

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2759 SCOMM 122: COMMISSION ON PRIVATIZATION. ., 1999

CONTACT: Percy Frisby, Director, 269-4640

OBJECTIVES AND ACCOMPLISHMENT MEASURES:

Continue to administer program compliance and disbursements to about 100 electrical utilities and 180 communities.

Maintain good turn-around of payments.

Continue to provide administrative training, when needed, to the staff of electrical utilities. This training is geared toward making staff self-sufficient/reliant in standard utility record keeping and administration.

STATUTORY/REGULATORY CITATIONS

AS 42.45.100-170

19 AAC 96.200-270

19 AAC 97.600-690

**COMPONENT
OBJECTIVES AND
ACCOMPLISHMENT
MEASURES**
Form CF2
Revised 8/26/98

AGENCY Community and Regional Affairs

BRU Rural Energy Programs - Energy Operations

COMPONENT Power Cost Equalization #1985

Page 1 of 1

Revised Date:

FY 2000

000419

Agency:

Department of Community & Regional Affairs

BRU:

Circuit Rider Program

CONTACT: Percy Frisby, Director, 269-4640

SUMMARY OF BRU SERVICES AND RESPONSIBILITIES:

The mission of the Division of Energy is to assist rural communities throughout Alaska to develop and operate safe, reliable and efficient energy systems. The Circuit Rider Maintenance (CRM) program is one facet of service delivery needed for the communities to achieve these goals.

The services provided by contractors consist of periodic visits to communities and provide for plant inspection in coordination with the local operators. CRM services: 1) improve maintenance and operation of small community electric utility systems, thus extending the life of the systems; 2) reduce operating costs for those systems; 3) prevent safety hazards and emergency situations; 4) safeguard the State's investment in rural power systems; and 5) reduce the need for future capital demand on the State for replacement of the electric systems.

SUMMARY OF BRU ISSUES:

There are over 100 utilities in rural Alaska and the funding level for this component is not sufficient to provide CRM services to all of them. The Division will target limited geographic areas most in need and the services will be provided only during the harsher winter months when there is more risk of electric equipment failure and a greater need for electricity.

**BRU
OVERVIEW**
Revised 8/26/98

AGENCY Community and Regional Affairs

BRU Circuit Rider Program

Page 1 of 1

Revised Date:

FY 2000

000422

Agency:

Department of Community & Regional Affairs

BRU:

Circuit Rider Program

Component:

Circuit Rider

CONTACT: Percy Frisby, Director, 269-4640

COMPONENT GOALS:

Circuit Rider Maintenance (CRM) contracted services insure reliable and efficient performance of the electric systems in rural communities in the state. Specialized contractors perform scheduled, periodic visits to communities and inspect and provide for plant inspection in coordination with local operators. Current funding levels, however, will provide for limited services in targeted geographical areas most in need, and only during the winter months.

	FY 98 ACTUAL	FY 99 AUTHORIZED	FY 2000 GOVERNOR
EXPENDITURES:			
Personal Services	0.0	0.0	0.0
Other Program Costs	42.4	300.0	300.0
Total	42.4	300.0	300.0
FUNDING SOURCES:			
Federal Receipts			
General Fund Match			
General Fund	42.4	300.0	300.0
GF Program Receipts			
GF Mental Health			
Other Funds			
Total	42.4	300.0	300.0
STAFFING:			
Permanent Full-Time	0	0	0
Permanent Part-time	0	0	0
Temporary	0	0	0

DESCRIPTION OF COMPONENT SERVICES:

The Division contracts out the CRM services. The services are of a technical nature, not professional, and are normally provided by qualified plant operators, electricians and linemen. Contractors visit the participating communities on a quarterly or semi-annual basis, depending on the conditions of the electrical systems, operator skills, etc. Contractors perform technical inspection of facilities and testing of diesel generators, control panels, metering systems, distribution systems, etc. To contain program costs, travel to the communities is provided by logical clusters in geographical areas. To supplement the hands-on-training provided through the CRM contractor, where necessary the Division strives to provide formal plant operator training at the Alaska Vocational Technical School in Seward to insure that the local plants are operated by skilled personnel.

DESCRIPTION OF COMPONENT CHANGES: None.

**COMPONENT
GOALS
AND SERVICES**
Form CF1
Revised 8/26/98

AGENCY Community and Regional Affairs

BRU Circuit Rider Program

COMPONENT Circuit Rider #2157

Page 1 of 1

Revised Date:

FY 2000

000423

CONTACT: Percy Frisby, Director, 269-4640

OBJECTIVES AND ACCOMPLISHMENT MEASURES:

The objective is to insure basic performance of the limited number of rural electric utilities that can be reached with the available funds.

Accomplishment measures will be based on performance, including prevention of disasters and emergencies.

STATUTORY/REGULATORY CITATIONS

AS 42.45

**COMPONENT
OBJECTIVES AND
ACCOMPLISHMENT
MEASURES**
Form CF2
Revised 8/26/98

AGENCY Community and Regional Affairs

BRU Circuit Rider Program

COMPONENT Circuit Rider #2157

Page 1 of 1

Revised Date:

FY 2000

000424

Bill Text



BILL ID: CSSB 169(FIN) AM H

00 CS FOR SENATE BILL NO. 169(FIN) am H

01 "An Act relating to missions and measures to be applied to certain expenditures
02 by the executive branch of state government and the University of Alaska from
03 the state operating budget for the fiscal year ending June 30, 2000; and providing
04 for an effective date."

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

06 * **Section 1. Legislative purpose.** The purpose of this Act is to state the mi
07 expending money appropriated by the operating budget for the fiscal year 2000, fo
08 departments of state government and for those divisions within departments that t
09 reviewed in 1999 and, in some cases, to set out performance measures for division
10 programs within divisions.

11 **Article 1. Department of Administration.**

12 * **Sec. 2. Department of Administration.** The mission of the Department of
13 Administration is to

- 14 (1) facilitate the operations of state government by providing cost-effective
01 business management and information technology support services to state agencies
- 02 (2) provide equitable legal and advocacy services for indigent Alaskans;
- 03 (3) provide quality programs that promote the dignity, security, and
04 independence of Alaska's seniors;
- 05 (4) provide efficient and accessible vehicle licensing and registration servic
06 to the public; and
- 07 (5) provide administrative support to those commissions assigned to the
08 department.

09 * **Sec. 3. Admin - Division of Administrative Services.** The mission of the Di
10 Administrative Services is to provide

- 11 (1) cost-effective business management and information technology support;
12 and

- 13 (2) effectively administer state municipal grants programs.

14 * **Sec. 4. Admin - Information Technology Group.** The mission of the Informati
15 Technology Group is to

- 16 (1) assist state agencies in accomplishing their missions by providing
17 innovative and cost effective technology support; and
- 18 (2) make government more accessible to the public through on-line information
19 and services; and
- 20 (3) provide an essential piece of the state's information infrastructure by
21 efficient use of Alaska's satellite-based public communications system ensuring t
22 of educational programs, children's programs, news, and information material, and
23 warnings throughout the state.

24 * **Sec. 5. Admin - Division of Personnel.** The mission of the Division of Pers
25 contribute to the efficiency and effectiveness of government by working in partne
26 state agencies to hire and retain a qualified and productive workforce in accorda
27 and federal rules.

28 * **Sec. 6. Admin - Division of Finance.** The mission of the Division of Financ
29 uphold the public's trust in the security, integrity, and stability of the state'
30 through sound policies and compliance with fiscal rules, laws, and generally acce
31 accounting principles.

01 * **Sec. 7. Admin - Division of General Services.** The mission of the Division
02 Services is to assist state agencies to accomplish their missions by

- 03 (1) facilitating the efficient and legal procurement of goods and service; and
- 04 (2) providing inventory control, surplus property disposal, office leasing,
05 facility management, and mail room services.

06 * **Sec. 8. Admin - Division of Alaska Longevity Programs.** The mission of the
07 of Alaska Longevity Programs is to contribute to the dignity and security of the
08 by providing timely and accurate longevity bonus payments to eligible individuals
09 providing assisted living support for Pioneers' Homes residents.

10 * **Sec. 9. Admin - Division of Retirement and Benefits.** The mission of the Di
11 Retirement and Benefits is to develop, manage, and administer benefit programs to

12 retain qualified state employees and to extend those services to certain politica
13 * **Sec. 10. Admin - Division of Risk Management.** The mission of the Division
14 Management is to protect the financial assets, operations, and employees of the s
15 accidental loss through a comprehensive self-insurance program combined with exce
16 insurance coverage.
17 * **Sec. 11. Admin - Division of Senior Services.** (a) The mission of the Divi
18 Senior Services is to
19 (1) maximize the independence of vulnerable elder Alaskans by providing
20 choices and access to prevention, wellness, and quality long-term care services;
21 (2) ensure that foster care children are expeditiously placed in permanent
22 homes.
23 (b) The legislature intends to measure the success of the division in achieving
24 mission concerning foster care children by considering the percent
25 (1) decrease in the average time to place a child in a permanent home in
26 reviewed cases;
27 (2) increase in the number of recommendations followed by the Division of
28 Family and Youth Services in the Department of Health and Social Services in revi
29 cases;
30 (3) increase in the number of cases reviewed.
31 * **Sec. 12. Admin - Division of Motor Vehicles.** The mission of the Division o
01 Vehicles is to provide protection of life and property through the efficient admi
02 motor vehicle laws.
03 * **Sec. 13. Admin - Office of Public Advocacy.** The mission of the Office of P
04 Advocacy is to protect the rights of vulnerable Alaskans by providing cost-effect
05 guardian representation to abused and neglected children and to incapacitated adu
06 * **Sec. 14. Admin - Public Defender Agency.** The mission of the Public Defende
07 Agency is to ensure equal justice for all Alaskans by providing constitutionally
08 representation to indigent clients.
09 * **Sec. 15. Admin - Office of Tax Appeals.** The mission of the Office of Tax A
10 is to provide impartial, timely, and cost-effective hearing of tax appeals and ot
11 administrative appeals brought by businesses and individuals.
12 * **Sec. 16. Admin - Y2K Project Office.** The mission of the Y2K project office
13 assure that key business functions of the state are not interrupted due to Y2K re
14 problems.
15 * **Sec. 17. Admin - Alaska Public Offices Commission.** The mission of the Alas
16 Public Offices Commission is to
17 (1) increase public confidence in the state's election process and in our elec
18 and appointed officials by promoting fairness and openness in elections;
19 (2) uphold the public's right to know the influences on public decision-making
20 and
21 (3) encourage participation in the process of representative democracy.
22 * **Sec. 18. Admin - Oil and Gas Conservation Commission.** The mission of the O
23 Gas Conservation Commission is to protect the public interest in exploration and
24 of oil and gas resources, ensuring conservation practices, and maximum ultimate r
25 while protecting health, safety, the environment, and property rights.
26 **Article 2. Department of Commerce and Economic Development.**
27 * **Sec. 19. Department of Commerce and Economic Development.** The mission of t
28 Department of Commerce and Economic Development is to work with the private secto
29 communities in the state, and other governmental entities in the state in creatin
30 Alaskans, strengthening the state's competitiveness in the world marketplace, and
31 a fair and consistent business regulatory environment in the state.
01 * **Sec. 20. DCED - Office of the Commissioner.** The mission of the Office of t
02 Commissioner is to
03 (1) effectively and efficiently manage the department;
04 (2) serve as a liaison between the department and private, governmental, and
05 other public institutions and agencies.
06 * **Sec. 21. DCED - Division of Administrative Services.** The mission of the Di
07 Administrative Services is to provide management services and centralized adminis
08 support to the divisions and agencies within the department.
09 * **Sec. 22. DCED - Division of Banking, Securities, and Corporations.** The ove
10 mission of the Banking, Securities, and Corporations Division is to
11 (1) maintain a stable financial network in the state for the safe conduct of
12 financial services;
13 (2) protect securities investors;

14 (3) protect shareholders in ANCSA corporations from false and misleading
15 proxy solicitations;
16 (4) provide in-state and out-of-state businesses with a legal structure enabli
17 them to transact commerce in the state.

18 * **Sec. 23. DCED - Division of Insurance.** The mission of the Division of Insu
19 to

20 (1) protect and serve the state by developing, interpreting, and enforcing the
21 insurance statutes and regulations;

22 (2) protect and educate the consumer; and

23 (3) enhance the insurance business environment.

24 * **Sec. 24. DCED - Division of Investments.** The mission of the Division of In
25 is to

26 (1) promote economic development through direct state lending within those
27 industries that are not adequately serviced by the private sector; and

28 (2) provide interagency and interdepartmental loan servicing of other loan
29 portfolios.

30 * **Sec. 25. DCED - Division of Trade and Development.** The mission of the Divi
31 of Trade and Development is to

01 (1) provide economic and business information and services to the private
02 sector and to trading partners;

03 (2) encourage trade, investment, and sound economic development throughout
04 the state.

05 * **Sec. 26. DCED - Division of Tourism.** The mission of the Division of Touris

06 (1) promote the state as a seasonal and year-round travel destination;

07 (2) create jobs and business opportunities in the private sector; and

08 (3) disperse the economic benefit of tourism throughout the state.

09 * **Sec. 27. DCED - Alaska Aerospace Development Corporation.** The mission of t
10 Alaska Aerospace Development Corporation is to allow the state to take a lead rol
11 launching and servicing satellites and downloading data from satellites.

12 * **Sec. 28. DCED - Alaska Seafood Marketing Institute.** The mission of the Ala
13 Seafood Marketing Institute is to increase the consumption of Alaska seafood and
14 the quality and superiority of state seafood products.

15 * **Sec. 29. DCED - Alaska Science and Technology Foundation.** (a) The mission
16 Alaska Science and Technology Foundation is to build an entrepreneurial state eco
17 through the development and application of science and technology.

18 (b) The legislature intends to measure the success of the Alaska Science and
19 Technology Foundation (ASTF) in achieving its mission by considering

20 (1) whether the number of full-time equivalent jobs in the state that are a di
21 result of ASTF project increases as compared to the five-year average;

22 (2) the increase in the amount of gross sales from technology resulting from
23 ASTF projects;

24 (3) the increase in the number of value-added products for export or that
25 substitute for imported products;

26 (4) the decrease in cost of goods or services purchased by the public sector
27 from science or technology that results from ASTF projects;

28 (5) the percentage increase of public goods or services projects that show
29 improvement as measured on a project-by-project basis.

30 **Article 3. Department of Community and Regional Affairs.**

31 * **Sec. 30. Department of Community and Regional Affairs.** The mission of the
01 Department of Community and Regional Affairs is to foster the development of self
02 and productive individuals, families, and communities by providing training, tech
03 assistance, and financial support.

04 * **Sec. 31. DCRA - Office of the Commissioner.** The mission of the Office of t
05 Commissioner is to set policy and program direction to achieve the department's m
06 providing leadership, training, technical assistance, and financial support that
07 development of self-reliant individuals, families, and communities.

08 * **Sec. 32. DCRA - Division of Administrative Services.** The mission of the Di
09 Administrative Services is to provide general oversight and administrative servic
10 department programs through the division's audit, personnel, fiscal, budget and p
11 and information systems sections.

12 * **Sec. 33. DCRA - Division of Municipal and Regional Assistance.** The mission
13 Division of Municipal and Regional Assistance is to advise, assist, and coordinat
14 local governments, individuals, and organizations so that communities can effecti
15 essential public services.

16 * **Sec. 34. DCRA - Division of Energy.** The mission of the Division of Energy
17 in the development of safe, reliable, independent, and efficient energy systems t
18 state that are financially viable and environmentally sound.

19 * **Sec. 35. DCRA - Division of Community and Rural Development.** The mission o
20 the Division of Community and Rural Development is to assist in the development o
21 reliant communities and individuals by providing training, technical assistance,
22 support.

23 **Article 4. Department of Corrections.**

24 * **Sec. 36. Department of Corrections.** The mission of the Department of Corre
25 to protect the public and encourage offender rehabilitation through humane, safe,
26 effective confinement and supervision. The department will respect the rights of
27 recognize the dignity inherent in all human beings as it pursues this mission.

28 * **Sec. 37. DCorrections - Parole Board.** The mission of the Parole Board is t
29 administer the release of eligible correctional inmates while providing for publi
30 for the successful integration of parolees into the community.

31 * **Sec. 38. DCorrections - Division of Administrative Service.** The mission of
01 Division of Administrative Services is to assist and provide effective and effici
02 administrative support services to the operating divisions within the department
03 implementing their programs, while ensuring compliance with federal regulations,
04 statutes, state regulations, state policies and procedures, and departmental poli
05 procedures, as approved by the Office of the Commissioner.

06 * **Sec. 39. DCorrections - Alaska Correctional Industries.** The mission of the
07 Correctional Industries is to assist in the rehabilitation of prisoners by provid
08 experiences as much like those that prevail in private industry as possible.

09 * **Sec. 40. DCorrections - Division of Institutions.** The mission of the Divis
10 Institutions is to ensure that the institutions are maintaining an environment fo
11 prisoners that promotes positive change and at the same time fulfills the statuto
12 of protecting the public.

13 * **Sec. 41. DCorrections - Division of Community Corrections.** The mission of
14 Division of Community Corrections is to

15 (1) develop and maintain public safety through supervision standards in
16 conjunction with the regional chief probation officers; and

17 (2) provide for public safety through supervision of adult felons who are plac
18 in the division's jurisdiction.

19 **Article 5. Department of Education.**

20 * **Sec. 42. Department of Education.** The mission of the Department of Educati
21 lead and support the development of responsible, economically viable, lifelong le
22 citizens.

23 * **Sec. 43. DOE - Office of the Commissioner.** The mission of the Office of th
24 Commissioner is to direct the department as it leads and supports the development
25 responsible, economically viable, lifelong learners and citizens.

26 * **Sec. 44. DOE - Education Support Services.** The mission of the Education Su
27 Services is to provide management, financial, and technical support services to d
28 programs and the operation of public schools for lifelong learners and citizens.

29 * **Sec. 45. DOE - Teaching and Learning Support.** (a) The mission of the Teac
30 and Learning Support is to improve student performance through professional devel
31 school accountability, standards, and assessment.

01 (b) The legislature intends to measure the success of Teaching and Learning Sup
02 in achieving its mission by considering the percentage increase of students

03 (1) who meet or exceed the proficiency level for reading, writing, and
04 mathematics performance standards as measured by the state benchmark assessment i
05 3, 6, and 8;

06 (2) in grades 4 and 7 scoring at or above the national average on the state
07 adopted norm-referenced test;

08 (3) who meet or exceed the proficiency level for reading, writing, and
09 mathematics performance standards as measured by the state high school graduation
10 examination.

11 * **Sec. 46. DOE - Division of Vocational Rehabilitation.** The mission of the D
12 of Vocational Rehabilitation is to assist individuals with disabilities to overco
13 employment and maintain suitable employment.

14 * **Sec. 47. DOE - Libraries, Archives, and Museums.** The mission of the Librar
15 Archives, and Museums is to provide library, archival, and museum services for th
16 of lifelong learners and citizens.

17 * **Sec. 48. DOE - Alyeska Central School.** The mission of Alyeska Central Scho

18 provide a cost-effective, high quality educational program through distance deliv
19 students who elect to complete their studies at home.

20 * **Sec. 49. DOE - Mt. Edgecumbe High School.** The mission of Mt. Edgecumbe Hig
21 School is to provide a comprehensive academic program in a residential setting fo
22 students who will benefit from a boarding school.

23 * **Sec. 50. DOE - Alaska Vocational Technical Center.** The mission of the Alas
24 Vocational Technical Center is to provide market-driven vocational and technical
25 prepare state residents for employment industry-specific qualifications.

26 * **Sec. 51. DOE - Alaska State Council on the Arts.** The mission of the Alaska
27 Council on the Arts is to provide an enriched atmosphere for lifelong participati
28 state's rich artistic diversity through advocacy, information, and educational se

29 * **Sec. 52. DOE - Alaska Commission on Postsecondary Education.** (a) The miss
30 of the Alaska Commission on Postsecondary Education is to

31 (1) support the development of economically viable citizens by providing,
01 through the self-sustaining loan fund, educational loans to postsecondary student

02 (2) authorizing the operation of postsecondary institutions.

03 (b) The legislature intends to measure the success of the commission in achievi
04 mission by considering

05 (1) the percentage of and the increase in the percentage of Alaska student loa
06 borrowers completing job-specific training programs;

07 (2) the percentage of and the decrease in the percentage of loans that are in
08 default;

09 (3) the defaulted loan recovery rate and the increase in the rate of recovery
10 defaulted loans.

11 * **Sec. 53. DOE - WWAMI.** (a) The mission of the Alaska Commission on
12 Postsecondary Education in administering the WWAMI program is to improve the gene
13 health and well-being of state residents by providing biomedical education, resea
14 care, and public service.

15 (b) The legislature intends to measure the success of the WWAMI program by
16 considering

17 (1) whether the program succeeds in increasing the number of Alaska
18 communities with access to basic or enhanced medical services associated with WWA

19 (2) the percentage increase in WWAMI participants who return to the state to
20 practice medicine;

21 (3) percentage increase of Alaskans receiving medical care through programs
22 and physicians supported by the University of Washington School of Medicine WWAMI
23 program;

24 (4) the percentage increase in health-related programs developed in the state
25 that are associated with WWAMI/UW; and

26 (5) the number of research projects in or about the state associated with the
27 University of Washington School of Medicine WWAMI program.

28 **Article 6. Department of Environmental Conservation.**

29 * **Sec. 54. Department of Environmental Conservation.** The mission of the Depa
30 of Environmental Conservation is to develop, coordinate, and administer policies,
31 and planning related to public health and the environment of the state.

01 * **Sec. 55. DEC - Office of the Commissioner.** The mission of the Office of th
02 Commissioner is to set departmental policy and implement statutory requirements.

03 * **Sec. 56. DEC - Division of Administrative Services.** The mission of the Div
04 Administrative Services is to provide administrative support for the department's
05 personnel.

06 * **Sec. 57. DEC - Division of Spill Prevention and Response.** The mission of t
07 Division of Spill Prevention and Response is to prevent, respond to, and ensure t
08 of unauthorized discharges of oil and hazardous substances.

09 * **Sec. 58. DEC - Division of Air and Water Quality.** The mission of the Divis
10 Air and Water Quality is to identify, prevent, abate, and control air and water p
11 cost-effective, accountable manner.

12 * **Sec. 59. DEC - Division of Environmental Health.** The mission of the Divisi
13 Environmental Health is to prevent and control public health nuisances by establi
14 standards of cleanliness and sanitation for water, solid waste, and food where a
15 sanitation may create a condition that causes disease.

16 * **Sec. 60. DEC - Division of Facility Construction and Operation.** The missio
17 Division of Facility Construction and Operation is to provide financial and techn
18 to local governments for construction and operation of water, sewage, and solid w

19 * **Sec. 61. DEC - Division of Statewide Public Service.** The mission of the Di

20 Statewide Public Service is to provide environmental compliance assistance to com
21 and businesses.

22 **Article 7. Department of Fish and Game.**

23 * **Sec. 62. Department of Fish and Game.** The mission of the Department of Fis
24 Game is to protect, maintain, and improve the fish, game, and aquatic plant resou
25 state, and manage their use and development in the best interest of the economy a
26 being of the people of the state, consistent with the sustained yield principle.

27 * **Sec. 63. DF&G - Office of the Commissioner.** The mission of the Office of t
28 Commissioner is to provide executive leadership and policy guidance in managing,
29 maintaining, and improving the fish, game, and aquatic plant resources of the sta

30 * **Sec. 64. DF&G - Division of Administrative Services.** The mission of the Di
31 of Administrative Services is to provide efficient and cost-effective professiona
01 services to the programs of the department.

02 * **Sec. 65. DF&G - Division of Commercial Fisheries.** (a) The mission of the
03 of Commercial Fisheries is to manage, protect, rehabilitate, enhance, and develop
04 aquatic plant resources in the interest of the economy, consistent with the susta
05 principle and subject to allocations through public regulatory processes.

06 (b) The legislature intends to measure the success of the division in achieving
07 mission by considering

08 (1) the harvest for each fishery, based on the location, species, and gear,
09 compared to the 10-year average for that fishery;

10 (2) the percentage of fisheries open in one year compared to total number of
11 fisheries;

12 (3) the percentage of permits actively fished compared to 10-year average of
13 permits fished;

14 (4) the actual harvest compared to the projection;

15 (5) the number of escapement objectives met compared to the total number of
16 objectives;

17 (6) the number of allocation objectives met compared to total number of
18 objectives.

19 * **Sec. 66. DF&G - Commercial Fisheries Entry Commission.** The mission of the
20 Commercial Fisheries Entry Commission is to limit entry into commercial fisheries
21 purposes of resource conservation and to prevent economic distress among fisherme
22 those dependent on them for a livelihood.

23 * **Sec. 67. DF&G - Division of Habitat and Restoration.** (a) The mission of t
24 Division of Habitat and Restoration is to rehabilitate, enhance, and develop habi
25 wildlife consistent with sound conservation and sustained yield principles.

26 (b) The legislature intends to measure the success of the division in achieving
27 mission by considering the number of

28 (1) projects involving construction of a dam or other obstruction in a
29 fish-bearing water body where efficient fish passage was maintained, mitigated, o
30 compensated compared to the number of projects permitted;

31 (2) projects where fish and game populations and habitat in specified
01 anadromous water bodies were maintained, protected, or enhanced compared to the n
02 of projects in specified anadromous water bodies permitted;

03 (3) projects where unavoidable losses to fish and game populations were
04 successfully mitigated compared to the number of

05 (A) projects involving unavoidable losses to fish and game; and

06 (B) all projects permitted;

07 (4) permits issued where violations of permit terms and conditions were
08 satisfactorily resolved compared to the number of

09 (A) permits whose terms and conditions were violated; and

10 (B) all permits issued.

11 * **Sec. 68. DF&G - Division of Subsistence.** The mission of the Division of Su
12 is to

13 (1) gather, quantify, evaluate, and report data about uses, users, and methods
14 of subsistence hunting and fishing; and

15 (2) make recommendations on the effects of federal and state laws and
16 regulations on subsistence use.

17 * **Sec. 69. DF&G - Division of Sport Fish.** The mission of the Division of Spo
18 is to manage, protect, maintain, improve, and extend the state's recreational fis
19 in the interest of the economy, consistent with the sustained yield principle and
20 allocations through public regulatory processes.

21 * **Sec. 70. DF&G - Division of Wildlife Conservation.** The mission of the Divi

22 Wildlife Conservation is to conserve and enhance Alaska's wildlife, consistent wi
23 sustained yield principle, and to provide for a wide range of uses to the benefit
24 future generations of people.

25 **Article 8. Department of Health and Social Services.**

26 * **Sec. 71. Department of Health and Social Services.** The mission of the Depa
27 of Health and Social Services is to promote and protect the health and well-being
28 citizens with a focus on prevention and early intervention.

29 * **Sec. 72. DHSS - Office of the Commissioner.** The mission of the Office of t
30 Commissioner is to promote and protect the well-being of Alaskans by investing in
31 and communities.

01 * **Sec. 73. DHSS - Division of Administrative Services.** The mission of the Di
02 Administrative Services is to provide quality administrative services that suppor
03 department's programs.

04 * **Sec. 74. DHSS - Division of Public Assistance.** The mission of the Division
05 Assistance is to provide basic living expenses and self-sufficiency services to A
06 need.

07 * **Sec. 75. DHSS - Division of Public Health.** The mission of the Division of
08 Health is to preserve and promote the state's public health.

09 * **Sec. 76. DHSS - Division of Alcoholism and Drug Abuse.** The mission of the
10 of Alcoholism and Drug Abuse is to promote the health and well-being of Alaskans
11 preventing and treating the abuse of alcohol, other drugs and inhalants.

12 * **Sec. 77. DHSS - Division of Medical Assistance.** The mission of the Divisio
13 Medical Assistance is to maintain access to quality health care for all Alaskans
14 health coverage for Alaskans in need.

15 * **Sec. 78. DHSS - Division of Family and Youth Services.** The mission of the
16 of Family and Youth Services is to

17 (1) protect children who are abused and neglected or at risk of abuse and
18 neglect;

19 (2) protect and restore communities and victims; and

20 (3) rehabilitate juvenile offenders.

21 * **Sec. 79. DHSS - Division of Mental Health and Developmental Disabilities.**

22 mission of the Division of Mental Health and Developmental Disabilities is to pla
23 provide appropriate prevention, treatment, and support for consumers and their fa
24 affected by mental disorders or developmental disabilities, while maximizing thei
25 determination.

26 **Article 9. Department of Labor.**

27 * **Sec. 80. Department of Labor.** The mission of the Department of Labor is to
28 promote, and improve working conditions and advance the opportunities for profita
29 employment of the wage earners of the state to the mutual benefit of employees an
30 employers.

31 * **Sec. 81. DOL - Office of the Commissioner.** The mission of the Office of t
01 Commissioner is to foster compliance with the statutes and policies that foster,
02 improve working conditions and advance opportunities for profitable employment.

03 * **Sec. 82. DOL - Division of Administrative Services.** The mission of the Div
04 Administrative Services is to

05 (1) provide efficient administrative services in support of the department's
06 programs; and

07 (2) analyze and distribute demographic and economic information that assists
08 Alaskans in making more informed policy and employment decisions.

09 * **Sec. 83. DOL - Division of Employment Security.** The mission of the Divisio
10 Employment Security is to assist in easing the negative effects that involuntary
11 has on Alaska's wage earners and society and to assist unemployed wage earners fi
12 employment.

13 * **Sec. 84. DOL - Division of Workers' Compensation.** The mission of the Divis
14 Workers' Compensation is to

15 (1) ensure that eligible Alaska workers are provided adequate medical care,
16 prompt payment of benefits, and, if needed, voluntary rehabilitative services;

17 (2) provide protection to employers from being sued in court by employees for
18 workplace injuries;

19 (3) provide assistance with medical costs of injuries or illnesses due to
20 commercial fishing activities onshore or in state water; and

21 (4) reimburse employers for compensation paid to employees involved in a
22 second injury.

23 * **Sec. 85. DOL - Division of Labor Standards and Safety.** (a) The mission of

24 Division of Labor Standards and Safety is to provide assistance and oversight to
25 employees and employers in the state by ensuring safe and healthy working conditi
26 compensation, and legal employment practices, and to provide public and consumer
27 by ensuring the integrity and safety of various mechanical systems and equipment.

28 (b) The mission of the Wage and Hour administration in the Division of Labor
29 Standards and Safety is to

30 (1) assist employers by responding to their questions concerning the applicati
31 of the wage and hour statutes and regulations to their unique business situations

01 (2) ensure that employees are justly compensated for work;

02 (3) safeguard workers from unscrupulous employment practices; and

03 (4) ensure that children are not exploited in dangerous occupations.

04 (c) The mission of the Mechanical Inspection Section in the Division of Labor
05 Standards and Safety is to protect employers and employees by

06 (1) providing oversight and inspection for hazards related to boilers, pressur
07 vessels, elevators, escalators, wheelchair lifts, recreational devices, electrica
08 installations statewide;

09 (2) testing and licensing people associated with some of the activities set ou
10 in (1) of this subsection.

11 (d) The mission of the Occupational Safety and Health Administration in the Div
12 of Labor Standards and Safety is to work in partnership with Alaska employers and
13 toward eliminating workplace injuries, illnesses, and deaths, and to assist emplo

14 complying with state and federal regulations relating to occupational safety and

15 (e) The mission of the Alaska State Advisory Council in the Division of Labor
16 Standards and Safety is to work with organizations, individuals, and groups that
17 in the promotion of safety to reduce accidental death and injury.

18 **Article 10. Department of Law.**

19 * **Sec. 86. Department of Law.** The mission of the Department of Law is to

20 (1) protect the state's sovereignty;

21 (2) prosecute crime;

22 (3) represent and advise the state in all civil matters; and

23 (4) provide other legal services to state government.

24 * **Sec. 87. DLaw - Office of the Attorney General.** The mission of the Office
25 Attorney General is to

26 (1) allocate state legal services;

27 (2) represent the state in civil actions;

28 (3) prosecute cases involving violation of state law.

29 * **Sec. 88. DLaw - Division of Administrative Services.** The mission of the Di
30 Administrative Services is to provide core services that are essential to the day
31 operation of the department and the management of department resources.

01 * **Sec. 89. DLaw - Civil Division.** The mission of the Civil Division is to pr

02 (1) the human, financial, and natural resources of the state by providing lega
03 advice, prosecution, and defense; and

04 (2) the state's sovereignty and guarantees of statehood.

05 * **Sec. 90. DLaw - Criminal Division.** The mission of the Criminal Division is

06 (1) prosecute crime;

07 (2) uphold convictions through appellate and post-conviction proceedings; and

08 (3) provide effective representation for state criminal justice agencies.

09 * **Sec. 91. DLaw - Office of Special Prosecutions and Appeals.** The mission of
10 Office of Special Prosecutions and Appeals is to prosecute complex economic and n
11 resource cases, and to uphold the state's position on appeals of criminal convict
12 statutes relating to criminal justice.

13 **Article 11. Department of Military and Veterans' Affairs.**

14 * **Sec. 92. Department of Military and Veterans' Affairs.** The mission of the
15 Department of Military and Veterans' Affairs is to provide strategically position
16 and ready military forces capable of rapid deployment, joint operations, and miss
17 accomplishment in the state or throughout the world while also providing organiza
18 capable of performing required and emergency services to Alaska.

19 * **Sec. 93. DMVA - Division of Administrative Services.** The mission of the Di
20 of Administrative Services is to provide effective and efficient administrative s
21 departmental employees and programs in order to maximize public service.

22 * **Sec. 94. DMVA - Division of Emergency Services.** The mission of the Divisio
23 Emergency Services is to lead, coordinate, and support the emergency management s
24 protect lives and prevent the loss of property from all hazards.

25 * **Sec. 95. DMVA - Facilities Management Office.** The mission of the Facilitie

26 Management Office is to provide, maintain, and operate safe, secure, high-quality
27 training areas, and ranges for the Alaska Army National Guard on a cost-effective
28 meet or exceed unit mission requirements, environmental compliance standards, and
29 efficiencies.

30 * **Sec. 96. DMVA - Contracting and Project Management Section.** The mission of
31 contracting and project management section is to provide specified and unspecifie
01 construction services supporting new construction, maintenance, and repair and to
02 energy conservation measures that will enable the Alaska Army National Guard to m
03 established Department of Defense energy goals.

04 * **Sec. 97. DMVA - Operations and Maintenance Section.** The mission of the ope
05 and maintenance section is to provide maintenance, repair, minor construction, an
06 services in support of facilities of the department and other governmental agenci
07 effective manner.

08 * **Sec. 98. DMVA - Major Construction Section.** The mission of the major const
09 section is to provide major construction services for safe, secure, high quality
10 training areas, and ranges for the Alaska Army National Guard on a cost-effective
11 meet or exceed unit mission requirements, environmental compliance standards, ene
12 efficiencies, and plan for future major construction and real property needs.

13 * **Sec. 99. DMVA - Alaska Air National Guard.** (a) The global mission of the
14 Air National Guard is to provide strategically positioned units in the state that
15 and highly trained for rapid global response and joint operations as a part of ou
16 force policy.

17 (b) The Alaska mission of the Alaska Air National Guard is to provide communiti
18 in the state and the state with effective, top quality units and people who prote
19 property, preserve peace and order, enhance public safety, and participate in pro
20 value to the nation.

21 * **Sec. 100. DMVA - Alaska Army National Guard.** (a) The global mission of th
22 Alaska Army National Guard is to organize, man, equip, and train units as a part
23 nation's total force policy that are capable of rapid response from the state's s
24 to conduct tactical, stability, and joint operations in support of worldwide Unit
25 military missions.

26 (b) The Alaska mission of the Alaska Army National Guard is to organize, man,
27 equip, and train quality units capable of rapid air and land response for state e
28 missions.

29 * **Sec. 101. DMVA - Alaska National Guard Youth Corps.** (a) The mission of th
30 Alaska National Guard Youth Corps is to use proven United States military methodo
31 techniques to motivate "at risk" youth who are 16 - 18 years of age to become pro
01 successful citizens.

02 (b) The legislature intends to measure the success of the youth corps in achiev
03 mission by considering the percentage of

04 (1) graduates who receive their GED or reenter high school;

05 (2) students increasing English or math comprehension one grade level or
06 more;

07 (3) enrollees who graduate from the youth corps program;

08 (4) graduates working, in school, including continuing education, or training
09 one year after graduation from the youth corps program.

10 **Article 12. Department of Natural Resources.**

11 * **Sec. 102. Department of Natural Resources.** The mission of the Department
12 Natural Resources is to develop, conserve, enhance, and make available natural re
13 present and future Alaskans.

14 * **Sec. 103. DNR - Division of Support Services.** The mission of the Division
15 Services is to provide effective and efficient administrative services to departm
16 and programs in order to maximize public service.

17 * **Sec. 104. DNR - Division of Oil and Gas.** The mission of the Division of Oi
18 is to encourage maximum responsible oil and gas exploration and development.

19 * **Sec. 105. DNR - Division of Agriculture.** The mission of the Division of Ag
20 is to promote and encourage development of an agriculture industry in the state.

21 * **Sec. 106. DNR - Division of Land.** (a) The mission of the Division of Land
22 provide for maximum use and settlement of state land consistent with the public i
23 (b) The legislature intends to measure the success of the Division of Land in a
24 its mission by considering

25 (1) the percentage of total entitlement acres that were acquired during the ye
26 (2) the percentage of trespass actions resolved;

27 (3) the percentage of Bureau of Land Management conveyance to third parties

28 contested;

29 (4) the number of amendments to existing area plans;

30 (5) in regions without area plans, the number of site-specific plans as a
31 measure of changing land classification and land use requirements;

01 (6) the dollar amount of revenue from material sales;

02 (7) the ratio of commercial land use permits as percent of the total land use
03 permits;

04 (8) the ratio of leases with significant economic benefit (that is, those that
05 create 20 or more jobs) as percent of total;

06 (9) the commercial rights-of-way as percent of total rights-of-way;

07 (10) the number of land sales held and percent of preference rights conveyed
08 versus applications;

09 (11) with respect to municipal entitlement requests and applications, the
10 number of applications received from municipalities and the number of acres;

11 (12) percentage of entitlement remaining to process considered by the number
12 of acres;

13 (13) the percentage of remaining entitlement selected, considered both by
14 number and by acres;

15 (14) the number of parcels of entitlement that are expedited, considered both
16 by number and by acres;

17 (15) the percentage of municipal selections approved by the division but
18 waiting for municipal survey, considered both by number and by acres.

19 * **Sec. 107. DNR - Division of Forestry.** (a) The mission of the Division of
20 to develop, conserve, enhance, and manage the state's forests to provide a sustain
21 of forest resources for Alaskans.

22 (b) The mission of forest management and development in the Division of Forestr
23 is to

24 (1) manage state forests and forested state lands, for which forestry is an
25 identified use, sustainably for the many public uses of forest resources;

26 (2) administer the Alaska Forest Resources and Practices Act on state,
27 municipal, and private lands in a manner that maximizes sustainable forest resour
28 economic enterprises that rely on forest resources; and

29 (3) provide support to nonindustrial private forest landowners to ensure healt
30 and productivity of Alaska forests.

31 (c) The mission of the statewide fire suppression in the Division of Forestry

01 (1) as to fire suppression, is to manage wildland fire for the safety of Alask
02 and protection of property and to maintain a healthy forest;

03 (2) as to pre-suppression, is to reduce human caused fires and maintain fire
04 fighting resources in a state of operational readiness to manage wildland fires f
05 of the state's forest resources and to maintain a healthy forest.

06 (d) The legislature intends to measure the success of the Division of Forestry
07 achieving the mission set out in (b)(1) of this section by considering

08 (1) the distribution and abundance of forest types and stand ages;

09 (2) the volume of timber offered annually, including volume of timber offered
10 in-state, and value-added processing;

11 (3) the volume of timber offered over a five-year period, by year; this measur
12 is a measure of stability;

13 (4) the percentage of harvest acres of state land meeting reforestation
14 requirements established by AS 41.17 or by regulations adopted under AS 41.17 (Fo
15 Resources and Practices Act);

16 (5) the volume offered and number of jobs resulting from timber sales sold
17 under value-added sales (AS 38.05.123).

18 (e) The legislature intends to measure the success of the Division of Forestry
19 achieving the mission set out in (b)(2) of this section by considering

20 (1) the level of compliance with best management practices, as measured by
21 implementation monitoring program.

22 (2) the continued productivity of fish habitat, as measured by effectiveness
23 monitoring studies;

24 (3) the continued protection of water quality, as measured by implementation
25 monitoring program;

26 (4) the continuation of certification for federal Clean Water Act and coastal
27 zone compliance in accordance with AS 41.17 or with regulations adopted under AS
28 (Forest Resources and Practices Act);

29 (5) the compliance with requirements for reforestation on private, municipal,
30 and non-DNR state land.

31 (f) The legislature intends to measure the success of the Division of Forestry
01 achieving the mission set out in (b)(3) of this section by considering
02 (1) the percentage of nonindustrial forest land covered by forest stewardship
03 plans;
04 (2) the percentage and number of communities with organized community
05 forestry activities;
06 (3) the equipment and amounts provided to highest priority fire departments;
07 (4) the percentage of total forested acres included in the annual insect and
08 disease report;
09 (g) The legislature intends to measure the success of the Division of Forestry
10 achieving the mission set out in (c) of this section by considering
11 (1) the percentage of fires in full and critical protection categories held at
12 than 10 acres;
13 (2) the percentage of the total cost that was used to obtain personnel and
14 equipment from out of state;
15 (3) the percentage of total fire departments with cooperative agreements
16 between wildland fire protection and structural protection providers;
17 (4) the percentage of fires that result from human actions, whether as a
18 function of population growth or of other causes;
19 (5) the extent and characteristics of damage to structures after wildland fire
20 * Sec. 108. DNR - Division of Mining and Water Management. (a) The mission
21 Division of Mining and Water Management is to facilitate the development and stew
22 of the state's
23 (1) mineral and coal resources; and
24 (2) water resources.
25 (b) The legislature intends to measure the success of the Division of Mining an
26 Water Management in achieving the mission of the mining section with respect to
27 (1) public safety by considering the percentage of abandoned mines on state
28 land considered hazardous;
29 (2) rights and development by considering the number of
30 (A) new leases and claims compared to the total number of leases and
31 claims;
01 (B) closed leases and claims compared to the total number of leases
02 and claims; and
03 (C) federal claims compared to the total number of leases and claims;
04 (3) permitting by considering the
05 (A) adverse audit findings compared to total audit findings;
06 (B) dollar value and number of jobs associated with mineral
07 exploration, development, and mine operations, by commodity, over time;
08 (C) number of active mines over time;
09 (D) dollar value and number of mineral exploration credits over time;
10 and
11 (E) aged rentals and royalties received by commodity over time; and
12 (4) compliance by considering the
13 (A) percentage of active mines without violations;
14 (B) acres reclaimed compared to acres designated for reclamation
15 (activity measure); and
16 (C) number and type of permit violations.
17 (c) The legislature intends to measure the success of the Division of Mining an
18 Water Management in achieving the mission when measuring the division's performan
19 respect to public safety by considering the percentage of dams inspected and foun
20 compliance.
21 (d) The legislature intends to measure the success of the Division of Mining an
22 Water Management in achieving the mission when measuring the division's performan
23 respect to water rights by considering
24 (1) the percentage change in total inventory;
25 (2) the average processing time of water rights.
26 (e) The legislature intends to measure the success of the Division of Mining an
27 Water Management in achieving the mission set out in (a)(2) of this section when
28 the division's performance with respect to dam development by considering
29 (1) the percentage change in total inventory and use authorization;
30 (2) the average processing time of authorization.
31 (f) The legislature intends to measure the success of the Division of Mining an
01 Management in achieving the mission set out in (a)(2) of th's section when measur
02 division's performance with respect to ownership by considering

03 (1) water rights and authorizations with complaints compared to total water
04 rights and authorizations by type, such as residential, municipal, business, fede
05 water rights, and instream flows;

06 (2) the percentage of resource development projects applying for water permits
07 receiving permits within appropriate time frame.

08 (g) The legislature intends to measure the success of the Division of Mining an
09 Water Management in achieving the mission set out in (a)(2) of this section when
10 the division's performance with respect to data by considering the percentage of

11 (1) data requests satisfied within appropriate time frame, where data is
12 available;

13 (2) times data is compatible with other users.

14 * **Sec. 109. DNR - Division of Geological and Geophysical Surveys.** The missio
15 Division of Geological and Geophysical Surveys is to determine

16 (1) the potential of Alaska land for production of metals, minerals, fuels, an
17 geothermal resources;

18 (2) the locations and supplies of groundwater and construction material;

19 (3) the potential geologic hazards to buildings, roads, bridges, and other
20 installations and structures.

21 * **Sec. 110. DNR - Division of Parks and Outdoor Recreation.** The mission of t
22 Division of Parks and Outdoor Recreation is to provide

23 (1) outdoor recreation opportunities and conserve and interpret natural, cultu
24 and historic resources; and

25 (2) services designed to encourage the development of local park and
26 recreational facilities and programs.

27 **Article 14. Department of Public Safety.**

28 * **Sec. 111. Department of Public Safety.** The mission of the Department of Pu
29 Safety is to ensure and maintain a safe, orderly, and positive environment in the
30 commitment is delivered through statewide police, resource protection, emergency
31 fire safety, and other vital public safety services.

01 * **Sec. 112. DPS - Division of Administrative Services.** The mission of the Di
02 Administrative Services is to provide administrative support to the department's
03 to supply criminal justice information to all authorized agencies and other parti

04 * **Sec. 113. DPS - Division of Fire Prevention.** The mission of the Division o
05 Prevention is to promote, regulate, and develop ways and means of protecting life
06 property against fire and explosion.

07 * **Sec. 114. DPS - Highway Safety Planning Agency.** The mission of the Highway
08 Planning Agency is to administer grant programs to save lives and prevent injurie
09 state's highway network.

10 * **Sec. 115. DPS - Division of Alaska State Troopers.** (a) The mission of the
11 of Alaska State Troopers is to preserve the public peace and to protect life and
12 through the prevention of crime, detection, and apprehension of criminal offender
13 enforce traffic laws and regulations.

14 (b) The legislature intends to measure the success of the Division of Alaska St
15 Troopers in achieving its mission by considering

16 (1) the increase in the number of sex offender compliance actions;

17 (2) the increase in the percentage of seat belt use in Alaska state trooper
18 jurisdiction;

19 (3) the decrease in the percentage of repeat offenders in domestic violence
20 incidents closed by arrest in Alaska state trooper jurisdiction;

21 (4) the reduction in the number of village public safety officer positions in
22 communities with a local police department;

23 (5) the increase in the percentage of offenses closed by arrest for crimes
24 assigned to the criminal investigations unit;

25 (6) the cost for each offense assigned to narcotics task force units;

26 (7) the decrease in the total number of traffic accidents that occur in Alaska
27 state trooper jurisdiction;

28 (8) the increase in the percentage of VPSO-investigated alcohol bootlegging
29 and importation offenses that are closed by arrest.

30 * **Sec. 116. DPS - Division of Fish and Wildlife Protection.** The mission of t
31 of Fish and Wildlife Protection is to protect the state's fish and wildlife resou
01 enforcement of laws and regulations governing the use of natural resources within
02 and its adjacent waters to ensure that Alaskans can fish and hunt in perpetuity b
03 the state's fish and game resources from criminal activity.

04 * **Sec. 117. DPS - Alaska Police Standards Council.** The mission of the Alaska

05 Standards Council is to

06 (1) implement and enforce standards for the selection and retention of law
07 enforcement and correctional officers; and

08 (2) approve and fund officer training programs.

09 * **Sec. 118. DPS - Council on Domestic Violence and Sexual Assault.** (a) The
10 of the Council on Domestic Violence and Sexual Assault is to alleviate the effect
11 the causes and incidences of domestic violence and sexual assault in the state.

12 (b) The legislature intends to measure the success of the Council on Domestic
13 Violence and Sexual Assault in achieving its mission by considering

14 (1) the increase in the percentage of victims of domestic violence and sexual
15 assault who seek advice;

16 (2) the percentage of repeat clients who return and remain at shelters for
17 reasons other than to obtain information or receive counseling services;

18 (3) the increase in the percentage of repeat offenders who complete batterers'
19 intervention programs;

20 (4) the decrease in the percentage of repeat offenders in batterers' intervent
21 programs;

22 (5) the increase in the percentage of council resources that are directed to t
23 prevention of domestic violence and sexual assault;

24 (6) the increase in the percentage of Alaskans participating in violence
25 prevention education training and workshops;

26 (7) the increase in the percentage of school districts in the state with viole
27 prevention and personal safety curricula.

28 * **Sec. 119. DPS - Scientific Crime Detection Laboratory.** The mission of the
29 Crime Detection Laboratory is to provide the highest quality forensic science ser
30 law enforcement agencies.

31 * **Sec. 120. DPS - Public Safety Academy.** The mission of the Public Safety Ac
01 is to produce highly trained and motivated professional law enforcement officers
02 or exceed the Alaska Police Standards Council requirements.

03 * **Sec. 121. DPS - Violent Crimes Compensation Board.** The mission of the Viol
04 Crimes Compensation Board is to decrease the financial and emotional damage to in
05 victims caused by the trauma of violent crime.

06 **Article 15. Department of Revenue.**

07 * **Sec. 122. Department of Revenue.** The mission of the Department of Revenue
08 collect, manage, invest, and distribute revenue and child support payments for th
09 to provide necessary administrative support to entities under the aegis of the de
10

11 * **Sec. 123. DRev - Office of the Commissioner.** The mission of the Office of
11 Commissioner is to

12 (1) assist the divisions in the department in setting and reaching their goals
13 the lowest possible cost and with the best service to the public;

14 (2) provide information and expertise as needed by the Office of the Governor,
15 other departments, and the legislature in managing the state's finances;

16 (3) operate the hearing officer section for child support, permanent fund
17 dividend, and charitable gaming appeals.

18 * **Sec. 124. DRev - Division of Administrative Services.** The mission of the D
19 Administrative Services is to assist the operating divisions in the department in
20 stated goals in finding new and innovative ways to provide services to the public

21 * **Sec. 125. DRev - Oil and Gas Audit Division.** The mission of the Oil and Ga
22 Division is to equitably, efficiently, and expeditiously administer and collect p
23 property taxes and royalties and to assist policymakers with oil and gas issues.

24 * **Sec. 126. DRev - Permanent Fund Dividend Division.** The mission of the Perm
25 Fund Dividend Division is to ensure that eligible Alaskans receive permanent fund
26 promptly, deny ineligible applicants, and process levies of permanent fund divide

27 * **Sec. 127. DRev - Alaska Permanent Fund Corporation.** The mission of the Ala
28 Permanent Fund Corporation is to maximize the value of the permanent fund through
29 long-term investment and protection of principal to produce income to benefit all
30 of Alaskans.

31 * **Sec. 128. DRev - Treasury Division.** The mission of the Treasury Division i
01 prudently manage the state's assets.

02 * **Sec. 129. DRev - Alaska Municipal Bond Bank Authority.** The mission of the
03 Municipal Bond Bank Authority is to provide municipalities, within their capabili
04 cost-effective financing options for capital projects.

05 * **Sec. 130. DRev - State Pension Investment Board.** The mission of the State
06 Investment Board is to prudently manage and invest state pension funds.

07 * **Sec. 131. DRev - Income and Excise Audit Division.** The mission of the Inco
08 Excise Audit Division is to
09 (1) administer the state's tax and charitable gaming laws to collect revenue
10 efficiently; and

11 (2) treat taxpayers, permittees, and licensees equitably.

12 * **Sec. 132. DRev - Child Support Enforcement Division.** (a) The mission of t
13 Support Enforcement Division is to

14 (1) help children by establishing, modifying, and enforcing financial support
15 obligations in a fair and equitable manner;

16 (2) help people use the division's services; and

17 (3) promote the responsibility of parents in supporting their children.

18 (b) The legislature intends to measure the success of the Child Support Enforce
19 Division in achieving its mission by considering

20 (1) current collections compared to total current obligations;

21 (2) arrearage cases in collections compared to total arrearage cases;

22 (3) current collections for government (state and federal) compared to current
23 total government obligations;

24 (4) government arrearage cases in collections compared to the total of
25 government arrearage cases; and

26 (5) the current cases compared to total cases.

27 * **Sec. 133. DRev - Alaska Mental Health Trust Authority.** The mission of the
28 Mental Health Trust Authority is to improve the health, safety, and economic secu
29 Alaska Mental Health Trust beneficiaries, as well as to ensure that trust benefic
30 productively engaged, employed, and contributing so they can live with dignity an
31 members of society.

01 * **Sec. 134. DRev - Alaska Housing Finance Corporation.** The mission of the Al
02 Housing Finance Corporation is to provide Alaskans with access to safe, quality,
03 housing.

04 * **Sec. 135. DRev - Alcohol Beverage Control Board.** (a) The mission of the A
05 Beverage Control Board is to protect the health, safety, and welfare of Alaskans
06 the misuse of alcohol.

07 (b) The legislature intends to measure the success of the Alcohol Beverage Cont
08 Board in achieving its mission by considering

09 (1) the percentage of licensees in compliance for one full year regarding

10 serving to minors, serving to drunken persons, and server training; and

11 (2) the percentage of servers trained in compliance for one full year.

12 **Article 16. Department of Transportation and Public Facilities.**

13 * **Sec. 136. Department of Transportation and Public Facilities.** The mission
14 Department of Transportation and Public Facilities is to plan, design, construct,
15 all state modes of transportation and transportation facilities, and docks, float
16 buildings, and similar facilities.

17 * **Sec. 137. DOT/PF - Aviation.** The mission of the department with respect to
18 is to plan, establish, construct, enlarge, improve, maintain, equip, lease, contr
19 regulate, protect, and police airports and air navigation facilities in the state

20 * **Sec. 138. DOT/PF - Public facilities.** The mission of the department with r
21 public facilities is to manage, operate, and maintain state public facilities.

22 * **Sec. 139. DOT/PF - Highway maintenance and operations.** The mission of the
23 department with respect to highway maintenance and operations is to maintain, pro
24 control the state's highway system.

25 * **Sec. 140. DOT/PF - Equipment fleet.** The mission of the department with res
26 the equipment fleet is to allocate, maintain, and manage state-owned vehicles, eq
27 attachments for safe and appropriate use.

28 * **Sec. 141. DOT/PF - Office of the Commissioner.** The mission of the Office o
29 Commissioner is to provide executive leadership to all activities of the departme
30 coordinate with the executive and legislative branches of state government, other
31 agencies, and the federal government.

01 * **Sec. 142. DOT/PF - Division of Administrative Services.** The mission of the
02 of Administrative Services is to support the department's operations with quality
03 administration and information technology.

04 * **Sec. 143. DOT/PF - Division of Measurement Standards and Commercial Vehicle
05 Enforcement.** The mission of the Division of Measurement Standards and Commercial
06 Vehicle Enforcement is to provide public protection by enforcing statutory and re
07 policies in the truck size, weight, and safety enforcement program, and the weigh
08 measures program.

09 * **Sec. 144. DOT/PF - Division of Statewide Design and Engineering Services.**
10 mission of the Division of Statewide Design and Engineering Services is to provid
11 engineering, environmental, estimating, and other preconstruction services to dev
12 aviation, marine structure, and facilities projects.
13 * **Sec. 145. DOT/PF - Division of Statewide Planning.** The mission of the Divi
14 Statewide Planning is to develop the statewide transportation improvement program
15 statewide transportation improvement plan, and regional plans through a public pr
16 results in orderly project and capital budget sequencing and conduct highway data
17 * **Sec. 146. DOT/PF - Construction.** The mission of the department with respec
18 construction is to administer construction projects to ensure that the projects a
19 and in conformance with all applicable laws, ordinances, and regulations.
20 * **Sec. 147. DOT/PF - Marine Highway System.** (a) The mission of the Marine
21 Highway System is to assist in meeting the transportation needs of the traveling
22 communities served.
23 (b) The legislature intends to measure the success of the Marine Highway System
24 achieving its mission by considering
25 (1) the percentage of on-time departures of vessels;
26 (2) the revenue received and expenditures made for each rider mile;
27 (3) the total ridership, including passengers, vehicles, and cabin occupancy,
28 compared to the five-year ridership average;
29 (4) the onboard sales for each passenger.
30 **Article 17. University of Alaska.**
31 * **Sec. 148. University of Alaska.** The mission of the University of Alaska is
01 the state's comprehensive, public, postsecondary education system. The Universit
02 strives for excellence as it provides instruction, research, and public service p
03 its university campuses and community-based colleges to meet the needs of Alaskan
04 * **Sec. 149. Immunity from Suit.** The state and its agents and employees are i
05 from suit that is based upon accomplishing or failing to accomplish a mission sta
06 performance measure contained in this Act.
07 * **Sec. 150.** This Act takes effect July 1, 1999.

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BASIS Last Updated 8/23/99 11:00 AM

**The Division of Occupational Licensing mission statement:
To ensure that competent professional and commercial services are available to Alaska
Consumers by regulating entry into occupations and enforcing performance standards.**

Subject: Privatization; proposed merger of AHFC & AIDEA

Date: Mon, 22 Nov 1999 09:57:49 -0900

From: Jeff Bush <Jeff_Bush@dcad.state.ak.us>

Organization: State of Alaska

To: Jerry Ward <Senator_Jerry_Ward@legis.state.ak.us>,

Marco A Pignalberi <Marco_Pignalberi@legis.state.ak.us>

CC: Randy Simmons <rsimmons@aidea.org>, dfauske@ahfc.state.ak.us,

Debby B Sedwick <debby_sedwick@dcad.state.ak.us>

At the Privatization Commission meeting last week when the DCED subcommittee made its recommendations, you asked for further analysis by AIDEA and AHFC regarding the potential implications on the state's bond ratings if these two entities were merged. I understand that the Department of Revenue subcommittee is scheduled to make its presentation to the commission in the near future, and that report may include recommendations regarding AHFC.

The executive directors of AHFC, Dan Fauske, and AIDEA, Randy Simmons, have requested that they be permitted to meet with the commission at the time of the Revenue presentation and discuss the bond implications of any merger proposal. I believe the Department of Revenue/AHFC are scheduled before the commission on November 30, 1999 (according to the commission's website). Unless we hear otherwise, the agencies will plan to attend the meeting at that time.

--
Jeffrey W. Bush
Deputy Commissioner
Department of Community and Economic Development
State of Alaska
P.O. Box 110800
Juneau, AK 99801
Phone: (907)465-2500; Fax: (907)465-5442

**
Correct!*

Tuesday

Nov 30th

*9:00
am
///*

*A -
send Bush, Fauske
& Simmons an email
telling them what
time, date, place to
come to the mtg.
M.*

Make It Alaskan, Inc.
promoting Alaskan products and services since 1987
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Anchorage, AK 99503
Phone: (907)258-2878
Fax: (907)276-7255
email: makeitak@alaska.net

MEMORANDUM

Date: November 18, 1999

To: Committee on Privatization and Delivery of Government Services

From: Steven L. Rouse, President & Executive Director, Make It Alaskan, Inc.

Re: DCED Sub-Committee Recommendation on DTD

I am providing the following personal comments allowed under a provision adopted by our sub-committee.

The vote that adopted the Department of Community and Economic Development (DCED) sub-committee recommendation that the State of Alaska, DCED, Division of Trade and Development (DTD) cease their involvement in day-to-day activities in the area of international trade was narrowly approved 5 (yea) to 3 (nay). I was one of those opposed.

After the first voice vote was declared "even" by the co-chair, I requested a roll call vote. When the vote was completed and tallied, I challenged the adoption of this recommendation on grounds that a quorum of the full-sub-committee had not been achieved. Marco Pignalberi stated that standard quorum requirements did not apply to any action taken by the sub-committee. This alone leaves the recommendation suspect.

Based on the limited involvement of the full sub-committee (2/3's of the members being absent from this vote) and the narrow margin of victory as referenced above, I feel it is important for the Commission to be aware that myself and others strongly disagree with this recommendation and the premise from which it sprouted.

In my view, the work and successes of the staff of DTD is well documented and certainly not duplicated by other agencies or organizations. This is in direct contrast to a substantial amount of – to use a military term – "dis-information" provided to the sub-committee by members of the committee staff. An example of such inaccuracies would

be statements made to the sub-committee on or about 11/12/99 suggesting that organizations under contract to the state were doing that same work; that businesses that wished to engage in international trade would have the ability to pay for assistance and; a suggestion that no member of the sub-committee could provide an example of a business that had benefited from DTD assistance.

As President and Executive Director of a non profit trade association representing over 1,200 Alaskan small businesses, I can assure you that I am aware of dozens of small businesses that have developed international trade ties and accounts through the assistance of DTD and DTD alone. Furthermore, the only real private sector international trade organization- World Trade Center (WTC)- is not under contract to the State of Alaska. WTC receives grant funds from the state. There is a huge difference between obtaining a contract through competitive bid and a grant.

Also, in the course of several and exhaustive interviews conducted by the original sub-committee -chaired by Ric Davidge- several issues were illuminated and then addressed in our working group report. The text of that report, representing many hours of volunteer work, is important information. I would suggest that all members of the Commission review that document.

I appreciate the opportunity to provide a different perspective to the recommendation before you.



and Delivery of Government Services

Co-Chairs:
Representative John Cowdery
Senator Jerry Ward

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

AGENDA

SUBCOMMITTEE ON COMMUNITY AND ECONOMIC DEVELOPMENT

**November 5, 1999
1:30 PM
Anchorage LIO**

- 1. Call to order**
- 2. Teleconference Site Roll Call**
- 3. Committee Reports**
 - **Tourism**
 - **Local Government**
 - **International Trade**
 - **Regulatory Agencies**
 - **Economic Development**
 - **Seafood Promotion**
- 4. Assignments for next meeting**
- 5. Set next meeting date**

Steven C. Levi

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Anchorage, AK 99524
Phone: 337-2021
FAX: 337-4485
Email: afsc1@alaska.net

MINUTES, October 29, 1999

Present at the October 29, 1999 meeting were Representative John Cowdery, Chair Lee Wareham, Gene Furman, Don Smith, Kathryn Thomas, , John Haxby, Linda Leary, Justin Ripley, Steve Smirnoff, Marco Pignalberi, Steven Levi, Mel Nichols, Jim Sanders, Don Schroer, Greg Wolf, Pat Poland, and Jeff Busch. On line from Wasilla was Ric Davidge and, from Homer, Steve Rouse.

Davidge gave an overview of the Local Government and Economic Development subcommittee report and raised several issues which he suggested the committee investigate. With a regard to ASMI, he suggested – after conversation with ASMI staff – that a mechanism be developed to allow the weight of the state's taxing authority to be used to enforce membership contributions. It was stated that an Attorney General's opinion stated that this might legal. Chair Wareham requested a copy of the opinion. Davidge also suggested that the committee look at the ASMI charter to see if it could be fine-tuned to be more effective.

With regard to the Alaska Tourism Marketing Council, Davidge raised the suggestion that a statewide tax be developed which would support the tourism industry. This theme was discussed by the tourism subcommittee members.

The Commission on Privatization and Delivery of Government Services
Trade and Development Subcommittee
Program Review and Recommendations
Revised 11/1/99 (Ripley, Fox, Anderson)

Every state in the nation and most countries in the world have some version of a Division of Tourism employing varying degrees of privatization in the quest for economic development. Of the 50 states, Alaska has fallen from a position of 7th to 29th since 1991 in total tourism spending. Reduced state investment has paralleled flat or declining performance in many sectors of Alaska tourism. It is critical to adequately fund tourism marketing efforts if we as a state hope to encourage positive economic development.

For over 25 years, statewide cooperative marketing has been accomplished through various private/public partnerships involving the industry and the Division of Tourism, most recently as a three way partnership between AVA, ATMC and DOT. Legislation was passed last session to further privatize this program by allowing the Division of Tourism to contract with a private trade association for marketing functions, thereby eliminating the ATMC and parallel marketing efforts administered by the Division. This "New Millenium Plan" calls for the formation of the Alaska Tourism Industry Association that would ostensibly be the organization contracting for all marketing functions. Significant State funding will be necessary in the formative years of ATIA, as it will take years to reverse the cumulative damage of diminished spending. Public funding is appropriately used to make participation affordable for the thousands of smaller Alaska businesses that depend heavily on cooperative marketing.

RECOMMENDATIONS

The "New Millenium Plan" is underway with a new ATIA Board elected and set to meet in November. It is recommended that the following functions be contracted to the new ATIA organization.

- 1) Development and approval of multi-year marketing plan to include domestic, international, and travel trade markets.
- 2) Implementation of marketing plan to include production, placement and distribution for all markets and types of media, including the web.
- 3) Fulfillment of consumer, travel industry, press and media information requests for all markets.
- 4) Developing markets including international.
- 5) Participation in domestic and international travel trade (i.e. NTA, Pow Wow, etc.).
- 6) Market research including conversion studies and travel trend analysis.

The following are recommended activities of the Division of Tourism.

- 1) Administration of fiduciary, contract and regulatory compliance issues involving the ATIA marketing contract.
- 2) Communication and coordination with outside governmental agencies.
- 3) Implementation of rural tourism development and training programs, limited to traditional small business development functions.
- 4) Leadership in State of Alaska inter-agency advocacy and coordination (i.e. Marine Highway, Fish & Game, DOTpf).
- 5) Administration of visitor statistics program as lead agency, with consultation from ATIA for marketing aspects of study.

The following are recommended activities of the Alaska State Legislature.

- 1) Adequately fund State's share of "New Millenium Plan" budget (\$5 million).

Subject:

Tourism comments

Date:

Thu, 04 Nov 1999 09:19:25 -0900

From:

Jeff Bush <Jeff_Bush@dced.state.ak.us>

Organization:

State of Alaska

To:

Justin Ripley <justin@2alaska.net>

CC:

Ginny Fay <ginny_fay@dced.state.ak.us>, Dale Anderson <dale@admiraltytours.com>, Tom Tougas <ttougas@ciri.com>, Tina Lindgren <tlindgren@avanet.com>, Susan Springer <hbay@alaska.net>, Pam Foreman <kicvb@ptialaska.net>, Kirk Hoessle <kirkAWA@aol.com>, Ken Dole <kdole@home.com>, Kathy Dunn <kathy_dunn@dced.state.ak.us>, John Binkley <jbinkley@alaska.net>, Frank Rose <aklm@polarnet.com>, Gary Odle <garyodle@aol.com>, Chris Von Imhof <vonimhof@alyseskaresort.com>, Ann Campbell <ann@auroraconsulting.com>, Bill Pedlar <bpedlar@halw.com>.

References:

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During the last two sessions, the legislature devoted considerable thought and discussion to tourism. A compromise bill was passed last year that is the product of extensive debate and public hearings. The bill that was passed is fairly clear about the respective roles of the State of Alaska via the Department of Community and Economic Development (DCED) and Division of Tourism. In state statute as set forth by the

this legislation, the Department will contract with a qualified trade association (QTA) to implement a marketing plan. The Department is responsible for identifying components of the marketing plan and approving the plan. The Department also negotiates a contract, on behalf of the state, for implementation of the marketing plan. If there are any components of the plan that the QTA refuses to accept and perform as part of the contract, DCED can look elsewhere to have that portion of the plan conducted.

The role of the State in contract oversight is also relatively well established in state practice. The legislation identifies a contractual relationship between DCED and the QTA; the concept of a state grant for these purposes was rejected by the legislature. This contractual relationship entails a reasonable amount of responsibility and oversight over the use of public funds including the identification of deliverables and performance measures. The implementation oversight identified in Mr. Dindinger's email is actually less than the level of oversight the state provides for grants and is not appropriate for contracts.

We believe it is premature for the Privatization Committee to now consider changes to legislation that was enacted to essentially "privatize" the state's tourism marketing program and has not yet even been implemented. In addition, 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.

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.

Regarding other privatization efforts, it is my understanding that the HVB implements a marketing plan developed by the Hawaii Tourism Commission. The Commission is appointed by the Governor and the marketing program is funded through a statewide bed tax.

Justin Ripley wrote:

Greetings! Dale Fox, Chris Anderson, Bob Southall and myself were recently tapped to serve on the rejuvenated Trade & Development Subcommittee of the Commission on Privatization and Delivery of Government Services. This Subcommittee is charged with the responsibility of delivering

privatized. RECOMMENDATION: None ***** END OF DRAFT REPORT

JUSTIN RIPLEY

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recommendations relating to all Dept of Community & Econ Development functions by 11/19/99. The four tourism members above, along with Jeff Bush at DCED will be working to make recommendations regarding the Division of Tourism. Since all but a few committee members are brand new, and there was previously little tourism representation, we are essentially working from scratch with the exception of a draft report prepared previously by subcommittee members. I have included the report below in its entirety, however it is unclear what portion of this draft report, if any, will be included in final recommendations. Although I am not representing ATIA on this committee, I would welcome your thoughts regarding the division of responsibilities or partnership opportunities between the Division of Tourism and private organizations (presumably ATIA heads the list). Following is an incomplete & oversimplified list of tourism functions. It would be very helpful to me if you have the time to respond by dividing these functions into three categories: Division's role, private organization's role, or a split role accomplished through some sort of partnership. Please add, reword and provide comments as you see fit.

SOME TOURISM MARKETING & ECONOMIC DEVELOPMENT FUNCTIONS

- 1) Administration and oversight of marketing contract.
- 2) Approval of marketing plan.
- 3) International and emerging market development.
- 4) Communication, coordination with agencies outside Alaska.
- 5) Rural tourism development, training.
- 6) Development of statewide marketing plan.
- 7) Implementation of marketing plan including production, placement and distribution.
- 8) Implementation and maintenance of tourism web presence.
- 9) Fulfill consumer, travel industry, press/media information requests.
- 10) Administer visitor statistics program.
- 11) Other functions???

Thank you for any guidance you can provide me on this topic. Given the present stage of ATIA's infancy, I am hesitant to provide recommendations on such short notice without input from both industry & DCED leadership. I therefore welcome your comments and apologize for this impersonal method of gathering information.....

JR Note: I am including the following draft report as the public record of work done previously by the Subcommittee. I emphasize that this is only a working document, and that the content may or may not be incorporated into final recommendations. ***** START OF PRIOR DRAFT REPORT *****

PROGRAM REVIEW & RECOMMENDATIONS -- DIVISION OF TOURISM

Responsible for the continued development of Alaska's tourism industry, the Division is responsible for initiating and contributing to the planning process for effective growth of the visitor industry, developing new markets, and assisting in development of new tour products. The Division is a clearinghouse for thousands of trade, consumer, and press/media requests for information and assistance. It also compiles, analyzes and distributes information on markets, consumer trends, and industry diversification. New markets are identified and targeted for development in a broadly coordinated partnership between industry and the state in an effort to spread the economic benefits of the visitor industry to smaller communities or special areas. Every state and territory in the nation has a Division of Tourism in some type of organizational structure. The experiments by the State of Colorado (resulting in a loss of 30% of market share in only 2 years) and the Province of Alberta, Canada to privatize these functions have not been successful; in fact they have seriously damaged tourism development in those jurisdictions. The visitor industry, both providers and consumers, have a high expectation that states and nations will provide this coordinative information, marketing, and support functions. While general fund support for this program has continued to decline over the past ten years, the Division has responded by reducing employees and relying more on technology. A related market decline in visitation has paralleled reduced state investment with a flat industry growth rate over the past two years. Effective partnering with local communities and the private sector have greatly increased the program's efficiency and responsiveness. The elimination of the ATMC and the consolidation of all other programs within the division appear to have also streamlined management and performance efficiencies.

RECOMMENDATION: The State of Alaska is the only state or territory in the United States that does not have a statewide taxing mechanism for the purpose of supporting this function. Some municipalities have room or sales taxes that are targeted to specific activities to offset their reinvestments in development of tourism markets. The Governor and State Legislature should seriously investigate and enact a seasonal sales tax or other targeted means of generating revenue to support this function. As long as such a tax is reasonable, complaints by the industry that such taxes will harm the industry are baseless given all comparables. The Division should also give a much higher priority to retaining tourism industry profits in state. Such an initiative will likely have strong public support and do more towards industry stability and diversification than other efforts. Appropriate output or production measurements for this function should be based on the rise or decline of total visitors and their economic affect on the Alaskan economy. This may be contrary to "contacts" or "placements" measures that have been used in the past. The Division appears to be moving in this direction. One other measure of output or success should be visitor response to broadening the geographic areas of Alaska that benefit from tourism dollars. This area of activity not only benefits the overall economic value of the industry in Alaska; it also broadens its economic and political base.

ALASKA TOURISM MARKETING COUNCIL With the 1999 passage of SB 107, the ATMC will be dissolved at the end of FY00 and the program will be implemented by the ATIA. This program has been

**The Commission on Privatization and Delivery of Government Services
Trade and Development Subcommittee
Program Review and Recommendations**

Municipal and Regional Assistance Division

General Comments:

The function of a state organization responsible for stimulating and encouraging economic development and diversification is to leverage public funds and knowledge toward that purpose. The combination of the former Department of Commerce with this program expands this former purpose. Now, what is added, is building a communities capacity so that it can not only meet accepted public health and safety minimums, but also make informed economic choices about what kind of community it wishes to be.

This mix of purposes causes the subcommittee some concern in the face of growing budget deficits and pressing economic development needs. We are concerned that the critical purpose and function of a department focused on generating sustainable economic activity may be diluted as a result of the recent merger. This is not to imply that the merger was not appropriate, to the contrary, but rather that some of the programs placed within the new Department may be more appropriately delegated to other agencies. A number of program specific recommendations are made to this end.

In reviewing the programs in the Municipal and Regional Assistance Division, the subcommittee first engaged in a broad philosophical discussion on public policy issues including: strategic focus, public/private subsidies, leveraging, appropriate roles, and short-term vs. long-term goals, and mixed subsistence/cash economies. It became clear, during that discussion, that a fair, legitimate, and appropriate discussion of a few of these programs is wrought with the potential allegation from some special interests that any change in many of these programs is racist. This became the case during the last legislative session as serious budget cuts were prioritized in the face of a significant budget gap. The notions of equal access, individual equality and responsibility, and equal application of the law seem to be lost when discussing subsidies. They appear to now be considered entitlements.

From the perspective of this subcommittee, such an allegation is flatly untrue, and those who advance a racist allegation are doing a disservice to their interest, the legitimate work and intent of this Commission, and the integrity of the people of Alaska. We believe that communities have the inherent right to choose their own economics, lifestyles, and futures. The choice not to be like Anchorage, Fairbanks, Juneau, the Mat-Su, or even Bethel is a legitimate choice.

We believe that government programs should be funded, focused, and managed based on need, accepted public interest goals developed through citizen participation and representation, and efficiently responsibly managed. They should not be based on location, race, or life style choices.

Some, not all, of the questions explored included:

1. What is a community? Is such a definition based on population or other factors?
2. Should the definition of "community" include some reference to a viable economic base?
3. Does any "community" warrant state financial or technical assistance?
4. When does a community stand on its' own economically?
5. Can a community gain or loose its economic base and what are appropriate public policies as these changes occur?
6. If we continue subsidizing communities without an economic base, are we encouraging economic choices by these communities that result in economic independence or dependence?

7. Can a state agency build "capacity" without private investment?
8. Can we delineate between programs that provide for fundamental human needs, such as basic health and safety, from other program subsidies? If so, how should that delineation take place? Based on what standards?
9. If it is an appropriate role of the state to financially support communities that have no economic base, for how long and to what purpose?
10. Is it the role of the state to financially support persons who make the choice to live in communities that have no economic base?
11. Subsistence is a legitimate and accepted economic or lifestyle choice in Alaska. But, should those who choose other lifestyles be required to financially subsidize that choice?
12. When does the state say, it is no longer appropriate for the state to subsidize communities unable or unwilling to support themselves?
13. Is it appropriate public policy to let communities without the ability or willingness to support themselves, cease to exist? If so, what are the implications?
14. Is there such a thing as socio-economic evolution for communities? Is this what building capacity does?
15. If the state interferes with the natural process of socio-economic evolution by injecting financial subsidies, is such a policy in Alaska's long-term public interest?
16. What will be the results of terminating state financial and technical assistance to communities that do not have an identifiable economic base or choose not to be self-taxing?
17. What will be the results of not terminating state financial and technical assistance to communities that do not have an identifiable economic base?

The dialogue between the subcommittee and the leadership of MARD greatly assisted the subcommittee in its understanding of the purpose, function, and mission of each program. It became clear that the State of Alaska has, over the past twenty to thirty years, made a significant investment in the management talent of these evolving programs, and that the investment is paying off. Each program manager respectively has many functions and areas of responsibility and vast on-the-ground experience in rural communities. To duplicate this talent pool in the private sector could be costly; if the goals and objectives of each program were to be fully privatized as currently configured.

The general consensus of the subcommittee was that it is appropriate for the state, as long as it can afford it, to provide basic health and safety needs for people who choose to live in communities that are without an economy sufficient to be self-supporting. The state has been an active and willing partner in efforts by the Alaska Congressional Delegation to fund basic health and safety needs of rural communities. Other areas of social services such as education were discussed in context but not addressed in this analysis, as the subcommittee needed to focus only on the programs assigned to it.

It was also recognized that essentially all communities in Alaska receive some level of economic assistance in the form of redistribution programs be they Federal or state. This is a reflection of political strength in Washington, D.C. as well as Juneau and regional governments and the policy assumption that such transfer payments are appropriate and beneficial when faced with community needs.

If reallocation programs are to continue, the subcommittee prefers reallocation structures that operate on the basis of formulas, so long as they are fair and representative, as we believe they attempt to remove more subjective means of public policy decision making and more fairly meet the needs of Alaskans.

A recent decision by the Alaska Supreme Court has spoken to at least a part of this dynamic. In its 9/1/99 Kasayuli decision, the Court said that State government is required to consider "disparate impacts" on rural areas even if policy decisions are grounded in purely economic, revenue, or any other issues. The Court in fact found that the state violated the Civil Rights Act

of 1964 and the Equal Protection Clause of the Alaska Constitution by having a "disparate impact on racial minority school children." The Court thus differentiated racist intent from disparate impact.

But what is "economic development" and what is "capacity building?" How do they really relate? These two concepts continued to run together at times and in opposition at other times in the discussion. Should you call building a rural water and sewer system "economic development?" If you build a road, is that economic development? Or is it something else? In the mind of some members of the subcommittee, economic development is **PRIVATE** investment for economic return. This may need a push or an incentive in order to accelerate both investment and return, but it is founded on private risk.

If the private sector is unwilling to take economic risk in a community, and if we subsidize the building of capacity, can we then reach a point in political or economic time and space that encourages or finally enables private risk? Or are we just throwing public money at an uncertain future? This continued to be a core dilemma for the subcommittee as it looked at many of the programs in this division.

In an effort to place the discussion of Alaska urban and rural economies the following is provided from a 1997 report commissioned by the North Slope Borough.

"The economy of Anchorage receives enormous stimulus from the rest of Alaska. Anchorage, the State's economic core, exports one-third of its output of goods and services, and over 60% of these exports are destined for other regions of Alaska."

"Of the \$16.9 billion in total 1996 output from the Anchorage/Mat-Su core region, \$3.4 billion—over 20%—were goods and services purchased by rural and other peripheral areas of Alaska."

"In 1996, over 25,000 jobs in anchorage/Mat-Su core region were due directly or indirectly to trade with the rest of Alaska. This exceeded the region's combined number of federal civilian and military jobs, and was also more than the total number of state and local government jobs."

"The ration of Anchorage/Mat-Su jobs created by 1996 trade with the rest of Alaska was greater than one in seven. The \$833 million paid to these workers exceeded the earnings of all retail trade employees in the region and was almost as large as the total for service sector employment."

"100% of Anchorage/Mat-Su construction exports, 90% of health services exports; 88% of wholesale trade exports; 86% of finance, insurance, and rural real estate exports; and 69% of business services exports were purchased by the rest of Alaska."

"Anchorage/Mat-Su construction companies made almost 50% of their total sales to buyers located elsewhere in Alaska. For firms in engineering, legal services, and wholesale trade the comparable figure was over one-third. The periphery accounted for over 60% of total exports and one-eighth of total sales in retail trade."

"Alaska's economy is heavily natural resource based. In 1996, resource industries contributed \$15.5 billion share to the state's \$25.85 billion total output, a 60% share. Activity I oil and gas, minerals, fisheries and seafood processing accounted for nearly 90% of the resource total and is based almost 100% outside Anchorage/Mat-Su."

Alaska's Economic Links. A Multi-Regional Analysis

prepared by Gross & Associates

E *But what happens when Senator Stevens goes away?*

Although the discussion of the subcommittee did not address race or cultural communities directly, one member of the subcommittee brought to its attention a federal program that is making some progress in addressing economic development needs of "Native Americans" to include Alaska Natives. The following brief discussion is provided to assist in considering this model for small rural communities in Alaska and highlights the possibilities for contracting out of appropriate state programs.

The Federal government is now involved in substantive change in the way it delivers goods and services to Native Americans. Under what is referred to as Section 638, tribes or tribal governments (in Alaska that is tribal IRA councils), if the federal government is proposing to provide goods or services to Native Americans or on Native American lands, and if the tribal government can show they are qualified, they may choose to take the funds as a grant and provide the goods or services themselves. This is becoming very popular in Alaska and is starting to catch on with Native Americans outside of Alaska.

The greatest impact in Alaska to date has been on the delivery of health care by the federal government to Native Alaskans. Virtually all health care is now delivered by the Indian Health Service under contract to Native non-profits. There have been some great successes. For example: Maniliq, in Kotzebue, now can afford to build its own capital improvements and is planning to construct \$1MM clinics in each of its villages using their own funds.

This process encourages the private sector to seek out local tribal IRA's and offer their expertise to them. By partnering with private companies, the IRA's can show the expertise needed to be awarded a 638 selection grant. They then take control of how the money is spent. It is not the BIA or some other federal government doing it for them. There have been some great successes with this approach with housing projects, road construction, and other capital improvements. It gives the local Alaska Natives control over the money and how and where it is spent. It is obviously a far more efficient process.

This same approach could be used by the State to better deliver goods and services. In fact, some state government programs within the DEC and Village Safe Water Programs are already successfully using a similar approach.

It will not work in all cases, in all villages, or at all times, but it has been highly effective in many projects.

Division Overview

The Municipal and Regional Assistance Division (MRAD) of the Department of Community and Economic Development is, according to publications from that division, the agency called for in the Alaska State Constitution to "advise and assist" local governments. The framers of the Constitution clearly indicated their belief that local government would play a critical role in Alaska's future and that the state had a responsibility to work with local governments to help them be successful in providing local governance and effective public services for community residents.

There are over 160 municipal governments in Alaska, and only a few of which are considered "urban" in the classic sense. While all municipalities receive assistance from the division, the focus of division staff is technical assistance and training for the smaller communities that lack resources essential to effectively operate their local government. The division's basic strategy is "capacity building." The division focuses on increasing the capacity of local people to deal with local problems without outside assistance.

The division also administers a number of programs that provide financial assistance to municipal governments to supplement local revenue generation.

The division's support for larger municipalities concentrates on provision of professional training and development opportunities in cooperation with organizations such as the Alaska Association of Municipal Clerks, Alaska Association of Assessing Officers, and Alaska Planners Association.

RECOMMENDATION:

Recognizing the current limitations of the Internet and locally trained support, the subcommittees recommendations is that the division appropriately advise all local governments of the resources available to any municipality over the Internet and through a host of state and national trade and professional organizations. Further, the subcommittee

believes that rather than try and address local governance issues from the perspective of the State, that communities be encouraged to interact and share problems and solutions with similar community's in Alaska or other rural communities. This is a function for the Alaska Municipal League (AML) and should be a major goal of that organization in serving its current and future membership. A departmental partnership with AML and the University of Alaska and just about any local government training or support program can encourage independence.

It was also concluded that most municipal challenges are not new or unique. Most often they have raised their head before and by reaching out to information sources within Alaska or other similar communities; a host of successful solutions can be identified, considered, tried, and institutionalized.

This approach can greatly reduce travel costs and the cost of state services while helping build a greater sense of self-sufficiency. As humans solve their own problems, through their own initiative they gain independence. The Internet is a very cost-effective means of searching for answers and obtaining assistance.

The State is currently reviewing its integrated communications future. Building a transforming bridge with Internet links and cables is a cost effective and responsible way to help span the Cultural Revolution forced on many communities in a time continuum that few in urban communities can grasp or understand.

The expansion of the Alaska Municipal League (AML), to include smaller rural communities who may not be able to pay their membership fees initially, would do much to include and integrate such communities as they "build capacity." This is an appropriate and legitimate role and function for AML as a trade or professional association. This effort to reach out would also do much to break down the divisive conflict between rural and urban communities in our state. AML should be aggressive in looking at expanding its programmatic matrix and build partnerships with state programs that provide training and technical assistance to its members or possible members.

Over a hundred cities in Alaska have populations numbering only in the hundreds. For many of these cities, it is a constant struggle to maintain basic services. This situation threatens the State's investment in essential community facilities and poses a threat to the health and safety of rural residents. Some of the more common problems are:

- Very frequent city staff turnover
- Lack of financial management and local government skills
- Significant decline in state financial assistance to communities as state revenues are reduced
- Limited local tax base or economy

RECOMMENDATION:

The subcommittee recognizes that the division has already been forced to choose communities that will receive services and those that will not based on the communities willingness to make change. Consistent with this appropriate public management decision, the subcommittee recommends that the division add an additional threshold that seriously looks at the question of "return on investment" even when doing capacity building. Does a community get to the point, given limited program funding, that further state assistance is not going to provide a reasonable level of return to justify continued investment? At this threshold, it may be appropriate that the state terminate any further

assistance, at least for the immediate future, as it is no longer cost effective. These are hard choices, but the subcommittee believes they are appropriate given the growing budget deficit and the need to target public investments where they have a reasonable expectation of generating a reasonable return.

Management Structure – Regional Offices

The division currently has seven regional offices including its main office in Anchorage. Some staff deal with unique challenges in a few rural communities where English is a second language.

RECOMMENDATION:

The cost of regional offices, in contrast to consolidated services and the financial and intellectual efficiencies they bring, deserves review. Given the availability of information sources now on the Internet and with Email and video conferencing, regional offices could be reduced in number or eliminated, while the program continues services to rural communities. This consolidation should be reviewed and cost savings passed on to other program areas or eliminated as a BRU expense.

Financial Management Assistance General Local Government Assistance

These two programs appear to have had some success in reducing the cost of local government by increasing financial and management efficiencies. They have become, in fact, the basic day to day function of this division.

RECOMMENDATION:

The subcommittee would again like to see the Alaska Municipal League, as well as other appropriate professional and trade associations and the University of Alaska explore providing these services in a partnership with the division. Initially, some level of contracting may be appropriate by the division with the League and/or University, but eventually we believe it appropriate that these organizations provide these services on a fee for service basis or at the cost of the organization. This is the role and purpose of such groups.

Rural Utility Business Advisor (RUBA) Program

The goal of this program is to help rural communities manage and operate sanitation utilities developed with state and federal funds. Providing business, finance, personnel, and general management assistance to governments responsible for operating newly constructed sewer and water utilities does this.

After an internal analysis and some modest effort to provide these service on their own, DEC approached MARAD and requested the division develop and provide training and technical assistance in this program area. DEC took the position that it is a regulatory agency with some construction responsibilities, not in the business of providing these kinds of services.

RECOMMENDATION:

Although this subcommittee is not charged with reviewing any DEC programs or functions, the decision to differentiate between regulatory "enforcement" programs in DEC and local government assistance programs is a reflection of one of the problems with that agency. There is no question that DEC must perform its regulatory function but it needs to reexamine how it does that. Regulatory programs need to be as much in the

business of helping a community succeed in the face of ever imposing environmental mandates as do other services. The separation of these functions is troubling and reflects an attitude in government that is one of the reasons citizens and businesses are so hostile to regulatory agencies.

"I'm from the state, and I'm here to help you," should not be a joke. It should honestly be what every state agency should do.

Although the subcommittee found, initially, that components of this program more appropriately belong in the Department of Environmental Conservation or contracted out to appropriate Regional or Village corporations with the skills to assist neighboring communities, the subcommittee recognizes that DEC turned this program over to the MRAD division. The subcommittee believes, however, that there should be a partnership between DEC and MRAD as the effort of capacity building goes forward.

Coordinated Response Partnership

The principle function of this program is response coordination to economic disruption.

RECOMMENDATION:

Although the subcommittee agrees that this is an appropriate role for state government, they also believe the more appropriate agency to provide these services is Emergency Services and thus recommends this program be transferred to that agency. Some adjustment within the Emergency Services program may be necessary, but responding to an economic disruption is in many ways similar to responding to a natural disaster. Both are economic disruptions.

The legislature and administration should explore the integration of economic and physical disaster response, within a single agency, as it may offer some management and programmatic efficiencies.

Office of the State Assessor

This office provides assistance to communities on assessment and taxation issues. It develops the annual Full Value Determination, and administers the Senior Citizen and Disabled Veteran Property Tax Exemption Program and the Senior Citizen and Disabled Veteran Property Tax Equivalency (renter rebate) Program. It also monitors municipal assessment and taxation practices and procedures.

RECOMMENDATION:

The subcommittee found that this was an appropriate role for state government, but felt it should be placed in the Department of Revenue rather than Commerce.

Community Development Programs

These programs address the relationship between investment into a community's infrastructure and development of an economic base.

Community Development Block Grant Program

This is a pass through federal grant program to enhance the quality of life for low and moderate-income residents in rural Alaska by providing grants for public facilities and planning for basic health and safety. These grants subsidize the cost of local services.

Special Economic Development funds may be used to provide capital to assist in the creation or retention of jobs that principally benefit low and moderate income persons.

RECOMMENDATION:

The subcommittee believes that, consistent with the intent of the federal program, the state should not be the holder of these grants, but they should pass directly to the regional (borough) governments in partnership with ARDORs. This will enable more local control. This action is considered more efficient as it would lower state overhead attached to such grant programs, putting money directly into communities. All reporting requirements would effectively remain the same, but the state office would be eliminated.

The subcommittee recognizes that this is a radical departure from what is done in any other state, but given the legislative mandate of the Commission, and the pressing budget imperative we face in Alaska, it is time to step outside of the box of conventional public sector management structures and pursue proven notions of enabling greater local control.

To meet any competitive mandate in the allocation of limited funds in face of demand, a partnership between the Alaska Municipal League and representatives of state agencies should be challenged to wrestle with this alternative.

Rural Development Assistance Program

Although still on the books, his program has not been funded for many years. It is a state funded rural development program that provides grants, on an annual competitive basis, to rural communities for a wide range of development projects. One application per community is accepted for a maximum of \$50,000 per year.

RECOMMENDATION:

The subcommittee believes that since the program has not been funded for many years, it should be eliminated as a program mandate. If the legislature determines that it wishes to keep this program as a vehicle for future funding, consistent with similar programs, this funding base should be allocated and distributed directly to the regional (borough) governments in partnership with ARDORs. The Alaska Municipal League could oversee the competitive process.

Emergency Shelter Grant Program

Assists in providing emergency shelter for the homeless. It is a part of a package of programs the federal department of Housing and Urban Development grants to the State of Alaska. These programs are considered, by the Fed's, as community development tools rather than social or emergency services.

RECOMMENDATION:

Regardless of what the federal agencies call it, this is either a social or an emergency service. Either way, this program should be reassigned to Health and Social Services or the Division of Emergency Services.

Community Services Block Grant

A program designed to reduce or prevent poverty through community-based educational activities that lead to a greater degree of self-sufficiency for low-income persons. RurAL

CAP also deals with alcohol and drug abuse, energy conservation, economic development activities, local control strategies, participation, etc.

RECOMMENDATION:

This program also appears to be more focused on social services and should be reassigned to Health and Social Services or delegated to RuralCAP or boroughs. Alternatively, the Subcommittee would suggest consolidation of these programs and support funding through the regional governments in partnership with ARDORs and/or AML. This is particularly true for one of the major expenditures under this grant, RuralCAP's annual Village Participation Conference – where village leaders from around the state get together to discuss common problems, issues, and solutions.

The continued segregation of rural community gatherings from those of larger communities feeds the festering conflict between urban and rural areas in our state. A public mandate that such functions be integrated would go far to initiate the construction of appropriate bridges between rural and urban communities. As pointed out in the opening discussion of this evaluation, this needs to be accomplished by an integration of AML of all communities in Alaska, even those who financially are unable to meet AML's membership fees. Appropriate AML scholarships and "developing community" or "capacity building" grants should be offered to assist in building these critical bridges.

Economic Development Programs

Rural Development Assistance/Forest Service Mini-Grants (RDA Mini-Grants)

Funding is available on a competitive basis to communities of less than 10,000. Municipalities, Native Village or IRA Councils, and nonprofit corporations may submit one application per year for a maximum of \$30,000. This program provides funds for economic development projects or other enterprises that increase jobs, income, or services in rural communities.

RECOMMENDATION:

In this case the definition of what is "economic development" is a function of federal regulations. Some members of the subcommittee do not agree that roads, water and sewer projects are "economic development" although they may be "capacity building."

In past years ARDORs have played a role in the competitive review process. This should be encouraged, but a partnership with AML should also be explored. As long as federal regulations mandate the process for allocation of federal dollars, this may be the closest we can get to any process reform.

Rural Development Initiative Fund (RDIF) Loans

This program provides loans for new businesses or expanding businesses that have been unable to secure funding through more conventional sources. The program is to encourage investors to place funds into new ventures in smaller communities (less than 5,000) by reducing the financial risk to the lender. A commercial lender must apply for any loan.

RECOMMENDATION:

Again, it is the subcommittee's feeling that these funds/loans be directly administered by a partnership of AML and regional ARDORs and local banks in communities that

qualify. These organizations know the communities and their needs far better than a state agency does. Such a re-delegation would further target these funds in a more efficient organizational structure.

Community Development Quota Program

This is a federal program specific to fishing communities to address serious economic and social problems of the western Alaska region. Federal statute and regulation mandate the state's role.

RECOMMENDATION:

Again, even in the face of federal mandates, it is important for the state to explore alternative management strategies if they prove effective and efficient. Developing a partnership with appropriate ARDORs, the AML, and regional governments for the allocation of these funds would further push decisions down. This management philosophy has consistently proven more responsive to local needs than federal or state management.

Alaska Regional Development Organizations (ARDORs)

Created by the state legislature, ARDORs prepare regional economic development strategies and assist communities and businesses implement them. They are eligible for grants and other pass through economic development oriented programs.

RECOMMENDATION:

Consistent with the legislative intent of creating regional organizations to assist communities and businesses grow and be productive, a stronger and more integrated partnership between state and federal programs, ARDORs, and the AML should be crafted. This would enable ARDORs to be more project oriented, yet still meet their planning and coordination responsibilities. It would put some muscle where the rhetoric has been, by annually funding project or need areas.

If legislative changes are needed in specific funding programs or in the ARDOR statute, the Commission should advance them.

Local Boundary Commission

One of five state boards with origins in Alaska's Constitution, the commission ensures arguments for and against boundary adjustment proposals are analyzed objectively, taking areawide and statewide needs into consideration.

RECOMMENDATION:

This is an appropriate role for state government. The Subcommittee believes, however, that Internet technology could greatly enhance and expand the capability of this function.

Community Planning

Provides assistance on regional and community planning issues with technical advice and training. It also oversees the Alaska Coastal Management Program and the National Flood Insurance Program.

Local Government Planning Assistance

Provides surveys, land use studies, technical services, and other planning work for municipalities that exercise planning and zoning authority.

RECOMMENDATION:

This is a service that should be provided by the Alaska Municipal League (AML) as a part of its membership services. As pointed out in earlier recommendations, however, the AML needs to expand its role and function to be more inclusive of smaller rural communities. A partnership between AML and the Alaska Chapter of the American Planning Association to provide annual planning commission training should also be explored.

Alaska Coastal Management Program (ACMP)

Conducts a program of research, training, and technical assistance to coastal resource districts including granting ACMP funds.

RECOMMENDATION:

This program should be delegated to DNR. It is a land management; land regulation function that should be combined not segregated. The grant administration and technical assistance activities within this program area should also be delegated to DNR. Providing money and technical assistance to local land planning agencies needs to be integrated with the land management function. Segregation of these two functions is not appropriate from a land and program management perspective.

National Flood Insurance Program (NFIP)

State is the coordinating agency for the NFIP providing over \$207 million in flood insurance coverage to 30 cities and boroughs. Staff assists local governments dealing with flood management issues so that local's can obtain flood insurance.

RECOMMENDATION:

This program should be privatized consistent with efforts nationally to have all federal flood insurance privatized. The Congress of the United States found, over 16 years ago, that federal spending in flood prone areas encourages building and rebuilding in those areas and further taxes federal revenues. It is a program of incentives where disincentives should prevail. Proceeded only by Social Security and Medicare, government provided flood insurance is the third largest exposure to the national treasury.

Fundamental to such an effort, however, is the objective of significantly reducing, over time, or eliminating repeat assistance. Damaged structures should receive one payment following a flood, but if they choose to rebuild in the same "flood prone" location, they

should not receive further assistance in the event of disaster. The state's efforts should focus on this goal.

Financial Assistance to Communities

State Revenue Sharing

This is the largest program in MRAD. The program reallocates, based on formulas, "excess" funds obtained by the state, to local communities for a host of projects and needs.

RECOMMENDATION:

As long as there are "excess" funds at the state level, they should continue to be reallocated to local governments, based on fair formulas, for community determined "priority" uses. Once the state determines there are not sufficient funds from general revenue to "share" with other levels of government, this program should be eliminated.

Although the subcommittee recognizes that reallocation schemes predate oil revenues, the assumption that it is in the public interest to take funds away from some and reallocate them to others, for purposes other than those mandated by the Constitution, is a pervasive notion of some in government. If the State of Alaska finds that this socio-political engineering through the reallocation of wealth, be it of communities, businesses, or persons is consistent with the role and purpose of state government, then such programs should continue. If, on the other hand, the legislature finds that reallocation programs can be harmful to communities, businesses, and persons, then an alternative action would be suggested.

Safe Communities

This is a targeted revenue sharing program that redirects corporate income tax revenue to a priority list of services. In FY00 the state estimates \$220 million will be collected.

RECOMMENDATION:

The collection of corporate taxes is a disincentive to business in Alaska. The elimination of this tax on business and industry would encourage business expansion and reinvestment in Alaska. This is a far more efficient means of economic development than any reallocation strategy by the state.

As long as the state legislature finds that this is an appropriate function of state government, and there are "excess" funds at the state level, they should continue to be reallocated to local governments, based on fair formulas, for community determined "priority" uses. Once the state determines this program is inefficient or there are not sufficient funds from corporate income taxes to "share" they should eliminate this program.

National Forest Receipts

This is essentially another revenue sharing program, where 25% of the income earned from activities within the national forest is distributed to boroughs and cities within the national forest. Federal and state law requires expenditures only for public schools and public roads. The FY99 program distributed about \$1.9 million to nine boroughs, 18 cities, four Regional Educational Attendance Areas, and the Metlakatla reservation. The

division receives no funding for administration of the NFRS program, thereby subsidizing this federal reallocation strategy.

RECOMMENDATION:

As long as the federal government mandates state management of this reallocation program, it should pay for the cost of that management by a percentage of the funds that pass through. Alternatively, the allocation should be based on a formula based on population in communities that qualify, and the funds could be sent directly to such communities without state participation.

Shared Fisheries Business Tax Program

Provides an annual sharing of fish taxes collected outside of municipal boundaries on the basis of nineteen "fisheries management areas." FY99, \$1,208,039 was distributed to eligible municipalities. Allocations are based on level of significant impacts resulting from fishing industry activity compared to the level of impact experience by other municipalities in the area. The division receives no funding for administration of this program, and therefor subsidizes the state program.

RECOMMENDATION:

This is again a tax reallocation program based on the subjective standard of socio-economic impact. The state should allow a percentage of each dollar to off-set the cost of management or the funds should be directly allocated to the qualifying local or regional governments reducing state participation.

Federal Payments in Lieu of Taxes (PILT) Program for Cities in the Unorganized Borough

Provides federal funds in part payment of local tax losses due to federal presence. \$3.19 million was distributed to 96 cities in FY99.

RECOMMENDATION:

Somewhat similar to the previous two federal reallocation programs, the state subsidizes the process with staff. PILT can be structured to directly target those communities that do not receive taxes due to federal property ownership. These funds should be directly allocated to the affected communities based on objective formulas by the federal agency. The state should not continue to subsidize the management and oversight of this program.

Land Management and Mapping

These programs address Land title issues that hinder economic and community development in both private and public sectors. Resolving current land issues assists in preventing future land management problems.

RECOMMENDATION:

The subcommittee believes all of the below listed programs should be moved to the Department of Natural Resources. They are directly consistent with that agency's purpose and function and DNR has the staff to assimilate these programs efficiently.

Although MRAD argues that these programs are about community development, they still are a function of land management. To assert that DNR mandate is state-owned land and therefore manages to the "state's best interest," thus not capable of considering community needs or the interests of local governments is incorrect.

MRAD points out that lands impacted by these programs are held in trust for community and public purposes and the decisions about land use are made by local village councils often complicated by local social and political issues. This does not change the land and program management capabilities of DNR. The subcommittee would argue that a partnership between DNR and these communities is a good match allowing significant land management skills to be tapped by small rural communities.

This does not mean that the subcommittee does not support the concepts of strong local government as identified in Title 29 of the Alaska State Constitution – it does.

Land Management Program

Site Control

ANCSA 14© survey plans

Municipal Lands Trustee Program

Land Management Assistance and Training

Mapping Program

Research and Analysis and Community Data

Provides research, analysis and general technical support for internal program operations, as well as develops and maintains a wide range of information about Alaska's communities, sharing that information with agencies and the public.

This program is located in this division because it was believed that the state agency could perform this function most efficiently. The department has researched options for doing the research and analysis work and have found no one willing to do the work for anywhere near what it costs the department.

One of the directives contained in the constitutional mandate of this MRAD division is to "collect and publish local government information." In addition the department continues to be flooded with requests for this type of information from the Legislature, private development sector, and other agencies.

RECOMMENDATION:

First the subcommittee examined if the work done was necessary and useful. It was found that based on requests from the Legislature, other state agencies, federal agencies, and the private development sector that the information is needed and used.

Objective information gathering and redistribution is an appropriate and necessary function of government. In fact it is the principle function of government if assessed based on function.

But what level of government or agency of government should provide this function in looking at communities?

Two options present themselves with these programs. They are:

1. The function is contracted out to such organizations as the Alaska Municipal League or the University of Alaska
2. That an internal, multi-agency review of all research and analysis programs within state agencies, be combined and relocated.

Some relationship with the University of Alaska, Institute for Economic Research and the Alaska Municipal League as well as with other agencies should be explored as it may offer significant database efficiencies.

The function of research and analysis is essentially a means through which agencies attempt to better understand their clients or customers. This is not dissimilar to private businesses that study their markets. There is, however, a board public interest issue that makes this an appropriate university activity.

This recommendation is applicable to all of the below listed programs:

Community Database/Community Profiles
Promoting Alaska's Communities Through a new Web site
Community Capital Project Database

TO: Mr. Lee Wareham, Chairman
Economic Development Subcommittee
The Commission on Privatization and Delivery of Government Services

FROM: Pat Poland, Director,
Municipal and Regional Assistance Division
Department of Community and Economic Development

Thank you for the opportunity to respond to the recommendations of the subcommittee responsible for reviewing and making recommendations regarding the services delivered by this division. The Division and the Subcommittee exchanged a great deal of information and, while we still disagree with many of the recommendations of the subcommittee, I believe everyone has benefited from the exchange of viewpoints.

I would also note that, conceptually, the Division agrees with many of the recommendations of the subcommittee. For example, the subcommittee's concept of partnering with other appropriate organizations to deliver services is one the division embraces with enthusiasm. In fact, whether it is delivering technical assistance and training, responding to economic "emergencies", or providing management assistance in conjunction with sewer and water utilities, the division is an active partner with many organizations. We currently "partner" with all of the organizations identified in the final subcommittee recommendations.

Where I disagree with the subcommittee is when they move from a general philosophical approach to suggesting specific recommendations with no supporting documentation. Our initial response raised a number of valid concerns and issues associated with the subcommittee's draft recommendations. For reasons unknown, the subcommittee either failed to acknowledge the issues or dismissed them based on philosophy. No where is there an explanation of how service delivery will be improved. Rather, the recommendations appear to make a philosophically based assumption that someone, anyone other than state government, can do a better job.

I believe our original response does a good job of explaining why we believe the present system of delivering services is the best at this point in time. I have attached an edited version of that document. I regret that it is so lengthy, however, the subcommittee made very detailed recommendations regarding the division programs and services which necessitate a response in kind.

Once again, thank you for the opportunity to comment on the subcommittee's recommendations. I look forward to discussing these recommendations with the full committee.

TO: The Commission on Privatization and Delivery of Government Services
Trade and Development Subcommittee

FROM: Pat Poland, Director
Municipal and Regional Assistance Division

Department of Community and Economic Development

Thank you for the opportunity to review and comment on your draft paper making recommendations regarding the Municipal and Regional Assistance Division.

Before responding to the specific comments and recommendations, I would like to address a number of premises that your recommendations appear to be based on. Specifically:

Premise #1: The Department of Community and Economic Development's mission is exclusively a business/economic development mission. The Department of Community and Economic Development's mission was thoroughly reviewed, debated, and defined by the Alaska legislature less than six months ago. To suggest that the Department's mission has been "diluted" because of the inclusion of programs this division administers ignores the work of the legislature in merging the Departments of Community & Regional Affairs and Commerce & Economic Development. The mission of the new DCED rightfully includes all aspects of community and economic development.

Premise #2. ARDORs are capable of providing additional public services. The ARDORs do represent an important economic development tool at the regional level. However:

- They are not a broad-based public service delivery agency. The boards governing ARDORs have no statutorily designated composition and may or may not represent the variety of interests within the region they work with. ARDOR boards are not elected.
- The ARDORs are not present statewide. Substantial portions of the state are not located within an ARDOR.
- Generally, the ARDORs have very minimal staff; several executive directors have no support staff. None of the programs suggested for transfer to ARDORs have sufficient financial support to provide even one additional staff person in each ARDOR.
- ARDORs, generally speaking, have no track record with respect to delivering on-going program services. To date, ARDORs, with few exceptions, have been limited to providing general technical assistance with respect to economic development. To suggest that this experience automatically translates into the ability to administer public programs is an assumption without a basis in fact.
- It should be noted that the statute authorizing ARDORs is due to sunset at the end of this fiscal year. In recent years the Legislature has re-authorized the ARDOR program in 2-year increments, an indication that the Legislature has not made a long term commitment to the ARDOR concept.

Premise #3. Federal agencies would be willing to transfer programs to ARDORs, the Alaska Municipal League, and other undefined corporations. Again, this is a major assumption. In certain cases it is clear that the federal government would not make such a transfer. In others, an entire evaluation process would have to be gone through and individual determinations by various federal agencies made.

A very substantial portion of MARAD's actual service delivery budget comes from federal program receipts. Assuming these funds can simply be transferred to another organization is a big assumption.

All of these federal program receipts require a match – varying from 25 to 50%. If another organization were to assume the program responsibility it would have to provide that match.

Premise #4. The Internet is a useful teaching tool in rural Alaska and can replace virtually all forms of Local Government Assistance. This is simply not the case. We in the department have been exploring this approach for several years and, while there are exciting possibilities, this does not by any means represent a total solution for delivering remote technical assistance. In the vast majority of communities we work with, access to the Internet by local government entities is simply not available. If access to the Internet is available, it is at considerable expense and extremely poor quality. We have put substantial effort into exploring the possibilities of the Internet for local government educational purposes and have used it to a limited degree; e.g. certain training documents have been put on the department's web site. But access to this information by rural local governments remains quite limited.

The assumption that if local government officials have access to information on the Web, the rest of the educational process will take care of itself, is a misinformed. Many municipal officials in small communities have limited education, may use English as a second language, and often have limited or no exposure to concepts that professionals in government have had.

Our investigations into possible online resources find that very little "local government" or "rural development" information now on the web has practical application to rural Alaska. On the web, "rural" means places like Fairbanks. To have any meaningful impact on rural Alaska, a whole range of "Alaska-relevant" online materials need to be developed. Further, to be effective, these online resources need to be maintained and updated by real human beings that understand rural Alaska and are available to address special situations as they arise.

Premise #5. The Alaska Municipal League is capable of providing the training and technical assistance services provided by the division. The AML is a member organization that serves principally as a lobbying and advocacy organization. What training the league has done has occurred at its annual conference and is, by necessity, fairly general in presentation. Division staff has often provided the training elements that were focused on smaller municipalities. The League has no significant experience in traveling to and working with small rural community officials in providing local government services.

No doubt, given adequate financial resources the League could eventually develop an organization capable of delivering training and technical assistance to small municipalities. However, as noted

above, much of the division's financial resources are federal funds; they would not be available to the Alaska Municipal League. To suggest that the membership of the league could generate the financial resources necessary reflects general ignorance of the financial plight of most small second class cities. Most of these municipalities struggle to generate the financial resources needed to provide the most basic of public services, let alone pay the travel and service fees for a professional to come to their community.

Finally, because AML is a member organization, it serves only its membership. While many of MARAD's programs are targeted at municipal governments, many of the programs also include unincorporated communities. Examples include the Rural Utility Business Advisor program, State Revenue Sharing, RDA/Mini grants, and the ARDOR program.

Premise #6. The Department and Division's mission is not relevant to this review. The programs the division administers are housed under this one roof because they relate to each other in the context of developing healthy communities. The strength of the organization revolves around the synergistic effect that is created by having these programs and related staffs work with each other. The programs the division administers and delivers are a means to an end, not an end in and of themselves. The question should be: is the division doing the mission the legislature charged it with? Not, "can we transfer these programs somewhere else"?

Premise #7. Municipal Government is not part of the solution.

Many of the recommendations of the subcommittee, particularly those relating to transferring functions to ARDORs and other non-profit organizations, would serve as a dis-incentive to the formation of municipal regional governments. This is a pattern that has been practiced for years and is, in our opinion, one of the reasons the state's system of service delivery is so fractured. The bottom line is that if residents can get services from a local non-profit, supported by the state, why should they form a local government and pay a portion of the costs themselves. As noted in the body of our response, if there is going to be a massive decentralization of state programs it should be to organized, legitimate local governments.

Specific Responses –

General Comments, Page 1

The paper starts out by stating that it does not question the appropriateness of the recent DCRA/DCED merger, but worries that it might dilute "the critical purpose" of the department. This statement flies in the face of the legislature's action to place the division in DCED, re-name the department, and adopt by statute most of the duties of the former DCRA into the new DCED.

Recommendation: Provision of Services by AML, University and other Trade Organizations", Pages 5 & 6.

Several recommendations are made regarding training and technical assistance to local government officials. Specific recommendations include:

- The Internet – I indicated earlier the general lack of availability of the Internet to rural local governments and why simply providing information is not sufficient to enable local government officials to build the capacity they need in order to manage and deliver public services.
- National trade and professional organizations – again, this is simply not realistic. Issues of education, language, culture and cost all work against this recommendation. We are not talking about the education of a city administrator in Wasilla or Palmer, whose principal function is management and public relations. But rather, the education of an individual who as city administrator:
 - Is expected to do everything for a city that would normally have a public works and planning staff, utility manager, building official and other support staff;
 - Is working in remote parts of the state in isolation from other professionals and education resources
 - Often has a different language and culture; and
 - Typically has no college level education, often works only part time, and receives minimal wages.
- The exchange of information through municipal organizations - this is a sound recommendation and we wholly endorse it. We encourage all municipalities to join and participate in AML activities. However, those activities are limited and serve a diverse range of needs. It is rarely possible to deliver a substantive training program that works for municipal officials from such diverse communities as Ketchikan, Cordova, Unalakleet and Mekoryuk.
- This recommendation also contains the statement that "municipal challenges are not new or unique" and suggests that reaching out to other information sources in the lower 48 is part of the solution. This statement is not true of rural Alaska! Challenges associated with:
 - human and financial capacities;
 - differences in language and culture
 - an undeveloped local government structure;
 - incredible logistical and environmental issues;
 - isolation from resources available in urban Alaska;
 - demands placed on rural local government administrators; allcombine to provide some of the most unique and challenging conditions in the United States.

Financial Management Assistance & General Local Government Assistance – Page 6

The recommendation for these programs is that the Alaska Municipal League and the University of Alaska provide them. The recommendation notes that initially there may be some contractual funds but that eventually user fees should support these services.

Why we believe this approach is not going to be effective has been discussed. The University is not in the business of providing educational services on a village level. It provides education on campus or through its distance education efforts. While the latter is a worthy effort it takes highly motivated individuals, with an ability to pay, and an ability to study and learn independently, to

succeed. This model does not have a good track record when dealing across the cultural and socio-economic divide that separates rural and urban Alaska.

Finally, the difference between teaching and training should be noted. MARAD is in the business of training local government officials how to perform various skills – from preparing a budget, to setting up a utility billing system, to conducting a municipal election. The University teaches students about a subject in a classroom setting – the emphasis is on transfer of information, not necessarily the transfer of skills.

Recommendation: "Return on Investment", Page 6.

The committee recommends that the division establish a process that looks at "return on investment" and establish a threshold that, if not met, results in the termination of assistance.

It is our opinion that a "return on investment" approach to measuring the value of communities is simplistic and ignores moral, ethical and legal considerations. Moreover, to make a 180-degree policy switch after 40 years of investing in, and promoting the enhancement of the quality of life in rural Alaska, because of budget considerations is, at best, reactive policy making.

Notwithstanding the above, the division does annual work planning, makes assessments of a community's willingness to improve their management systems, and allocates its resources in a deliberate, thoughtful manner. If we do not believe that a community is willing to make change and work towards basic standards of competency, we do not commit our resources. At this point, the workloads generated by communities who are willing to work towards basic standards of competency exceed the division's capacity to respond.

Recommendation: Management Structure – Regional Offices, Page 6.

The division has, on several occasions, done a financial analysis of the regional office structure to determine if meaningful savings could be obtained by locating staff centrally. On each occasion, that analysis has revealed little if any financial savings while acknowledging the loss of substantial staff expertise available only in rural centers. The division keeps the cost of regional offices low by:

- Sharing office space with other state and federal agencies;
- Providing centralized administrative support – there is only one clerk present in the seven regional offices;
- Sharing technology costs (computers, telephone, FAX) with other agencies.

Much of the work done by regional office staff is done on-site, in a community. The financial savings that are realized by not having to fly staff out to a regional center is very substantial. Also, by virtue of our presence in regional centers we are able to partner with regional non-profit corporations to lower the cost of training and technical assistance.

Regional offices afford us the opportunity to hire local residents from the region. Sometimes these are individuals who have had long term success as a city administrator, other times they are a younger person who has gone off to college and returned home looking for work. Regardless, the individuals typically possess knowledge and language skills that are not available from individuals in urban areas. These skills are often critical to the success of the division's role in local capacity building.

Finally, it should be noted that the regional offices provide a vital connection between program staff located in urban settings and the real world of rural Alaska. This is not simply for MARAD

programs but for other state and federal agencies as well. The Regional Offices often provide the information and "reality check" that enables the department to have credibility with legislative and executive branch policy makers when speaking to issues concerning rural Alaska.

Recommendation: Rural Utility Business Advisor Program – Page 7

The relationship with DEC/Village Safe Water was begun over ten years ago. Since that time we have expanded our presence in the sewer and water field to include relationships with DEC, Indian Health Service, Alaska Native Health Board, the Environmental Protection Agency, the Denali Commission and a number of regional Health Corporations. All of these organizations have endorsed and supported the housing of RUBA services in MARAD. Formal recommendations to this effect were made by the Governor's Sanitation Council under Governor's Hickel and Knowles, by the Federal Field Committee on Rural Sanitation, and by the Rural Alaska Sanitation Council.

It should be noted that while the majority of funds spent on this program are federal, receipt of such funds does require a local match. This could be an impediment to other agencies or organizations receiving the funds.

Recommendation: Review and integrate Coordinated Response Partnership – Page 7.

The recommendation is that the legislature explores integration of economic and physical disaster response into one single agency. We believe this ground has been covered but have no objection to reviewing the issue.

Recommendation: Transfer the State Assessor to Revenue – Page 7.

The recommendation for this program is that it be placed in the Department of Revenue.

The Municipal and Regional Assistance Division represents a group of individuals possessing the professional and technical expertise needed to help a municipality carry out its public service responsibilities. We are grouped together because our focus is healthy local governments/communities and because placing us together creates a synergistic effect that you would not get if we were scattered to a number of separate departments. For example, the state assessor can help a Local Government Specialist who is working in a community trying to implement a local sales or property tax. This doesn't happen when the State Assessor is sitting in a Department whose principal focus is assessing oil property and generating revenue for the State.

Recommendation: Transfer the Community Development Block Grant Program to ARDORs – Page 8

The recommendation is that this program be transferred to the ARDORs. This is a Federal program delegated to the State. Federal officials have advised us that delegation to ARDORs is not an option.

The CDBG is a statewide competitive grant program with many requirements. The State's oversight is subject to significant federal scrutiny. Federal receipts pay for the bulk of the administrative cost of the program.

Finally, I would point to the CDBG program as another example of the synergy referenced earlier. Regional office staff plays an important role in helping communities identify potential projects and develop well thought out proposals that will succeed.

Absent that assistance, grants tend to go exclusively to the larger communities that can afford to hire grant writers.

Recommendation: Transfer Emergency Shelter Grants to Health and Social Services or Emergency Services – Page 9

The recommendation is that since this is either a social service or an emergency service the program should be transferred to DHSS or DES.

This is part of a package of "community development" programs that the Federal government grants to the State of Alaska. Administration associated with these grants is fairly minimal. Whether the Federal government would accept another agency administering the grant is not clear.

Recommendation: Transfer the Community Services Block Grant to Health and Social Services. – Page 9

The recommendation for this program is that it be transferred to DHSS or given to the ARDORs.

The only organization eligible for this grant is RuralCommunityActionProgram. While Rural CAP deals with what could be called "social issues" these funds do not provide social services.

As with Emergency Shelter Grants, this grant requires fairly minimal effort to administer.

Rural Development Assistance/Forest Service Mini-Grants – Page 10.

The recommendation is that the division partners with AML and ARDORs to administer this program. The division currently involves ARDORs in the grant selection process. We will explore whether there is a role for AML to play..

Recommendation: Have ARDORs administer the Rural Development Initiative Fund (RDIF) Loans – Page 10.

The recommendation is that the ARDORs administer this program.

This program has seen minimal activity the last several years. Private banks have serviced loans under this program. The Department has actively encouraged ARDORs to identify potential loan applicants.

Recommendation: Use ARDORs and AML to push decision making regarding the Community Development Quota Program down – Page 10.

The recommendation is that this program be "delegated to the appropriate ARDOR or other regional entity for management".

Regional CDQ groups, pursuant to federal statute, manage this program. The state's role is in the resource allocation process and the financial monitoring of the CDQ groups. This is an appropriate role for State government to play and, is called for by federal statute and regulation.

Recommendation: Delegate State and Federal programs to Alaska Regional Development Organizations (ARDORs)- Page 10.

The recommendation is that state and federal programs be delegated to ARDORs to the maximum degree possible.

I have already commented on the issues associated with ARDOR administration of state and federal programs.

One additional point: If there is going to be a massive decentralization of all state programs, the programs should go to organized boroughs. Boroughs are legitimate regional governments, part of Alaska's local government system defined in the Constitution, operate pursuant to statutory authority, and are governed by an elected body subject to the equal representation provisions of state and federal law.

Recommendation: Local Boundary Commission – Page 11.

The recommendation is that the Commission make use of the Internet to enhance and expand the capability of this function.

The Commission currently makes extensive use of the Internet for its business including:

- Providing notice on the Internet and via e-mail;
- Providing copies of its draft and final reports on the Internet as well as distributing copies of the same;
- Providing copies of petitions, notices and all other forms the Commission uses via the Internet;
- Providing copies of documents explaining the various procedures for municipal boundary change on the Internet;
- Providing copies of the laws and regulations governing the Commission's business on the Internet.

If the committee would like to make specific recommendations on how the Commission could further use the Internet we would be glad to explore them.

Recommendation: Have the AML provide Local Government Planning Assistance – Page 11.

The recommendation is that the Alaska Municipal League provide this service.

The Division provides extremely few community planning services and those that are provided are typically in conjunction with administration of a grant program. For example assistance might be provided in determining an appropriate site for a public facility, including dealing with issues such as site control, flood and erosion potential, and the general appropriateness of the site relative to the purpose of the facility. . The Division also works with the Alaska Chapter of the American Planning Association to

provide annual planning commission training. However, in practical terms, MRAD does not have a Local Government Planning Assistance "program".

Recommendation: Transfer the division's Alaska Coastal Management Program (ACMP) responsibilities to the Department of Natural Resources – Page 11.

The recommendation is that the program be "re-delegated to DNR" because it is a land management/regulation function.

There are a number of aspects to the ACMP including land management. However, MARAD's role deals with grants administration and technical assistance to local land planning agencies. DNR is a regulatory agency and along with DEC and ADF&G exercises regulatory authority through the ACMP. It is appropriate that the functions are in two different agencies. In FY97, the Legislature held numerous hearings to disband the Division of Governmental Coordination (the lead ACMP agency) and move much of the ACMP into DNR. Last year, after holding a number of public hearings to consolidate ACMP functions in DNR, the Legislature again decided not to move ACMP functions into DNR. It seems redundant to revisit an issue that the legislature has dealt with extensively in the last 2+ years.

Recommendation: Privatize the National Flood Insurance Program (NFIP) – Page 12.

The recommendation is that the program be "privatized". How that would be done is not explained. Private insurance companies already provide the actual insurance. The assistance provided by the division is federally funded.

Staff with this program provides assistance to local governments and to homeowners in understanding and implementing procedures and standards necessary to participate in the NFIP. Participation by a local government makes low cost flood insurance available to homeowners that would otherwise be unable to secure such insurance. There is no incentive for any private institution to take on this role. Funding for the program requires a 50% match, which could be an impediment to privatizing the program.

Recommendation: State Revenue Sharing & Safe Communities – Page 12.

The recommendation is that the programs be funded so long as there is sufficient general fund revenues.

This agency strongly supports continued funding of these programs. Note also that these programs were funded before the state was receiving oil royalties. The Safe Communities program is based on the sharing of corporate income taxes. In FY 00 the Department of Revenue estimates Corporate Tax Revenue will be approximately \$220 million.

Recommendation: National Forest Receipts – Page 13.

The recommendation is that this pass-through program be contracted to qualifying ARDORs.

The division receives no funding for administration of the NFRS program. Federal statute directs that the state re-distribute the funds pursuant to formula. It is an annual, one-time occurrence. Contracting out would require funding for ARDOR administration and Federal approval.

Recommendation: Shared Fisheries Business Tax Program – Page 13.

The recommendation is that this program be contracted out to the ARDORs.

The division receives no funding for administration of this program. Distribution of funds is an annual, one-time occurrence. Previous concerns with ARDOR administration of state programs apply. Contracting out would require a funding for ARDOR administration.

Recommendation: Federal Payments in Lieu of Taxes (PILT) – Page 13.

The recommendation is that this program be contracted out to the ARDORs.

The division receives no funding for administration of the PILT program. Federal statute direct that the state re-distribute the funds pursuant to formula. It is an annual, one-time occurrence. Contracting out would require a funding for ARDOR administration and Federal approval.

Recommendation: Land Management Programs - Page 14

Site Control

Municipal Lands Trustee Program

ANCSA 14© Survey Plans

Mapping Program

The recommendation is that these programs be transferred to DNR. The stated reason is that the programs are consistent with that agency's purpose and function.

There is a failure to understand why these programs were put in division. It was not because we had some local planning expertise, although that certainly was an element, but the overriding reason is that because these programs – particularly the Municipal Lands Trust program – are about community development. The lands are held by the state in trust for community and public purposes, decisions about land use are made by local village councils and are often complicated by local social and political issues.

These functions were put in the division to help build the capacity for a future city incorporation and because the division deals with local governments and the broad community development concept. DNR is a land manager for State-owned land with the "state's best interest", not community or regional interests guiding it's decision making. Along with privatization, we hope the committee supports the concepts of strong local government as identified in the Alaska constitution and Title 29.

These programs are clearly in the statutorily defined mission of the Department of Community and Economic Development. This is a mission that was thoroughly reviewed, discussed, and approved by the Alaska legislature less than six months ago.

Recommendation: Research and Analysis – Page 15

The recommendation is that this function be transferred somewhere – the University appears to be the leading candidate.

We have researched options for doing the research and analysis work and have found no one willing to do the work for anywhere near what it costs us. MARAD started performing the research and analysis function for two reasons: First, one of the directives contained in our constitutional mandate is that we “collect and publish local government information”. The second is that we kept getting requests for this type of information from the Legislature, private development sector, other agencies, etc. and no one else was willing to do it.

Is the information used? Absolutely! For example, the Alaska Community Data Base web site receives over 10,000 hits a day, which represents over 2,000 unique users each day. This has become an invaluable resource for state and federal agencies and the general public. We receive regular and frequent statements of appreciation for the web site from the public, from researchers, from legislative staff and from other agency staff.

Again, thank you for the opportunity to share our perspective on the subcommittee's recommendations.

November 3, 1999

Mr. Marco Pignalberi, Executive Director
Mr. Rick Davidge, Staff to the Commission on Privatization
Members, Trade and Development Subcommittee

Re: Commission on Privatization and Delivery of Government Services

Thank you for the opportunity to review and comment on the recommendations contained in the October 29, 1999 report of the Trade and Development Subcommittee of the Commission on Privatization and Delivery of Government Services. The report raises some interesting questions and demonstrates generally thoughtful consideration of how Alaska can deliver basic services to its citizens in this time of reduced resources.

I am concerned, however, that some of the information contained in the report is not fully accurate, and may lead the Commission to improper conclusions. Allow me to clarify for the benefit of the Commission, the scope and depth of RurAL CAP's constituency and programming.

The Rural Alaska Community Action Program (RurAL CAP) is a diversified *statewide* private non-profit corporation. RurAL CAP operates nineteen programs, located in Anchorage, Juneau, Homer, Seward, and approximately sixty villages from Selawik in Northwest Alaska to Klawock in the Southeast. The only area of the state in which RurAL CAP does not operate or administer programs is the North Slope Borough.

As noted in the report, RurAL CAP's programs are primarily human services. RurAL CAP is one of the oldest non-profits in Alaska, and is the state's largest administrator of the Head Start programs. Sixty percent of RurAL CAP's funding supports delivery of Head Start, Early Head Start, Child Care, and Child Development services in twenty-eight communities.

In addition to these efforts, RurAL CAP has a significant presence in Alaska's largest city. In Anchorage, RurAL CAP provides

- **Services to the homeless.** RurAL CAP is the lead agency in a **collaboration** among the **Municipality of Anchorage, the Salvation Army, and the Cook Inlet Tribal Council** to provide transitional housing and supportive services to homeless public inebriates. The program directly reduces government expenditures for interception, enforcement, and incarceration of public inebriates, and helps restore formerly homeless people to productive lives, contributing to society through employment and taxes.
- **Internship opportunities for college students.** Through a **partnership** with the **University of Alaska, School of Social Work**, RurAL CAP provides education awards to sixty interns entering the social work profession.
- **Quality child care.** Rural CAP operates a **Child Care Center** serving forty-one children with unequalled day care and educational experiences. The parents of many of these children are leaving welfare to obtain employment, training, or education.
- **Affordable and decent housing.** RurAL CAP operates 12 units of low-cost housing, offered to low-income households at below-market rents without benefit of other public subsidy.

The report references, on page 9, the Community Services Block Grant. However, the narrative does not completely describe the program, its purpose, or its relationship to RurAL CAP. Beginning in 1980 the Community Services funds designated for Community Action Agencies (such as RurAL CAP) were block granted to the states. The funds originate with the US Department of Health and Human Services, and are intended to be *passed through* the state to the Community Action Agency. The funding requires no matching funds from the State of Alaska. Alaska is unique in that, because of its small population, it served by only one Community Action Agency – RurAL CAP.

The report recommends that the Community Services Block Grant be directed to another agency, which in the opinion of the authors, would better bridge rural and urban communities. This recommendation is flawed.

The CSBG Act, Sec. 676A (a) (1) prohibits the state from arbitrarily reducing or terminating CSBG funding to an eligible entity by being very specific as to the causes for which funds may be reduced or terminated. The Act requires that the State CSBG Plan which every State submits to the federal Office of Community Services, contain an assurance that

"any eligible entity in the State that received funding in the previous fiscal year through a community services block grant made under this subtitle will not have its funding terminated under this subtitle, or reduced below the proportional share of funding the entity received in the previous fiscal year unless, after providing notice and an opportunity for a hearing on the record, the State determines that cause exists for such termination or such reduction, subject to review by the Secretary as provided in section 678C(b)."
(From the CSBG Act, Sec 676(b)(8).

In short, federal law restricts the State's ability to shift CSBG funding from RurAL CAP without due process and public notice. Such a move to shift CSBG funding to another entity would unduly jeopardize the flow of these resources to Alaska, and ultimately to the low-income citizens they were designed to directly benefit.

The recommendation appears to hinge on the assertion that a major portion of CSBG funds are presently used to present a conference that "...feeds the festering conflict between urban and rural communities..." by bringing together "...village leaders from around the state get together to discuss common problems, issues, and solutions." I respectfully refute this assertion. The conference in question has had several names over the years, including Citizen Participation Conference, Village Participation Conference, and Alaskan Participation Conference. Indeed, CSBG funds were used to support the event. However, three years ago, the Village Participation Conference was deemed to be a project that would be defunded by RurAL CAP. This action was taken in response to a careful cost/benefit analysis of the event, as required by RurAL CAP's *Results Oriented Management and Accountability* system. The funds were reallocated, and today support higher education for village Head Start staff, who are now required by the federal government to obtain AA degrees by 2003.

We agree with the Commission that there are cost-effective alternatives to direct government delivery of many services. RurAL CAP's own excellent and credible record of providing education, training, information and advocacy to the poor and low-income of the state is testament to that fact. RurAL CAP delivers its services with one of the lowest indirect cost rates in Alaska. The agency's federally-approved indirect rate of 14.5% is significantly lower than the indirect rate charged by the University of Alaska, which ranges from 36.3% for most grants to a high of 56.1% on research grants. Many other Alaska non-profits charge at least 30%. RurAL CAP is able to keep its rate low by managing cost-effectively, engaging in value engineering, and employing the same kind of management discipline that is common in the private sector. The agency has received national recognition of its outcome-based management system, and its ability to maximize resources. Despite its low indirect rate, RurAL CAP offers its employees, who are all non-union, competitive wages and benefits, including generous health and dental insurance, a retirement plan, and life insurance.

We encourage the Commission to capitalize on RurAL CAP's capacity to provide cost-effective, by expanding its partnership with RurAL CAP to administer and deliver additional human and community services programs that are presently managed by state agencies. RurAL CAP offers a competitive advantage over the University of Alaska, which is mentioned in the report as a potential partner, not only in terms of cost, but also in terms of:

- Field experience,
- Service delivery infrastructure,

- Capacity,
- Statewide presence, and
- Ability to respond effectively to changing demands and market conditions.

I will be attending the November 5 meeting of the subcommittee, and would be pleased to discuss these ideas with any of the members present.

Sincerely,

Jeanine Kennedy, Executive Director
Rural Alaska Community Action Program, Inc.

November 1999 – Current Programs Administered by RurAL CAP

AmeriCorps Programs:

- RAVEN AmeriCorps
- Child Development AmeriCorps
- Students-in-Service AmeriCorps
- Summer Youth Mentor Program

Child Development Programs

- Head Start
- Early Head Start
- Child Care Center
- Parents as Teacher Program
- Project Northern Lights Program

Community Service Programs:

- Village Council Management
- Energy Conservation Initiative
- Preventor Fire Safety Project
- Underage Drinking Prevention

Programs:

- Alcohol Prevention (Wellness)
- Affordable Housing Services
- Homeward Bound
- Legal Technical Assistance
- NAPIL Fellow
- Subsistence Program
- Weatherization

Subsidiary:

- Rural Energy Enterprises

RurAL CAP is a statewide, multi-purpose, non-profit that provides education, training, information, and advocacy for low-income and poor people throughout the State of Alaska through Head Start, Early Head Start, Child Care, AmeriCorps, Subsistence & Natural Resources Protection, Alcohol Prevention, Decent and Affordable Housing, Homeless Program, Weatherization and Energy Conservation.

**The Commission on Privatization and Delivery of Government Services
Trade and Development Subcommittee
Program Review and Recommendations**

Division of Trade and Development - International Trade

General Comments:

The State Government plays an important role in fostering International Trade for Alaska. It does this through funding certain trade organizations, and through activities carried out within DCED, Division of Trade and Development.

Concerns about inevitable mission overlap among state funded organizations, duplication by Division of Trade and Development of activities carried out by these state funded organizations, and the need for demonstrating quantifiable results of state funded programs, make it appropriate to take further steps in a process already underway.

Recommendations:

1. A coordinating committee consisting of the heads of all state funded organizations involved in international trade, and the director of DTD, should be formally established. Active participation, with frank and open exchange of information, among all parties should be a condition of receipt of state funds. The mission of the committee should be to rigorously minimize overlap and duplication of effort. The director of DTD should take the lead in identifying and minimizing overlap. The committee should meet at least quarterly, with the initial chair being the Director, DTD, and then rotating among the other members.
2. State funded trade organizations should be strongly encouraged, where ever appropriate and practical, to carry out what amount to "inter agency" contracts between each other, in areas of natural mission overlap, where the lead agency lacks an internal capability, and a sister organization possess it. This, properly done, is what the Chinese call a "double happiness".
3. DTD should lay down its role as a pick and shovel participant in international trade and focus on trade policy, coordination and oversight of state funded organizations, and critical government to government relations. The department should decisively devolve down into the appropriate state funded organizations those functions found to be duplicative of their efforts. Inherent in devolution should be an objective assessment of what functions currently serve a useful purpose, and for whom. Those that don't pass muster should be unhesitatingly eliminated.
4. It's critical DTD not be burdened with the role of micromanaging the activities of the state funded organizations. This would be a distraction from their primary responsibilities, waste resources, and not be fair either to DTD or the organizations. It would, in fact, be a prescription for acrimony and failure. A designated grant form of funding for state funded organizations may be appropriate to minimize the burden on both DTD and the organizations.
5. DTD and the state funded organizations should, at the earliest practical time, conduct a carefully crafted and objective survey of their particular constituencies to find out what they currently need from the state to accomplish their trade objectives. These constituencies should be clearly identified as part of the survey. DTD should, in their oversight role, prior to the actual survey, convene a meeting of the state funded

organizations (de facto, the Coordinating Committee referred to earlier) and come up with guidelines for questions to be asked in the survey. This survey should be updated annually. Survey results should play a key role in setting trade policy.

6. The measurement of results of trade policy must be approached very carefully, lest we do more harm than good. In order to provide a context within which to accurately evaluate international trade results, an annual assessment of the business and economic climate of Alaska's major markets and trading partners should be done by the University of Alaska, at the behest of DTD, either under contract or through some other appropriate mechanism. Within this context, DTD, as the policy and oversight agency for the state, should answer for overall results. Individual state funded organizations, at the time of their grant applications, should be required to be specific about what they intend to accomplish with the funds requested. At the end of the grant period, and prior to being considered for further funding, organizations should be required to quantify their results against earlier stated purpose. A major part of measurement thus becomes distributed among participant organizations and an intrinsic part of the funding process. DTD can, in addition to the foregoing, compile additional measurement data as required.

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Generally speaking, the subcommittee on Department of Community and Economic Development [DCED] with the economic development focus came to three conclusions. First, DCED is being managed from a Chamber of Commerce perspective rather than with an eye to the nuts-and-bolts of how businesses are actually run. The department is top heavy with individuals who have limited, if any, actual business experience and particularly start-up operations. Alaska is the land of the small business yet there is little evidence the top level DCED personnel understand even basic small business survival requirements.

Second, there is an amazing amount of duplication of offerings of services, particularly in the field of international trade. Though DCED, in its response to Representative Cowdery's report, stated that each of the agencies/associations responsible for international trade were slightly different, from the perspective of the private sector, they are duplicative. Further, as DCED personnel do not have the nuts-and-bolts experience of operating small businesses, they do not have the business perspective to do their jobs effectively.

Third, and most important, careful examination of all of the reports submitted to this subcommittee convinced its members that the DCED does not have a clear focus as to what economic development is. The term is sprinkled throughout all of the paperwork and is thus a catchphrase rather than a statement of ongoing, quantifiable results. As presented it is paperwork, top level DCED personnel seem to feel that going to a meeting about economic development means that economic development has happened. As result, DCED appears to be all motion and no movement. DCED offered no proof that it had any success stories. In fact, some of the paperwork presented, most notably the Office of International Trade, failed to provide any information that it had done anything in the last two years!

Additionally, and unfortunately, the one program in DCED that should have been a prototype of what DCED should be doing had been cut. This was the Alaska Film Commission. The Film Commission was the epitome of how to leverage state dollars to service the private sector. The average film pumps \$100,000 a day into the private sector. With no Film Office, filmmakers now have limited access to Alaska. Further, the fact that the terminated Director of the Film Office was related to a staff member of John Cowdrey's staff makes it difficult for the subcommittee to recommend that the Film Office be re-instated without being subject charges of favoritism. However, we so recommend.

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FINAL COMMENTS

One of the primary problems with any discussion regarding privatization is that the State budget is based on dollars in BRUs and not functions. Thus it is very hard to find the specific duplicative services. For instance, personnel whose duties include "economic development" are sprinkled throughout the budget but cannot be personally identified. This means that the overall economic development function is disjointed, uncoordinated and lacking in definition.

Another problem facing the privatization committee is that the state budget is designed by department, not function. This means that services cannot be rated and compared. The ideal state budget is designed like an onion with the most critical services at the center. The least critical services are on the outer layers. In lean times this kind of a budget is necessary because everyone knows which services are the first to be cut; the ones on the outermost layers of the onion-like budget. But the State of Alaska's budget is designed to hide staff and functions making the job of the privatization committee more of detecting than cutting.

In order to add a sense of reality to the bureaucratic process, the subcommittee suggests that the new department of Community and Economic Development be required to quantify the results of its service. Just saying that economic development has occurred does not mean that it actually has.

One of the great shortcomings in this administration is the lack of a long term plan or vision. The key to being a leader is saying "we are here and, in four years, we should be there." A comprehensive statement such as that would indicate to all employees where the state government is going. Without this administrative target, divisions and departments will feel perfectly justified in 'just doing business.' Ships don't leave port without destinations; bureaucracies should not be funded without specific long term goals.

Another day-to-day problem that became clear is that the department and its myriad of alphabet soup programs and divisions, is uncoordinated in its efforts. This makes getting anything substantive done like drinking tea on a subway. A good example is the confusion, lack of coordination and duplication clearly apparent in the field of international trade. Unless someone is well-versed in the differences between the United States Department of Commerce, World Trade Center, American Russian Center, and the Office of International Trade, their services are duplicative. And Alaskans are paying for three of these four functions.

Another clear and present problem that lay at the periphery of the purview of the subcommittee was the lack of creative, innovative ideas. None of the division gave any indication they were doing anything other than performing the same functions as their predecessors. This is particularly dangerous for this department because economic development is the heartbeat of any state and unless there is substantial change in economic nuts-and-bolts of the bush, Alaska will become a state with two destinies: an expanding, wealthy urban environment and a bush Alaska as backward as a Third World country. What is particularly frightening is that Alaskans are paying for that Third World status very handsomely.

TO: DCED Subcommittee of the Commission on Privatization and Delivery of Government Services

FROM: Division of Trade & Development, DCED

DATE: November 3, 1999

RE: Minority Report by Steven C. Levi

In response to the Minority Report submitted by Steven C. Levi, we make the following observations:

1. Mr. Levi suggests DCED is managed from a "Chamber of Commerce perspective," with little experience in business. First of all, we are not sure what he means by a "Chamber of Commerce perspective," since the Chambers of Commerce in Alaska are totally made up of businesses, both large and small. Secondly, DCED managers and specialists have experience in both the government and private sector, from Commissioner Sedwick down. The wealth of experience available to Alaskans in the Division of Trade & Development has helped numerous Alaska businesses, large and small, whether just starting out or expanding. The role of government is not to do business – that is the private sector's job – it is to strengthen Alaska's economy and increase employment through the development of a diverse and self-sufficient private sector.
2. Mr. Levi suggests there is duplication and overlap by providers of trade services. Our experience suggests that the private sector companies that utilize these services are NOT confused, and, in fact, regularly call on the division or other trade entities based on their particular needs and their assessment of the relative strengths and capabilities of these trade organizations. In addition, there is enormous cooperation among these trade entities, which work as a team to take advantage of each organization's strengths and avoid duplication of services. International trade is very important to Alaska's economy, and if anything, Alaskans need more services to compete globally and increase trade, not fewer.
3. Mr. Levi suggests that DCED in general, and the Division of Trade & Development in particular, have no success stories and have failed to provide any information of having done anything in the last two years. It is possible Mr. Levi did not see the description of activities and sampling of accomplishments presented to the subcommittee (see attached). The accomplishments of the Division of Trade & Development include successful promotions, trade missions and trade shows, matchmaking, market intelligence, and other assistance to export-oriented Alaska businesses, and cover Alaska's major markets: Japan, Korea, Taiwan, China and the Russian Far East. In addition, the division serves the government-to-government and government-to-business functions that help Alaskans and Alaska businesses. Although state government is neither a buyer nor a seller, government can assist Alaska companies by introducing them to interested buyers in our major markets. Businesses using the services the Division of Trade & Development provides have expressed satisfaction with our services. And while the division cannot always track specific business deals (and businesses do not want to be required to give the government this type of information), evaluations from businesses indicate our work is making a difference for them. (See attached sampling of letters from private sector companies and newspaper articles)
4. In his comments Mr. Levi expresses concern that the state's budget is designed to hide staff and functions. I would like to assure Mr. Levi that the Division of Trade & Development consists of twenty-one staff in total – that includes the director, trade specialists, development specialists, administration and clerical staff. His concern that there is duplication in international trade staff is unwarranted: the state has three trade specialists, whose function is to assist Alaska businesses in Alaska's major markets – Japan and Korea, Greater China (Taiwan, the PRC and Hong Kong), and the Russian Far East and Canada. We know of no other local trade organization that has staff with country-focused expertise to provide information and assist Alaska companies in their overseas endeavors. Again, no duplication.
5. Finally, Mr. Levi suggests the department is uncoordinated in its efforts. In fact, under Commissioner Sedwick, two formerly separate divisions (Office of International Trade and the Division of Economic Development) became the Division of Trade & Development in 1996. Together with the Division of Tourism, which must exist as its own division under state statute, we work as a well-coordinated team, benefiting Alaska's industries. In the past year, the Department of Commerce & Economic Development merged with portions of the Department of Community & Regional Affairs, creating the

Department of Community and Economic Development. Under Commissioner Sedwick's leadership, the result is even more coordination among the state agencies involved in economic development: Tourism, Trade & Development, and the Municipal and Regional Assistance Division. This coordination will be very important in the "economic nuts and bolts of the bush," about which we share Mr. Levy's concern.

Steven C. Levi

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November 4, 1999

Thank you very much for the opportunity to respond to DCED's comments.

- 1) A "Chamber of Commerce" perspective is synonymous with networking, a productive mechanism in a 'big' city setting where business can be conducted in regular social settings. No such regular social settings exist for 'small,' 'very small' and 'bush' businesses.
- 2) While DCED may not be confused by the plethora of state, federal and nonprofit organizations that support international trade, 'small,' 'very small' and 'bush' businesses are – as are many urban small businesses.
- 3) If DCED has success stories, those should be introduced on the record along with specific quantification.
- 4) DCED is probably alone in believing it does not duplicate any service offered by the World Trade Center, Russian American Center, Small Business Development Center, Anchorage Economic Development Council, United States Department of Commerce, Alaska Seafood Marketing Institute, Alaska Fisheries Management Foundation, Institute of Social and Economic Research, Small Business Administration, Alaska Village Initiatives, or any of the other internationally-oriented nonprofits in Alaska.
- 5) DCED executive staff responding to my comments have clearly not spent enough time in the bush. Further, consolidation of bureaucracies does not mean increase of service; it usually means an increase in the complexity in the offering of the same service as before – along with an agonizingly long transitional period.

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FAX TRANSMITTAL

DATE: 9/22/99
TO: Don Schroer
FAX: 19072792566
FROM: Denny Schlotfeldt
RE: Recommendations for Privatization of Banking and Securities

Don, attached please find the two responses to my two questions that were addressed to Terry Elder, Div of Banking and Securities. I appreciate the in-depth answers Terry provided and am now much better informed.

I don't agree with his conclusions however. Our committee should recommend the following:

1) DISCONTINUE DUPLICATION OF BANK EXAMINERS.

Alaska doesn't need to accompany (and duplicate) the FDIC examiners for all FDIC regulated banking institutions. In the later part of his message, it seems contradictory because he says most of the auditor function isn't about regulating-it's about assuring that the bank is secure. Even though FDIC's purpose is to verify security for its own insurance fund, the fact that they completed an audit and can attest to the bank's FDIC soundness should be a reasonable assurance for the state's purposes.

2) CONTRACT OUT STATE BANK EXAMINATIONS TO ACCOUNTING FIRMS.

The examination function for state-chartered banks not examined by FDIC could very readily be contracted out to reputable accounting firms. Obviously the privatizing contract would have to spell out the type and purpose of the exam and the contractor could be held to that purpose. Would there be a savings? I'm certain there would be! Even if wages are comparable for state examiners versus private accounting personnel, there's no doubt in my mind that the fringe benefit package received by state employees is far more costly! I'm told that state employees receive benefits above salary in an amount approximating 46% of salary. That's plenty of room for considerable savings to the state when contracted out....

3) ELIMINATE COMSUMER COMPLAINT FUNCTION.

Terry explains that his department does not have the authority to investigate consumer complaints against the banks. I suppose it would be the AG's office that would have such authority to prosecute banks that breached state laws so move this function to the AG or eliminate it altogether.

4) SECURITIES: Stop handling ANCSA Corporation annual reports and proxies.

Terry states that his department has never received any funding for this function. How much time does it take? It's not appropriate for the state of Alaska to handle corporate affairs for one group such as the native corporations while not handling all other corporations in the state. In fact we shouldn't be involved in any not publicly traded corporation in the state unless state law is broken. Then I assume that should fall under the purview of the AG's office. If state employees have extra time for this function they should be assigned other duties.

Agency & Department Name
Department of Community and Economic Development

BRU and Component Names

Divisions of – **Banking, Securities and Corporations**
Insurance

Total Budget, all funds	
Banking -	\$1,654.9
Insurance	<u>4,561.6</u>
<u>Total</u>	<u>\$6,216.5</u>

Constitutional and Statutory Provisions Governing Agency Operations
AS 21 and AS 10, among others

Agency Mission, Goals and Objectives

These agencies regulate the financial services industries of Alaska which are not regulated by the federal government. The Insurance Division bears the statutory authority for licensing insurance sales agents and a variety of insurance sales and service organizations. The Banking, Securities and Corporations Division licenses state banks and credit unions, securities sales persons and charters corporations and tracks same.

Number of Employees

Banking - ?
Insurance 52

Technology Used to Perform Mission

Each division operates from an office environment making use of computerized data base, communications and other familiar programs such as the system to track insurance licenses and the system to track corporate charters.

List of Existing Agency Contracts

The Insurance Division has financial examination contracts for the examination of state chartered insurance companies, insurance broker's holding premium trust funds and for legal services dealing with the liquidation of insurance companies.

Existing Privatization Practices

The agency contracts listed above represent the existing privatization practices.

Recommendation #1

ELIMINATE DUPLICATE REGULATORY ACTIVITIES

Place the activities of the Insurance Division into the Division of Banking, Securities and Corporations regulatory activities. Each regulates a piece of the financial services industries.

This will eliminate the need for two separate directors; the staff dedicated to their support, the travel expenses for one of the directors, costs of interacting between the division, some of the costs of one of the divisions interacting with other areas of state government and other expenses.

Eliminate the Division of Insurance examination of insurers whose solvency has already been reviewed by other regulators.

Rationale for Recommendation

The collapse of the banking industry during the depression of 1929 and later years produced a great deal of legislation designed to avoid a similar financial collapse. A principal piece of this legislation was the Glass-Steagall Act, which, among other steps, separated the banking, securities and insurance industries.

Several states have separated their banking and insurance regulators into widely separate reporting entities. Several others have a combined regulatory function. Thirty-five to forty have separate divisions, which report to one commissioner before reporting to the governor, i.e. a "separate" but close arrangement.

Recently federal legislators have agreed that the financial services industry has become so homogenized that the need for the separation of the banking, securities and insurance industries no longer exists. In fact, many commentators believe that the industry became one over a decade ago. Legislation is being prepared to eliminate the separation feature of the Glass-Steagall Act. The federal government is planning to do insurance regulation and solvency review now performed by the states.

Alaska has nine domestic insurers. Of these only two are physically located in Alaska as stand alone insurers, Alaska National Insurance Company and Umialik Insurance Company. Alaska's other insurers are subsidiaries of large national organizations which are already regulated by their parent's domestic state and which will also be regulated in the future by the federal government. Three separate levels of regulation for domestic insurers not located physically in Alaska is overkill.

The Alaska banking industry is far larger than its domestic insurance industry.

Alaska did have these functions combined. However, the insurance industry requested and received their "own regulator." Alaska can no longer afford this luxury.

With the demise of the separation between the financial services industries there is no reason to have separate regulatory divisions. The Division of Banking, Securities and Corporations will have to develop insurance expertise to examine the insurance activities of Alaska domestic banks. Collapsing the Division of Insurance into the Division of Banking, Securities and Corporations avoids this unnecessary new cost and eliminates duplicated costs.

Problems or Barriers to Implementation

Each segment of the financial service industry has grown accustomed to close relationships with their Alaska state regulators. These comfortable relationships will not be abandoned without protest.

Fees to the Division of Insurance for examinations not made will be eliminated. If federal regulators establish a fee schedule for examinations, this will represent a "tax" on Alaskans paid to the federal government.

The federal government will seek to usurp the insurance premium taxes paid in lieu of state income taxes.

Recommendation #2

ACTUARIAL SERVICES

Privatize the actuarial work done by two actuarial positions in the Division of Insurance.

Rationale for Recommendation

At this time the Division of Insurance has two actuarial positions for persons qualified and licensed in actuarial science. The original purpose for creating these two positions was to review an expected deluge

of loss cost filings. This volume of filings has not materialized. There is little other work for these highly paid and highly specialized employees. These actuaries are being utilized to accomplish work not requiring knowledge of actuarial science, which work could be accomplished by lower compensated employees.

It has not been possible to hire fully trained and certified actuaries for these positions. Accordingly, trainees for whom the Division of Insurance has paid some training costs are being paid a fully qualified actuary's salary while they learn at state expense.

The minimal tasks, which require knowledge of actuarial science, could be hired out to one of the many actuarial firms who provide this service to other state regulators.

Problems or Barriers to Implementing Proposed Privatization

The bureaucracy will resist shrinkage.

Recommendation #3

DUPLICATION OF BANK EXAMINATIONS

When state chartered banks insured by the Federal Deposit Insurance Corporation are examined, Alaska bank examiners accompany and duplicate the work of bank examiners from the Federal Deposit Insurance Corporation. Most of this state examination function is not about regulating. The examination plan is designed to assure the financial soundness of the state-chartered bank. The Federal Deposit Insurance Corporation performs the identical work and can attest to its soundness. The Federal Deposit Insurance Corporation also reviews for compliance with its rules and regulation.

Rationale for Recommendation

The sub-committee felt that the performance of the same work by two different regulatory agencies is unnecessary. This duplication of work can be eliminated.

Problems or Barriers to Implementing Proposed Privatization

The bureaucracy will resist shrinkage.

The state bank examination staff should retain an oversight function for state bank compliance with state banking law.

Recommendation #4

CERTAIN FINANCIAL INSTITUTION EXAMINATIONS

Privatize the financial examination of financial institutions not insured by the Federal Deposit Insurance Corporation.

Rationale for Recommendation

At this time financial examiners from the banking division examine financial institutions such as state chartered credit unions which are not insured by the Federal Deposit Insurance Corporation. These financial examiners receive compensation that is greater than the cost of auditors that could be hired from the private sector.

The sub-committee felt that privatizing financial examinations of financial institutions not insured by the Federal Deposit Insurance Corporation would capture the cost savings from this compensation variance.

Problems or Barriers to Implementing Proposed Privatization

The bureaucracy will resist shrinkage.

Auditors from the private sector may not be adequately trained or experienced.

Recommendation #5

ANCSA CORPORATION ANNUAL REPORTS AND PROXIES

Eliminate the requirement that the banking division review the annual reports and proxies of ANCSA corporations.

Rationale for Recommendation

At this time state law instructs the division of banking to review the annual reports and proxies of corporations established under ANCSA. The division indicates that funding has never been received for this function.

It is not appropriate for the state of Alaska to handle corporate affairs for native corporations while not handling the corporate affairs of all other corporations in the state.

The sub-committee felt that the state should not be involved in the affairs of corporations that are not publicly traded, i.e. regulated by the federal Securities and Exchange Commission, unless state law is broken. The violation of state law is a matter for the office of the Attorney General.

Problems or Barriers to Implementation

One side or the other in the frequent disagreements between ANSCA corporation stockholders will seek to have the state represent their viewpoint and fight their battle.

Exactly what role the state of Alaska should play in these entities unique to Alaska is an unsettled question that has had considerable legislative attention in the past without definitive action.

Recommendation #6

CONSUMER COMPLAINTS IN THE BANKING DIVISION

Eliminate the consumer complaint function of the division of banking.

Rationale for recommendation

Division of banking personnel indicate that they do not have the authority to investigate consumer complaints against banking institutions.

It was felt that the office of the Attorney General would have the authority to deal with or possibly prosecute banks that break state laws.

The sub-committee felt that it should recommend that the investigation of consumer complaints be moved to the office of the Attorney General.

Problems or Barriers to Implementation

The office of the Attorney General does not have the staff or funding to investigate consumer complaints. In the near past, the consumer complaint area of the office of the Attorney General has been downsized if not eliminated.

The banking industry will complain that state regulation is becoming too intrusive.

Comments of Division of Banking, Securities & Corporations
Terry Elder, Director

Federal legislation regarding financial institutions does NOT mean regulatory divisions should be merged.

1. There have already been buyouts and combinations in the financial sector, so the **pending** federal legislation is not really new. It will only expand the types of combinations allowed. While there may be economic synergies for these companies (cross-selling of products and services, for example), there are no similar synergies or efficiencies on the regulatory side that would encourage regulators to merge.
2. Insurance, banking, and securities regulators have agreed on the need to continue functional regulation of the various activities of financial firms, regardless of their structure. This means that trained insurance examiners, bank examiners, and securities examiners would regulate their respective activities of the firm. This is to ensure consistency in the regulation of merged **and** independent firms in the same business. At some time in the future, we may increase joint regulatory activities. That is nothing new, however, since we **already** have conducted joint examinations with
 - (a) other states,
 - (b) the Securities and Exchange Commission,
 - (c) the National Association of Securities Dealers,
 - (d) the Federal Deposit Insurance Corporation, and
 - (e) the National Credit Union Administration.
3. Insurance examiners, bank examiners, and securities examiners all require extensive specialized training. We try to provide at least one major training event per year to maintain a competent staff. They each have to know the laws and regulations for their job. It is unreasonable to expect one examiner to be able to go into an institution and do an examination of each of those activities.
4. Regulation, in fact, is already merged in the Department of Community and Economic Development under one commissioner. The commissioner, a member of the executive branch, delegates that authority to the division of insurance and to the division of banking, securities and corporations (BSC) because it is efficient and makes management sense. Not only do missions differ, but there is ample work to be done and expertise needed to support the existence of separate divisions within the department. If that changes in the future, the commissioner at that time can reorganize the divisions within the department, including the regulatory divisions.
5. It is doubtful that the insurance companies, lending and depository institutions, and securities firms would support the combination of their regulators into a mega-regulatory agency.

A merger would not produce any real savings.

1. The director of banking, securities and corporations has plenty of responsibility that takes up all of his time without also being responsible for the administration of insurance regulation. No doubt the insurance division director can say the same. As securities administrator, for example, I retain the responsibility for issuing final administrative orders even if I delegate the hearing to a hearing officer. Thus, I have to know administrative and securities law well enough for my decisions to be sustained in court, if necessary. That is just one example of the expertise needed in the director's position. Other areas of responsibilities include corporation and other filings, and 8 different types of lending institutions. There is really no way to merge the divisions and believe you can simply ask the surviving director to do both jobs. That person could not do it.
2. Since we are physically located in a separate building, and there is no room for a combination, the practical matter is that a secretary-receptionist would still be needed in insurance and in BSC.
3. Since both divisions have budget staff that are busy all of the time, there is no way all the administrative and budget work of both divisions could be done by the staff of just one of the divisions.
4. If a merger of two divisions included a physical combination of the divisions in Anchorage and Juneau, substantial moving costs and disruptions of services would result.
5. Since the memo mentions eliminating some insurance examinations, it is not clear if the intent is to reduce staff levels. We have not had an increase in examination staff in 20 years, and cannot sustain a staff

reduction in BSC. Also, all examinations by the banking section are paid for by the institutions by invoice. The securities section brings in about \$7.3 million in annual revenue while costing about \$475,500. The corporations section brings in about \$2.1 million and costs about \$360,800. As a whole, the division brings in \$9.7 million and costs only \$1.7 million. Any reduction in division would likely result in a net loss to the state.

There is NO duplication of bank examiners

1. Alaska does not accompany and duplicate the FDIC examiners. Instead, we have participated in joint examinations on an equal footing with federal examiners. The examiners work as a team and do not duplicate activities. Elimination of either the federal examiners or the state examiners would mean the examinations would take twice as long and be twice as disruptive to the financial institution.
2. Federal examiners do not examine for, and cannot enforce sanctions against, violations of state law such as the legal lending limit. That is a state law and violations can lead to over-concentrations in specific areas of lending, making the institution more vulnerable.
3. Since the state issues the charter to allow the institution to do business here, it must have the ability and authority to examine the institutions for safety, soundness, and compliance with Alaska law. It is inconceivable that the state would charter an institution and then rely solely on a federal agency to regulate it, when the federal agency has no role in issuing the charter.
4. The examination staff of the banking section examines numerous institutions in Alaska which are not insured by and examined by the FDIC. These include bank holding companies, CFAB, BIDCOs, trust companies, premium finance companies, and small loan companies.

State bank examinations should NOT be contracted out to accounting firms

1. We do examinations and not audits. The examiners require specialized training, and this training is not related to the training an auditor (CPA) gets. We examine for safety, soundness and compliance with state law.
2. Not to belittle auditors, but history is replete with examples of companies that failed even though they had a clean audit report. On the other hand, no state financial institution has ever been closed directly following the receipt of a satisfactory rating by our examiners.
3. Special expertise is required on staff in the unfortunate event that an institution does fail. State law requires this division to manage the closing and disposition of an institution.

Consumer complaint function against banks

There is nothing to move. We do not have statutory authority to investigate consumer complaints against banks (although we do have this authority in securities). We provide what assistance we can to resolve conflicts, however.

ANCSA corporation proxy materials

1. Corporations that meet the size requirements of the ANCSA corporations that file with us are covered by the SEC's proxy rules. Federal law has exempted ANCSA corporations from those rules until they have tradable shares. If state proxy rules were eliminated, there would be no regulation of proxy contests. This would likely result in a repeat of the legal battles and chaos of the late 1970's that led to the adoption of our regulations.
2. As it is now, we only get involved when a state law is broken. Until then, we are just a filing agency for the proxy materials.
3. Anytime we issue an order, the person may request an administrative hearing. That is our responsibility. The AG's office is not involved directly until and unless we go to court.

Comments of Division of Insurance

You have asked me to review and comment on the recommendations prepared by the sub-subgroup of the Commission on Privatization and Delivery of Government Services that relate to the Division of Insurance.

The draft contains two recommendations. The first is:

- 1) **Eliminate duplicate regulatory activities by "placing the activities of the Insurance Division into the Division of Banking, Securities and Corporations... This will eliminate the need for two separate directors and their staffs."** (draft, p. 2)

There is no duplication in the regulation of insurance companies in Alaska. A given insurance company is regulated by only one regulatory agency. If federal legislation modernizing financial services is adopted and signed, this will still be the case. The role of individual state insurance regulators in regulating insurance is specifically confirmed and upheld in the conference report language of the bill.

It is correct that Alaska has nine domestic insurers. However, to say that only two are physically located in Alaska is incorrect. At this time four companies regulated by the division are wholly located in Alaska. These are Alaska National Ins Co, Umialik Ins Co, Alaska Timber Ins Exchange, and ARECA Ins Exchange. The draft states that Alaska's other insurers are subsidiaries of large national organizations, which are already regulated by their parent's domestic state. This is wrong. The parent companies of Alaskan subsidiaries are insurance companies and they are examined by their domestic state. However, the parent company domestic state does not examine the Alaskan subsidiary. The other state relies on the regulatory examination and authority of Alaska Division of Insurance as the sole level of regulation of the subsidiaries. Our accreditation is the designation, which indicates to the other states that we have the necessary authority and use it in regulating the Alaska insurance industry.

The report indicates that banking will have to develop insurance expertise because federal legislation may remove the separation between financial services industries. The expertise already exists in state government, therefore, it would not have to be developed.

The draft recommends placing the Insurance Division with 52 staff into the Division of Banking with 26. It is not a combining of the two into a new entity. Overall the tone of the draft comes from this point of view of moving insurance into existing banking. This fails to reflect that the regulatory regimes, the required skills, the accounting systems of these separate regulatory parts are different. In addition a single director would be unable to oversee these combined areas effectively and would likely require additional staff in the deputy director range. The elimination of other staff would be unlikely since the duties of the two organizations would not change.

The report argues for not examining insurers whose solvency has already been reviewed by other regulators. There is no other regulator that reviews the same companies examined by the Division of Insurance.

The legislature committed the mission Division of Insurance to statute last year:
The mission of the Division of Insurance is to:

- (1) protect and serve the state by developing, interpreting, and enforcing the insurance statutes and regulations;

- (2) protect and educate the consumer; and
- (3) enhance the insurance business environment. * Sec. 23, CH 77 SLA 1999.

In addition to licensing agents, brokers and producers, the division regulates the solvency of Alaska insurance companies and conducts financial and compliance audits of a wide variety of insurance companies doing business in Alaska. In addition the division investigates allegations of insurance company, agent and claimant fraud. In short, the division protects the public from crooks and shady business practices, and this serves to improve the insurance business environment.

The Insurance Division uses a budget of \$4.4 million and 52 employees to carry out its responsibilities. The Division is entirely self-supporting from fees paid by its licensees and company reimbursement of examination expenses. The division receives no unrestricted general funds.

In addition, the division collects in excess of \$28 million in premium taxes paid by the insurance industry, which are paid into the general fund as unrestricted receipts. Thus, the division is a significant net contributor to the general fund.

The draft report skips over one point in the Privatization Committee's suggested outline for subcommittee report, that asks what specialized expertise is needed for accomplishing the mission. Certified financial examiners and certified market conduct specialists and other experts are required to accomplish the mission of the Insurance Division. Without them the Alaska program would lose its certification as a regulator by the National Association of Insurance Commissioners. As with a school that loses its accreditation, the credibility of its regulatory examination program would be seriously impaired. Alaskan insurance companies that do business in other states could also be affected.

The draft accurately surmises that if the federal government were to take over responsibility for insurance regulation, they would likely seek to capture the stream of premium tax revenues that the state now receives. This is another reason the state should not abdicate to the federal government in its responsibility to regulate the Alaskan insurance industry.

The Department of Community & Economic Development already consolidates functions at the most efficient level: personnel, fiscal and property, as well as travel matters, are handled at the departmental level for all divisions.

The second recommendation in the draft was:

2) Actuarial Services: privatize the work done by the two actuarial positions in the Division of Insurance.

The draft concludes that: "The minimal tasks, which require knowledge of actuarial science, could be hired out..." In fact the division does contract for actuarial services as part of large examinations where it makes sense to do so. The National Association of Insurance Commissioners accredits the Alaska Division of Insurance, like other state insurance departments. Accreditation requires that specialists including actuaries be on the examining teams. This is just one of the reasons for having actuaries on staff.

Examples of the work performed by the actuaries that can only be performed by an actuary or that must be performed by a highly trained insurance professional, such as an actuary, include:

1. Participation in financial examinations of insurers and licensees to perform surplus and reserve analyses to assure compliance with Alaska law and actuarial standards
2. Technical rate filing review and approval, such as worker's compensation rate filings and health insurance rate filings
3. Participation in market conduct examinations of insurers and licensees to perform underwriting and rating analysis to assure compliance with Alaska law and actuarial standards
4. Technical assistance to filings staff in review of complex form filings and associated actuarial memorandums
5. Drafting technical regulations and legislation and providing expert testimony.

Actuaries are uniquely qualified and trained professionals specializing in insurance. An actuary's education and experience develop job skills that extend beyond simply insurance rating and reserving. The complex and technical nature of insurance products, in many cases, necessitates the expertise of an actuary.

The life/health actuarial position was primarily created to provide required actuarial expertise in the review of complex life and health insurance products sold in Alaska, to provide actuarial support for financial examinations and market examinations of insurers and licensees operating in Alaska to better protect consumers and support the insurance market in Alaska.

It is standard industry practice, and that of insurance regulators as well, to hire actuaries and provide continuing education while they work. The process of becoming a fellow can take 10-12 years requiring many exams and years of work experience. However, in the meantime associate actuaries are fully qualified and authorized to perform actuarial duties, which generally requires a minimum of 3 years of work experience and several exams. Both actuaries employed by the Division of Insurance are fully qualified actuaries. Both are paid two grades lower than the actuary originally hired by the division.

I would be happy to respond to any questions you have about the division.

Sincerely,
Bob Lohr, Director
Division of Insurance

MEMORANDUM

To: Chairman, Legislative Committee on Privatization

From: Mel Nichols, Jim Crawford

Subject: Subcommittee final report on cost savings

Date: November 3, 1999

As a subcommittee, we examined the premise of cost saving, consolidation and privatization of state functions in four divisions of the Department of Community and Regional Development. Those divisions were the Alaska Science and Technology Foundation, (ASTF) the Division of Investments, (DI) the Alaska Aerospace Development Corporation, (AADC) and the Alaska Industrial Development and Export Authority, (AIDEI).

THE ALASKA SCIENCE AND TECHNOLOGY FOUNDATION THE ALASKA AEROSPACE DEVELOPMENT CORPORATION

We had no cost saving or consolidation suggestions for ASTF or AADC. One can debate whether or not it is appropriate for the state of Alaska to be in the business of promoting science, technology and aerospace. That is a decision for the legislature and not this subcommittee. Both operations, however, are run cost effectively and utilize other branches of the state for their expertise. ASTF sets a good example by utilizing the investment staff of the Alaska Permanent Fund Corporation to invest their funds rather than adding staff to accomplish those functions. Both organizations have developed their specialized expertise and are focused on their goals and objectives. We do, however, recommend a reexamination of AADC next year to determine the feasibility of contracting out the launch functions of AADC.

THE DIVISION OF INVESTMENTS

The functions of these department personnel are similar to the functions of the Division of Investments personnel in the Department of Revenue. We recommend consolidation of the divisions into one department. We further recommend that the loan servicing functions of this division be put out for public bid to qualified seller servicers of Alaska Housing Finance Corporation. The savings due to the recommended consolidation of the divisions and the privatization of the functions of this division are estimated as \$3 million.

THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

AIDEI is a state lender for commercial and industrial purposes. Its net worth as of June 30, 1999 was \$846,577,244. If the lending functions of AIDEI are transferred to the Alaska Housing Finance Corporation, the \$846,577,244 could be reappropriated to the General Fund or the Budget Reserve. The fact is that Alaska Housing Finance Corporation with a net worth over double the size of AIDEI, is sufficiently capitalized to handle both the capital requirements of AHFC and AIDEI functions.

With a \$5,074,700 BRU budget, the operational cost savings to the state are estimated to be half or \$2.5 million since the administrative functions that are duplicated would simply be eliminated. Lending functions, be they in the housing, commercial or industrial arenas, can and should be consolidated at AHFC. AHFC is well respected on Wall Street. Demonstrated by the smooth merger of the Alaska State Housing Authority a few years ago, AHFC can manage a merger of this size.

The transfer of the net capital of AIDEI does no violence bold holders of AIDEI. There may also be a potential of AHFC, with a stronger presence on Wall Street, of doing some bond refunding which may accelerate the pay off of current AIDEI debt and or lessen the cost. AIDEI, as a division of AHFC, can perform its total existing functions with no loss in service to its constituents.

Adoption of our recommendations create combined operational savings of an estimated **\$5.5 million**. Much greater, obviously, is the financial benefit to the state of transferring the excess capital of AIDEI into the General Fund or the Budget Reserve. The **\$846.6 million** can postpone by several years the necessity for either the reinstitution of income taxes or spending a portion of the earnings of the Alaska Permanent Fund on state government.

Thank you for the opportunity to be of service to the people of Alaska.

MEMORANDUM

Date: October 25, 1999

To: Committee on Privatization and Delivery of Government Services

From: Steven L. Rouse, Executive Director, Make It Alaskan, Inc.

Re: Additional Suggestion in Review of DCED

I have a personal recommendation that may be relevant to the DTD report and consistent with our charge. This is in the same area of questions I had regarding MRAD i.e. changing and/or reducing the scope of the mandate or work responsibility and/or getting unattended programs or laws off the books.

Currently there are several programs that are not working and should be taken off the books. So, I would ask that we consider recommending eliminating Alaska Products Preference Program (APPP), Recycled Products Preference Program (RPPP) and Forest Products Preference Program (FPPP) or as an alternative contracting for administration (similar to the model now used with MADE IN ALASKA).

Please refer to page 26-28 of the Governor's Small Business Program Evaluation Task Force Report issued March 1997 which states: " evaluation indicated that programs such as APPP and FPPP are becoming obsolete".."
..."Alaska's many preference programs including APPP and FPPP, have created a maze for state purchasing agents creating confusion and inconsistent application of the programs between state departments... There appears to be little reason for such product preference programs at this time, even if funding and personnel were available. In review of APPP and FPPP the task force seriously questioned the need for these programs to continue."

The report also concluded there are no measures established for these programs and a previous survey done in 1995 concluded there was little benefit to the clients of these programs. Total budget savings of 5K-10K.

Fishermen unease could impede new marketing efforts**Fisheries turf fight: Commerce vs. ASMI?**

Fishermen are a little nervous about what they see as a turf grab by the Dept. of Commerce fisheries development section, at the expense of ongoing fish marketing programs through Alaska Seafood Marketing Institute (ASMI). Fisheries development specialist Donna Parker, with the backing of Commerce Commissioner Paul Fuhs, has several marketing initiatives underway that seem to duplicate, or at least appear out of sync, with similar programs under ASMI, which is funded with state, federal and industry money. *But there may be more to it than a turf-fight: What also makes fishermen nervous is what they perceive as the view that Parker, and Fuhs, have of fisheries as food manufacturing turning out product for the dinnertable. This implies a somewhat less exalted role for fishermen (that of mere suppliers) than what they might like to see.*

For example, it implies fishermen on equal footing with the state's private nonprofit hatcheries as sources of fish (several of Alaska's hatcheries are getting into marketing). And at the end of this line of thinking, fishermen fear, are salmon farms. That's an idea Fuhs strongly supported when he was mayor of Unalaska, but one that fishermen have fiercely fought (state law now bans salmon farming).

Traditional fisheries policies support fishermen — period.

Traditionally, Alaska's fisheries policies — bolstered by the political clout of fishermen — have supported the current structure of the fishery as an open common-property resource where fishermen worked as independent contractors. Recently, the apparent coziness of Commissioner Fuhs, Parker's boss, with Tyson Foods magnate John Tyson sent a signal to fishermen. In talks in Anchorage and Juneau, Tyson, whose company recently bought the 30-vessel factory trawler fleet of Arctic Alaska, Inc., emphasized the need for "steady supplies." Fishermen interpreted that as an implied endorsement of salmon farming. Fuhs was forced to state, at a House confirmation hearing, that he has no plans to promote salmon farming in Alaska.

Parker heightened concerns after preaching unity between fishermen and processors at the Southwest Alaska Municipal Conference convention in Anchorage last month, but leaving fishermen out of a January meeting, also in Anchorage, on long term relationships that included hatcheries, processors and marketers. Parker raised more fears by announcing DCED initiatives that repeat ongoing ASMI projects, at the same time that the Hickel administration wants to cut state funding for ASMI. *For example, at a recent briefing for the House Special Fisheries Committee, Parker described plans for an Alaska seafood seal for use only by producers of top quality products. ASMI debuted its quality seal last year after more than three years of market study and preparation, but executive director Kim Elton said the hearing was his first notice of Parker's effort.*

Parker also described a 175-page primer on the Japanese seafood market produced by the university's Institute for Social and Economic Research, funded by DCED. Elton was, again, unaware of its preparation before the briefing despite years, and millions of state and seafood industry dollars, spent by ASMI learning the nuances of the Japanese seafood business. He also expressed concerns that a suggestion from Parker during the hearing for a joint domestic promotion of salmon with Chilean and Norwegian fish farmers could endanger federal dollars ASMI receives to support international sales of American salmon. The proposal would also run counter to ASMI's ongoing efforts to upgrade wild-caught Alaskan seafood as a distinctive item.

Turf fight could impede new legislation on marketing

Meanwhile, the ASMI-DCED turf fight could hurt legislature efforts to strengthen domestic salmon promotion. Rep. Bill Hudson is ready to revive his past to establish a special domestic marketing program. Hudson's mdraft bill is now under review by fisheries groups. It would tax entry permit holders one percent of wholesale catch value per year to fund promotions through ASMI to get Americans to eat more salmon. Harvesters are balking at the cost because of drops in their income, due to low salmon prices.



SENATOR KIM ELTON

MEMORANDUM

TO: Jeff Bush, DCED

FROM: Kim Elton

RE: Salmon Marketing

DATE: 3/13/99

This is a memo I've struggled with since returning this morning from the Salmon Forum. Mother always said "if you can't say something nice. . ." so I'll begin by expressing my appreciation for the role the department played in the '99 forum. I think it worked, I think momentum is building for changes that will make salmon an industry that survives well into the new millennium, and I'm sorry I had to leave early for today's senate session on the supplemental appropriation. Also, I generally appreciate your efforts, and the efforts of your staff.

Now, having heeded mom's advice, what are you doing meeting with environmental groups in Portland for discussions on either promoting Alaska wild salmon or dissing farmed salmon?

I ran the gamut of emotions when a board member told me yesterday ASMI was out of the loop on your trip to Portland. First stunned, then angry, now feeling like I'm forced to take sides over another incident that should never have happened.

Let me be perfectly clear (I'm tempted to reiterate the 'let me be perfectly clear line' three times to remind you of the Lewis Carroll quote you used yesterday in your opening remarks to the forum, the line from *Alice in Wonderland* that notes if you hear something three times it's true): I think you are meddling where you ought not be meddling. Again.

You didn't tell ASMI. You traveled outside the state at a time when the governor is restricting all travel. You went to a meeting you weren't qualified to attend. You didn't ask for any help from the marketing pros at ASMI. You stiffed a salmon industry that is taxing itself to accomplish generic Alaska salmon marketing, an industry that selects the professional staff at ASMI and trusts them enough to have them use millions of dollars of their money (and none from your department which contributes nothing but bureaucratic overhead) to market salmon and other seafood. What were you thinking?

This is on top of the department's overseas market research trip to Japan last year. I can guarantee, if the industry was paying for your department's seafood marketing trips the way they pay for ASMI, they would have sent professionals to Portland and wouldn't have sent your staff to Japan and Korea for duplicative research that has been done by ASMI and by the agricultural attaches in the embassies who work closely with ASMI.

ASMI meets an industry test I think you'd fail. Their budget is supported by a voluntary tax processors pay and a regularly sunsetted marketing assessment on salmon harvesters. They vote with their dollars--seven or eight million of them a year to provide generic marketing. A board of directors, comprised of processors and harvesters, hires staff and

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