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Privatization

Eggers directs the Privatization Center, and Moore is the Associate Director of Economic Studies, at the Reason Foundation.

Privatization: A Growing Trend in Child Welfare

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Replacing Welfare in Wisconsin
The "Wisconsin Works" program, the state's alternative to AFDC, contracts on a competitive basis with public and private organizations for welfare services. (Hudson Institute, July 1996, 8 pp.)

Call 847/202-4888
Request document #9275402

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Many states are trying to meet the Clinton challenge by turning their child-welfare programs over to the private sector. A recent survey by the Child Welfare League of America (CWLA) reports that of the 40 states responding to the survey, 35 were moving towards managed care or other privatization strategies in their child-welfare programs. Of those 35 states, over 75 percent are currently implementing management or service delivery changes, or plan to implement changes in the next three years. The CWLA also reports that 36 percent of the reform initiatives call for the delivery of better and more appropriate services through privatization, and 21 percent hope to achieve reduced costs and high-end or out-of-home care using private providers.

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The administration received 33 letters of intent from companies eager to bid on what potentially could be a \$1 billion-plus contract. By May, four major bidders for the contract had emerged: IBM, EDS, Computer Sciences Corporation (CSC), and the Connecticut State Employees Association. Already, the bidders have invested millions of dollars in their proposals.

The winning proposal is expected to be chosen in the first quarter of 1998. Cost savings are expected to be in the range of \$50 million a year.

The scope of the contract is unprecedented, encompassing eight areas of IT operations, including desktop, mainframe, midrange, and data centers. The private vendor will operate almost every aspect of IT in the state if everything goes according to plan. A vast range of state government processes—everything from getting a business license to getting a driver's license—will be affected by the change.

"Information technology is not a core function of government," says Barton, "so we're looking at getting out of that business." No other state has privatized its entire computer system. The only place Connecticut can look for a model is overseas: the government of South Australia privatized its entire IT operations in 1996.

Protections for current state employees will be written into the contract. The winning bidder will be required to hire all displaced employees for a minimum of one year. In a market in which there is a real shortage of skilled labor, the private companies have no problem with this provision. "If there are 1000 people now doing the work and the winning bidder only needs 700, they will simply find other opportunities for the employees within their organization," explains Barton.

Once the contract is signed, it must still be reviewed by the legislature. The Rowland administration is banking on the final contract being such a good deal for the state and its taxpayers that the Democratic-controlled legislature will eventually approve the contract.

After years of lagging the private sector, state governments are beginning to see IT as a top privatization target.

A number of privatization lessons have emerged so far from the Connecticut experience. First, to succeed you need a chief executive who is unwavering in his commitment to the project. Second, don't show your plan too early, or the forces opposing the privatization will sabotage the process. Third, you have to be willing to stand up to the unions. Finally, you need a model you can use as a reference point. Connecticut will soon provide such a model to other states.

Looking Out For Business...

A Report from the Alaska State Chamber of Commerce - the Voice of Alaska Business



About sixty members of the Alaska State Chamber of Commerce (ASCC) were in Juneau recently to meet with Governor Knowles and the Legislature on behalf of business, commerce, jobs, and economic development. The primary topic of discussion was the \$1.2 billion budget deficit and what to do about it.

The Governor received praise for his leadership in opening the debate by putting his budget plan on the table. And, although the Legislature had yet to put forth its version of a plan for discussion, it was obvious that a lot of work was going on behind the scenes - sorting ideas and developing options for a plan that a majority of them could commit themselves to. The position presented by the Chamber was that a plan is needed this year - a plan for state government that emphasizes efficiency, consolidation, streamlining, and privatization.

"Any ideas on how this should be done?" was a question asked by many Legislators. Well, maybe this is a good time to look back in Alaska's history and see how another governor and another set of Alaska business leaders tackled a similar task - an assignment to reduce state costs by streamlining various government operations.

Finding efficiencies was the goal when Gov. Jay Hammond asked the State Chamber to assemble a team to make an in-depth study of the way things were done in state government - and to come up with recommendations for how to do things better and at less cost.

At the time, Alaska's general fund expenditures were running about \$700 million a year, and total state spending - including federal dollars coming in to support various programs - was just a little more than \$1 billion. Now, more than \$6 billion is pumping through the state's cash drawers, including \$2.3 billion in general fund spending.

But the crisis was much the same back in November 1975, when Hammond asked for help in controlling spending. The Chamber's response was to make a major commitment to the job.

Two leading Anchorage businessmen, banker Jim Curley and restaurateur Bill Pargeter, signed on as chairman and vice-chairman, respectively. Three others volunteered to serve on the committee's executive committee, and businesses in Anchorage and elsewhere loaned 14 of their top executives to the task on a full-time basis. Twenty-eight others signed up as part-time team members, many of them serving as many as 12 weeks at a time on assignment in Juneau. Others were aboard for briefer periods - and in all, 55 individuals took part in the work.

That work took two full years. On Nov. 1, 1978, Hammond issued a report to the people of Alaska on the results of the "Governor's Management & Efficiency Review."

Implementation of the recommendations over the two-year period resulted in annual savings of more than \$44 million and one-time benefits of more than \$6 million. At the time of the report, 247 of the study's 362 recommendations had been implemented, and others were in the works.

Reading it today, we see that some recommendations never implemented are still applicable. This would be a good place for the Commission on Privatization and the Delivery of Government Services to begin its work. Senate Bill 33, now under consideration by the Legislature, would create such a commission, made up of business and government leaders, to review and evaluate state procedures and services and provide recommendations for consolidating, privatizing, and streamlining state government.

It has been 24 years since state government was looked at with an eye for its overall shape and performance. It has grown considerably since then. Every gardener knows that pruning is necessary to keep a rose bush healthy, growing strong, and producing at its best. It's time for another look at the shape of state government.

"The State Chamber is united in the position that we need to get the budget problem behind us now, so that we can concentrate all our energies on building Alaska for the future."

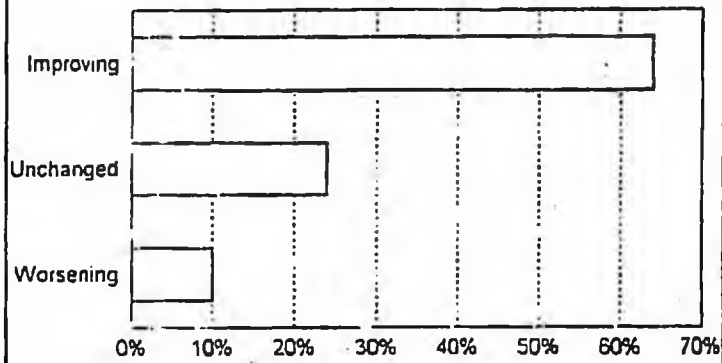
Pete Leathard, Chairman, ASCC

Many cities are responding by expanding service levels (see Figure 1-2). Moreover, this represents the continuation of a trend—according to the Municipal League of Cities, over two-thirds of cities report that the range of services they provide has expanded over the last five years, 32 percent of the cities expect increased service levels in 1998, and only 5 percent expect a decrease. Most anticipate increasing taxes to fund the service expansions.”

One impact of this trend is a dramatic increase in the number of government employees. In spite of the oft-heard rhetoric about cutting back bureaucracy, state government employment increased 5 percent and local government employment increased 11 percent between 1990 and 1996, according to the Bureau of Labor Statistics (see www.bls.gov/data/home.htm). That makes local government the nation's third-largest employment sector. And each year, new government employees cost taxpayers more than they did before—average pay for public employees is growing far faster than average pay in the private sector (see Figure 1-3).

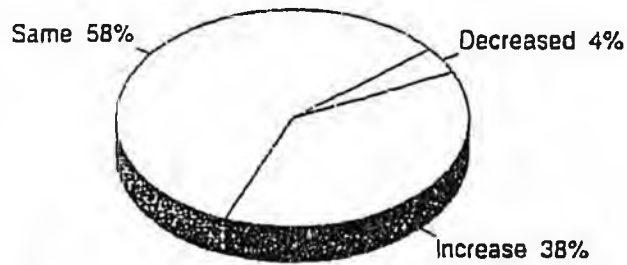
Interestingly, state and local government employment growth are in each case driven mainly by one sector. For state governments, employment in prisons accounts for a large portion of total state government employment growth. For many states, though, increasing employment of information-technology personnel to support more high-tech service delivery also accounted for many new employees. At the local level, the key growth area is schools. An increase of more than 5 million public-school students, compared to 1986, has meant nearly 400,000 new teaching jobs.

Figure 1-1: Municipal Economic Conditions



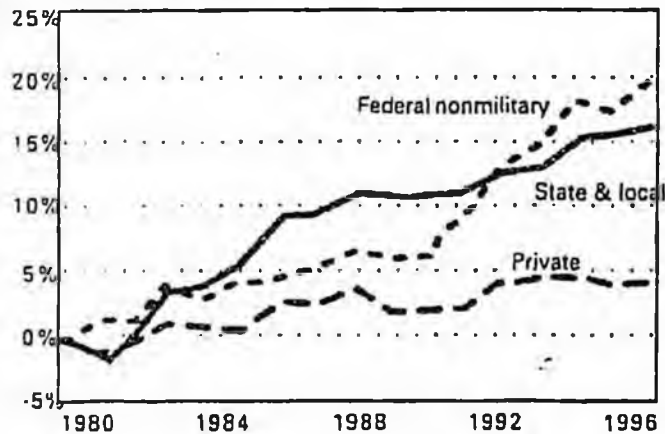
Source: National League of Cities, 1998.

Figure 1-2: Changes in Municipal Service Level



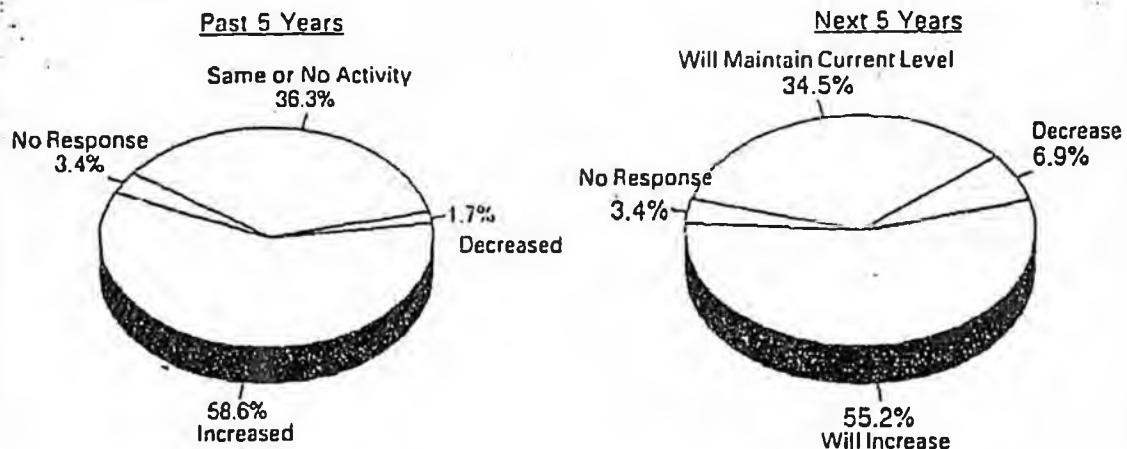
Source: Council of State Government (CSG), 1997.

Figure 1-3: Change in Average Annual Employee Compensation (Inflation Adjusted)



Source: *The Public Purpose*, www.publicpurpose.com

Figure 1-4: State Privatization Trends



Source: CSG survey on privatization in state government, 1997.

Table 4-1: Results of Michigan's Outsourced Foster-Care/Adoption Services: Then & Now

| Year | Available for adoption | Black adopted | Disabled adopted | Total adopted |
|------|------------------------|---------------|------------------|---------------|
| 1991 | — | 439 | 708 | 1,320 |
| 1997 | 3,100 | 1,213 | 1,428 | 2,641 |

Table 4-2: Privatizing Foster Care in Kansas

| Outcome | Target set by state | Target met by provider |
|--|---------------------|------------------------|
| Safety of the child | 95% | 99.9% |
| Minimal number of placements | 90% | 99.5% |
| Maintenance of family and community ties | 70% | 87% |
| Placement with a brother or sister | 65% | 69.6% |

Welfare Privatization Hotspots

| State | Scope |
|-------|------------------------------------|
| TX | Eligibility/information systems |
| WI | Intake to Placement (Milwaukee) |
| AZ | Intake to Placement (Maricopa Co.) |
| IN | Jobs Services |
| FL | Various depending on county |

Types of Welfare Contracts

Pure Performance: Payment only for each client placed (America Works)

Partial Performance: Base payment plus bonus per placement (Maximus)

Performance Pegs: Bonus payments depending on job retention (Indiana contracts)

Flat Fee for Full Service: Flat fee, regardless of number of clients. Contractor assumes all risks. (Wisconsin privatizations in Milwaukee Co.)

Group wants Alaskans first in line for DOT work

Continued from Page 10

reduce state government growth.

"Our goal in doing this survey is to reduce the cost of projects so that more pavement hits the roads," said state chamber President Pam LaBolle.

LaBolle said the idea for the survey sprang from a 1996 chamber forum and was patterned after efforts by other states that found their transportation departments could be refined, reduced and made more efficient.

"We are not picking on DOT," she said. "Other states targeted their DOTs as places where the private sector could, in some cases, do a job cheaper and more efficiently, without harming important DOT services already in place."

The chamber asked firms for the number and classifications of their employees by DOT region, whether employees could be moved from region to region, and whether the firm could accommodate increased workloads or increase qualified employees to cover additional contracts.

"We were overwhelmed with the response, said LaBolle.

"Before we even had the survey faxed out to all of the firms, we were getting return responses. I think we hit a

nerve here."

The chamber of commerce is committed to the privatization of government services, she said, and maintains that Alaska transportation and public facilities contracts can be done by private con-

sulting engineers already here.

Results from the survey will be presented to the state Legislature this session, according to La Bolle.

Reporter Rob Stapleton can be reached at 907-762-1423.

Chamber surveys engineers

By Rob Stapleton:
Journal Reporter



A windfall of federal funds to the state through the Department of Transportation and Public Facilities has Alaska State Chamber of Commerce members concerned enough to activate a statewide survey about the department's growth and use of local engineering firms.

The chamber sent a letter



Jan. 26 to engineering firms statewide to advise them of the nearly \$900 million the state will receive this year for transportation-related projects as its share of the Transportation Equity Act for the 21st Century.

Legislators last year funded the \$46.5 million state match for work budgeted in the 1999 federal fiscal year, which began Oct. 1. Legislators would have to appropriate another \$50.6 million to provide matches for projects scheduled for fiscal 2000.

The chamber intends for its survey to inform the Legislature of the capabilities of Alaska's private-sector businesses, and help

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AK Journal of Commerce 2/22/99

Headquarters:
217 2nd Street, Suite 201
Juneau, AK 99801
(907) 586-2323 FAX(907) 463-5515
e-mail asccjuno@ptialaska.net



January 26, 1999

Re: Participation in future Alaska DOT&PF projects

Dear Alaskan Engineering Consulting Firm:

As a result of the work of Senators Stevens and Murkowski and Congressman Young, Alaska will be receiving a substantial increase in federal transportation funds for road building and other transportation infrastructure over the next 3-5 years. The total amount of work will be in the billions of dollars. This will also require a substantial increase in engineering work.

The question arises: Should this increase in engineering work be met by hiring additional state employees in the Alaska Department of Transportation and Public Facilities, or should this work be done by private consulting engineers?

The Alaska State Chamber of Commerce is committed to the privatization of government services when it is feasible and cost efficient. In this case, we believe it is clearly in the public interest that this work be privatized. Several Alaskan engineering firms are very capable in the area of transportation infrastructure and have performed this work cost-efficiently under contract with federal, state, and local agencies in the past.

In addition, we cannot be assured of this same level of funding in the future. If this were to turn out to be a spike in federal funding, we don't think it makes sense to hire additional state workers for whom the state may incur future unfunded liabilities, such as future medical coverage and other benefits. Many companies in the private sector staff for peak workloads through outsourcing to avoid the cost, hardship and disruption of laying off permanent employees that were hired to meet a relatively short term need.

The question then also legitimately arises: Are Alaskan consulting engineering firms capable of handling this additional workload? If you would please answer the following questions, it will give the State Chamber the information we need to advocate on behalf of privatization of this work. Please return this information to us by fax or by email no later than Wednesday, February 3. This is an important opportunity for your firm, and we hope you will take this request seriously and give it prompt attention.

1. What are the number and classifications of your employees by DOT region?
2. Can you move people from one region to another to cover the workload?

3. Can you handle more work than you are currently doing, either by increased utilization of your current personnel or by hiring additional personnel? Could you acquire these additional people quickly to respond to the contracting needs of Alaska DOT&PF?

When we have compiled the data, we will make it available to all of you who participated in this survey. We will keep you informed on deliberations on this issue in the Alaska Legislature this session. We will also let you know when we feel the time is right for you to communicate with legislators and the administration on this issue, such as Finance Committee hearings, etc.

If you have questions regarding this request, I can be reached at our Juneau headquarters at (907)586-2323. Please provide your information to us by fax, (907) 463-5515, or email at ascjuno@ptialaska.net.

The Alaska State Chamber of Commerce is the only statewide lobbying organization promoting the interests of all of Alaska's business community. Attending to and advancing legislation or administrative action on topics such as this is what we do best on behalf of business. Our strength is in the size and diversity of our membership. If you are not a member, please consider joining us. Thank you for taking the time to participate in this survey.

Sincerely,



Pamela La Bolle
President

| South Central Region | |
|----------------------------------|------------|
| Unclassified | 123 |
| Registered Engineers | |
| Electrical | 15 |
| Mechanical | 5 |
| Civi | 71 |
| Structural | 1 |
| Geological | 2 |
| Chemist | 1 |
| Soil | 3 |
| Earthquake/sesismic | 1 |
| Enviromental | 2 |
| Hydrogeogist | 3 |
| Staff | |
| EIT | 3 |
| Admin/clerical | 21 |
| Other | |
| Technican | 7 |
| Urban/ regional Planners | 2 |
| Testing Tech. | 8 |
| Materials Supervisor | 1 |
| Enviromental Specialist | 2 |
| Land/Techincal | 48 |
| Electrical Designer | 2 |
| CADD/Drafter | 17 |
| Licenced Architect | 1 |
| Designer Tech. | 18 |
| Archeologist/cultural Specialist | 1 |
| Geologist | 1 |
| Asbestos Tech | 1 |
| Plumbing Designer | 1 |
| Contstruction Inspector | 4 |
| Total | 365 |
| Question # 2 | 14 Yes |
| Question # 3 | 8 Yes |

| South East Region | |
|----------------------------------|--------------|
| Unclassified | 9 |
| Registered Engineers | |
| Electrical | 1 |
| Mechanical | 1 |
| Civil | 22 |
| Structural | 2 |
| Geological | 1 |
| Chemist | |
| Soil | |
| Earthquake/sesismic | |
| Enviromental | 6 |
| Hydrogeogist | |
| Staff | |
| EIT | 2 |
| Admin/clerical | 11 |
| Other | |
| Technican | 8 |
| Urban/ regional Planners | |
| Testing Tech. | |
| Materials Supervisor | |
| Enviromental Specialist | |
| Land/Techincal | 7 |
| Electrical Designer | |
| CADD/Drafter | 7 |
| Licenced Architect | |
| Designer Tech. | |
| Archeologist/cultural Specialist | |
| Geologist | |
| Asbestos Tech | |
| Plumbing Designer | |
| Contstruction Inspector | |
| Total | 77 |
| Question # 2 | 16 Yes, 2 No |
| Question # 3 | 18 Yes |

| Northern Region | |
|----------------------------------|-----------|
| Unclassified | 48 |
| Registered Engineers | |
| Electrical | |
| Mechanical | |
| Civil | |
| Structural | |
| Geological | |
| Chemist | |
| Soil | |
| Earthquake/sesismic | |
| Enviromental | 1 |
| Hydrogeogist | |
| Staff | |
| EIT | |
| Admin/clerical | 1 |
| Other | |
| Technican | 1 |
| Urban/ regional Planners | |
| Testing Tech. | |
| Materials Supervisor | |
| Enviromental Specialis | 1 |
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| Electrical Designer | |
| CADD/Drafter | |
| Licenced Architect | |
| Designer Tech. | 4 |
| Archeologist/cultural Specialist | |
| Geologist | |
| Asbestos Tech | |
| Plumbing Designer | |
| Contstruction Inspector | |
| Total | 56 |
| Question # 2 | 2 Yes |
| Question # 3 | 2 Yes |

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Question 2: Can you move people from one region to another to cover the workload?

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In February 1997, the state issued an open-ended RFP seeking proposals for re-engineering and privatizing the state's computer systems. "We told the private sector, we want to get from this side of the river to the other . . . you show us how you would get us there," says Michael Barton, the governor's point man on the IT privatization.

The administration received 33 letters of intent from companies eager to bid on what potentially could be a \$1 billion-plus contract. By May, four major bidders for the contract had emerged: IBM, EDS, Computer Sciences Corporation (CSC), and the Connecticut State Employees Association. Already, the bidders have invested millions of dollars in their proposals.

The winning proposal is expected to be chosen in the first quarter of 1998. Cost savings are expected to be in the range of \$50 million a year.

The scope of the contract is unprecedented, encompassing eight areas of IT operations, including desktop, mainframe, midrange, and data centers. The private vendor will operate almost every aspect of IT in the state if everything goes according to plan. A vast range of state government processes—everything from getting a business license to getting a driver's license—will be affected by the change.

"Information technology is not a core function of government," says Barton, "so we're looking at getting out of that business." No other state has privatized its entire computer system. The only place Connecticut can look for a model is overseas: the government of South Australia privatized its entire IT operations in 1996.

Protections for current state employees will be written into the contract. The winning bidder will be required to hire all displaced employees for a minimum of one year. In a market in which there is a real shortage of skilled labor, the private companies have no problem with this provision. "If there are 1000 people now doing the work and the winning bidder only needs 700, they will simply find other opportunities for the employees within their organization," explains Barton.

Once the contract is signed, it must still be reviewed by the legislature. The Rowland administration is banking on the final contract being such a good deal for the state and its taxpayers that the Democratic-controlled legislature will eventually approve the contract.

After years of lagging the private sector, state governments are beginning to see IT as a top privatization target.

A number of privatization lessons have emerged so far from the Connecticut experience. First, to succeed you need a chief executive who is unwavering in his commitment to the project. Second, don't show your plan too early, or the forces opposing the privatization will sabotage the process. Third, you have to be willing to stand up to the unions. Finally, you need a model you can use as a reference point. Connecticut will soon provide such a model to other states. □

Looking Out For Business...

A Report from the Alaska State Chamber of Commerce - the Voice of Alaska Business



About sixty members of the Alaska State Chamber of Commerce (ASCC) were in Juneau recently to meet with Governor Knowles and the Legislature on behalf of business, commerce, jobs, and economic development. The primary topic of discussion was the \$1.2 billion budget deficit and what to do about it.

The Governor received praise for his leadership in opening the debate by putting his budget plan on the table. And, although the Legislature had yet to put forth its version of a plan for discussion, it was obvious that a lot of work was going on behind the scenes - sorting ideas and developing options for a plan that a majority of them could commit themselves to. The position presented by the Chamber was that a plan is needed this year - a plan for state government that emphasizes efficiency, consolidation, streamlining, and privatization.

"Any ideas on how this should be done?" was a question asked by many Legislators. Well, maybe this is a good time to look back in Alaska's history and see how another governor and another set of Alaska business leaders tackled a similar task - an assignment to reduce state costs by streamlining various government operations.

Finding efficiencies was the goal when Gov. Jay Hammond asked the State Chamber to assemble a team to make an in-depth study of the way things were done in state government - and to come up with recommendations for how to do things better and at less cost.

At the time, Alaska's general fund expenditures were running about \$700 million a year, and total state spending - including federal dollars coming in to support various programs - was just a little more than \$1 billion. Now, more than \$6 billion is pumping through the state's cash drawers, including \$2.3 billion in general fund spending.

But the crisis was much the same back in November 1975, when Hammond asked for help in controlling spending. The Chamber's response was to make a major commitment to the job.

Two leading Anchorage businessmen, banker Jim Curley and restaurateur Bill Pargeter, signed on as chairman and vice-chairman, respectively. Three others volunteered to serve on

the committee's executive committee, and businesses in Anchorage and elsewhere loaned 14 of their top executives to the task on a full-time basis. Twenty-eight others signed up as part-time team members, many of them serving as many as 12 weeks at a time on assignment in Juneau. Others were aboard for briefer periods - and in all, 55 individuals took part in the work.

That work took two full years. On Nov. 1, 1978, Hammond issued a report to the people of Alaska on the results of the "Governor's Management & Efficiency Review."

Implementation of the recommendations over the two-year period resulted in annual savings of more than \$44 million and one-time benefits of more than \$6 million. At the time of the report, 247 of the study's 332 recommendations had been implemented, and others were in the works.

Reading it today, we see that some recommendations never implemented are still applicable. This would be a good place for the Commission on Privatization and the Delivery of Government Services to begin its work. Senate Bill 33, now under consideration by the Legislature, would create such a commission, made up of business and government leaders, to review and evaluate state procedures and services and provide recommendations for consolidating, privatizing, and streamlining state government.

It has been 24 years since state government was looked at with an eye for its overall shape and performance. It has grown considerably since then. Every gardener knows that pruning is necessary to keep a rose bush healthy, growing strong, and producing at its best. It's time for another look at the shape of state government.

"The State Chamber is united in the position that we need to get the budget problem behind us now, so that we can concentrate all our energies on building Alaska for the future."

Pete Leathard, Chairman, ASCC

PUBLIC-PRIVATE FAIR COMPETITION ACT

Summary

This act prohibits government from engaging in any commercial activity of any goods or services to or for government agencies or for public use which are also offered by private enterprise. It establishes a Private Enterprise Advisory Committee to act in conjunction with the state auditor to review and make determinations concerning state agencies engaged in or proposed to be engaged in activities which unfairly compete with the private sector. It also establishes a system to resolve complaints from the private sector regarding unlawful government activity established in this Act. (An example of this bill is Oregon HB #2776, 1993)

Model Legislation

{Title, enacting clause, etc}

Section 1.

This Act shall be known and may be cited as the Public-Private Fair Competition Act.

Section 2. {Statement of purpose}

The Legislative Assembly finds and declares that the growth of private enterprise is essential to the health, welfare, and prosperity of this state and that government competes with the private sector when it provides goods and services to the public. It is the intent of the Legislative Assembly and the purpose of this Act to protect economic opportunities for private industry against unfair competition by government agencies and enhance the efficient provision of public goods and services. It is also the intent of the Legislative Assembly that issues and complaints regarding competition between government and the private sector be addressed by the state auditor, with advice from the Public Enterprise Advisory Committee created by this Act.

Section 3. {Definitions}

(A) "Commercial Activity" means performing services or providing goods which can normally be obtained from private enterprise.

(B) "Committee" means the Private Enterprise Advisory Committee

(C) "Competitive impact statement" means a cost analysis using uniform accounting standards accepted by private enterprise to determine the total cost of commercial activity. The cost analysis shall include a comparison of impact of commercial activity on state and local tax revenues. The private enterprise cost figures in the cost analysis shall be determined by obtaining one or more bids for performing or providing commercial activity.

(D) "Government agency" means the state, any unit of state government and any local government or other subdivision or district of the state, and shall not be construed to exclude any entity which is not majority owned as private property and which established under the Constitution, statutes, ordinances or any other order or action by any such entity or its officers.

(E) "Private enterprise" means an individual, firm, partnership, joint venture, corporation, association or any other legal entity engaging in the manufacturing, processing, sale, offering for sale, rental, leasing, delivery, dispensing, distributing or advertising of goods or services for profit.

(F) "Uniform accounting standards" means an accounting method which allows government agencies to identify the true and total cost to supply goods and services in the same manner as private enterprise would identify true and total cost, including but not limited to the following:

- (1) Labor expenses, including direct wage and salary costs, training costs, overtime and supervisory overhead,

Part III: Competitiveness ■

- (2) Total employee fringe and other personnel expenses;
- (3) Operating costs including vehicle maintenance and repair, marketing, advertising, and other sales expenses, office expenses, billing and insurance expenses;
- (4) Real estate and equipment costs, debt service costs and a proportionate amount of other agency overhead and capital expenses including vehicle depreciation and depreciation of other fixed assets such as buildings and equipment;
- (5) Contract management costs;
- (6) The imputed tax impact of the activity if such entity were required to pay federal state and local taxes; and
- (7) Any other cost particular to the business or industry supplying the goods or services.

(G) "Government agency" means the state, any unit of state government and any local government or other subdivision or district of the state, and shall not be construed to exclude any entity which is not majority owned as private property and which established under the Constitution, statutes, ordinances or any other order or action by any such entity or its officers.

Section 4. {Government activity prohibitions and exceptions }

(A) Except as provided in this act, a government shall not engage in any commercial activity, including, but not limited to, the manufacturing, processing, managing, sale, offering for sale, rental, leasing, delivering, dispensing, distributing, or advertising, in whole or part, of any goods or services to or for government agencies or for public use which are also offered by private enterprise.

(B) Notwithstanding any other provision of law, a government agency is authorized to perform or provide a commercial activity only when:

- (1) The activity is authorized by state law
- (2) Use of a private enterprise source would cause unacceptable delay or disruption of an essential program.
- (3) The agency can provide or is providing goods or services to government agencies or the public on a continuing basis at a lower cost than if such goods or services were obtained from private enterprise as determined by cost comparison as outlined in the competitive impact statement relating to the specific good or service.

Section 5 {Competitive Impact Statement }

(A) A government agency shall not be required to perform more than one competitive impact statement within one year for the same good or service as specified in a complaint under this act.

Section 6 {Committee governance}

(A) The state auditor in consultation with the Public Enterprise Advisory Committee, shall review and make determinations concerning state statutes, state rules and practices of state agencies relating to activities engaged in or proposed to be engaged in by government agencies which may be affected by this act and shall enforce the provisions of this act.

(B) The state auditor, in consultation with the committee, shall determine final uniform accounting standards to be used for cost analysis in this Act in at least as strict a form as the definition of uniform accounting standards in this Act.

(C) The state auditor, in consultation with the committee, shall adopt rules:

- (1) Necessary to govern the public bidding process by private enterprise

Part III: Competitiveness ■

(2) Establishing procedures for hearing and resolving complaints filed under this Act.

(D) The state auditor shall report activities and determinations made under this Act to the Governor and Legislative Assembly not later than [deadline].

(E) The Private Enterprise Advisory Committee is created in the Department of Insurance and Finance. The committee shall advise the state auditor in the implementation and enforcement of this Act. The committee shall consist of nine unpaid members who shall be appointed as follows:

(1) The Governor, Speaker of the House of Representatives and President of the Senate shall each appoint two members from private enterprise who are business owners or officers.

(2) Two members who shall be chief executive or administrative officers of a government agency and who shall be appointed by the Governor.

(3) One member of the Legislative Assembly who shall be appointed by the Speaker of the House of Representatives.

(4) The chairperson of the committee shall be appointed by the Governor from the members representing private enterprise.

(F) All initial appointments to the committee shall be made no later than January 1 of the year following enactment. Terms of office for all members of the committee shall be two years and members may be reappointed up to an additional four terms. Each member who is a state agency employee shall remain on the committee until the end of the member's term of office, but only so long as the person remains a state agency employee. A vacancy on the committee shall be filled within 60 days of the date the vacancy occurred in the same manner as the original appointment. Any member appointment to fill a vacancy occurring prior to the expiration of the term for which the member's predecessor was appointed shall hold office for the remainder of the term. Each member shall continue in office until a successor is appointed and qualified.

(G) Five members of the committee shall constitute a quorum. No action shall be taken by the committee without the concurrence of at least three members.

(H) The state auditor shall adopt rules necessary to govern proceedings of the committee. Members of the committee shall serve without compensation but shall be entitled to expenses.

Section 7 {Complaints}

(A) Any person who believes that a government agency has engaged in or is proposing to engage in commercial activity in violation of this Act may file a written complaint with the state auditor stating the grounds for the complaint. Upon receipt of the complaint the state auditor shall immediately transmit a copy of the complaint to the head of the government agency which is the subject of the alleged violation and to the committee.

(B) The head of the government agency named in the complaint shall respond to the state auditor in writing within 30 days after receipt of a complaint. The state auditor shall transmit a copy of the response to the committee. The government agency shall either admit or deny the allegations made in the complaint and indicate whether remedial action will be taken.

(C) If a government agency denies the allegations made in the complaint, the government agency shall:

(1) Prepare and submit to the state auditor a competitive impact statement concerning the commercial activity that is the subject of the complaint; and

(2) Prepare a detailed request for proposal which will be widely disseminated within segments of private enterprise which normally engages in the commercial activity that is the subject of the complaint in order to obtain firm bids.

Part III: Competitiveness ■

or proposal for the activity requested. All bidding processes shall be a matter of public record. A reasonable time period shall be given to private enterprise to submit bids or proposals. Bids received from the request for proposal shall be made available upon request of the state auditor. Bids received from request for proposal shall be used in the preparation of the competitive impact statement.

(D) The state auditor shall establish a deadline for submission of the competitive impact statement by the government agency.

(E) The state auditor shall hold a public hearing on the complaint where all parties are afforded an opportunity to present evidence. The hearing shall be held:

(1) Within 30 days after receipt of the agency's response under this section, if the agency admits the allegations in the complaint but does not indicate whether remedial action will be taken, or

(2) Within 30 days after the state auditor receives the competitive impact statement prepared under this section.

(F) After considering the competitive impact statement, bids received from private enterprise under this Act and other evidence presented, the state auditor, after consulting with committee, shall determine whether the government agency is in violation of the provisions of this Act. If a government agency is found to be in violation of this Act, the state auditor shall take the necessary steps to terminate the commercial activity.

(G) Within 30 days after the public hearing, the state auditor shall issue a report of its findings to the complainant and the government agency.

(H) If the government agency's commercial activity is to be terminated, the termination shall take place within three months of the state auditor's report or under a schedule set by the state auditor.

(I) The state auditor shall establish by rule fees for filing complaints which will supply the operating funds of the committee. The fee shall not be less than \$2,000 per complaint. In the case where the state auditor finds in favor of the complainant, the government agency shall pay the filing fee, and the complainant shall be reimbursed by the state auditor.

(J) If the government agency fails to comply with the state auditor's order, the state auditor may file an action to restrain and enjoin the government agency from engaging in the activity.

(K) A private enterprise that suffers economic loss as a result of a government agency violating this Act has a cause of action for injunctive relief or damages, or both, in the county where the government agency is located. Any damages awarded in a cause of action brought under this Act shall be assessed against the specific government agency and specifically assessed against its budget. Court costs shall be awarded to any private enterprise prevailing under this section. A private enterprise shall not have standing to seek injunctive relief or damages or to challenge violations of this Act in the courts of this state until the private enterprise has first made a complaint to the state auditor and has received the decision of the state auditor.

Section 8. {Severability clause.}

Section 9. {Repeals.}

Section 10. {Effective date.}



A Brief Overview

The Arkansas Citizens' Commission to Streamline State Government (Murphy Commission) is an independent initiative in which *100-150 citizens and business leaders are volunteering* some of their time, money, brainpower, common sense and expertise--for a year to 18 months--as a volunteer, citizen-driven task force charged with *discovering ways Arkansas' state government can be made leaner, smaller, more focused, more accountable, and more efficient*. The Commission's findings will comprise written recommendations--backed with supportive data and information--to be presented, as a report, to the Governor, other officials in higher state elective offices, legislators, state business leaders, the media, and citizens at large.

To accomplish its mission, the Murphy Commission comprises *six (6) volunteer workgroups and several special committees* with specific missions relative to improving state government. Specifically, the six workgroup areas of interest are 1) defining the role and function of state government, 2) quantifying the structure of state government as it exists now, 3) detailed examination of the state budget to identify economizing opportunities, 4) identifying opportunities to privatize state services, 5) reforming state fiscal policy and creating a pro-growth, family friendly tax plan for Arkansas, 6) applying technology in state government for greater efficiency in operations and improved citizen access to government data and performance information.

Each workgroup will issue one or more "*interim*" reports as it works and finishes its assigned tasks. This will allow for a series of briefs and recommendations to flow from the Commission over the yearlong course of its work. *A final summary report with all recommendations will be issued to government leaders, citizens, and the media* once all workgroups have completed their tasks. It will be accompanied by a supporting policy paper recommending a comprehensive pro-growth and family friendly tax reduction plan for Arkansas.

The Commission will *encourage serious consideration of its proposals and recommendations* and count on many of them eventually being enacted. It will remain in tact--as a body--for up to five years, meeting at least once annually, to monitor progress on the adoption of its recommendations and report to the public on which have been implemented, which have not—and why, and which ones may need to be altered—and why. *Failing legislative action on recommendations that may have strong public sentiment...the option of ballot initiative by the people will be explored and encouraged.*

HOW TO CONTACT THE MURPHY COMMISSION...

111 Center St., Suite 1610, Little Rock, AR 72201 501-376-9967 Fax 501-376-6556

Murphy Commission Hotlines:
376-9798-Little Rock Area
1-888-97-IDEAS (974-3327) Statewide Toll Free



Mission Statement

The Arkansas Citizen's Commission to Streamline State Government

As Arkansas approaches the 21st. century, it is both appropriate and timely that the proper role and function of our state government be re-visited and, as needed, redefined.

Guided by this goal, the *Murphy Commission* exists to create a smaller, more cost-effective and accountable state government in Arkansas through an independent, non-partisan, and ongoing citizen review process utilizing in-depth financial and management analysis by experts in their respective fields and by other concerned citizens.

In carrying out its mission, the *Murphy Commission* will give specific attention to:

1. Recommending changes to the current structure of state government, the number and composition of boards and commissions, and government's regulatory powers.
2. Analyzing the current state budget and the process by which it is generated and targeting ways to save money and set priorities.
3. Identifying opportunities to streamline operations and generate cost savings.
4. Highlighting opportunities to privatize state government services.
5. Addressing state taxation and financial practices in order to develop reforms conducive to investment and savings, and the creation of a nationally competitive business environment.
6. Utilizing technology to make government function more efficiently and to provide greater citizen access to state information and data.

All findings and recommendations of the Commission will be supported by data, information and facts that are comprehensive, reliable and defensible. All sources will be cited. In addition, complete openness and visibility are also objectives of the *Murphy Commission*. Therefore, the public, all state-level elected officials, and the media will be continually apprised of the Commission's progress. A final report, detailing all findings and recommendations, will be released to the public. The commission will remain in place for five years to assess and report publicly on implementation and modification of all recommendations.

Expected Benefits to Arkansas:

- Greater public understanding of the role and function of state government.
- State government that is more efficient and more accountable to the citizens it serves.
- Greater opportunity for Arkansas' businesses and families to prosper and thrive through lower, fairer, taxes and the stimulation of a pro-growth and nationally competitive economic climate.

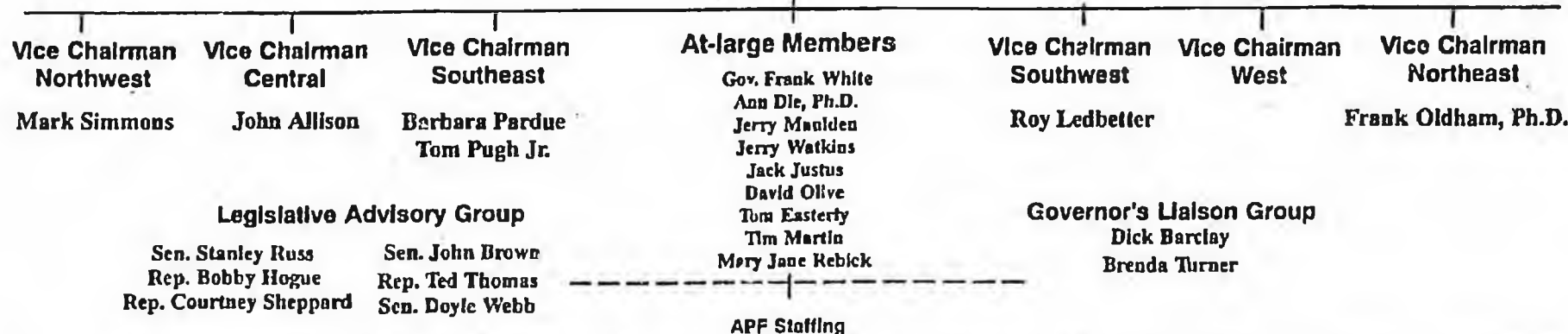
08/20/97

The Murphy Commission (A citizens' commission to streamline state government)

**CHAIRMAN
MADISON MURPHY**

**VICE CHAIRMAN
STEVE STEPHENS**

*Vacancies are still being filled
in some positions and workgroups.
Suggestions welcomed.



| Role & Function State Gov. | Current Structure State Gov. | Budget Analysis | Competitive Outsourcing | Financial & Tax Policy | Technology | Public Awareness |
|---|---|---|---|--|---|---|
| Group Chair Charles Morgan | Group Chair Madison Murphy | Group Chair Randy Laney | Group Chair Rep. Mike Wilson | Group Chair French Hill | Group Chair Clarence Durand | Group Chairs Barbara Pardue Tim Martin |
| Lucas Morel, Ph.D. (technical advisor) Ann Die John Brown Annett Pagan Barbara Pardue Stanley Russ Mark Simmons David Olive Bob Ratchford Jerry Watkins Ted Thomas | Ted Thomas, Attorney (technical advisor) Michael Watson Ronn Hy Chris Carnahan Jolie Busby | Ted Thomas, Attorney Terry Benson (technical advisors) Agency Review Teams (see next chart) Dept. of Ed. DF&A DHS and Health Corrections ADEA/AIDC Heritage/Parks & Tourism Labor Pollution Control and Ecology Highway Dept. Employment Security Public Retirement System | Fritz Steiger Don Fitz Stewart Springfield Jim Walton Annett Pagan Kia Bush Bill Turnage Blant Hurt Mary Jane Rebeck Bill Ferren Royce Stanford Greg Prown Jerl Pritchett | Ronn Hy, Ph.D. (Technical advisor) John Shelnuft, Ph.D. Johnny Allison Stanley Russ Courtney Sheppard Nathan Evers Dan Peregrin Charles Owen Keith Berry, Ph.D. Rep. Tom Courtway Theresa Pockrus | Cecil McDermott, ED.D. John Ahlen, Ph.D. (Technical Advisors) Scott Ford Walter Smiley Mike Gilliam Bob Zimmerman Paul Williams Mark Johnston John Bobolik | Martin & Martin (Technical Advisor) Mike Watson Doans Watson Chris Carnahan |

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08/20/97

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Ted Thomas--Technical Advisor

Terry Benson--Technical Advisor

Ronn Hy--Technical Advisor

Mika Watson--Staff Director

Advisory Review and Oversight

Mike Haigh: Chair
Dorsey Jackson, Co-chair
Keith Conine
George Breazeal
Ray Gash
Bob Hogan
Gerald Johnston
Ted Thomas
Brad Fricberg

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Chris Caranhan
DF&A:
Mike Watson
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Mike Watson
Donna Watson
Chris Caranhan

Corrections:
Chris Caranhan
Park/Tourism/Heritage:
Donna Watson
Highway/PC&E:
Chris Caranhan
AEDC/ADFA:
Mike Watson
Labor:
Chris Caranhan
Employee Security/Retirement:
Donna Watson

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Ch. Steve Stephens
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David Dubell
Martha Adcock
Dub Snider
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Bob Jolly
Marilyn Latin
Harold Witman
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Chris Pyle

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Lisenne Rockefeller
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Tom Dober
Jerry Watkins
Tom Easterly
Mel Ingram

Rifle Shot Team One

Mickey Miller

Rifle Shot Team Two

Skip Cool

(GL) Governor's Office Liaison

April 18, 1999

Representative John Coghill
State Capital
State of Alaska
Juneau, AK 99801

Re: CS FOR SENATE BILL NO. 33 (FIN)

Dear John:

Per your request, I am forwarding to you my concern with Senate Bill No. 33, which will be up in House State Affairs on Tuesday. As I mentioned to you late Friday afternoon, my concern is Section 2 & 3 of the bill. Section 2 gives unilateral and absolute power to the State in the:

"unrestricted authority of the employer to enter into a contract with an entity in the private sector of the economy to perform a function previously performed by state employees".

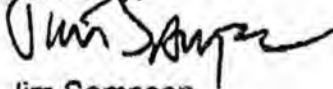
John, simply put, this language eliminates collective bargaining in the public sector in Alaska. This language, if used to its extreme, could legally allow the State to fire or layoff thousands of its Alaska workers without having the legal responsibility to bargain in good faith. It should be deleted.

Section 3. I don't know if the intent of this section is to allow labor to comment or submit a formal proposal to compete in the bidding process. Either way, I don't see the need for the section.

I am in Washington, DC from Saturday, April 17, 1999 until Thursday, April 22, 1999. If you have any questions on my comments, I can be reached at the Westin Fairfax at (202) 293-2100. I did talk with Representative James and was not able to talk with Representative Whitaker before I had to leave, so I am going to fax a copy of this letter to both of them.

Thank you all for your consideration.

Sincerely,



Jim Sampson



PRIVATIZATION WATCH

REASON PUBLIC POLICY INSTITUTE ♦ PRIVATIZATION CENTER

No. 265 ♦ January 1999



[Email the editor at nsnell@reason.org]



[Call the Privatization Hotline at 310/391-6525]



[Check out the new privatization web site at www.privatization.org]

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THREE STATES LEADING THE WAY IN CHILD WELFARE PRIVATIZATION

That "America's child welfare system is cumbersome, inefficient, and costly" and that "paperwork and protocol often overshadow the best interests of children" are among the findings in "Blueprint for the Privatization of Child Welfare," a study recently released by the Reason Public Policy Institute.

Three states—Texas, Michigan, and Kansas—have taken the lead in remedying these and other problems through privatization. Although their programs differ, their goals are the same: to better serve the needs of the children and families in their care.

Texas

In Texas, the child welfare department was having problems with its outdated management information system (MIS). As the study points out, "a child in foster care whose file is misplaced, whose health records are kept in an office across the state from his foster family's home, whose court dates are repeatedly postponed because the state cannot adequately gather records pertinent to his case, is left adrift in a system. This is the human cost of a very limited MIS that can amount to months, even years, of a child's life."

Until as recently as 1989, the Texas child welfare department tracked nearly 8,000 children with a system of three-by-five cards and nine separate computer systems. It took nearly seven years for the department to upgrade its antiquated system with a centrally located and efficient information system. They accomplished this by employing a qualified private contractor to meet their four primary goals:

- Goal 1: Reduce the risk of harm to children and vulnerable adults and improve services by enhancing caseworker productivity and efficiency.
- Goal 2: Improve the quality, timeliness, and utilization of information for all levels of staff.
- Goal 3: Support management of resources to maximize client outcome.
- Goal 4: Provide electronic interface ability with agencies and service providers outside the Texas Department of Protective and Regulatory Services to facilitate data exchanges and verification.

The child welfare department not only met these goals but also realized substantial savings as well. They expect to cut costs over the first

PRIVATIZING MARINAS, PART 1: TRENDS AND METHODS

This is the first report in a two-part series on marina privatization. It is condensed with permission from a series of articles written by Neil Ross in the May 1998 issue of Boating Industry Magazine.

Public marinas in the United States are converting to private management at an increasing rate. According to boating-industry experts, most of the existing publicly operated marinas in the nation may be heading toward privatization over the next 10 to 15 years.

Why Privatize?

1. Taxpayers do not want to further subsidize "rich yachtsmen." The day of government money being available for boaters has largely disappeared. Public officials are looking for other ways to get better service at lower cost and even generate income.

2. Many publicly built facilities are getting old and more expensive to maintain. Most need major modernization because they were built for a type of boat that is very different from what most boaters have now.

3. Government agencies are notoriously weak on maintenance budgets. As a result, many public marinas are showing their age and are increasingly in disrepair. And the coastal and environmental restrictions on marinas have grown so much that governments increasingly

PUBLIC MARINAS FOR PRIVATE USE?

have trouble complying with—and paying for the studies required by—their own regulations and those of other levels of government.

4. Marinas are really a hospitality business that must cater to and serve customers. This is not a strong feature of government agencies or their employees. Government workers are paid the same whether the marina does well or not, and are not rewarded when they do a great job. Some public marinas even close their offices on major holidays such as Labor Day, when their facilities are most in demand.

For many local governments, privatization appears to be the best long-term solution. Unlike public bodies, profit-seeking business managers tend to make quick decisions to solve problems as they occur. They can easily spend cash to fix problems.

Under privatization, the government can sell the marina outright or remain in the loop by owning the land/water and overseeing contracts for operation. Taxpayers benefit from reduced cost and revenue from the marina, boaters get superior service and better facilities.

Trends

The National Marine Manufacturers Association estimates that there are more than 10,000 marinas across the United States; of these, about 70 percent are private and about 30 percent are public.

The four most active states in marina privatization are California, Illinois, Wisconsin, and Florida. Almost all the marinas currently (or soon to be) under private management are in the coastal areas, but the trend will likely move inland to lake and river facilities over the next decade.

"Most of all the big public marinas in California have been approached by private management corporations," says John Corrough, marina consultant and port master planner for the Corrough Consulting Group, in Newport Beach, California. "Many of the municipalities are considering private management and have studies ongoing. Eight to 12 major public marinas are actively planning to take this step."

Corrough says California's Proposition 20 absolutely restricted the flow of money for marina development and capital improvements and that the state and local governments just have no money available for marinas. He also notes that the U.S. Army Corps of Engineers has largely withdrawn from marina dredging and construction and that the big push of the '60s and '70s to build major harbors and public marina facilities is over.

Much of the bidding to lease and manage public marinas is being done by two national companies: Westrec Marinas (Encino, California) and newcomer Marina Management International, owned by dock manufacturer Bellingham Marine Industries (Bellingham, Washington). In regional markets, there is competition from several other management companies, including Almar (Palos Verdes, California); Hoty En-

terprises (Westlake, Ohio); and Skipper Marine Development (Winthrop Harbor, Illinois).

Types of Privatization

According to William Anderson, president of Westrec Marinas, the two main methods of marina privatization are:

Direct Management Contract. This is the preferred method when the government wants to retain ownership of the marina or when a charter or state law prevents a lease. The length of typical marina management contracts varies from 3 to 20 years, with 10 years common. Renewal is based on good revenues and performance. Generally, the government pays an annual management fee, which increases each year by a certain percentage, plus a percentage of revenues. However, if there is any nontaxable bond money involved in the marina, IRS regulations prohibit giving a percentage of its income to private corporations.

Long-Term Lease. This is the preferred method when a public marina needs major repair and the government doesn't have the money to pay for it. A long-term lease allows cost recovery plus profit for the private operator.

"Each conversion is different because of differing laws and regulations, and we need to customize our packages to meet the municipal needs," Anderson says. "I see this as a long-term trend for all levels of government—federal, state and local."

Examples

In Wisconsin, Sheboygan City Development Director Robert Peterson says: "We built and opened our public marina in 1994. Working with 28 business CEO advisors, the city decided it didn't

have the expertise or skills to run marinas and sent out a Request for Proposals (RFP) for management help during construction and operation."

The city received three bids and gave a 10-year renewable management contract to Skipper Marine Development to run the city's marina. Skipper put up \$320,000 of its own money and constructed a Harbor Clubhouse, a swimming pool, and other amenities.

According to Peterson, Skipper gets an annual management fee, which increases 3 percent per year, plus 13.5 percent of net operating profit. The marina has 255 slips now, and Skipper is adding 56 more this year.

"We expect to total 466 slips in a few more years," says Peterson. "The marina is exceeding our projections on slip occupancy, transient visitors, fuel sales and other services. Good security and cleanliness are the two most common compliments we get from boaters."

Cabrillo Marina in the Port of Los Angeles is a public marina in the process of converting to private management. It has 1,180 slips that were built when federal, state, and city money was available.

"This type of public/public/public (federal/state/city) partnership is out the window now," Corrough says. "The private contract will include payment of a flat rental fee plus a percent of various gross revenues to the port. Cabrillo has been widely known for its low rates—well below market—and this will change. In return, slip rates will change from \$8 per foot per month across the board to a graduated rate system of \$10 to \$15 per foot."

See next month's *Privatization Watch* for "Privatizing Marinas, Part II: Lessons Learned and Best Practices."

PRIVATIZING CHILD WELFARE IMPROVES SERVICES

10 years of the contract by more than half, from \$199 million to \$97 million—over \$100 million in tangible savings, along with increased quality and efficiency gains.

Michigan

The primary goal of child welfare officials in Michigan is to have children adopted as quickly and efficiently as possible, minimizing the amount of time in foster care. In 1987 they implemented a program that relies heavily on private agencies. They altered their child welfare policy to allow (1) imposing time limits on moving children out of foster care and into adoption, (2) a tighter definition of abandonment, thereby reducing the number of children entering the system unnecessarily, (3) economic incentives for quicker adoptions, and (4) making information on adoptable children more available. Since then, the rate of adoptions has steadily increased, with considerable growth in the adoption of "special needs," or "hard to place," children. The success of Michigan's adoption program is detailed in Table 1.

By offering financial incentives for placing children more quickly, Michigan has created a "culture of adoption," that rewards successful adoptions and penalizes warehousing.

Kansas

Kansas has engaged in the most-comprehensive child welfare privatization program to date. A variety of problems and legal pressures in the late 1980s and early 1990s led the state to consider privatization as a means of meeting its obligations and providing the best possible service. Although it was the legislature that recommended privatization, it was the agency itself that took up the cause and pushed reform forward.

Cost savings were not the primary focus. As Gov. Bill Graves put it, "This isn't about saving money. In fact, it may very well cost us more money, and that is OK in the long run if the results are more positive for the children of our state." Their goals were fourfold:

- Establish clearly defined program goals that must be met.

Under the old method, the state was not held accountable if a child lingered in foster care.

- Achieve quality and cost-effectiveness through competition. Under the old method, the state ran everything—for better and for worse.
- Ensure that children and families are assigned to a single case manager throughout the service-delivery process. Under the old method, a family could have several caseworkers from all the various parts of the system, sometimes working at cross-purposes.
- Make availability of services equal across the state. Under the old method, the type and quality of service a family received varied, depending on where they lived.

Similar to Michigan's system, Kansas officials evaluate the program with an outcome-based service-delivery system; they use pooled funding to ensure that de-

isions are based on clinical need rather than funding streams; and they set a dollar amount that is tied to achieving measurable outcomes and is to be paid per child/family. The results were even better than the state expected—the private contractors exceeded their target levels for several outcome measures, as shown in Table 2.

The secretary of the Kansas Department of Social and Rehabilitative Services summarized the change: "The old-world incentive was to keep the beds filled; now it is performance."

Although these three states engaged in privatization of differing types and to varying degrees, they all shared the same goals and expectations—to better care for children and families. All three achieved their goals and serve as models for the rest of the nation on the benefits of private-sector involvement in child welfare services.

—Wade Hudson

[whudson@reason.org]

Table 1: Michigan: Then and Now

| Year | Black children adopted | Disabled children adopted | Children adopted (all) | Percentage of available children adopted | Children available for adoption |
|------|------------------------|---------------------------|------------------------|--|---------------------------------|
| 1991 | 439 | 708 | 1,320 | 1,976 | 66.8 |
| 1997 | 1,213 | 1,428 | 2,378 | 3,058 | 77.8 |

Source: Susan Orr, "Child Welfare Services," in Annual Privatization Report (Los Angeles: Reason Public Policy Institute, 1998), p. 27.

Table 2: Privatizing Foster Care in Kansas

| Outcome measures | Target set by state | Target met by providers |
|--|---------------------|-------------------------|
| ■ Safety of the child | 95% | 99.9% |
| ■ Minimal number of placements | 90% | 99.5% |
| ■ Maintenance of family and community ties | 70% | 87% |
| ■ Placement with a brother or sister | 65% | 69.6% |

Source: Susan Orr, "Child Welfare Services," in Annual Privatization Report (Los Angeles: Reason Public Policy Institute, 1998).

PRIVATIZATION BRIEFS

Military Payroll Competition

In January the U.S. Department of Defense will solicit proposals from the private sector to handle military pay processing operations now performed by 500 civilian employees at the Defense Finance and Accounting Service (DFAS) in Cleveland. The work involves processing monthly checks for about 1.9 million military retirees. The DFAS center will prepare a proposal that will compete with those submitted by the private-sector firms. Ken Redding, program manager for the DFAS, said that three previous competitions between the DFAS and private companies in other cities have not resulted in any outsourcing or privatization of Pentagon jobs. However, he also said that those competitions resulted in annual savings of \$2 million and the elimination of about 400 government jobs as officials restructured their operations to reduce costs. Business Executives for National Security, a group in Washington, D.C., that has been urging the Pentagon to get out of the payroll processing and accounting business, has cited studies showing that the Defense Department could save a minimum of \$350 million annually by outsourcing about half the DFAS functions. The proposals are scheduled to be completed next summer, and the winner could be selected by next October.

Los Angeles Considers Private Child-Support Collection

Los Angeles County Supervisor Mike Antonovich has proposed privatizing District Attorney Gil Garcetti's child-support agency. The *Los Angeles Times* has reported that Garcetti's office fails to collect the child support 9 times out of 10 and knowingly bills men who are not biological fathers of children they are ordered to support. Antonovich's plan calls for county staff to draft proposals for bids from private companies that would handle "the investigation and payments" of child support. It will be considered by the Los Angeles County Board of Supervisors. Garcetti will also present a plan for improving his child-support unit. State law vests sole authority for running child-support programs at the county level with the district attorney. A spokeswoman for Garcetti said that although the district attorney is supportive of using private companies to supplement his office, he would oppose attempts to privatize his unit "lock, stock and barrel."

University Bookstores Go Private

In June the University of Miami (UM), following a national trend, contracted with Follett Corporation, which runs 580 campus bookstores in North America, to run its bookstore. Follett bought UM's existing inventory for \$2.3 million, assumed all operating costs of the bookstore, and will provide \$800,000 for bookstore renovations. Follett will also pay UM a minimum of \$775,000 per year and up to 9.1 percent of gross revenues.

Students have also benefited from the arrangement. A UM spokesman, Alan Fish, reported that students have saved \$190,000 in the first semester alone because Follett brought in thousands of used textbooks from its main Chicago-area warehouse.

Barnes & Noble runs the bookstore at Florida International University (FIU). As part of a contract renewal, Barnes & Noble is negotiating to build a two-story superstore on the West Dade campus. Barnes & Noble would pay \$2.1 million of the construction costs, and FIU would pay \$1.5 million. The new bookstore would be called Florida International University Bookstore but would have the look and feel of a Barnes & Noble store—right down to the café. Cynthia Curry, FIU vice president for business and finance, said that FIU now gets 8.5 percent of the Barnes & Noble gross revenues—about \$1 million last year. A superstore would bring in far more for the university.

Although outside companies have been running college bookstores for years, a mass-merchandising transformation is occurring, similar to the appearance of food courts on college campuses in the early 1990s.

College officials say the biggest selling point to turning bookstores over to corporations like Follett and Barnes & Noble is that they have nationwide on-line operations. These companies allow students to reserve books on the Internet without making a trip to the college bookstore.

As UM's Alan Fish notes, "We couldn't match the technology, the expertise and the used books. The bottom line: the University doesn't have to worry about inventory or staff, yet still collects a share of the store's revenue."

—Lisa Snell [lsnell@reason.org]

Continued from Page 2

BLOCKING TOLL ROADS

14 percent said yes. Not asked, of course, was whether—in order to prevent their highways from deteriorating—Arkansas residents would rather have an increase in fuel taxes, which they would pay whenever they use any roads, or the addition of tolls to selected high-cost, high-traffic routes that need the largest amount of rebuilding work. Also ignored was today's electronic and video technology that permits tolling without any toll booths at all, as on Toronto's highly successful (and popular) Highway 407 Electronic Toll Road.

—Robert W. Poole, Jr.
[bobp@reason.org]

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Conferences

U.S. Water & Wastewater Summit, January 25-26, Grand Hyatt Hotel, Washington, D.C. Organized by The Center for Business Intelligence, Call 800/817-8601 for more information.

Best Practices in Government Procurement, January 25-27, The Crowne Plaza Hotel, Las Vegas, Organized by the World Research Group, Call 800/647-7600 for more information.

The Outsourcing World Summit, February 23-25, 1999, Desert Inn, Las Vegas. For more information call 914/463-1110.

PPPI Studies

How to "Build Our Way Out of Congestion": Innovative Approaches to Expanding Urban Highway Capacity, Peter Samuel, Policy Study No. 250, January 1999.

Improving Transportation in the San Fernando Valley, Peter Gordon, James E. Moore, II, Robert W. Poole, Jr, and Thomas A. Rubin, Policy Study No. 249, January 1999.

Blueprint for the Privatization of Child Welfare, Conna Craig, et al., Policy Study No. 248, December 1998.

A Baker's Dozen: 13 Questions People Ask About the Science of Climate Change, Kenneth Green, D.Env., October 1998.

Pennsylvania School Finance: Out of the Courts, Into the Legislature, Richard C. Seder, Policy Brief No. 10, October 1998.

Urban Transit Myths: Misperceptions About Transit and American Mobility, Randal O'Toole, Policy Study No. 245, September 1998.

Myths of Light Rail Transit, James V. DeLong, Policy Study No. 244, September 1998.

Publications

Privatization International Yearbook, 1998. Edited by Mark Bader. IFR Publishing, London. To order call +44/(0)171-369-7330 or email pipub @compuserve.com.

The Privatization/Competition Manual: Answers to Some of the

Most Frequently Asked Questions, by the Commonwealth Competition Council. Call 804/786-0240 or email competition@state.va.us.

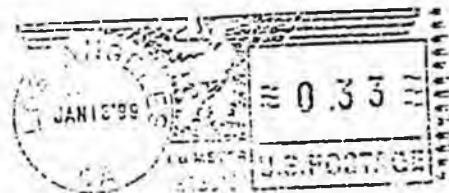
Privatization in Arizona's Largest Cities, by Robert Franciosi. Published by the Witzeman Center for Privatization at the Goldwater Institute. To order call 602/256-7018.

Privatization of Public Assembly Facility Management: A History and Analysis, by Don Jewell. Price, \$18.50. To order call 407/727-7270.

Globalization, Privatization, and the Free Market Economy, by C.P. Rao. Published by Quorum Books. See www.amazon.com/exec/obidos/ISBN=1567200753/e.

Privatization and Capital-Market Development: Strategies to Promote Economic Growth, Dr. Michael McLindon. Available from the Institute for Public-Private Partnerships, 202/466-8930.

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Pamela LaBolle
Alaska State Chamber of Commerce
210 Second St., Suite 201
Juneau AK 99801

The Alaska Drilling Contractors
7620 Wildwood Circle
Anchorage, Alaska 99516

January 14, 1998

Senator Jerry Ward
Room 423
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Ward,

The drilling contractors of the State of Alaska, listed below, are very much in support of the formation of a privatization task force that you are proposing. The time to get government out of competition with private enterprise is long overdue. Our members are fully prepared to assist in your efforts in any way possible. Please keep us informed as to how we may be of help.

Sincerely,

Kyle Brown
Alaska Drilling Contractors

The Alaska Drilling Contractors are:

Tester Drilling Services - Mr. Pete Tester - (907) 349-7214
American Arctic Company - Mr. Rocky McDonald - (907) 451-4350
Aurora Drilling - Mr. Rocky McDonald - (907) 456-6712
Johnson Drilling - Mr. Steve Thomas - (907) 246-3304
Homestead Drilling - Mr. Gary Halmstead - (907) 479-8850
Hughes Drilling - Mr. John Hughes - (907) 262-6639
Discovery Drilling - Mr. Kyle Brown - (907) 344-6431
Denali Drilling - Mr. Hal Ingalls - (907) 562-2312
Oosik Drilling - Mr. John Lambe - (907) 262-5611
Fairbanks Drilling - Mr. Mike Lecorchick - (907) 479-0600
G.F. Back Drilling - Mr. Gerry Back - (907) 479-5554
Airborne Exploration - (907) 474-8121

ALASKA STATE

HOSPITAL & NURSING HOME

ASSOCIATION

January 16, 1998

Senator Jerry Ward
Alaska State Senate
State Capitol
Juneau, AK 99801-1182

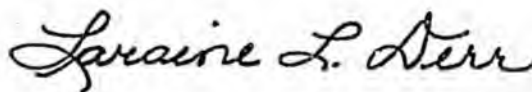
Re: Support, SB209, Task Force on
Privatization

Dear Senator Ward:

Members of the Alaska State Hospital & Nursing Home Association support SB 209, relating to the task force on privatization. We want to thank you for bringing this matter to the attention of the Legislature and Governor.

The challenge that the annual cost of state government is exceeding the annual revenue of the state is as true in the area of health care as in any other area. Because health care is such a big part of the state government cost's, the members of the Association would like to have one of their members sit on the Task Force. They are willing to spend the necessary time it will take to investigate the possibilities. We all need to work together in this time of declining resources.

Sincerely,



Laraine L. Derr
President/CEO

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

NO. _____
BILL VERSION: SB 33
PUBLISH DATE: _____

Revision Date: _____
Title: "An Act relating to the Task Force on Privatization; and providing for an effective date."
Sponsor: Senator Ward
Requestor: Senate Finance

Department Affected: Legislative Affairs Agency
BRU: Legislative Council
Component: Council & Subcommittees

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 | FY 05 |
|------------------------|-------------|-------------|----------|----------|----------|----------|
| PERSONAL SERVICES | 0 | 0 | 0 | 0 | 0 | 0 |
| TRAVEL | 21.8 | 11.0 | 0 | 0 | 0 | 0 |
| CONTRACTUAL | 4.2 | 2.5 | 0 | 0 | 0 | 0 |
| SUPPLIES | 0 | 0 | 0 | 0 | 0 | 0 |
| EQUIPMENT | 0 | 0 | 0 | 0 | 0 | 0 |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 26.0 | 13.5 | 0 | 0 | 0 | 0 |

| | | | | | | |
|---------|---|---|---|---|---|---|
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

| | | | | | | |
|---------------------|---|---|---|---|---|---|
| REVENUE FUND SOURCE | 0 | 0 | 0 | 0 | 0 | 0 |
|---------------------|---|---|---|---|---|---|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|-------------------|-------------|-------------|----------|----------|----------|----------|
| GENERAL FUND | 26.0 | 13.5 | 0 | 0 | 0 | 0 |
| FEDERAL FUNDS | | | | | | |
| OTHER FUND SOURCE | | | | | | |
| TOTAL | 26.0 | 13.5 | 0 | 0 | 0 | 0 |

POSITIONS:

| | | | | | | |
|-----------|---|---|---|---|---|---|
| FULL-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| PART-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| TEMPORARY | 0 | 0 | 0 | 0 | 0 | 0 |

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

SB 33 establishes a thirteen member Task Force on Privatization consisting of three members appointed by the Governor, four public members appointed by the presiding officers of the Alaska State Legislature, and six Legislators. This task force will review and report to the Legislature and the Governor regarding the feasibility of privatization of some government functions. The report is due January 1, 2001.

Prepared By: Karla Schofield, Deputy Director *Karla Schofield* Phone: 465-3852
Division: Administrative Services Date: 2/19/99

Approved By: Pamela A. Varni, Executive Director *Pamela A. Varni*
Agency: Legislative Affairs Agency Date: 2/19/99

Distribution (by preparer): Leg. Finance, Legislative Sponsor, Requestor, OMB, Gov. , & Impacted Agency(ies).

CONTINUATION OF FISCAL NOTE: SB 33

Travel

Travel costs for the Governor's appointees will be paid for by the Office of the Governor. FY99 travel costs for Legislators and public members will be absorbed within existing budgets. This fiscal note contains FY00 and FY01 travel funding for Legislators and public members appointed by the presiding officers.

If the task force begins work in FY99 they are expected to travel once in FY99, and three times in FY00 and twice in FY01 to hold meetings. Any other meetings of the task force will be conducted by teleconference.

For the purposes of this fiscal note, the public members of the task force appointed by the presiding officers are assumed to be 1 from Fairbanks, 2 from Anchorage and 1 from Ketchikan. The Legislators are assumed to be 3 from Anchorage, 1 from Fairbanks, 1 from Ketchikan, and 1 from Juneau. Two days of per diem are calculated for each meeting. 1 staff person from Anchorage will attend the meetings.

| | <u>Per Diem</u> | <u>Travel</u> | |
|--|-----------------|---------------|---------------|
| <u>1 Anchorage Meetings</u> | | | |
| Anchorage - 2 public members/3 Legislators/1 Staff | - | - | |
| Fairbanks - 1 public members/1 Legislator | 852 | 752 | |
| Ketchikan - 1 public member/1 Legislator | 852 | 1,236 | |
| Juneau - 1 Legislator | 426 | 466 | |
| <u>1 Fairbanks Meeting</u> | | | |
| Anchorage - 2 public members/3 Legislators/1 Staff | 2,172 | 2,256 | |
| Fairbanks - 1 public members/1 Legislator | - | - | |
| Ketchikan - 1 public member/1 Legislator | 724 | 1,552 | |
| Juneau - 1 Legislator | 362 | 624 | |
| <u>1 Juneau Meeting</u> | | | |
| Anchorage - 2 public members/3 Legislators/1 Staff | 1,932 | 2,796 | |
| Fairbanks - 1 public members/1 Legislator | 644 | 1,248 | |
| Ketchikan - 1 public member/1 Legislator | 644 | 548 | |
| Juneau - 1 Legislator | - | - | |
| | | | TOTAL |
| Total FY00 Travel | 8,608 | 11,478 | 20,086 |
| Total FY01 Travel | | | 11,000 |

Contractual

| | Phones \$100/month | Postage \$50/month | Advertizing \$800/meeting | TOTAL |
|------|-----------------------|-----------------------|------------------------------|--------------|
| FY00 | 1200 | 600 | 2,400 | 4,200 |
| FY01 | 600 | 300 | 1,600 | 2,500 |

Teleconference charges and expenses for printing the report will be absorbed by the Agency.

FISCAL NOTE

No. 1
Bill Version: SB 33

BILL (S) Publish Date: 2/1/99

STATE OF ALASKA
1999 LEGISLATIVE SESSION

Revision Date/Time (Note if correction) _____ Dept. Affected See analysis below
 Title An Act relating to the Task Force on Privatization. BRU _____
 Component _____
 Sponsor Senator Ward _____
 Requester Senate State Affairs Committee Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|------------------------|---------|---------|---------|---------|---------|---------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | ***** | ***** | ***** | ***** | ***** | ***** |

| | | | | | | |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|----------------------|--|--|--|--|--|--|

| | | | | | | |
|------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (Specify Type) | | | | | | |
| TOTAL | ***** | ***** | ***** | ***** | ***** | ***** |

Estimate of any current year (FY99) cost: *****

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This bill would establish a Task Force on Privatization, which would, among other tasks, "identify functions of our state government that could economically and appropriately be privatized, if any."

Most of the state's labor agreements include provisions which require the state to conduct feasibility studies determining potential costs and benefits before any decisions are made on contracting out work currently performed by state employees. Therefore, before any decisions are made on implementation of the Task Force's recommendations to privatize state functions covered by these labor agreements, the feasibility studies required by the labor agreements would need to be conducted.

Prior feasibility studies of this type have cost from approximately \$20,000 to \$50,000 per study. However, because the need for feasibility studies will depend on the recommendations of the Task Force, these costs, and the departments affected, cannot be estimated now. This is why asterisks are shown on this fiscal note.

In addition to feasibility studies, the labor agreements require other procedures to be followed before work can be contracted out.

Prepared by Annalee McConnell, Director Phone 465-4660
 Division Office of Management and Budget Date/Time 1/27/99 5:25 PM
 Approved by Commissioner Jim Ayers, Chief of Staff Date _____
 Agency Office of the Governor

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SB

46

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: March 31, 1999

FURTHER REFERRALS:

Date of Committee Action: 4/8/99

The STATE AFFAIRS Committee considered:

CSSB 46(RLS)

CS FOR SENATE BILL NO. 46(RLS)

NAMING THE CAPITAL SCHOOL BLDG

"An Act naming the Terry Miller Legislative Office Building."

recommends it be replaced [] the same title
with the following committee substitute _____ [] a new title

[] additional referral to _____ Committee
[] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

[] fiscal note(s) _____

[] fiscal note(s) _____

[] zero fiscal note(s) _____

[] zero fiscal note(s) _____

| SIGNING WITH RECOMMENDATIONS | DP | DNP | NR | AM |
|------------------------------|----|-----|----|----|
| <i>Annelle James</i> | ✓ | | | |
| <i>Hal Smalley</i> | ✓ | | | |
| <i>John C. ...</i> | ✓ | | | |
| <i>Scott ...</i> | ✓ | | | |
| <i>Bill Hudson</i> | ✓ | | | |
| | | | | |
| | | | | |
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CHAIR'S SIGNATURE *Annelle James*



SENATOR JERRY WARD

ALASKA STATE LEGISLATURE

SPONSOR STATEMENT SB 46

SB 43 will rename the Capital School to honor former Lieutenant Governor Terry Miller and shall be known as the Terry Miller Building.

In renaming this building after Lieutenant Governor Terry Miller, it reflects the honor due to him for his long time public service to the people of Alaska. Terry Miller first entered public service as a North Pole City Councilman, winning by just one vote and taking the oath of office just two days after reaching the minimum age of 21 required for that office. In 1963 Terry Miller became the youngest member of the Fairbanks North Star Borough Assembly, whose members selected him as presiding officer. Two years later Fairbanks voters sent him to the State House of Representatives, where he served one term before moving to the Senate in 1968. He served in the Senate from 1969 to 1977 as Senate Majority Leader 1971-1972 and as Senate President 1973-1974. In 1978, he won election as Lieutenant Governor and served for four years.

The Miller family has a long history of service to the people of Alaska. Terry's father, Con Miller was North Pole Mayor for 17 years and a founder of that community. Terry's brother Mike Miller has served as a State Representative and also as President of the Senate.

Former Lieutenant Governor Terry Miller, a long time Alaskan and dedicated public servant died of bone cancer at the age of 46 in 1989. The Miller family deserves this small honor in recognition of their great contributions to the people of Alaska.



SENATOR JERRY WARD

ALASKA STATE LEGISLATURE

March 30, 1999

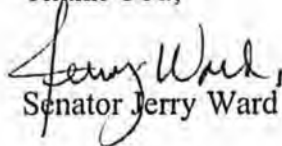
Representative Jeannette James, Chair
House State Affairs Committee

Representative Jeannette James,

SB 46 renames the Capitol School for former Lt. Governor Terry Miller.

Please schedule SB 46 in the ~~Senate Rules Committee~~ at your earliest convenience.

Thank You,


Senator Jerry Ward

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

No. 1
Bill Version: CS SB 46 (STA)
(S) Publish Date: 3/12/99

Revision Date: _____
Title: "An Act naming the Terry Miller Building."
Sponsor: Senator Ward
Requestor: Senator Ward

Department Affected: Legislative Affairs Agency
BRU: All
Component: All

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 | FY 05 |
|------------------------|----------|----------|----------|----------|----------|----------|
| PERSONAL SERVICES | 0 | 0 | 0 | 0 | 0 | 0 |
| TRAVEL | 0 | 0 | 0 | 0 | 0 | 0 |
| CONTRACTUAL | 0 | 0 | 0 | 0 | 0 | 0 |
| SUPPLIES | 0 | 0 | 0 | 0 | 0 | 0 |
| EQUIPMENT | 0 | 0 | 0 | 0 | 0 | 0 |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | |
|----------------|---|---|---|---|---|---|
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
|----------------|---|---|---|---|---|---|

| | | | | | | |
|----------------------------|---|---|---|---|---|---|
| REVENUE FUND SOURCE | 0 | 0 | 0 | 0 | 0 | 0 |
|----------------------------|---|---|---|---|---|---|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|-------------------|----------|----------|----------|----------|----------|----------|
| GENERAL FUND | 0 | 0 | 0 | 0 | 0 | 0 |
| FEDERAL FUNDS | | | | | | |
| OTHER FUND SOURCE | | | | | | |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

POSITIONS:

| | | | | | | |
|-----------|---|---|---|---|---|---|
| FULL-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| PART-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| TEMPORARY | 0 | 0 | 0 | 0 | 0 | 0 |

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact.

Prepared By: Pamela A. Varni, Executive Director
Division: Legislative Affairs Agency

Pamela A. Varni

Phone: 465-3852
Date: 3/12/99

Approved By: Pamela A. Varni, Executive Director
Agency: Legislative Affairs Agency

Pamela A. Varni

Date: 3/12/99

Distribution (by preparer): Leg. Finance, Legislative Sponsor, Requestor, OMB, Gov. , & Impacted Agency(ies).

oo

ss

or

ww

**SPONSOR STATEMENT
CSSB 85(RULES)**

Re: SB 85 – "An Act relating to credited service in the public employees' retirement system for temporary employment." SPONSORED BY - SENATOR JERRY MACKIE

Currently, temporary employees in the PERS system can buy back their temporary time, however, this time does not count towards the minimum service time needed for retirement.

SB 85(Rules) amends AS 39.35.345(d) to allow employees covered by the Public Employee Retirement System (PERS) to buy up any temporary time and have it credited toward the minimum service time for retirement.

CSSB 85(Rules) also amends AS 39.35 by adding a new section **Sec. 39.35.375 Public Service Benefit**. This provision would entitle a person to a retirement benefit if they had at least two years of paid up PERS service and a total of at least five years of combined PERS and TRS (Teachers' Retirement System) service. When the Department of Education switched from the Public Employees System to the Teachers' Retirement System, employees were not able to get any credit for their previous PERS service.

Fiscal Impact

Temporary service as recognized under the retirement system under AS 39.35.345, provides that the full actuarial cost of using the temporary service be paid by the employee. There are no general funds involved in this proposal. The Department of Administration Fiscal Note dated 3/1/99 reflects a \$4 thousand dollar charge; the designated fund source is the Public Employees Retirement Trust Fund. This charge reflects approximately 40 hours of computer system modifications that will be required to initiate this change.

This legislation will allow the state to realize immediate cost savings by enabling employees to meet the retirement eligibility threshold sooner. The employees prone to use this for retirement credit are employees with higher service totals, thus they are on the higher end of the pay scale. Additionally, the employer costs decrease when these employees are replaced through reduced costs to the Supplemental Benefit System and to the Retirement System. Savings are realized in the long term by replacing Tier I and Tier II category employees with Tier III employees due to lower benefit costs.

SB 85 back-up information includes many support letters and petitions. Although I introduced this legislation at the request of several of my Kodiak constituents, this legislation has received the support from many Alaskan workers from throughout the State of Alaska. Also included are support letters from the AFLCIO and the Teamsters.

SB 85 is a responsible piece of the puzzle in the development of Alaska's long-term budget solution. This is a reasonably simple "economic tool" that may be used to minimize the impact of downsizing Alaska's state government.

(7)

HOUSE COMMITTEE REPORT

Date Referred to Committee: March 31, 2000

FURTHER REFERRALS:

Finance

Date of Committee Action: 4/11/00

The STATE AFFAIRS Committee considered:

CSSB 85(RLS)

CS FOR SENATE BILL NO. 85(RLS)

CREDITED SERVICE FOR TEMP EMPLOYEES:PERS

"An Act relating to credited service in the public employees' retirement system for temporary employment; and creating a public service benefit in the public employees' retirement system."

recommends it be replaced with the following committee substitute CSSB 85(RLS)

the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____

fiscal note(s) DOA

zero fiscal note(s) _____

zero fiscal note(s) _____

| SIGNING WITH RECOMMENDATIONS | DP | DNP | NR | AM |
|------------------------------|----|-----|----|----|
| <i>Jeanette James</i> | ✓ | | | |
| <i>Hal Salley</i> | ✓ | | | |
| <i>Bill H. H. H.</i> | ✓ | | | |
| <i>Bil Huds</i> | ✓ | | | |
| <i>[Signature]</i> | ✓ | | | |
| <i>[Signature]</i> | | ✓ | | |
| <i>[Signature]</i> | | | ✓ | |
| | | | | |
| | | | | |
| | | | | |

CHAIR'S SIGNATURE Jeanette James

SENATE BILL 85

"AN ACT RELATING TO CREDITED SERVICE IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM FOR TEMPORARY EMPLOYMENT AND CREATING A PUBLIC SERVICE BENEFIT"

PURPOSE

Allows the PERS and TRS retirement boards to meet conditions of AS39.35.300¹ and AS 39.35.370² in retirement.

PRECEDENCE.

Under ERISA Employees are vested within 5 years. The state is exempt. (U. S. Employment Retirement Income Security Act)

NO COST TO STATE

If retirement funds are insufficient, employee pays the actuarial costs.

STATE BENEFIT

Gain greater utilitarianism of employee skills and production and promote greater satisfaction by not locking employees into positions determined by retirement programs or presenting employee down-sizing problems.

3

MY RETIREMENT OPTION WITHOUT SB 85-

Withdraw my contributions plus 4-1/2% totaling \$18,438.85 as of 7/1/99.

IMPACT TO FUNDS SHOULD I WITHDRAW.

Should I die 3 yrs. later than predicted by 1984 fund mortality table, considering past fund earnings and future earnings of 8%⁴ \$1,053,388 remains in the fund based on my employment and lifetime. (appendix C)

IMPACT TO FUNDS UNDER SB 85 AND I RETIRE. receiving \$217.82 plus \$371 insurance benefit. With lifetime benefit for 250 months of \$151,580 per mortality table costing the fund \$74,110 principal.

My contributions plus earnings will pay my benefit for 216 months, at that time State contributions fund balance will be \$584,065 and earning \$3897 per month. When I die the remaining value will be \$705,549.69 earning \$4703.66 per month (fund earnings as of 1997 and future earnings of 8% (Appendix A and B, and 1984 Pension Mortality Table)

¹"Employment with the State. (a) An active employee is entitled to credited service for periods of employment with the state after January 1, 1961, regardless of the office, department, division, or agency of the state in which the person was employed..."

²"AS 39.35.370 Retirement benefits (1)... a terminated employee is eligible for a normal retirement benefit (1) at the age of 60 with at least five years credited service..."

³Clarke Damon, Bx. 455 Douglas, AK 364-3453

Jeff Barnhart (from Kodiak) wants to testify on Tuesday regarding SB 85.

486-1816

LM

Jeff Barnhart
Kodick

Supports the bill -

3/31 -

Tracie's office transferred
the call to me.

Index

CSSB 85(Rules)

1. Memo dated 4/3/00 to Representative Jeannette James,
Chair, House State Affairs Committee
2. Sponsor Statement SB 85
3. Bill History / Action Display
4. Fiscal Note CSSB 85(Fin) w/ analysis Dated 2/14/00
5. BILL TEXT - CSSB 85(RULES)
6. Committee Minutes:
 - Senate L&C Cmte. March 9, 1999
 - Senate Finance Cmte. March 31, 1999
 - Senate Finance Cmte. January 21, 2000
7. Miscellaneous Support Letters and Petitions

KODIAK OFFICE
112 MILL BAY ROAD
KODIAK, ALASKA 99615
(907) 486-4925
(907) 486-5264 (FAX)

ALASKA STATE LEGISLATURE

STATE CAPITOL
JUNEAU, ALASKA 99801-1182
(907) 465-4925
(800) 821-4925 (TOLL FREE)
(907) 465-3517 (FAX)

SENATOR JERRY MACKIE

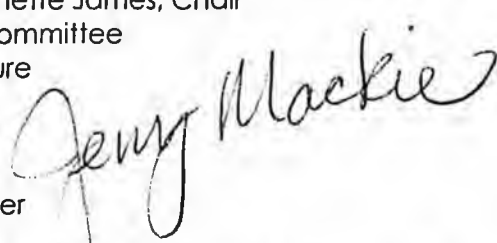
SENATE MAJORITY LEADER

MEMORANDUM

April 3, 2000

To: Representative Jeannette James, Chair
House State Affairs Committee
Alaska State Legislature

From: Senator Jerry Mackie
Senate Majority Leader



Subject: **CSSB 85(Rules) "An Act relating to credited service in the public employees' retirement system for temporary employment; and creating a public service benefit in the public employees' retirement system."**

I respectfully request that you schedule CSSB 85(Rules) for a hearing in the House State Affairs Committee as soon as possible. CSSB 85(Rules) passed out of the Senate on March 30, 2000 by a vote of Y-19, 0-N, and 1-Absent. This legislation was referred to the House State Affairs Committee March 31, 2000.

I introduced this legislation at the request of several of my Kodiak constituents. SB 85 is an effective management tool for our State to utilize in minimizing the impact of current and future budget reductions. This bill will have the effect of allowing employees to meet their retirement eligibility threshold sooner than would otherwise be anticipated. Employees prone to use this benefit for retirement credit are employees with higher service totals, on the higher end of the pay schedule. Additionally, employer costs decrease when these employees are replaced through reduced costs to the Supplemental Benefit System and to the Retirement System. Savings are realized in the long term by replacing Tier I and Tier II category employees, due to lower benefit costs.

Employees who choose to use this benefit are required to pay the full actuarial cost of using the temporary service(AS 39.35.345). There is NO GENERAL FUND EXPENDITURE involved in this legislation. The fiscal note reflects a \$4,000 designated fund source - "the Public Employees Retirement Trust Fund", for contracted services for computer system modifications.

I am hopeful that you will schedule CSSB 85(RULES) in the near future. This legislation provides the State of Alaska with a simple economic remedy in minimizing the impact of downsizing Alaskan government.

LEGISLATIVE REFERENCE LIBRARY

LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3808
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 400
Juneau, Alaska 99801-2105

Copies of minutes listed below were originally included in this file. The minutes are available on the legislative computer database. In order to save space copies of minutes have not been left in the files.

Mary Pagenkopf

SLC 3/9/99 1:41 p.m.

SB 85 – “AN ACT RELATING TO CREDITED SERVICE IN
THE PUBLIC EMPLOYEES’ RETIREMENT SYSTEM
FOR TEMPORARY EMPLOYMENT.”

Sponsor: Senator Jerry Mackie

SUPPORT LETTERS AND PETITIONS

To: Senator Jerry Mackie

We the undersigned desire a change in state law to provide an opportunity for employees covered by the Public Employee Retirement System (PERS) to buy up any temporary time and have it credited toward the minimum service time needed for retirement. Currently, employees in this system can 'buy back' their temporary time but it is not credited toward the minimum service time needed for retirement. We believe this is the right thing to do.

Sincerely,

| Signature | Printed Name | Address | Employer |
|-----------------------------|----------------------|--|----------------|
| <i>Peter J Rob</i> | PETER J ROB | Box 381 Nome AK 99762 | ADF+G |
| <i>Peter Bente</i> | Peter J Bente | Box 1611 Nome, AK 99762 | ADF+G |
| <i>Kate Persons</i> | Kate Persons | Box 381 Nome, AK 99762 | ADF+G |
| <i>Jeanne Walker</i> | Jeanne Walker | Box 2078 Nome, AK 99762 | Dept. of Labor |
| <i>Vickie Erickson</i> | Vickie Erickson | Box 1967 Nome, AK 99762 | Dept. of Labor |
| <i>John Merkatis</i> | John Merkatis | PO Box 1476 Nome AK 99762 | Labor |
| <i>Elisabeth M. Brennan</i> | Elisabeth M. Brennan | P.O. Box 11033 Nome, AK 99762 | ADF+G |
| <i>Juliana Vaccaro</i> | Juliana Vaccaro | PO Box 1858 Nome, AK 99762 | ADF+G |
| <i>Charles Lean</i> | Charles Lean | P.O. Box 1716 Nome AK 99762 | ADF+G |
| <i>Fred Burr</i> | Fred Burr | Box 1215 Nome AK 99762 | ADF+G |
| <i>Lowell Fair</i> | Lowell Fair | 2814 Colantona Drive Anchorage, AK 99517 | ADF+G |
| <i>Paul Thompson</i> | Paul Thompson | POB 1123 Nome AK 99762 | ADF+G |
| <i>Tom Kron</i> | Tom Kron | 9650 Arlene, Anch 99515 | " |
| <i>Dave Mesiar</i> | Dave Mesiar | 15740 Wind Song Dr Anch 99516 | ADF+G |
| <i>Beverly Cross</i> | Beverly Cross | 3932 Bulcher Dr | ADF+G |
| <i>DAN HATTUNEN</i> | DAN HATTUNEN | P.O. Box 874105 WASILKA, AK. | ADF+G |
| <i>Lawrence S. Buklis</i> | Lawrence S. Buklis | 2615 Brooke Dr. Anch AK | ADF+G |
| <i>Keith Weiland</i> | Keith Weiland | 3912 Dandelion Way Anch | ADF+G |
| <i>Daniel T. Moore</i> | Daniel T. Moore | P.O. Box 520509, Big Lake, AK | ADF+G |
| <i>Carmen Olito</i> | Carmen Olito | PO Box 111466, Anchorage AK 99511 | ADF+G |
| <i>Larry Pelizz</i> | Larry Pelizz | 701 Glacier Dr., Wasilla AK 99754 | ADF+G |
| | | | |
| | | | |

Joe Dinnocenzo
PO Box 3045
Kodiak, AK 99615

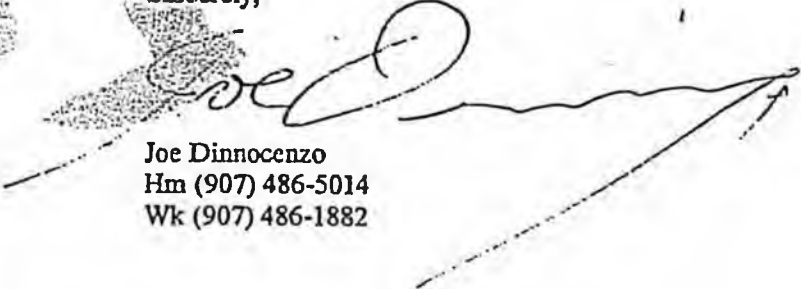
November 23, 1998

Ms Cathy Botelho
ADF&G
PO Box 240020
Douglas AK 99824-0020

Dear Ms Botelho,

A small group of state employees in Kodiak have started lobbying to get the state legislature to consider allowing state employees to count "paid up" temporary service toward the minimum service requirement for retirement. Last spring, Senator Jerry Mackie expressed an interest in submitting a bill this fall that would accomplish this. Jeff Barnhart has recently written a follow up letter to Senator Mackie reregistering our interest in this idea (copy attached). We understand you were once interested and active in promoting this concept. We believe we have a real chance of getting a bill through this year with Senator Mackie's support. Of course, there needs to be interest shown by state employees too. To that end, we have started collecting signatures on a petition (copy attached) which we plan to submit to Senator Mackie sometime just after the next session begins. Jeff Barnhart has been in touch with his staff (Jeanie) in the Juneau office and they are preparing a fiscal note for this proposal. If you are interested in continuing to support this idea, we could use help in getting this petition more widely distributed beyond Kodiak. Mackie's staff (Jeannie or David) can be contacted in Juneau office (1-800-821-4925). Mackie himself can be reached at his home (826-3008) or lodge (826-4000) in Craig to register your interest. Also if you know of other supporters of this idea elsewhere in the state who might be interested in promoting this idea in their areas either pass the word along or let us know so we can contact them. In addition, should you have ideas about what we might additionally do to support this proposal please let me know. Thanks.

Sincerely,



Joe Dinnocenzo
Hm (907) 486-5014
Wk (907) 486-1882

October 7, 1998

Jeffrey P. Barnhart
11276 Bells Flat Road
Kodiak, Alaska 99615

Senator Jerry Mackie
P.O. Box 795
Craig, AK 99921

Dear Jerry,


I spoke with you and Senator Duncan during your visit to the Department of Fish and Game office building in March, while you were attending the commercial fish trade show in Kodiak. During our visit I ask Senator Duncan if he had submitted a bill this year allowing state employee temporary time to be credited toward the minimum service time needed for retirement. You asked some questions and Senator Duncan suggested you stop by his office and pick up copies of the previous bills he introduced. You also asked me to write you a letter.

I've enclosed a photocopy of page 2 from the July 1997 PERS newsletter. As shown we can 'buy back' our temporary time to increase our PERS service, although it does not count toward retirement eligibility. I would like to see the temporary time count toward retirement eligibility. We worked for the State as temporaries, we can purchase the service, and we should be permitted to use that time to fulfill the retirement eligibility requirements.

I believe the cost to the State would be negligible. There might even be a cost savings. I believe if cost information is included with the bill, it would have a much better chance of passing this year.

I am looking forward to working with you on this bill.

Sincerely,


Jeffrey Barnhart

As do many Alaskans, I note the urgent need to bring revenues in line with expenditures.

I would like to take this opportunity to strongly suggest that we are currently living well beyond our means, and we need to cut costs by any reasonable measures. Toward that end, I am writing to encourage you to expeditiously support the passage of SB 85. I don't see how we can begin to balance the budget without some downsizing, and one element of that seems surely to be layoffs. By their nature, layoffs always occur at the lowest, least senior ranks of employees. And this leads to 'Pyramid Inversion,' making government ever less effective. SB 85 allows senior people the option to depart sooner if they have temporary time, without increasing benefits paid by the state. I think this makes ethical and budgetary sense.

On a larger scale, I would urge you to consider privatizing the Alaska Marine Highway system. It worked very well for the Alaska Railroad, and I think would do so for the ferry's as well.

pport for SB 85!!!

Subject: Support for SB 85!!!

Date: Tue, 2 Mar 1999 21:14:03 -0900

From: Alice.Huttunen@msb.Mat-Su.k12.ak.us (Alice Huttunen)

To: <Senator_Jerry_Mackie@legis.state.ak.us>

Please read the following short message. It is written in word97.

Thank you for considering my thoughts.

Dan Huttunen

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|----------|---|

Subject: Thanks


Date: Thu, 25 Feb 1999 21:37:34 -0900

From: Donna Dinnocenzo <dinno@ptialaska.net>

To: "Jerry Mackie" <Senator_Jerry_Mackie@legis.state.ak.us>

CC: "Alan Austerman" <Representative_Alان_Austerman@legis.state.ak.us>

I want to thank you for submitting and sponsoring Senate Bill 85. Not only does this bill right an inequity that is a long time in coming, it also I believe will save the state some money. Allbeit it won't solve all our cash flow problems but it's a tiny innovative step toward helping to conserve state funds. I recognize we all face some hard choices in the next few weeks. I have already told you about my veiws on income tax. I realize they are not popular views. However I also beleive the governors income tax proposal does not go far enough to fund state government. I beleive that I should pay state income tax to help support state government. I have 5 members in my family and we have an income of about 42,000 last year. That includes Alaska Permanent Fund Dividends. Although I have a full time job with the state, I currently work parttime to supplement my income and my wife works too. I beleive if an income tax doesn't tax folks at my level of income, then it won't raise much money and it won't give ownership of state government back to the public. Like you, I am concerned about the effect of taxes on business. But I beleive that the effect of drastically reducing government programs will have even more negative effects on the economy as a whole and businesses in particular. I am willing to pay income tax to help support responsible state spending. And i will continue to look for and support ways to save state dollars too. Again thanks for your support. Joe Dinnocenzo

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|--|---|
|  Part 1.2 | Type: application/ms-tnef Encoding: base64 |
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Letter -

Commitment

on SB 85

Subject: I support SB 85

Date: Wed, 3 Mar 1999 12:15:44 -0900

From: "Marie Huttunen" <marieh@alaskalife.net>

To: <Senator_Jerry_Mackie@legis.state.ak.us>

I think this will be a way to save money in the current budget crisis
:)

POM for Senator Mackie



From: Ms Susan Malutin
PO Box 2845

Telephone: 486-6216

Kodiak, AK 99615

Constituent

Registered Voter: Y

Bill: SB 85 Title: CREDITED SERVICE FOR TEMP EMPLOYEES:PERS

Message:

PLEASE CONTINUE YOUR SUPPORT FOR SB 85.

Entered in KOD on 3/02/99 POMID: 924

Distribution: 1

Main Menu

Store All

Store This One

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Message 1 out of 1.

POM for Senator Mackie



From: Mr. Lawrence S Buklis
2615 Brooke Dr

Telephone: 267-2122

Anchorage, AK 99517

NON Constituent

Registered Voter: Y

Bill: SB 85 Title: CREDITED SERVICE FOR TEMP EMPLOYEES:PERS
Message:

SB 85 IS WIN WIN FOR LABOR AND MANAGEMENT. IT SAVES THE STATE MONEY AND IS A MATTER OF FAIRNESS TO EMPLOYEES. QUICK PASSAGE OF THIS BILL COULD CONTRIBUTE TO SAVINGS FOR EVEN THE PRESENT FISCAL YEAR.

Entered in ANC on 3/02/99 POMID: 919

Distribution: 20

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Message 14 out of 32.

March 3, 1999

Senator Jerry Mackie
Alaska State Legislature
State Capitol, Room 427
Juneau, Alaska 99801-1182

Dear Senator Mackie:

I enthusiastically support your statements in the Senate Majority News regarding Senate Bill 85, which you are sponsoring. Passage of this legislation will resolve a long-standing inequity in the Public Employee Retirement System. Similar legislation has come before the legislature several times this decade. In 1992, the senate bill died on the floor of the House on the last day of the session. The failures of these bills were great personal disappointments.

If this legislation passes, some employees who qualify may opt for immediate retirement, resulting in a reduction in the state work force. In some small way, this may allow the state to achieve staff reductions without forcing layoffs of people with less time in state service.

Thank you, both for myself and on behalf of many dedicated state employees who worked for years as temporaries.

Sincerely,



Catherine A. Botelho
P.O. Box 210515
Auke Bay, Alaska 99821



Alaska State Legislature

Please enter into the record my testimony to the House State Affairs
 committee name
 committee on SB 85, dated 4-11-00
 bill/subject

See

Attached

Signed: Don Cox

Testifier

Equipment Operator / Leadman

Representing (Optional)

AIA, Field Maintenance

Address

745-3103

Phone No.

I am a 28 year employee with the
St of AK. I ask that you pass SB 85.
There are a few of us out there who started
a career with the State when there were no
permanent positions open. We worked as a
classified temporary employee who would now
like to add that time of service towards our
retirement. It doesn't cost the State anything
and as I seem to have to forget something to make
room for anything new I learn it must be time
for me to retire.

Thank you
Don L. Cox
equipment operator/Leadman
AIA, Field Maintenance



Alaska State Legislature

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 committee name
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See

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and as I seem to have to forget something to make
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for me to retire.

Thank you.
Don L. Cox
Equipment Operator/Leadman
AIA, Field Maintenance

March 3, 1999

Senator Jerry Mackie
Alaska State Legislature
State Capitol, Room 427
Juneau, Alaska 99801-1182

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Thank you, both for myself and on behalf of many dedicated state employees who worked for years as temporaries.

Sincerely,



Catherine A. Botelho
P.O. Box 210515
Auke Bay, Alaska 99821

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. CSSB 85 (FIN)

| | | | |
|---------------|--|----------------|--|
| Revision Date | <u>2/14/00</u> | Dept. Affected | <u>Administration</u> |
| Title | <u>An Act relating to credited service that vested members of PERS receive for temporary service</u> | BRU | <u>Centralized Administrative Services</u> |
| Sponsor | <u>Senator Mackie</u> | Component | <u>Retirement and Benefits</u> |
| Requester | <u>(S) Finance</u> | Component No. | <u>64</u> |

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURE | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | 4.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 4.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|----------------------|--|--|--|--|--|--|

| | | | | | | |
|------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| FUND SOURCE | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (1029 P/E Retire) | 4.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TOTAL | 4.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

Contracted Services are required to provide computer system modifications to recognize purchased temporary service as credited service. Since the full actuarial cost of this service is to be paid by the member, there is no anticipated cost to the Public Employees' Retirement System employers.

See attached fiscal analysis of the PUBLIC SERVICE BENEFIT.

| | | | |
|---------------------------|-------------------------------------|-----------|------------------------|
| Prepared by: | <u>Guy Bell, Director</u> | Phone | <u>465-4471</u> |
| Division | <u>Retirement and Benefits</u> | Date/Time | <u>2/14/00 8:40 AM</u> |
| Approved by Commissioner: | <u>Robert Poe, Jr.</u> | Date | <u>2/15/00</u> |
| Agency | <u>Department of Administration</u> | | |

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Fiscal Note CSSB 85 (FIN) – Continued

Public Service Benefit

This amendment has been introduced or considered during a number of previous legislative sessions. The Senate Finance Committee asked for an explanation of the unfunded liability discussed in a previous review of this provision.

The public service benefit provision would entitle a person to a retirement benefit with at least two years of paid up PERS service and a total of at least five years of combined PERS and TRS service.

We have submitted a \$0 fiscal note for the legislation as amended. The public service benefit amendment requires members to pay the difference between the employer/employee contributions including interest earned by the system on those amounts and the full actuarial cost to receive this benefit.

Based upon an evaluation of system data, we have determined that there are only 22 members who have the required paid service in both retirement systems and are not currently employed.

This will have no measurable impact on employer contribution rates or the total funding of PERS and TRS. There will be a negligible impact on the total liabilities of the PERS and TRS funds (less than \$700 thousand for both systems as compared to the combined fund liabilities of more than \$10 billion. This represents less than 7/1,000% increase in system liabilities).

Since members are required to pay the full actuarial cost for these benefits, why is there an increase in total system liabilities?

The individuals affected by this legislation have left their money in the PERS and TRS systems but, because they are not vested, the systems have assumed no benefit liability for them. In effect, the systems have gotten an actuarial gain from their contributions (employer and employee). With this amendment, these members will be entitled to a benefit, therefore eliminating this actuarial gain and increasing system liability.

SB

104

HOUSE COMMITTEE REPORT

(7)
Date Referred to Committee: April 13, 1999.

FURTHER REFERRALS:

Date of Committee Action: 4/29/99

The STATE AFFAIRS Committee considered:

SB 104

SENATE BILL NO. 104

KUSKOKWIM ICE CLASSIC

"An Act relating to the Kuskokwim Ice Classic."

recommends it be replaced with the following committee substitute _____ the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) _____
 zero fiscal note(s) _____ zero fiscal note(s) REV

| SIGNING WITH RECOMMENDATIONS | DP | DNP | NR | AM |
|------------------------------|----|-----|----|----|
| <i>Jeanette James</i> | ✓ | | | |
| <i>John Swadlow</i> | ✓ | | | |
| <i>Beck Bertles</i> | ✓ | | | |
| <i>John C. Hall</i> | ✓ | | | |
| <i>Bill Hudson</i> | | | ✓ | |
| <i>A. J. ...</i> | ✓ | | | |
| <i>Scott ...</i> | | | ✓ | |
| | | | | |
| | | | | |
| | | | | |

CHAIR'S SIGNATURE *Jeanette James*



Senator Lyman F. Hoffman

Alaska State Legislature
State Capitol • Juneau, Alaska 99801-1182 • (907) 465-4453

District T

- Adak
- Aktachak
- Akdak
- Akutan
- Aleknagik
- Amchitka
- Atka
- Atmautluak
- Attu
- Bell-ofski
- Bethel
- Chefornak
- Chignik
- Chignik Lagoon
- Chignik Lake
- Clark's Point
- Cold Bay
- Dillingham
- Dutch Harbor
- Eek
- Egegik
- Ekuk
- Ekwok
- False Pass
- Goodnews Bay
- Iglood
- Iliamna
- Ivanof Bay
- Kasigluk
- King Cove
- King Salmon
- Kipnuk
- Kokhanok
- Kokhanok Bay
- Kolliganek
- Kongiganak
- Kwethluk
- Kwigillingok
- Levelock
- Manokotak
- Naknek
- Napaklak
- Napaskiak
- Nelson Lagoon
- New Stuyahok
- Newhalen
- Nikolski
- Nondalton
- Nunapituchuk
- Oscarville
- Pedro Bay
- Perryville
- Pilot Point
- Platinum
- Port Alsworth
- Port Heiden
- Port Moller
- Portage Creek
- Quinhagak
- Saint George Island
- Saint Paul Island
- Sand Point
- Shemya
- South Naknek
- Squaw Harbor
- Togalak
- Tuntutuliak
- Twin Hills
- Ugashik
- Unalaska
- Unga

To: Representative Jeannette James, Chairman
House State Affairs Committee

From: Senator Lyman F. Hoffman

Re: Hearing request: SB 104 - "An Act relating to the Kuskokwim Ice Classic"

Date: April 22, 1999

Ms. Chairman,

I would respectfully request a hearing for the above-mentioned bill in your State Affairs Committee. It is basically a housekeeping measure to allow Bethel Community Services Foundation, Inc. to manage the Kuskokwim Ice Classic.

The entity currently named in statute AS 05.15.690(22) is "Bethel Social Services, Inc." which was changed in 1985 to "Bethel Community Services (BCS)". In 1991, The Bethel Community Services Foundation was created to manage fundraising for BCS. The Foundation is currently managing the BCS pulltabs and bingo; however, the Department of Revenue requires this technical name change to allow the Foundation to also manage the Kuskokwim Ice Classic.

Thank you for your consideration, and should you have any questions, please contact me at your earliest convenience.

Quyana.

P.O Box 886 • Bethel, Alaska 99559 • (907) 543-3541

Subject: SB104

Date: Fri, 23 Apr 1999 09:30:43 -0800

From: Barbara Cotting <Barbara_Cotting@legis.state.ak.us>

Organization: Alaska State Legislature

To: Tim Grussendorf <Tim_Grussendorf@legis.state.ak.us>

I have scheduled Senator Hoffman's SB 104 for next Thursday in House State Affairs. You're second on the schedule, and the meeting begins at 8:00 a.m.

Barbara Cotting,
Committee Aide

LM 4/29/99
2:45pm

OK'd by "Jan"

FISCAL NOTE

**STATE OF ALASKA
1999 LEGISLATIVE SESSION**

BILL NO. SB 104

Revision Date/Time (Note if correction) _____ Dept. Affected Revenue
 Title Kuskokwim Ice Classic BRU Revenue Operations
 Component Income and Excise Audit
 Sponsor Sen. Hoffman
 Requester (S) STA Component Serial No. 113

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

| | | | | | | |
|-------------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (Specify Type) | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of current year (FY99) cost: 0.0

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This legislation adds the Community Services Foundation to the list of permittees that are allowed to conduct ice classics. There is no impact to operating costs.

Prepared by Jeffrey Prather *Jeff Prather* Phone 465.3410
 Division Income and Excise Audit Date/Time April 7, 1999
 Approved by Wilson L. Condon *Wilson L. Condon* Date April 7, 1999
 Commissioner Department of Revenue
 Agency

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