agency, assisting the private sector in processing documents in compliance with state law. The section also fulfills requests for information and provides copies of documents on file. The section examines and files organization documents of corporations (domestic and foreign; non-profit and for profit), Limited Liability Companies, Limited Liability Partnerships, Partnerships, Cooperatives, and Professional Corporations along with registration of Trademarks and Trade Names.

Component Goals and Strategies for FY2000

Build a stable and responsible state-chartered financial institution system to serve all of Alaska's communities, especially where they draw their deposits and support.

- Monitor and where possible recommend ways to improve the strength and responsiveness of state-chartered financial institutions, and increase banking services.

Efficiently serve the Alaska business and finance community and to provide effective public protection against financial loss due to fraudulent and other illegal activities in the securities business.

- Seek to improve investor protection by examining the sales practices of broker-dealers and investment advisers, investigating complaints, and taking appropriate formal and informal action.
- Encourage capital formation by providing information regarding issuing securities in Alaska, and by expanding the number of exemptions from registration through changes to the Alaska Securities Act in proposed legislation.

Create and maintain a friendly, helpful service for business organizations of all types and origins that want to organize and do business in Alaska.

- Reduce the bureaucratic barrier with increased assistance in filling out forms for those who wish to establish businesses or qualify to do business in Alaska.

Reduce bureaucratic and regulatory burdens and provide for a more favorable economic and business climate.

- Increase the public's accessibility to file and receive corporate documents by accepting faxed documents and credit cards, publishing forms on Internet, and imaging public documents for all three sections of the division.
- Improve efficiency in processing filed paperwork by installing automated equipment, such as E-Commerce.

Key Component Issues for FY1999 – 2000

Banking Section: The major challenge facing the division for the next couple of years is to minimize potential impact of Y2K on Alaska's financial industry and maintain a steady flow of financial services for all Alaskans. The division has initiated surveys and examinations concerning the financial institution's computers. There is still concern, however, about service corporations and other computers (commercial and private) which now have direct communication with the institution's computers. Some failures are being experienced this year with credit cards having 00 as an expiration date.

- There are two new trust Companies now doing business in Alaska. It will become necessary for the division to make a special effort to train examiners for this specialty. During the interim, the division can call on FDIC or the State of Washington to assist.
- Other challenges facing the Banking Section include the division's role and responsibility in the changing structure of financial institutions and the goods and services they offer. We have seen interstate banking, interstate branching, and now Internet (online) banking. What will be the challenge are the proliferation of those who offer loans and financial services that are outside the view of any regulatory agency. Mortgage Equity Loans is a good example.

Securities Section: Congressional action has changed the emphasis on securities regulation, nationwide. While some areas have been preempted in the registration and regulation, others emphasize enforcement and oversight. More effort will be necessary on State Investment Advisers. The registration of mutual funds is now a function of the SEC, but sales practice complaints and problems will be the responsibility of the division. Congress provided that registration fees would not be taken away from the states in order to fund enforcement provided that the states amend their securities act to comply with federal law. The division will seek changes to the Alaska Securities Act in the legislative session beginning January 1999.

- The division resources are being challenged by the increased costs associated with regulating Alaska Native Claims Settlement Act (ANCSA) corporations' proxy matters. In 1998, there were 523 entries into the complaint database, an increase of 118% over 1997. ANCSA entries account for about half of the complaint entries. Total entries related to ANCSA corporations filings and complaints were 534 in 1998, down from 631 in 1997, but up sharply from 188 in 1996.
- The increase in complaints, the increase in registered persons, and the change in responsibility for State Investment Advisers all have contributed to a dramatic increase in workload in recent years. Unfortunately, this has caused the section to reduce regular examinations of broker-dealers and investment advisers, which leads to a reactive rather than a proactive approach to investor protection. Without some additional resources, the increased workload could have an adverse impact on the ability of the section to accomplish its objectives. This could cause investors to lose confidence in the securities markets, and make it more difficult for legitimate businesses to raise capital needed for growth.
- In the past years, BSC has made attempts to function without service from the Department of Law. Also in the past years events have unfolded that have made it mandatory that BSC rely on legal council. For the first time in the history of BSC, the division set-a-side an Administrative Order (Native Proxy Matter) based on economic constraints (cost benefit analysis) of the division. The Administrative Law Judge assigned to this case advised the division to seek legal advice from the Department of Law. Again, another Administrative Law Judge requested that documents filed before him be filed through the Department of Law. These expenses are becoming mandatory for the division to do those routine actions required of them.
- Hearings arise as a result of the division's normal course of regulatory business. Our statutes and regulations provide an opportunity to request a hearing to anyone who is the subject of an action by the division. Once a hearing is set, the division has almost no control of the cost of the hearing officer or its legal counsel, the Department of Law. Costs are determined by the complexity of the case, and by the decisions of the hearing officer. The division either must meet those costs or vacate the order. One solution would be to substantially increase our annual contractual budget to provide for these escalating hearing officer and attorney fees. Another solution would be for the division to propose a change to State statute regarding these hearings in order to reduce the economic burden to the division while continuing to protect the citizens of Alaska.
- The Securities Section has Y2K concerns similar to the Banking Section and has sent a survey to state investment advisers.

Corporations Section: The corporations section is in a transition period toward on-line (Internet) services. Now that the Electronic Signatures Act has passed, we will be looking at offering even more services to our clients. Passage of this act has allowed business organizations, e.g. corporations, to file legal documents with the division concerning their corporate needs.

The key issue for all of the sections is to increase the availability of all division services via the internet. This will include expansion of imaging of paper documents and use of E-Commerce. The Corporations Section is leading the way for the division, but other sections anticipate moving this way also.

Major Component Accomplishments for FY1998

Corporations Section: Improved response time to clients by 25% during FY98 by: providing forms and information on the Internet, and accepting fax filings and credit cards for payment of fees.

- Improved service by implementation of autoattendant automated telephone system; increased the number of callers that can be queued to speak to a live person from 2 to 4 and allowed the caller to enter a forms request queue to leave a message about the type of form needed.
- Continued use of the internet to increase services to clients. All Corporations Section forms are posted on the Webpage allowing downloading. The Corporation Section database is available for searching online and has been accessed over 43,511 times since its implementation in May of 1997.

- **Expedited Processing:** Expedited filing/request process accepts fax filings/requests using credit card transactions with a 48-hour turnaround.

Securities Section: Issued four orders including fines totaling \$25,500 in FY97. In FY98, eight orders were issued with fines totaling \$40,500.

Banking Section: In FY 98, conducted five depository safety and soundness examinations, 15 premium finance company and 10 small loan company compliance examinations, two trust company examinations, and two other financial institution examinations. Also completed Y2K exams on all banks and credit unions and corresponded with all other licensees with questionnaires on Y2K to check for readiness. In addition, the section:

- Completed information systems examinations of five depository institutions.
- Drafted a new comprehensive trust company act to replace the previous act that has remained virtually unchanged for nearly 50 years.
- Licensed one new small loan company, one new premium finance company, and chartered one new trust company.
- Helped numerous Alaskans resolve disagreements with financial institutions.

In general: The division has increased revenue from \$2,389.9 in FY82 to \$8,047.3 for FY 98, a 240% increase. Increased revenue is due to increased numbers of filings and an increase in the numbers of types of new responsibilities, not from fee increases.

Statutory and Regulatory Authority

AS 06 - Supervision of Banking and other Financial Institutions

06.01 Administration

06.05 Alaska Banking Code

06.10 Model Foreign Bank Loan Act

06.10 Mutual Savings Bank Act

06.20 Alaska Small Loans Act

06.25 Trust Companies

06.35 Uniform Common Trust Fund Act

06.40 Premium Financing Act

06.45 Alaska Credit Union Act

AS 10-File Administration Of Corps Associations, LLC's

AS 10.13-BIDCO's

AS 10.35 & 45.50 -Trademarks/Tradenames

AS 32.05-Filing of Limited Liability Partnerships

AS 32.11-Filing of Limited Partnerships

AS 34.55-Land Sales Act

AS 44.81-Examination of CFAB

AS 45.55-Supervision of Filing of Securities

AS 45.55/3 AAC 08.305-365-Proxy Solicitations of Native Corporations

AS 45.57-Public Disclosure Takeovers

BRU/Component: Insurance Operations

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

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Component Mission

Protect and serve Alaska by developing, interpreting and enforcing the insurance statutes and regulations, protecting and educating the Alaskan consumer and enhancing the insurance business environment.

The division's unique contribution is that it is solely responsible for regulation all aspects of insurance in Alaska.

Component Services Provided

Consumer Service Section - Investigates and resolves individual consumer complaints. Answers questions regarding insurance in general and specific policy provisions that are filed with the division. Publishes the Alaska Consumer Insurance Guide and various other consumer brochures and pamphlets.

Financial Examination Section - Ensures solvency of insurers doing business in this state. Admits new companies wishing to do business in Alaska. Maintains surplus lines white list of benefits of Alaskan consumers. Examines domestic insurance companies' financial records in order to verify that the company has sufficient reserves to protect policyholders, that investments meet statutory requirements, and that reinsurance agreements comply with Alaska law. Performs financial examinations of producer licensees to verify trust accounts, and compiles the information for the division's Annual Report.

Market Examination Section - Performs market conduct examinations and investigations on insurance companies or producer licensees to ensure: insurance quality and test compliance with Alaska's insurance law, and that the Alaskan consumer is treated fairly in the insurance marketplace. Researches specific issues.

Filing Review Section - Reviews the rates and policy forms used by insurers in providing insurance coverage for Alaskans. Rate and form filings that do not meet statutory standards are questioned and the insurer is given an opportunity to correct the deficiencies in the filing. Prepares consumer education materials such as the Automobile and Homemakers Rating Examples booklets, the Medicare Supplement Insurance Rate Guide, and the Workers' Compensation Rating Guide.

Law Enforcement Section - Investigates violations of Title 21, referring the civil/administrative cases to the Assistant Attorney General's Office and the criminal cases to the District Attorney's Office. Criminal cases are referred to the Office of Special Prosecutions and Appeals, the U.S. District Attorney's Office or the Federal Bureau of Investigation. Researches and prepares documentation for administrative hearings at which the Assistant Attorney General and paralegal assistant represent the division. Performs background investigations on prospective licensees and renewing licensees.

Licensing Section - Assists and provides information to licensees for obtaining statutory required licenses, issue licenses, and maintain licensee records while identifying statutory or regulatory needs with emphasis on public protection. Responsible for reviewing the qualifications and trustworthiness of people seeking to market insurance products in Alaska. Oversees and administers statutory required Continuing Education for producers.

Actuaries - Participate in the solvency review of domestic insurers, drafting insurance laws and regulations, and collecting and analyzing data to aid in developing more effective regulation of insurance in Alaska. Assist in the reviewing of complex rate and form filings submitted by insurance companies to ensure that the rates charged are adequate but not excessive, and are properly supported and actuarially sound.