

104  
**REFORMING AND RESTRUCTURING THE FEDERAL  
GOVERNMENT**

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Y 4. G 74/9: S. HRG. 104-505

Reforming and Restructuring the Fed...

**HEARINGS**

BEFORE THE

COMMITTEE ON  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE  
ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

FAIRBANKS, ALASKA—FEBRUARY 13, 1996  
ANCHORAGE, ALASKA—FEBRUARY 14, 1996  
JUNEAU, ALASKA—FEBRUARY 15, 1996

Printed for the use of the Committee on Governmental Affairs



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# REFORMING AND RESTRUCTURING THE FEDERAL GOVERNMENT

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TUESDAY, FEBRUARY 13, 1996

U.S. SENATE  
COMMITTEE ON GOVERNMENTAL AFFAIRS  
*Washington, DC.*

The Committee met, pursuant to notice, at 9:30 a.m., at Fairbanks North Star Borough Assembly, 809 Pioneer Street, Fairbanks, Alaska, Hon. Ted Stevens, Chairman of the Committee, presiding.

Present: Senator Stevens.

## OPENING STATEMENT OF CHAIRMAN STEVENS

Chairman STEVENS. Thank you for coming. We will be starting the first panel here in just a moment. Let me say that these hearings really are hearings that we originally scheduled last fall in October. It was not possible to come at that time.

We thought there were several senators that would come along. At this time, now, with the primaries going on in the South 48, there is obviously no other senator here, but I decided to continue to hold the hearings because their original intent was for me, now, as Chairman of the Governmental Affairs Committee, to have information from Alaskans that I have known in the past to have views that I would like to have on the record that as we proceed now with legislation go to deal with the restructuring of the Federal Government.

There has been some comment about the fact that these hearings were scheduled very quickly. I want you to know, we didn't know until last Thursday when we finally got the telecommunications bill passed. That was an enormous breakthrough for Alaska and for us personally since I have worked a long time on that.

But once we were sure that we had that bill passed, the Senate made the decision to go out of session and not resume session until the 26th of this month, so we were able then to put the schedule back together again and to come.

We did ask the other members of the Senate to come, but none of them could come on such short notice. I appreciate the fact that many of you are here on very short notice.

We are really making a record that we intend to use as we go through these discussions on the floor of the Senate concerning legislation that will restructure the Federal Government.

I think in the last decades, Americans have witnessed enormous change. Businesses and entire industries have restructured them-

selves to take advantage of the new technologies of the information age. They have become leaner, smarter and more agile to survive the rigors of the marketplace.

We encounter the fruits of new technologies every day: at the supermarket, at the department store, through overnight mail services, even at the gas pump. Americans are directly accessing these new technologies in their homes through personal computers, and on-line purchasing networks. Products and services are being delivered faster and more responsibly than ever before.

But government seems to be stuck in a time warp. Whether filing a Medicare claim, applying for a patent, or waiting in line at the post office, the gap between customers are treated by the best companies in America and Federal agencies is now enormous. It seems to be getting worse.

Today, a car loan is approved in a few hours, but it can take the Federal Government 6 months to process a disability claim. The innovations which are transforming the world have bypassed our Federal Government. And the Federal Government consumes about 20 cents out of every hard-earned dollar here in America. The government ignores the feeling that citizens are not getting their money's worth at its own peril. And that's why we are here.

Many of us believe our government must be fundamentally reorganized to meet the needs of our citizens today and, particularly, as we go into the 21st Century.

Now, there are a series of guests here today. Primarily, Alaska State and local officials, members of the higher education community, and the business community, people who know the problems of government intimately, because they have experienced the problems in their daily lives.

I want to thank everyone for coming. I see there is a large crowd here. The people who have been invited were invited by me and I take full responsibility for who was not invited, but this is a Senate hearing and it's designed to try and help me represent Alaska.

As a Senate hearing, there will be no demonstrations from anybody. We do not permit applause or booing or any kind of participation by members of the gallery in the Senate. And if such occurs, our Sergeant-of-Arms is under instruction to remove the public.

I want it to be understood that this is not a political gathering. This is an official Senate hearing. And as such, I'm here to learn and I hope that everybody is willing to participate on that basis.

[The prepared statement of Senator Stevens follows:]

#### PREPARED STATEMENT OF SENATOR STEVENS

Today, the Committee on Governmental Affairs will ask distinguished citizens of Alaska to share their experiences and ideas about how to make the Federal Government work better.

In the last decade Americans have witnessed enormous change. Businesses and entire industries have restructured themselves to take advantage of the new technologies of the information age. They have become leaner, smarter, and more agile to survive the rigors of the market place.

We encounter the fruits of new technologies every day: At the supermarket, at the department store, through overnight mail services, even at the gas pump. Americans are directly accessing them in their homes, through personal computers and on-line purchasing networks. Products and services are being delivered faster and more responsibly than ever before.

Yet, to most Americans, government seems stuck in a time warp. Whether filing a Medicare claim, applying for a patent, or waiting in line at the Post Office, the

gap between the way customers are treated by the best companies in America and Federal agencies is enormous. And it seems to be getting worse. Today, a car loan is approved within a few hours, but it can take the Federal Government 6 months to process a disability claim.

The innovations which are transforming the world have bypassing the Federal Government. The government consumes about 20 cents out of every hard earned dollar in America. The government ignores the feeling that citizens are not getting their money's worth at its own peril. This is why we are here. Our government must be fundamentally reorganized to meet the needs of our citizens today and in the 21st Century.

We are privileged to have as our guests today Alaska State and local officials, members of our higher education community, and business leaders—people who know the problems of government intimately, and have experience fixing them. Ladies and gentlemen, thank you for coming. We welcome your observations and suggestions. Your written statements will be entered into the record in their entirety. I ask that you keep your remarks brief in the interests of time.

Chairman STEVENS. Our first panel is going to be a panel of the local mayors; Lute Cunningham, Mayor of North Pole; Jim Sampson, Mayor of the North Star Borough; and Jim Hayes, Mayor of Fairbanks.

Gentlemen, thank you very much for coming. Let me say at the outset that I appreciate everyone that has given us statements for the record. We're going to print those statements in full on the record in addition to the comments you wish to make here this morning. So, I appreciate your courtesy.

And, Mayor Sampson, I'm particularly pleased that you've loaned us your facilities today and we thank you for your courtesy; so, why don't you lead us off.

#### **TESTIMONY OF HON. JIM SAMPSON, MAYOR, FAIRBANKS NORTH STAR BOROUGH, ALASKA**

Mr. SAMPSON. Thank you very much. Good morning, Senator Stevens, Members of the Senate Committee on Governmental Affairs, thanks for the opportunity you have given us this morning to spend a few minutes with you discussing local concerns regarding Federal mandates and Federal restructuring.

I certainly don't have the knowledge of the Federal bureaucracy to begin to suggest to the Committee how to restructure or consolidate Federal agencies and programs, but I can tell you, as mayor, we do feel the affects of restructuring of the Federal programs here in Alaska. Some good, some bad, depending on who you have talked to and one's point of view.

On the issue of restructuring, what I have seen here lately is the good programs leaving the Interior and going elsewhere, being transferred to the lower 48. Cuts in U.S.G.S., for example, is now a branch in Spokane. U.S. Bureau of Mines, the Postal Service's by-pass mail, Veteran programs, cuts in safety and health in Federal funds for Alaska, cuts in job training funding for our youth. And when the borough does deal with the Federal Government, we experience the effect of a Federal Government that is too big, too distant and too insensitive to its citizens.

Our experience with the Federal Government recently on ground water flooding in that area adjacent to the Moose Creek Dam, trying to get Federal school funding from U.S. DOE. for a new elementary school at Eielson has cost us probably just in the last 30 to 45 days hundreds of hours in staff time. So, at times, it certainly gets real frustrating.

While I am sure over the years the Committee and Congress have heard many times from State officials about Federal mandates being unfair and uncompensated. Seldom do we, as local officials, get an opportunity to tell you that local governments get burdened with unfunded mandates from both our Federal Government in Washington and our State Legislature in Juneau.

We have passed resolutions addressing our concerns in the past. No one seems to care. In fact, no one seems to read them most of the time. So, it is with appreciation to you, Senator, that we are here this morning. We do experience many Federal mandates passed on to the States. And, then, they are subsequently passed on to local governments. And they all seem to have some ultimatums that go with them. If you don't do this, something will happen to you. If you don't do this, they will take your Federal highway funds away and it goes on and on.

Let me give you one example of a Federal mandate that you know very well. That is the requirements of the Clean Air Act Amendments of 1990. This is a good example of a mandate by the Federal Government that doesn't work here.

We support clean air in Alaska and our record shows major improvements. Let me take a minute and show you a chart that might give you an example of our commitment here in the Interior to clean air.

This chart shows the trends in ambient carbon monoxide in Fairbanks from 1977 to 1995.<sup>1</sup> It reflects a starting point in 1977 of almost 100 violations of the National Air Ambient Standards. And it shows our success here in the Interior recently just three, four, five last year.

Our I/M emission program is a mandate from the Federal Government that's passed on to the State Government that's passed on to the local government. Our government too often likes to pass laws and then pass them on to the government, as they say, is closest to the people. The real reason they pass them on is, they don't want to take the heat.

How the Federal Government administers the Clean Air Act, with it's thousands of regulations and policies, is just plain nuts. One shoe doesn't fit all. We are different in Alaska. We are certainly different in Fairbanks. Maybe it's the weather. I don't know.

For example, because Fairbanks last year exceeded nine parts per million C O on more than two occasions in an 8-hour period, we may have triggered what's known as the bump up provisions of Section 186(b)(2) of the Clean Air Act for the possible imposition of serious measures. Those serious measures will treat us like Los Angeles, California.

And if that happens, we are told in Fairbanks that: one, we'll have to complete a revised emission inventory; two, we'll have to do annual reporting and tracking of vehicle miles traveled; three, we're going to have to implement control measures to achieve attainment by the Year 2000; four, we'll have to implement transportation control measures, TCM's, to offset growth; five, we'll have to implement a mandated employer-based trip reduction program, six, we'll have to implement additional contingency measures, and

<sup>1</sup>The chart referred to appears on page 202.

seven, then have to implement or suffer their reimposition of oxygenated fuels program.

The fact is, Senator, we're not going to do any of these things. Your amendment to the appropriations bill to suspend these provisions, as they relate to Fairbanks for fiscal year 1996, is appreciated and would remove this mandate for Fairbanks. First, I hope your language stays in the appropriations bill. Second, I hope you go in the front door next year to change this section of the act.

Lastly, thank you for coming to Fairbanks. We feel you have treated us well here. You certainly have on this issue. I would like to express publicly my appreciation to you for your efforts in supporting Alaska workers and their families especially in the recent legislation on ANWR and I look forward to working with you next year as Chairman of the Senate Appropriations Committee.

[The prepared statement of Mr. Sampson follows:]

PREPARED STATEMENT OF JIM SAMPSON, MAYOR, FAIRBANKS NORTH STAR BOROUGH

Senator Stevens, Members of the Senate Committee on Governmental Affairs. Thanks for the opportunity you have given us this morning to spend a few minutes with you discussing local concerns concerning Federal mandates and Federal restructuring.

I certainly don't have the knowledge of the Federal bureaucracy to begin to suggest to the Committee how to restructure or consolidate Federal agencies and programs, but I can tell you, as mayor, we do feel the affects of restructuring of the Federal programs here in Alaska. Some good and some bad, depending on who you have talked to and one's point of view.

On the issue of restructuring, what I see is the good programs leaving the Interior and going elsewhere, being transferred to the lower 48. Cuts in U.S.G.S., Bureau of Mines, the Postal Service's by-pass mail, Veteran programs, cuts in safety and health funds for Alaska and job training funding for our youth. And when the borough does deal with the Federal Government we experience the effect of a Federal Government that is too big, too distant and too insensitive to its citizens.

Our experience with the Federal Government on ground water flooding in the area adjacent to the Moose Creek Dam, trying to get Federal school funding from U.S.D.O.E. for a new elementary school at Eielson cost the Borough probably 30 days of staff time for 2-3 staff. Pretty frustrating.

While I am sure over the years the Committee and Members of Congress have heard many times from State officials about "Federal mandates" being unfair and uncompensated. Seldom do we, as local officials, get an opportunity to tell you that local governments get burdened with "unfunded mandates" from both our Federal Government in Washington, and our State Legislature in Juneau.

We have passed resolutions addressing our concerns in the past, but no one seems to them or care. So it is with appreciation to you Senator, that we are here this morning. We experience many Federal mandates, passed on to the States and then to us. They all seems to have ultimatums that go with them. If you don't do this, something will happen to you. We'll take your highway funds away.

Let me give you an example of just one Federal mandate. The requirements of the Clean Air Amendments of 1990. This is a good example of a mandate by the Federal Government that don't work here.

We support clean air in Alaska and our record shows major improvements. Our I/M emission program is a mandate from the Federal Government to the State Government, to the local government. Our government too often likes to pass laws, and then pass them on to the government they say is closest to the people. The real reason they pass them on is because they don't want to take the heat.

How the Federal Government administers the Clean Air Act, with it's thousand of regulations and policies, is just plain nuts. One shoe doesn't fit all. We are different in Alaska, certainly in Fairbanks. For example, because Fairbanks last year exceeded its 9 parts per million of C O on more than two occasions in an eight-hour period, we may have triggered what's known as the "bump up" provision of Section 186(b)(2) of the Clean Air Act regulations, with the possible imposition of "serious" measures. Those "serious measures" will treat us like Los Angeles. If that happens, we are told that Fairbanks will have to do the following:

- a revised emission inventory
- annual reporting and tracking of vehicle miles traveled (VMT)
- control measures designed to achieve attainment by 12/31/00
- transportation control measures (TCMs) to offset growth
- a mandated employer-based trip reduction program
- additional contingency measures
- possible reimposition of an oxygenated fuels program

The fact is we are not going to do these things.

Your amendment to the appropriations bill to suspend these provisions as they relate to Fairbanks for FY 96, is appreciated and would remove this mandate for Fairbanks. I hope that (1) your language stays in and (2) you go in the front door next year to change this section of the Act.

Lastly, thank you for coming back again to Fairbanks. You have always treated us well. I would like to express to you publicly my appreciation for your efforts in supporting Alaska workers and their families, especially your efforts to include Alaska hire in ANWR legislation. I look forward to working with you next year when you are Chairman of the Senate Appropriations Committee.

Chairman STEVENS. Thank you. Mayor Hayes.

### **TESTIMONY OF HON. JAMES C. HAYES, MAYOR, CITY OF FAIRBANKS, ALASKA**

Mr. HAYES. Thank you. On behalf of the City of Fairbanks, I thank Senator Stevens and other Committee members for this chance to address the Committee here in Fairbanks on a fine winter day. Even though we are some physical distance from the Nation's capital, our city has certainly felt the financial affects of unfunded Federal mandates. Anything you can do to reduce the trend will be welcome. Last year, the City of Fairbanks joined many other cities around the State in passage of a resolution calling for an end to the practice of unfunded mandates.

The city has successfully operated for years under a tax cap passed by the voters. As a result, we carefully watch every dollar. The cap makes no allowances for cost increases imposed by the Federal Government. As a result, funds that are diverted into Federal compliance hurt our vital services.

Just a few examples:

In the environmental area, we are forced to spend hundreds of thousands of dollars to comply with paperwork or monitoring requirements that produce no environmental, economic, or safety benefits. These costs arise out of the Clean Air Act, Clean Water Act, Hazardous Materials Transportation Act, Oil Pollution Act, Solid Waste Disposal Act, Toxic Substances Control Act, Safe Drinking Water Act and the Superfund legislation.

Wetlands legislation forced us to apply for a permit to continue use of land that has no possible relationship to true wetlands or effect on wildlife. As a part of the 2-year permit application process, we were even required to construct a small pond in an area where large gravel pits are common.

The federally required Commercial Driver's License (CDL) has required that the city bear the cost of setting up and paying for random drug testing of certain employees. The Act does not allow us to set up our own program in accord with our wishes.

The Americans with Disabilities Act (ADA) is an act with worthy goals, but no financial support. The city was required to divert limited funds into the cost of installing an elevator at historical Main School, a depression-era building that served the community for 60 years without handicap accessibility. The significant dollars that

went into the building for an elevator may have been well spent, but it would not have been our first priority in a building that needed total rehabilitation of its heating and electrical systems, and roof. It would have been cheaper to have waited and incorporated the elevator into a larger project bid when funds could have accumulated.

The era of unfunded mandates is not yet over. Coming in the future are metric conversion legislation and storm water management regulations. Proposed storm water regulations will require the city to treat the melted snow from the city streets.

Another area of concern is overlapping the authority of Federal agencies. The Federal Government has been very active in setting forth requirements for the abatement of asbestos which apply to city structures. The Occupational Safety and Health Act administered by the Department of Labor and the Environmental Protection Agency both have extensive regulations which aren't the same. In regard to workers' handling of hazardous wastes, the Federal Department of Transportation, OSHA, and EPA each have conflicting regulations. It is very difficult for a small city to stay in compliance. None of the substantial costs are reimbursed.

And on a final note, the ISTEA funds. Our city was scheduled to receive these funds. We had pretty much counted on them, which was a mistake. Right in the middle of the stream, the Federal Government changed the regulations which eliminated us from the list and we were forced to use funds that otherwise we could have used, that we had been promised that we were entitled to under the ISTEA fund.

So, one thing that's confusing for us, the rules keep changing. It's all right to set them. It would be nice if you would pass a little money along. I don't say pass it—all of it, but it would be nice to have some money passing things on to us. But even on the outside of that, it would be nice to stick with one regulation and not have them change in mid-stream.

So, I thank you for all your support, Senator. You've done a lot for us. We appreciate it, but these are some comments here that you have set for 7 minutes that you'd like to hear us and these are mine from my city and I thank you for the opportunity.

[The prepared statement of Mr. Hayes follows:]

PREPARED STATEMENT OF JAMES C. HAYES, MAYOR, CITY OF FAIRBANKS,  
ALASKA

On behalf of the City of Fairbanks, I thank Senator Stevens and other Committee members for this chance to address the Committee here in Fairbanks on a fine winter day. Even though we are some physical distance from the Nation's capital, our city has certainly felt the financial affects of unfunded Federal mandates. Anything you can do to reduce the trend will be welcome. Last year, the City of Fairbanks joined many other cities around the State in passage of a resolution calling for an end to the practice of unfunded mandates.

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Waste Disposal Act, Toxic Substances Control Act, Safe Drinking Water Act and the Superfund legislation.

Wetlands legislation forced us to apply for a permit to continue use of land that has no possible relationship to true wetlands or effect on wildlife. As a part of the 2-year permit application process, we were even required to construct a small pond in an area where large gravel pits are common.

The federally required Commercial Driver's License (CDL) has required that the city bear the cost of setting up and paying for random drug testing of certain employees. The Act does not allow us to set up our own program in accord with our wishes.

The Americans with Disabilities Act (ADA) is an act with worthy goals, but no financial support. The city was required to divert limited funds into the cost of installing an elevator at historical Main School, a depression-era building that served the community for some 60 years without handicap accessibility. The significant dollars that went into the building for an elevator may have been well spent, but it would not have been our first priority in a building that needs total rehabilitation of its heating and electrical systems, and roof. It would have been cheaper to have waited and incorporated the elevator into a larger project bid when funds could have accumulated.

The era of unfunded mandates is not yet over. Coming in the future are metric conversion legislation, storm water management regulations. Proposed storm water regulations will require the city to treat the melted snow from city streets.

Another area of concern is overlapping authority of Federal agencies. The Federal Government has been very active in setting forth requirements for the abatement of asbestos which apply to city structures. The Occupational Safety and Health Act (OSHA) administered by the Department of Labor and the Environmental Protection Agency (EPA) both have extensive regulations which aren't the same. In regard to worker handling of hazardous wastes, the Federal Department of Transportation (DOT), OSHA, and EPA each have conflicting regulations. It is very difficult for a small city to stay in compliance. None of the substantial costs are reimbursed.

Again, thank you for the opportunity to state my concerns and your willingness to journey to our town to hear from our community.

Chairman STEVENS. Thank you very much. Mayor Cunningham.

#### **TESTIMONY OF HON. LUTE CUNNINGHAM, MAYOR, CITY OF NORTH POLE, ALASKA**

Mr. CUNNINGHAM. Thank you, Senator Stevens, and the Senate Committee members for the opportunity to speak as a mayor of a small city. Probably the famous city in the world, North Pole, but it has a small constituency. It's a good opportunity to pass on the insanity of Federal regulations designed in Washington, D.C. and implemented throughout the United States, all over, and how they work and effect the everyday life of every citizen within the United States.

I want to touch on just one regulation that comes through the EPA as part of our EPA requirement on our—Federal discharge permit from our wastewater lagoon.

I don't have the history on this regulation or why it was designed this way. But for a simple man and for a simple citizen of the United States, the idea is to make sure that the water that we discharge into the Tanana River meets certain requirements and is clean water and has no contaminants in it. We have no problem with that requirement. That's very easy for us within our system to accomplish this fact. But to have a requirement that we remove 85 percent of the BOD's from the material coming in before we can discharge it is insanity in its worst form.

For the process of the City of North Pole, we've set up in conjunction with one of our larger industrial users located within the city of North Pole and set up a good system for business and government to work together to meet the requirements of the industry,

and to solve the pollution problem, we've set up a process with Mapco Refinery to take their discharge water after they've pretreated their water.

Mapco has worked hard for many years to meet the Federal requirements to bring their discharge water up to a certain standard. They have implemented a new system to meet the Federal requirements on the Clean Air Act to remove some of the BOC's from the air quality permit, which they were in violation of.

That system there is going to force the City of North Pole out of compliance on their discharge permit, because the water now that we will receive from Mapco will be clean water and it's impossible to remove 85 percent of the BOD's from clean water before we can discharge it into the Tanana River.

We will be forced to do what the City of Anchorage did several years ago of importing fish waste or adding contaminants to our water in order to meet this requirement. Why the Federal Government would implement a requirement to remove 85 percent of the BOD's of water coming in when there is no—the requirement should be to remove contaminants before it is discharged. There should be no requirement to remove a certain percentage of the water of the contaminants coming in.

This is the insanity of Federal Government regulations and mandates coming down from the Federal Government designed in Washington, D.C. for whatever purpose. I suspect purposes of allowing some of the larger industrial users on the east coast, perhaps, that couldn't get their water clean enough. But they pass this regulation on to a small community and we struggle with it and we are going to be out of compliance when the fact is, we're discharging clean water.

This is the type of thing that affects every citizen in the United States. It affects the City of North Pole. It drives up our rate charges to the citizens of North Pole and it has no effect.<sup>1</sup>

Thank you.

Chairman STEVENS. Thank you.

We are working on a Clean Water Bill, you know, and we hope that will be enacted this year and it does face up to the problem of Anchorage and I think it will meet your problem, too.

Mr. CUNNINGHAM. I certainly hope so. That's just the tip of the iceberg. You can't—it's impossible to design regulations that are going to fit worldwide.

Chairman STEVENS. I understand that. I've been trying to find one place to sort of sunset the regulations to make sure that the new ones do not impose unfunded mandates, Jim. The Unfunded Mandates Bill did pass, but it was not retroactive. That's still the problem. There are so many out there that were created before the new bill, but we are working on that, too.

And, Mayor Sampson, I appreciate what you say. We have lost a lot here in terms of the people that were involved in these agencies that we relied on for so long, but we have not lost them all, but we lost a good many of them. And I think you're right. We've got to find some way to reverse that trend soon. And I hope that the reorganization process will bring that about.

<sup>1</sup>The letter and chart from Northern Testing Laboratories, Inc., appears on pages 203–205.

Thank you all very much. You worked very closely with us on these and I'm glad to have some of these in the record.

There is one that surprised me, frankly. Have you had a costing out of that 186(b)(2) Clean Air Act requirement if we don't get the amendment to it?

Mr. SAMPSON. No, I haven't. In looking at the requirements that we would have to implement if we were triggered under 186(b)(2), I am of the opinion that they would have to kick the Sixth Infantry Division up to a division before we would be forced to deimplement those. Would have to double the troops.

Chairman STEVENS. I do believe the HUD/DA Bill is what that amendment's in.

Mr. SAMPSON. Right.

Chairman STEVENS. And I think that will pass, should be one of the first bills to pass when we go back, so we will have the balance of the year. But we have a commitment here to try and work something out on a permanent basis before the next fiscal year. So, we do have to meet on that and I look forward to talking to you more about it.

Mr. SAMPSON. Thank you.

Chairman STEVENS. Thank you all very much. I appreciate your courtesy in coming and, again, Mayor Sampson, your courtesy for hosting us. I assure you that my staff members here who represent not only me but other Members of the Senate Governmental Affairs Committee, we'll listen. We'll try our best.

Mr. HAYES. Will you help us with some ISTEAs, Senator?

Chairman STEVENS. I was surprised that that changed. It's a regulatory change. We've not passed a new ISTEAs Bill, so we're looking into that.

Mr. SAMPSON. OK. I appreciate—

Chairman STEVENS. You wrote to me on this?

Mr. HAYES. We were on the list, and then they changed; so, if you could restructure us and put us back on the list.

Chairman STEVENS. That was a change made in interpretation of the bill, not by passing a new bill.

Obviously, we're going to go to Dr. Bill Wood and to Chancellor Wadlow and to Dean Porter. This is sort of panel 1(B). We had to split that first one. It was too big.

Gentlemen, let us proceed on the basis that the Age of Chivalry is not dead and ask Chancellor Wadlow to start off.

#### **TESTIMONY OF JOAN K. WADLOW, CHANCELLOR, UNIVERSITY OF ALASKA, FAIRBANKS, ALASKA**

Ms. WADLOW. Thank you very much, Senator. I'm pleased to start. I'll be brief. I really endorse the idea of having a Federal Government restructuring commission. I don't like the idea of calling it a blue ribbon commission. I'd rather have it be blue sky. It seems to be more Alaska if you call it blue sky. But I have a few practical suggestions of which, I think, will save us money immediately and in the long run.

And the first is the obvious. There have been several studies and proposals for restructuring the government. Seems to me that the proposed commission's charge should include a specific charge which is to review not only all of the other major proposals, but the

working papers that led up to those proposals. It's been by experience in seeing restructuring in universities in three or four States, that a lot of the good work of the past is overlooked when everyone wants to reinvent the wheel. So, I just offer that as a practical suggestion.

And, then, I would suggest that as restructuring occurs and I'm assuming that it will, that there will be an increased need for much better communication among the units that continue to exist. And, so, specifically, I would propose that one of the charges or one of the requirements in the plan that the commission is charged with developing include a restructuring element to provide for effective internal communications. This is written, verbal, as well as electronic. And if that's built right in, I think that we would avoid a situation where after restructuring nobody knows who's in charge and nobody knows who to go to.

I would also urge that everyone be aware that there will be a need for training and retraining of personnel who continue in the restructuring. If they're going to be doing new things or if they are going to be doing things in a different way, like a single-service office, then that probably means they are going to be making decisions that they have never made before. So, they've got to be trained in how to do this. Otherwise, it simply won't work.

We found in universities, for example, where you set up something called enrollment services where the students are supposed to go into the university, do a one-stop move and get everything done as they go in each semester, we found that unless the personnel are retrained, it just won't work.

And, then, finally, I urge that structuring should build in something to avoid replacement creep. And that's the term I give to something like this. If you eliminate, say, a vice president for finance, then, the next day it's very likely that the person to whom that guy reported or that woman reported will soon have a deputy or special assistant or something like that. So, replacement creep, I think, is something to watch for.

Those are my simple suggestions.

Chairman STEVENS. New phrase for me. Thank you.

[The prepared statement of Ms. Wadlow follows:]

#### PREPARED STATEMENT OF JOAN K. WADLOW

I endorse the establishment of a Federal Government restructuring commission. To expedite its work, in addition to the proposed charge, the commission should be specifically directed to examine not only the major existing restructuring proposals, but the working documents used in the development of the proposals as well.

Points for restructuring commission to consider:

First, the increased need for highly effective internal communication resulting from ANY change, especially major changes. Suggestion: Add to the requirements listed for the plan in the "Proposal to Create a Federal Government Restructuring Commission" a specific requirement for the restructuring to provide for effective internal communications.

Second, a training and retraining program for existing personnel and future hires. My experience clearly shows that this need is neglected, and hampers effective service oriented implementation. For example, if the increased accountability for performance in the proposal applies to all levels, (I assume it does if providing "one-stop services for citizens" is a goal), then all levels must understand how to make this work. All levels, for example, will need training in decision-making, especially if decisions were previously made through a more complex and hierarchical structure. I think universities are facing this issue as "enrollment services" replaces the

former approach where students trudged to four or five different offices to get started each semester.

Third, restructuring should avoid "replacement creep" where eliminated positions are replaced by personnel with new titles.

Senator STEVENS. Dr. Wood.

### TESTIMONY OF WILLIAM R. WOOD, EXECUTIVE DIRECTOR, FESTIVAL FAIRBANKS

Mr. WOOD. Good morning, Senator.

The assignment to discuss restructuring and reform of the Federal Government overwhelms. I am humbled by it and poorly prepared, but I am learning from the mayors and from the chancellor.

The task is a formidable one, one as daunting as attempting to reshape Mt. McKinley with a shovel and pickaxe. There is no obviously easy place to begin, no simplistic approach to a solution of an intricate puzzle of such magnitude, but it has to be done.

The government must be downsized to become more efficient, effective, and trusted. The overriding practical consideration is economic—not social, nor cultural, nor recreational, nor anything else. We cannot continue to distribute more than we can produce.

The national debt must be brought under control, gradually reduced, and ultimately eliminated. It is now sapping the Nation's strength and the spirit to survive. It is a legacy of nightmare and despair for our children and grandchildren.

Each fiscal year must show a surplus, an excess of income over outgo, that can be applied to reduction of the national debt. It would be naive and cynical to dismiss the problem as one of slight importance. It will not go away of itself.

Downsizing government, eliminating duplication and overlapping of functions within the bureaucracy, a bit here and a bit there, through consolidation and restructuring could help. This should be tried before further tinkering with the tax structure. Put a throttle on the spending side. That of itself should add to the income side when applied gradually.

Any analysis in depth of our present national government structure should first address fundamental principles. What do we as citizens accept as the primary, perhaps only, functions of sound government? The reference source here is the U.S. Constitution and Bill of Rights as amended to date.

Until there is some common understanding of what government was established to do and why, any restructuring effort, however clever, would have little chance of success.

Form follows function. Typically, there are several ways to do something, if we know what we are trying to accomplish and why.

As a preliminary to any restructuring effort, it would be best to determine what is now in place that is legitimate and what is not. This in itself is an enormous and complicated task.

Mission statements for agencies and departments are not clear and concise enough to identify jurisdictional boundaries.

A number of years ago, while I was serving on the White House Advisory Commission dealing with graduate level training for teachers of teachers, it was discovered that some 53 separate agencies and departments at the Federal level funded such programs;

53. Only 14 of these were even known to the U.S. Office of Education.

Determine the primary functions government should perform for its citizens. Prepare a sound mission statement to accomplish each function. Then tackle the grouping of functions to provide for common sense administration, not empire building.

It is imperative to keep always in mind the fundamental importance of the principle of separation of powers. Only lawmakers have the power to enact laws. Any regulation not derived directly and unmistakably from the policy guidelines established by the Congress should be nullified promptly.

A moratorium for 3 to 7 years on promulgation of any new regulation by any agency or a department certainly is in order.

In the interest of efficiency and effectiveness, it would be helpful to examine critically all Civil Service regulations and arrangements, especially those pertaining to personnel and purchasing. Government employment generally, it is believed by many, has become much more attractive than employment in the private sector. The consequences are multiple and costly to the national well-being.

Some way must be found to establish priorities based upon what government can legitimately undertake for the common good. The focus should be upon quality rather than variety, upon productivity rather than preservation, upon common sense rather than any extreme.

Some way must be found to set aside the myth that government can solve every problem for everyone. Lawmakers can gird themselves to say, "No." Politely, of course. The people can learn to trust one another and not ask for special favors they are unwilling to finance.

Somehow, the myth that cutting little items from the budget makes little difference must be destroyed. A penny saved anywhere when applied to reducing a multi-trillion national debt is a good thing. It eases the burden on succeeding generations.

It may take a Military Base Closure type commission to examine critically current operations of government at the Federal level, agency by agency, department by department, major committee or commission one by one, to cull everything that is not clearly basic to sound government for the times in which we live. Subsequent action must be based upon fact not fantasy, applied not abruptly but gradually over a scheduled period of time.

And, then, approaching the restructuring assignment, let us recall the sage advice of a French philosopher and I paraphrase, "One blow with a sharp ax at the roots is better than a thousand snips with dull shears at the twigs and leaves."

Thank you.

[The prepared statement of Mr. Wood follows:]

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In approaching the restructuring assignment let us recall the sage advice of a French philosopher, I paraphrase, "One blow with a sharp ax at the roots is better than a thousand snips with dull sheers at the twigs and leaves."

Chairman STEVENS. Thank you, Dr. Wood.  
Dean Porter.

**TESTIMONY OF DAVID O. PORTER, DEAN, SCHOOL OF  
MANAGEMENT, UNIVERSITY OF ALASKA, FAIRBANKS, ALASKA**

Mr. PORTER. Thank you very much.

In opening my comments, I'd like to agree, commend, the Senator's opening comments on service orientation in our public agencies and working to gain more effectiveness in just the small workings that we attempt to achieve. As a service provider, much of our activity has resisted improvements in efficiency related to capital investment until very recent years.

But with the advent of the computer work station and the networking, E-mail, and so forth, at least in our operations, we have seen tremendous increases in effectiveness. And, also, under the leadership of Chancellor Wadlow and President Wood, we've worked to increase the service orientation of our public institutions. And when people arrive, to try very hard to see that they are treated like a customer as they would be in a public—in a private organization, a retail operation.

My comments begin, I believe, with comments that you've often made. That is, that the Federal Government is constrained in an unprecedented degree currently. Most of the tax dollars we collect are not spent by Federal agencies. They are passed through as entitlements to citizens, health care providers, States, local governments, and holders of U.S. Treasury bonds.

An increasing proportion of current Federal tax collections must be used to pay for Federal expenditures made in the past. Interest payments on the Federal debt were around \$50 billion annually as recently as 1980. By fiscal year 1994, annual interest payments exceeded \$300 billion and represented nearly 15 percent of Federal obligations for that fiscal year with continuing deficits planned for at least 7 years, and no plan even on the table for making any payments on the accumulated principal, it is not hard to forecast a scenario where a debt service alone for previous expenditures will consume more than one-fifth of annual appropriations.

In addition to these constraints, there is a paradox about public service which reaches across all levels of government; Federal, State, and local. Public servants are more professional and better trained than at any time in the history of our country. They are more consistently selected for their positions according to merit criteria. Political patronage is restricted to the higher level policy-setting positions. Yet, confidence in the actions of public servants is very low. Citizens never welcome taxes to be sure, but they are particularly resistant at this time to taxes of any sort.

To think about government reorganization in this context of constraint, paradox, and skepticism calls, I believe, for a different approach than what we've been doing. In my experience, discussion on government reorganization begin with lists of existing government agencies, analyses of the activities of these agencies and final reports on which of these activities should continue.

As you are certainly more aware than any of us, this process automatically engages vested interest to mobilize or protect the status quo. The process is intrinsically backward looking, with any reforms being incremental and grudging. Citizens become frustrated, disillusioned, and/or cynical as they watch these grand efforts at reform grind to a halt.

Although it is possible, in principle, for a bipartisan government restructuring commission, similar to the Hoover Commission of the 1940's, or the more recent Base Realignment and Closure Commission to avoid the deadlock in incrementalism which has characterized most recent efforts for fundamental government reorganization, I am not optimistic such a commission would be successful.

The Base Reorganization and Closure Commission had a relatively narrow set of objectives and the bureaucracy in the Department of Defense supported it's overall mandate. The Hoover Commission was asked to rationalize the implementation of policies which were widely accepted as legitimate. That is, the containment of Soviet international expansion and the consolidation of economic policies designed to smooth sharp swings in the business cycle.

Perhaps I am too close to the present circumstances, but I do not discern in the present drive to reorganize government the clarity of focus of the Base Realignment and Closure Commission or the relatively broad consensus on overall policies which the Hoover Commission could assume.

My suggestion for breaking this cycle is not particularly new or complicated. And adds to my original testimony, it is also based on perhaps an assumption that we're not doing the right things with government and not just a matter of being inefficient, but what we are trying to do misses the mark.

My suggestion, however, does build on the advantages enjoyed by the Base Realignment and Closure Commission and the Hoover Commission. I suggest we should initiate a serious process which will identify three to five major trends to which our Nation and State must respond over the next 20 years. With the challenges of these trends in front of us, we inquire how to reorganize and reallocate the resources of government to respond effectively. Such a process is focused, intrinsically forward looking, and responsive to broad citizen values. Further, existing government agencies could be mobilized to help implement reorganization plans around these initiatives even if they realize the final result would be a smaller government.

I believe that if government agencies are included as participants in building a proactive strategy to meet commonly accepted challenges, reform efforts will be much more successful than if these same agencies are expected to be passive observers while programs they have worked on for many years are set aside and they are not given an opportunity to participate in designing government institutions to respond to America's needs in the 21st Century.

My own personal candidate is one of the major trends to which our Nation and State must respond as the emergence of economic competition among nations as a surrogate for at least some of the military competition of the last three-quarters of the 20th Century.

With the end of the cold war, defense expenditures have decreased worldwide, but the resources for these—for those swords

are being forged into market shares, not plow shares. What government responses are appropriate to support our citizens and businesses in this new environment of global competition? What government reorganizations will focus these responses and make them effective?

My first recommendation for reorganization to respond to the accelerated economic competition among nations relates to the processes through which we decide to use our natural resources—the NIMBY syndrome (Not in my backyard). The United States is one of the largest and most abundantly resourced nations on the globe. Our businesses and governments are among the most responsible environmentally in a worldwide context, yet our government policies and processes, in practice, systematically force American firms outside of the United States to seek natural resources which are available domestically. The results of these policies are not to rescue or protect sensitive environments in any absolute sense or to enhance the U.S. position relative to its international competitors. An area not disturbed in the United States is substituted for an area disturbed in a much less responsible manner somewhere else on our spaceship earth. Employment, investment, and balance of trade problems in the U.S. are made worse.

The example of drilling in area 1002 of the Alaska National Wildlife Preserve (ANWR) is a prime example of how the present processes lead to such results. In any objective sense, area 1002 is a prime candidate for responsible exploitation of oil. It is located adjacent to proven and vast oil fields. The infrastructure for exploration, extraction, and transportation is already in place. The regulatory regimes of government and industry have worked well, especially when compared to any comparable oil field elsewhere in the world. The sites of the field are isolated from human settlements, but not undisturbed nor are they high density habitat for wildlife. With few exceptions, the birds, fishes, and animals using this area do so as transients. I have seen no analyses which suggest that the populations of any bird, fish, animal, or plant would be severely impacted or threatened. If oil is to be pumped anywhere on the globe, area 1002 seems like a site where exploration should be encouraged.

I'm not suggesting in anyway we return to the roughneck, "subdue the earth" practices of our pioneer forefathers, but we do need to adopt practices in which facts and information on legitimate competing interests can be gathered, relative weights assigned to benefits, costs and other interests, and make decisions. The American insistence on adversarial legal practices is no longer functional. Some countries are having more success using administrative practices rooted in Roman codes. I suggest we investigate such practices and any others which show promise to reform the procedures through which we decide whether and/or how to develop natural resources.

Chairman STEVENS. OK, and I'm going to have to ask you to shorten it down a little bit.

Mr. PORTER. OK. Thank you. This is hard for deans. We only do 15 minute bursts.

Chairman STEVENS. Harder for senators.

Mr. PORTER. My second recommendation has to do with the information highway. We're very grateful for the infrastructure support you have given us in this and we're concerned that only through coordinated government activity at the Federal level that we can continue to make these investments.

My final recommendation related to economic competition concerns the Department of Commerce—the U.S. Department of Commerce. I'm very concerned about folding that into a larger department which will lose its focus. This is a department that has been in existence for nearly a century long and I think effective record and I would like to see it focused and sharpened rather than consolidated, blurred, and eliminated.

Thank you very much.

[The prepared statement of Mr. Porter follows:]

#### PREPARED STATEMENT OF DAVID O. PORTER

Senator Stevens, members of the Staff of the Senate Committee on Government Affairs, Ladies and Gentlemen.

Thank you, Senator Stevens, for convening these hearings in Fairbanks.

You can be sure I have taken the invitation from Mr. John Marshall of the Senate's Committee on Government Affairs to testify at today's hearings very seriously. Public service is a subject near to my heart, and my pocketbook. I have worked as a public servant almost my professional life. The only exceptions to my employment in a public institution were when I worked for George Washington University, a private university, for 3 years and I was employed in my father's newspapers for 10 years or so. I am an active member of the American Society for Public Administration and regularly present papers on government organization and public policy at their annual meetings.

The expenditures and activities of our Federal Government, as I have heard Senator Stevens repeatedly observe in his public statements, are constrained in an unprecedented degree. Most tax dollars collected by the Federal Government are not spent by Federal agencies. They are passed through as entitlements to citizens, health care providers, States, local governments, and holders of U.S. Treasury bonds. An increasing proportion of current Federal tax collections must be used to pay for Federal expenditures made in the past. Interest payments on the Federal debt were around \$50 billion annually as recently as 1980. By FY 1994, annual interest payments exceeded \$300 billion and represented nearly 15 percent of Federal obligations for that fiscal year. With continuing deficits planned for at least the next 7 years and no plan even on the table for making any payments on the accumulated principal, it is hard to forecast a scenario where a debt service for previous expenditures will consume more than one fifth of annual appropriations.

In addition to these constraints, there is a paradox about public service which reaches across all levels of government—Federal, State, and local. Public servants are more professional and better trained than at any time in the history of our country. They are more consistently selected for their positions according to merit criteria. Political patronage is restricted to the higher level, policy-setting positions. Yet confidence in the actions of public servants is very low. Citizens never welcome taxes, to be sure, but they are particularly resistant to taxes of any sort right now.

To think about government reorganization in this context of constraint, paradox, and skepticism calls for a different approach than what we've been doing. In my experience, discussions on government reorganization begin with lists of existing government agencies, analyses of the activities of these agencies, and final reports on whether these activities should continue. As Senator Stevens is certainly more aware than any of us, this process automatically engages vested interests who mobilize to protect the status quo. The process is intrinsically backward looking, with any reforms being incremental and grudging. Citizens become frustrated, disillusioned, and/or cynical as they watch grand efforts at reform grind to a halt.

Although it is possible, in principle, for a bipartisan government restructuring commission similar to the Hoover Commission of the 1940's or the more recent Base Realignment and Closure Commission to avoid the deadlock and incrementalism which has characterized most recent efforts for fundamental government reorganization I am not optimistic such a commission would be successful. The Base Reorganization and Closure Commission had a relatively narrow set of objectives and the bureaucracy in the Department of Defense supported its overall mandate. The Hoo-

ver Commission was asked to rationalize the implementation of policies which were widely accepted as legitimate, i.e., the containment of Soviet international expansion and the consolidation of economic policies designed to smooth sharp swings in the business cycle. Perhaps I am too close to the present circumstances, but I do not discern in the present drive to reorganize government the clarity of focus of the Base Realignment and Closure Commission or the relatively broad consensus on overall policies which the Hoover Commission could assume.

My suggestion for breaking this cycle is not particularly new or complicated. It does, however, build on the advantages enjoyed by the Base Realignment and Closure Commission and the Hoover Commission. I suggest we should initiate a serious process which will identify three to five major trends to which our Nation and State must respond over the next 20 years. With the challenges of these trends in front of us, we inquire how to reorganize and reallocate the resources of government to respond effectively. Such a process is focused, intrinsically forward looking, and responsive to broad citizen values. Further, existing government agencies could be mobilized to help implement reorganization plans around these initiatives even if they realize the final result would be a smaller government. I believe that if government agencies are included as participants in building a proactive strategy to meet commonly accepted challenges reform efforts will be much more successful than if these same agencies are expected to be passive observers while programs they have worked on for many years are set aside and they are not given an opportunity to participate in designing government institutions to respond to America's needs in the 21st Century.

My candidate as one of the major trends to which our Nation and State must respond is the emergence of economic competition among nations as a surrogate for at least some of the military competition of the first three-quarters of the 20th Century. With the end of the Cold War, defense expenditures have decreased worldwide. *But the resources for those swords are being forged into market shares, not plow shares.* What government responses are appropriate to support our citizens and businesses in this new environment of global competition? What government reorganizations will focus these responses and make them effective?

My first recommendation for reorganization to respond to the accelerated economic competition among nations relates to the processes through which we decide to use our natural resources—the NIMBY syndrome (Not In My Backyard). The United States is one of the largest and most abundantly resourced nations on the globe. Our businesses and governments are among the most responsible environmentally, in a worldwide context. Yet our government policies and processes, in practice, systematically force American firms outside of the U.S. to seek natural resources which are available domestically. The results of these policies are not to rescue or protect sensitive environments in any absolute sense or to enhance the U.S. position relative to its international competitors. An area not disturbed in the U.S. is substituted for an area disturbed in a much less responsible manner somewhere else on our “spaceship earth.” Employment, investment, and balance of trade problems in the U.S. are made worse.

The example of drilling in area 1002 of the Alaska National Wildlife Preserve (ANWR) is the premier example of how the present processes lead to such results. In any objective sense, area 1002 is a prime candidate for responsible exploitation of oil. It is located adjacent to proven and vast oil fields. The infrastructure for exploration, extraction, and transportation is already in place. The regulatory regimes of government and industry have worked well, especially when compared to any comparable oil field elsewhere in the world. The sites of the fields are isolated from human settlements but not undisturbed nor are they high density habitat for wildlife. With few exceptions, the birds, fishes, and animals using this area do so as transients. I have seen no analyses which suggest that the populations of any bird, fish, animal, or plant would be severely impacted or threatened. If oil is to be pumped anywhere on the globe, area 1002 seems likely to be a site where exploration should be encouraged.

I am not suggesting in any way we return to the roughneck, “subdue the earth” practices of our pioneer forefathers. But we do need to adopt practices in which facts and information on legitimate competing interests can be gathered, relative weights assigned to benefits, costs and other interests, and make decisions. The American insistence on adversarial, legal procedures is no longer functional. Some other countries are having more success using administrative practices rooted in Roman codes. I suggest we investigate such practices, and any others which show promise, to reform the procedures through which we decide whether and/or how to develop natural resources.

My second recommendation relates to insuring Americans retain their competitive edge on the information highway. For years the basic components of the Internet

were provided and/or underwritten by Federal research agencies and universities. Recently, with the economic potential of electronic interconnectivity becoming more apparent, private firms have made substantial investments. The information highway system, however, still resembles the American highway system of the pre-1950's—a vast patchwork of local, State and Federal roads which carried lots of traffic but lacked the rationalizing backbone the Interstate Highway program the Eisenhower Administration successfully initiated. During the same period, the Federal Government also stepped up to the plate in providing leadership and critical financing for the development of infrastructure in airports and air traffic control. I am very worried that reasonable and sensible plans such as emerged for highways and airports will be stunted given the current preoccupation with *cutting* any and all Federal expenditures, irrespective of their contribution in supporting U.S. economic competitiveness. Alaska, in particular, will be unfairly disadvantaged if the information highway is to be financed and built primarily by private investment. Further, the University of Alaska's contributions to state-of-the-art information creation in such areas as remote sensing and climate monitoring will be unwisely curtailed. We need to pursue a dual Federal policy of assembling and maintaining the hardware of the information highways in the U.S. and supporting the creation and dissemination of the information needed to support leading edge research and business innovations.

My final recommendation for consideration of the Committee this morning relates to proposals to eliminate departmental status for the Department of Commerce. I believe these proposals are mistaken. The Department of Commerce has served as a focal point for the American business community for nearly a century and I believe its focus should be sharpened and enhanced rather than blurred and subordinated through being combined within some sort of conglomerate department on "economic affairs."

I was the founding Director of the Idaho Department of Commerce in 1985. I lead a very broad, genuinely bi-partisan effort in support of legislation to approve the creation of the first Idaho department to be formed in 19 years. I am very proud of the role I played in creating an institution which has been instrumental in supporting the creation of tens of thousands of jobs. There has been an unprecedented surge of economic activity and job creation in Idaho between 1985 and 1996 and the Idaho Department of Commerce has played an important part in supporting that economic growth.

Why did my primarily business-oriented constituency want the Idaho Division of Economic and Community Affairs up-graded to departmental status? The Division had been an agency within the Office of the Governor for at least 30 years. But business people wanted an Idaho Department of Commerce because:

- Idaho business lacked a clear, identifiable advocate in State Government. Chambers of Commerce, local government officials, the tourism industry, and smaller businesses were especially mindful of the need for this advocacy role.
- The emerging challenges of international trade were confusing and excessively expensive when medium and small businesses had to take all the steps necessary for success on their own. The Idaho Department of Commerce could inform and assist in this emerging new field of activity.
- Promotional projects, such as tourism and international marketing, which are desirable and beneficial to the State as a whole but too expensive for any one firm to reap sufficient benefits become possible through cost sharing and pooled efforts.
- Detailed information series on economic activities would be available to support local government and Chamber of Commerce efforts to attract new businesses into the State.

I have provided an abbreviated list of the reasons why my business-oriented constituents in Idaho lobbied the Governor and Legislature to create an Idaho Department of Commerce. The Idaho House of Representatives gave the bill a two-thirds favorable vote, the Idaho Senate a three-fourths favorable vote. The Department quickly became, and remains, one of the most popular in the State. I believe the U.S. Department of Commerce, if refocused and reinvigorated perhaps, should be one of the more popular and effective agencies in the Federal Government. I do not believe, however, the Federal Government can realize its appropriate potential in support of business in America without having a clear and identifiable business advocate in the form of the U.S. Department of Commerce.

Thank you for this opportunity to provide testimony.

Chairman STEVENS. Thank you all very much. I think everyone here realizes the reason for listening to you.

Dr. Wood, I am going to have your statement reproduced and make sure each one of the members get it and give them a chance to read it. If you are unprepared, God help us all.

I said, if you're unprepared, God help us all. I don't think unprepared at all. It was a tremendous statement.

I appreciate the comments of all three of you. Thank you very much for your contribution.

Mr. WOOD. Thank you, Senator.

Chairman STEVENS. Paul, I think you're next. Bart LeBon, Earl Romans, and Bonnie Williams.

Why don't we just proceed in that order if that's all-right.

#### **TESTIMONY OF PAUL J. MASSEY, PUBLISHER, FAIRBANKS DAILY NEWS-MINER**

Mr. MASSEY. Thank you, Senator. It's a pleasure to be here this morning. Thank you very much for inviting me. It's always a pleasure to discuss a narrow focus subject like restructuring the Federal Government.

Rather than try to deal with the organizational hierarchy, I will leave that to others, I plan to discuss two specific points that I feel would greatly affect the way the government operates.

I realize that Alaskans could come out on the short end if both of these ideas were put into practice, but I think we are talking about a greater good of the country here rather than the parochial interests of Alaska.

The simple way to achieve government reform would be to break the iron-triangle. The iron-triangle consists of three points: the first being the Congress; the second point, lobbyists; and the third point, the bureaucracies.

The iron-triangle consists of the relationship and influence these three groups have on each other while leaving the average citizen out in the cold. The lobbyists influence Congress' decisions, the bureaucrats advise Congress during their decision making process and the Congress rewards them in return. This process does not allow the average citizen to play a vital role in influencing decisions made by their elected officials that will affect their lives, because the average citizen does not have what I refer to as the political efficacy—the tools and resources necessary to influence their elected officials.

There is a simple way to break the iron-triangle, allowing the average citizen to have more influence over his elected officials. The simple way is for Congress to rotate the committee chairs every session. Not a lateral rotation from Commerce Committee Chair to Judiciary Committee, but in sequential order from first in seniority to second in seniority to third in seniority with the first starting over at the bottom and so on.

By making this simple change, lobbyists would have to spread their money around, therefore diluting their influence. Bureaucrats would have to be sensitive to all Members of Congress who are in line to become Chairmen and their district's needs, not just the Chairman and his district's needs.

This would work far better than an institutional change like Congressional term limits. Congressional term limits would only accomplish shifting the power from elected officials of Congress to

unelected officials, bureaucrats, and staffers with no accountability to the people.

The founding fathers never meant for there to be three equal branches of government. The Legislature was to be the most powerful branch of government because it represents the people and, therefore, is more accountable to the people.

Congress, as an institution, is by far the most powerful branch of government. However, the power is spread among 535 individuals. Hence, the power will never be centered in one or two individuals. It will be dispersed among the people.

To shift this power from the Legislature, 535 elected officials, to the Executive, one elected official, would be a great danger to our national security. Freedoms and individual liberties and a reform I feel the people would regret. In the long run, term limits could establish the groundwork in our country for the establishment of a dictatorship.

The next item I would like to talk about is keeping all bills germane. Another government reform that has been argued in the past is Congressional Parliamentary procedure. This change in procedure would require Congress to keep each bill germane to its title.

In other words, no amendments or riders that have no relation to the subject would be allowed to be attached to the bill. This would allow individuals, the common citizen, to track legislation much easier. The change would also prevent Members of Congress from sliding in special pork projects and controversial projects behind the scenes. This change in Parliamentary procedure would make Members of Congress more accountable for their voting records. They could use the argument they were against the amendment or rider of a bill when they favor the bill pack—when the overall package of the bill, the good outweighed the bad.

A negative in this concept, it would slow down the legislative process. Congress will at times attach non-controversial riders that are not germane to pending legislation to speed attached rider toward passage.

I hope these two ideas will help some in your planning process.

Thank you very much, Senator Stevens.

[The prepared statement of Mr. Massey follows:]

#### PREPARED STATEMENT OF PAUL J. MASSEY

I would be pleased to testify as a witness at the field hearing of the Senate Committee on Governmental Affairs to be held in Fairbanks, Alaska, on Tuesday, February 13, 1996, in the Fairbanks North Star Borough Assembly Chamber at 9:30 a.m.

Rather than try to deal with the organizational hierarchy (I will leave that to others), I plan to discuss two specific points that I feel would greatly affect the way the government operates.

I realize that Alaskans could come out on the short end if both of these ideas were put into practice, but I think we are talking about a greater good of the country here, rather than the parochial interests of Alaska.

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The iron-triangle consists of the relationship and influence these three groups have on each other while leaving the average citizen out in the cold. The lobbyists influence Congress' decisions, the bureaucrats advise Congress during their decision making process, and Congress rewards them in return. This process does not allow the average citizen to play a vital role in influencing decisions made by their elected

officials that will affect their lives, because the average citizen does not have what I refer to as the political efficacy—tools and resources necessary to influence their elected officials.

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This would work far better than an institutional change like Congressional term limits. Congressional term limits would only accomplish shifting the power from elected officials, Congress, to unelected officials, bureaucrats and staffers, with no accountability to the people.

The founding fathers never meant for there to be three equal branches of government. The Legislature was to be the most powerful branch of government because it better represents the people, and is therefore more accountable to the people. Congress, as an institution, is by far the most powerful branch of government; however, that power is spread among 535 individuals. Hence, the power will never be centered in one or two individuals; it will be dispersed among the people.

To shift this power from the Legislature (535 elected officials) to the Executive (one elected official) would be a great danger to our national security, freedoms, and individual liberties and a reform I feel the people would regret. In the long run, term limits could establish the ground work in our country for the establishment of a dictatorship.

Keep all bills germane. Another government reform that has been argued regards a Congressional Parliamentary procedure. This change in procedure would require Congress to keep each bill germane to its title. In other words, no amendments or riders that have no relation to the subject would be allowed to be attached to the bill. This would allow individuals, the common citizen, to track legislation much easier. This change would also prevent Members of Congress from sliding in special pork projects and controversial projects behind the scenes. This change in Parliamentary procedure would make Members of Congress more accountable for their voting records. They could use the argument they were against the amendment or rider of a bill, when they favored the overall package of the bill—the good outweighed the bad.

A negative in this concept is it would slow down the legislative process. Congress will at times attach non-controversial riders that are not germane to the pending legislation to speed the attached rider toward passage.

I hope these two ideas will be some help in your planning process.

Chairman STEVENS. Thank you for coming, Paul.

Mr. LeBon.

#### **TESTIMONY OF BART LeBON, NATIONAL BANK OF ALASKA, AND CHAIRMAN, GREATER FAIRBANKS CHAMBER OF COM- MERCE**

Mr. LeBON. Thank you, Senator, for the opportunity to speak before the Senate Committee on Government Affairs.

I, too, support the idea of forming a blue ribbon commission such as the Base Closure Commission to investigate issues related to Federal Government restructuring.

The performance of the Base Closure Commission has been, in my opinion, outstanding. This commission has addressed a political hot potato with the outcome of its decisions affecting almost all regions of our country and has done so in a very fair and balanced manner. One large key to its success has been to shield it from the heat of political influence. The Government Restructuring Commission would need to enjoy the same protection.

Now, I don't really feel qualified to micromanage this process, because my reference point on this subject is very limited. I have worked in the private sector in Fairbanks for 20 years. When economic factors dictate change, the private sector adjust to the changes in its marketplace or risks financial failure.

My view of our Federal Government is that the political influence generated by any department potentially affected by any proposed change would make significant organizational changes difficult to achieve, at best. I can visualize major efforts by long-term employees to protect their turf for fear of reorganizing themselves out of a job. Change, in any form, is feared by those it most closely affects, so the commission would have to enjoy a political shield from those influences.

During my 20 years as a banker, I have seen dramatic changes in my industry. Federal regulation in my industry has grown beyond what makes common sense. If the restructuring of the Federal Government results in a reduced level of government intervention in the banking industry, then I would most welcome any reasonable change. But the most powerful influence of change has been the rapid evolution of the computer technology over the past 20 years. In order for our Federal Government to truly enjoy the benefits of streamlined operations, a state-of-the-art computer technology must be critical to its future. The banking industry must be able to deliver fast and efficient service to our customers in order to maintain our competitive edge and the Federal Government should be no different. I would hope that the proposed Government Restructuring Commission would give a serious look into this aspect of its investigation.

I have reviewed the incidence of Agency Obligations by Function chart your office provided last week. I was surprised at the level of duplication depicted in the chart. Evidently, there exists a true opportunity to streamline our many government services and operations under several main groups of similar functions. The advantage of a citizen commission formed for the task of recommending organizational changes is obvious. Common sense, based on public input, would be the basis of its conclusions and I would welcome this effort.

It is difficult to make personal recommendations without extensive study of the many government functions and how they overlap among various departments and the extent of the duplication, but I welcome the process and look forward to testifying further on this issue before the Government Restructuring Commission during its visit to Alaska.

Thank you.

[The prepared statement of Mr. LeBon follows:]

#### PREPARED STATEMENT OF BART LEBON

The idea of forming a "blue ribbon" commission, such as the base closure commission, to investigate issues related to Federal Government restructuring is a sound concept. The performance of the Base Closure Commission has been, in my opinion, outstanding. This commission has addressed a political "hot potato" with the outcome of its decisions affecting almost all regions of our country—and has done so in a very fair and balanced manner. One large key to its success has been to shield it from the heat of political influence; the Federal Government restructuring commission would need to enjoy the same protection.

My point of reference on this subject is very limited. I have worked in the private sector in Fairbanks for 20 years. When economic factors dictate change, the private sector adjusts to the changes in its marketplace or risks financial failure. My view of our Federal Government is that the political influence generated by any department potentially affected by any proposed change would make significant organizational changes difficult to achieve, at best. I can visualize major efforts by long-term employees to "protect their turf" for fear of reorganizing themselves out of a job. Change, in any form, is feared by those it most closely affects.

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It is difficult to make personal recommendations without extensive study of the many government functions and how they overlap among various departments. But I welcome the process and would look forward to testifying further on this issue before the Government Restructuring Commission during its visit to Alaska.

Chairman STEVENS. Thank you very much.  
Mr. Romans.

#### **TESTIMONY OF EARL F. ROMANS, PRESIDENT, ALASKAN BATTERY ENTERPRISES, INC.**

Mr. ROMANS. Senator Stevens, I would like to thank you for including me in your efforts for developing a more accountable and efficient Federal Government.

Here in Alaska, we have worked in these areas with good accomplishment using the Joint Mayors Economic Development Conference at the local level and the Governors Conference on Small Business at the State level, but we have always been frustrated at not being able to accomplish at the Federal level as much and as rapidly.

So, it is with great sincerity that I commend you and these efforts that you are starting. At the appropriate time, I would like to submit a resume for consideration to be active on a continuing basis with your group especially in representing small business, which I have done for 30 years as Alaskan Battery Enterprises, and now have the experience of large business, such as working for Wal-Mart at Sam's local warehouse. I'm including a packet of information from our manufacturing and recycling business and our involvement with government agencies. The post office does good. The small business administration does great. The Federal Department of Commerce has gone out of its way to help out. The Federal Environmental Protection Agency does not have a clue. Maybe they need to train with SBA and use and understand SBA's mission statement.

I look forward to Tuesday's presentations and will give examples verbally from the attached packet. Thank you for the opportunity.

I think representing small business, this should be very enlightening of what happened at Alaskan Battery. This is from Fairbanks Sand and Gravel. It's an appraisal for doing the job that EPA did. Its bottom line is a total of \$34,987. EPA's bottom line so far is \$4.1 million, and I think it will find another million or two before they're done if they have to reimburse the people that really didn't need that done to them.

This proposal from Fairbanks Sand and Gravel would take 20 days, not 10 years and would meet EPA standards at the end of running—what they do is run it through a fire box, which they do with petroleum to burn it away from the dirt. Lead has a low melting point and you melt it away from the dirt. Then, you have dirt which remains on site, carbon from the battery casings which remains on site as harmless material and you have lead, which is sent to the smelter for resmelting and building new batteries. That conforms with the recycle to reduce and the EPA requirements now for taking care of hazardous material. It isn't hazardous if there is no wasted material. It's just hazardous, not hazardous material.

And that's what we have to do. We cannot continually send hazardous material to an unpermanent grave site. That's just juggling it around. A solid environmental answer is to recycle it back into new material.

I'm just going to briefly touch on this statement of knowledge from my neighbor Sven Brunberg. He states that he is my neighbor, Arctic Welding Service. Goes on to say, my business property adjoins the west downstream side of Earl Romans' Alaskan Battery Enterprises (ABE). See attached map. Earl and his family have lived above his business and all of his property has been fenced, including our adjoining properties which on AWS's side is a general storage area and main interior entryway. Earl's side is a garden on the southwest corner and his business area storage and recycling yard on the northwest corner. And his battery business storage and recycling yard on the northwest corner. And his first floor property manufacturing and second floor living facilities on the west side.

During the summer of 1988 and 1989, the Federal Environmental Protection Agency removed the top approximately five feet of soil on all of Earl's private and business property. EPA determined that all of Earl's dirt up to the one-inch thick fence, east, eight feet high and solid board, estimate that all of the dirt on the one-inch thick side of Earl's property was contaminated. But no property one inch further down on AWS had any contaminants and no dirt was removed.

EPA determines that in 30 years, no material had migrated onto AWS downstream property.

In 1967, the Chena River overflowed its banks above Ft. Wainwright and traveled across Ft. Wainwright in the Fairbanks area in a west by southwest direction at 12 knots towards the confluence of the Chena and Tanana Rivers. Three foot deep, 12 knot flood water flowed across Earl's property onto AWS property, but

failed to move any of Earl's supposedly contaminated property, the dirt onto AWS property.

In the mid-1970's, Ft. Wainwright stopped dumping its sewage into the Chena River and a sewer line was constructed to incorporate Ft. Wainwright's sewer with the City of Fairbanks sewer with the connection at 30th and Cushman. The sewer line traveled along Earl's and AWS' north fence and a sewer lift station was constructed approximately 10 feet north of our adjoining fence line. Wells were drilled on AWS property next to Earl's recycling yard and water was pumped continuously day and night all summer to lower the ground water level to stabilize the soil so that a foundation for the lift station could be constructed below the normal water line level.

Chairman STEVENS. Earl, I'm going to have to interrupt you. I've read that statement.

Mr. ROMANS. OK.

Chairman STEVENS. And I understand how it fits in with your statement.

Mr. ROMANS. Well, I appreciate being here, Senator, and I hope this will be of use to you.

Chairman STEVENS. I think it will. As an example of the situation that we need to try and get centralized responsibility of these Federal agencies as we proceed to restructure the Federal Government.

Mr. ROMANS. Yes.

[The prepared statement of Mr. Romans follows:]

#### PREPARED STATEMENT OF EARL F. ROMANS

Thank you for including me in your efforts for developing a more accountable and efficient Federal Government.

Here in Alaska we have worked in these areas with good accomplishment using the Joint Mayors Economic Development conference at the local level and the Governors Conference on Small Business at the State level, but we have always been frustrated at not being able to accomplish at the Federal level as much and as rapidly.

So it is with great sincerity that I commend you in these efforts you are starting. At the appropriate time I would like to submit a resume for consideration to be active on a continuing basis with your group especially in representing small business which I have done for 30 years as Alaskan Battery Enterprises, and now have the experience of large business I'm receiving working for Wal-Mart Corporation at Sam's Warehouse. I am including a packet of information from our manufacturing and recycling business and our involvement with government agencies. The Post Office does good, the SBA does great, the Federal Department of Commerce has gone out of its way to help out, the Federal Environmental Protection Agency does not have a clue. Maybe they need to train with SBA and use and understand SBA's mission statement.

I look forward to Tuesday's presentations and will give examples verbally from the attached packet.

Thank you for the opportunity to do so.

[Additional copy submitted by Mr. Romans follows:]

## ADDITIONAL COPY SUBMITTED BY EARL ROMANS

FAIRBANKS SAND AND GRAVEL,  
A DIVISION OF NORTHLAND VENTURES, INC.  
August 28, 1995

Alaskan Battery Ent. Inc.  
157 Old Richardson Hwy.  
Fairbanks, Alaska 99701

MR. EARL ROMANS: Pursuant to our discussions and your request to review our proposal, this memo will identify our estimate to excavate, load, truck and store material from your site to our location. We also included the replacement of clean compacted bedding sand refill material. Cost of cleaning material would be offset by it's resale value.

Removal of 2,628 cu. yds. (4,100 tons) of material from 157 Old Richardson Hwy.

	1995 Cost	1988 Cost
Removal .....	\$27,758	\$24,427
Storage of material 12 months .....	3,000	2,640
Refill and compact with clean bedding sand .....	9,000	7,920
Total .....	\$39,758	\$34,987

Time table for completion, 20 days. At the end of 12 months, we would be able to process your product through our heat dryer and re-test the product for compliance with EPA standards.

As you know, we are licensed, bonded and our associates are certified for hazardous material handling.

Sincerely,

DAVID G. CHAUSSE, PRESIDENT

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STATEMENT OF KNOWLEDGE

My name is Sven Brunberg. I am the owner of Arctic Welding Services (AWS) in Fairbanks, Alaska. My business property adjoins the west "downstream" side of Earl Romans' Alaskan Battery Enterprises (ABE) property. (See attached map). Earl and I have been business neighbors for the last 30 years. Earl and his family live above his business and all of his property is fenced, including our adjoining properties which on AWS's side is a general storage area and main entrance of the property from the "new" Old Richardson Hwy. Earl's side is one-half private residential yard consisting of grass, flower beds, trees and garden on the southwest corner, and his battery business' storage and recycling yard on the northwest corner and his first floor battery manufacturing and second floor living facilities on the east side of his property.

During the summer of 1988 and 1989, the Federal Environmental Protection Agency removed the top approximately five feet of soil on all of Earl's private and business property. EPA determined that all of Earl's dirt up to the one-inch thick, eight-foot high solid board fence that separated our properties was contaminated and was removed. EPA determined that the dirt on AWS side of this fence was not contaminated, and no dirt was removed from AWS's side of the fence.

EPA determined that in 30 years no material had migrated onto AWS "downstream" property.

In 1967 the Chena River overflowed its banks above Ft. Wainwright and traveled across Ft. Wainwright and the Fairbanks area in a west by southwest direction at 12 knots towards the confluence of the Chena and Tanana Rivers. Three-foot deep 12-knot floodwater flowed across Earl's property onto AWS property, but failed to move any of Earl's supposedly contaminated dirt onto AWS property.

In the mid-1970s Ft. Wainwright stopped dumping its sewage into the Chena River and a sewer line was constructed to incorporate Ft. Wainwright sewer with the City of Fairbanks sewer with a connection at 30th & Cushman. The sewer line traveled along Earl's and AWS's north fence and a sewer lift station was constructed approximately ten feet north of our adjoining fence line. Wells were drilled on AWS property next to Earl's recycling yard and water was pumped continuously, day and night, all summer to lower the groundwater level to stabilize the soil so a foundation for the lift station could be constructed below the normal groundwater level, and this massive downstream movement of groundwater never moved any contamination onto AWS property.

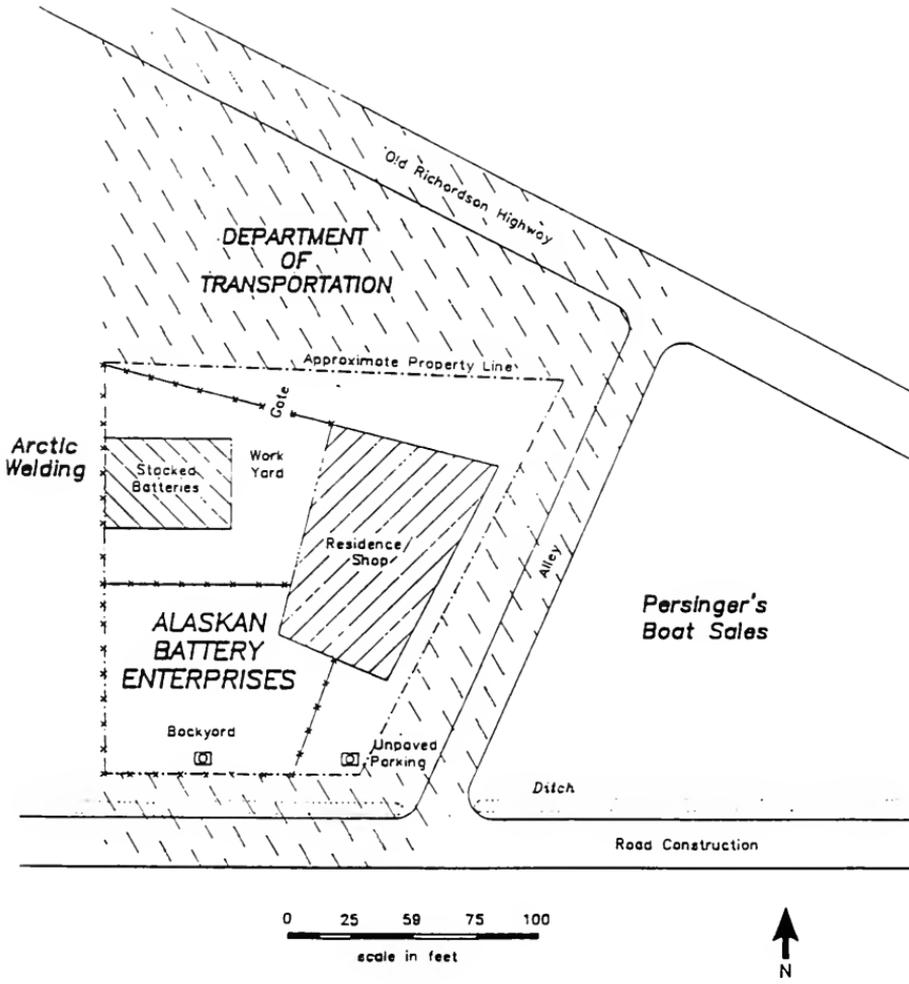
In 1988, during removal of ABE soil, EPA set up air monitors on AWS property next to our common fence line and tested under all conditions, and found no danger to the air.

When EPA came back to the ABE site with Brice, Inc (BESCORP) workers and continued to excavate the "contaminated" soil, everybody worked barefaced with no respiratory protection. EPA set up bleachers on AWS property just a few feet from where they were working on Earl's property so spectators could sit and watch. No respiratory protection was provided for the spectators and no warning was given or posted of a potential danger of breathing lead-contaminated air. Obviously the EPA workers, their contractors, and the contractor's employees knew beyond a doubt that under no circumstances could there be a threat to the air, environment or human health.

During this operation, the workers discharged water onto AWS property, and were told by me that they did not have permission to do this, so they pumped into the road culvert. Eventually the workers drained all of their wash water down the city drain outside of Earl's building. Obviously there was no lead or any other contamination in the water. After EPA hauled all of Earl's dirt away, they put test wells on AWS property next to Earl's recycling yard and tested the groundwater for lead contamination but they never found anything in the water. EPA is still testing these wells and still has not found any lead or other pollutants. Obviously the lead was never capable of being soluble or posing a threat of mobility in the air or in the water, so no threat of any kind ever existed. EPA action was never justified. Why weren't these simple tests done prior to initiating EPA activity that would eventually put a pioneering neighbor, his family and his employees out of work? I think I had a right to know the truth right off rather than the EPA implying there could be a threat to worry about when actually there was no threat at all! The EPA never at anytime from their first 1988 activity at ABE until now put up any signs saying "danger—hazardous area". The public's right to know requires such signs if there is a hazard. Obviously EPA hadn't proven that there was such a hazard or else EPA knew all along that there actually wasn't such a hazard or threat of any kind!

I'm retiring from business now and wish to sell my business property. Will the EPA compensate me for my deflated property values caused by the stigma and confusion they unjustifiably created?

SVEN BRUNBERG  
DATE: 12-21-95



**LEGEND**

-  Septic tank
-  Fence
-  Department of Transportation property

<b>ecology &amp; environment, inc.</b>	
Job: T10-8710-007	Waste Site: AK 0012
Drawn by: D. P.	Date: June 16, 1988

**FIGURE 2**  
**SITE MAP**  
**ALASKAN BATTERY ENTERPRISES**  
**Fairbanks, AK**

ARTICLE FROM THE FAIRBANKS DAILY NEWS-MINER DATED SEPTEMBER 17, 1995

## EPA'S MISTAKE

The Environmental Protection Agency's pursuit of Earl Romans and the people who gave him their car batteries to recycle has been an indefensible disaster, but that hasn't stopped the agency.

The EPA's own reports conclude that the battery lead found to date at the site is not a present health risk.

But the EPA didn't arrive at that conclusion until long after it had initiated a multi-million dollar cleanup. You'd think that the agency would acknowledge the mistake now and drop its efforts to force Romans and his customers to pay for the cleanup. That's not what is happening, though.

As was reported last week, the agency continues to force Fairbanks businesses to pay hundreds of thousands of dollars for this debacle.

The EPA badly jumped the gun on this project. After learning that Romans had for years been burying plastic car battery cases on his property, the EPA bypassed its own rules in its haste to respond.

Those rules state that prior to the initiation of removal actions, the agency must confirm that the site represents a health hazard. It also must first identify responsible parties and try to get them to initiate a cleanup.

The EPA did neither in this situation. Instead, it charged ahead with the work, hiring a contractor to dig up tons of soil and sending it to the Lower 48 by train car.

In its more recent reports, the agency says it believes the lead on the site could, "in-time," contaminate the ground water. The evidence is non-existent. Romans has worked on the site for 30 years and the lead has not moved in that time.

That shouldn't be a surprise. Whatever traces of lead Romans buried with the casings were battery "lead," which isn't really lead at all. It's an alloy of lead, calcium and antimony that is very unlike the soft, slightly-water-soluble lead with which most people are familiar. Battery "lead" sits in a bath of sulfuric acid and doesn't dissolve—if it did, your battery wouldn't work. Will mere rain carry this stuff into the groundwater? No.

Even if there was a real problem here, our government shouldn't force Romans and his customers to pay for the cleanup. There is no law against burying these casings, never has been. Government officials cannot in good conscience require Romans and his customers to pay millions of dollars to clean up something that the government never prohibited in the first place.

But conscience it seems has nothing to do with it.

ARTICLE FROM THE FAIRBANKS DAILY NEWS-MINER DATED JANUARY 12, 1992

## EPA SPREADS FEAR EPIDEMIC OVER INSIGNIFICANT RISKS

*Columnist Warren Brookes, whose work appeared occasionally on this page, died Saturday, Dec. 28, after a brief illness. This column was written prior to his death.*

Recently, the Centers for Disease Control with the support of the Environmental Protection Agency, lowered the "danger standard" on blood lead levels from 25 micrograms per deciliter of blood to 10 (the current British standard is 40) and called for testing every small child in America for blood lead levels.

The immediate impact of this new rule will be to raise the number of children considered "at risk" from 400,000 to more than 4.5 million. This will generate tens of thousands of new lawsuits (and billions of dollars in settlements) and force a "remediation" program costing over \$500 billion. Half of all homeowners will have to spend \$5,000 to \$20,000 to make their houses salable.

This might well be worth it if the evidence for this policy were rock solid (it isn't) and if it came from agencies with a track record for rational environmental health regulation.

But the Centers for Disease Control recently admitted it made a mistake when it shut down Times Beach, Mo., in 1982 because of the dangers of dioxin, which the EPA and the Centers for Disease Control now confess were vastly overstated, wasting tens of billions of dollars in cleanup costs around the nation.

And just two weeks before the Centers for Disease Control's lead balloon, a congressionally mandated study by the Health Effects Institute said the entire EPA asbestos cleanup was "unwarranted," because the air inside buildings built with asbestos materials has no more asbestos than the natural background air outdoors.

Then, on Oct. 25, the U.S. 5th Circuit Court of Appeals in New Orleans struck down the EPA's 1989 ban on asbestos manufacture, use and importation, because it failed to prove the health benefits of such a ban worth its economic costs.

If you want to know why the EPA has piled up so many costly regulatory disasters, read a new book, "The Asbestos Racket," by Michael Bennett. Bennett is the investigative reporter who first broke the stories on the fraud of asbestos hysteria in the Detroit News in 1985. Later, he was the first to break the story that the Challenger Space Shuttle disaster may well have been the direct result of the withdrawal from the market of the asbestos-based putty used to seal the O-Rings.

The non-asbestos substitute putty lacked the insulating powers of the original, making the seals vulnerable to cracking in abnormally cold weather, leading directly to the tragic crash on Jan. 28, 1986. Morton Thiokol engineer Roger Boisjoly warned repeatedly of this problem culminating in a July 1985 memo saying "the primary suspect as for the cause for the erosion on the primary O-Ring seals is the (non-asbestos) putty used."

The Challenger/asbestos story is only a single chapter in Bennett's 231-page indictment of bad science, bad regulation and bad reporting, culminating in EPA Administrator William Reilly's "mea culpa" on June 12, 1990, that "the mere presence of asbestos poses no risks to human health" and removing it "may actually pose a greater health risk than simply leaving (it) alone."

Yet this amazing admission of what Bennett calls "the greatest environmental fraud of our era" came less than one year after Reilly's June 1989 asbestos ban, within two months of which Reilly was upstaged by a 1989 Harvard University symposium followed by lengthy scholarly articles in *Science*, which dismissed the risk of airborne asbestos as trivial.

Yet, as Bennett reports, solid scientific documentation of the relative lack of risk in white chrysotile asbestos (95 percent of all that is in use) was readily available since the 1970's but was relentlessly dismissed by the EPA.

Indeed, in 1982, the EPA ignored its own Scientific Advisory Board's advice and adopted an obsolete study contending airborne asbestos was causing 40,000 deaths a year, at almost the same moment when Sir Richard Doll, Oxford's world-class epidemiologist, concluded it was causing no more than one death a year in England (five in America). Sir Richard compared lifetime building exposure to asbestos to smoking one-half of a cigarette over a lifetime.

Yet to deal with this insignificant risk, according to last fall's Health Effects Institute report, "The EPA cleanup was being driven by an organized asbestos-removal industry with a collective self-interest in removal of \$150 billion to \$200 billion by the turn of the century."

As Bennett writes, "A devil's bargain had been struck among environmentalists, advocacy lawyers, scientists, news reporters and Members of Congress . . . (who created) a fictitious epidemic of 'asbestos poisoning'. . . . The real epidemic was fear spread by scientific ignorance, bureaucratic bungling, political posturing, greedy lawyers . . . and contractors chasing the almighty buck."

The result was "spending up to \$200 billion to protect people from dangers as remote as being struck by lightning while arguing whether 33 million Americans subject to all human illnesses . . . should be provided basic medical coverage. Our sense of proportion has been lost." Indeed it has. Read this book.

*Warren T. Brookes' column was syndicated by Creators Syndicate Inc.*

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#### STATEMENT OF FACTS

I, Edward Daro, was equipment supervisor for the (Golden Valley Electric Association from July 1961 to June 1969. In addition to supplying electric power to rural customers, we maintained a fleet of equipment used for installation and maintenance of our distribution system. Our line crew trucks were equipped with two-way radios hooked to public address speakers so that the crew could monitor our communications while performing their tasks. On some days, by the end of their shift, the truck's battery would not have enough energy left to restart for the return trip. As a result, it became our policy to purchase the best available battery and to equip each truck with a spare battery and a set of booster cables.

In 1961 Earl Romans started a battery business in Fairbanks and furnished a sample battery for our testing. We found that Earl's battery had enough energy to supply our daily demand and enough reserve to always restart for the return trip, reducing our battery needs by 50 percent. Earl also offered battery repair and we found that 25 percent of our batteries, with minor repair, were 100 percent acceptable for reuse. Also, Earl reprocessed (recycled) the old batteries, eliminating our

need to send them to the city dump on the Chena River. We also found that Earl's Fairbanks-produced batteries had a life span of about two (2) times other brands.

EDWARD DARO  
3-28-95

See attached for greater clarification of the paragraphs one and two above.

1. Paragraph one reflects a Fairbanks benchmark prior to 1961, use of imported batteries from US, Germany, Taiwan, Japan and Korean production plants required twice as many batteries to operate under Alaskan conditions reflecting a 50 percent increase for required life 75 percent total costs, and 25 percent increase from unrepairable batteries, a total of 87.5 percent increase of costs with disposal of used batteries in the City dump on the Chena River with an 87.5 percent increase in battery waste.

2. The second paragraph, starting in 1961 with a better battery developed by Earl Romans Alaskan Battery Enterprises and help from William Duncan, road materials lab at the University of Alaska Fairbanks, totally reversed paragraph one, results are as follows.

A. 87.3 percent decrease in economic costs to operator.

B. 87.5 percent increase available for increased wages, increased jobs, increased equipment purchases, increased charity support of community such as United Way, etc. Additional savings to customer, free delivery of new batteries and free pick up of used batteries previously disposed of on the Chena River, now involved in a reduced, reused recycle, environment at ABE rather than having disposal costs paid for by taxpayers dollars manning a dump but rather paid for from recycle dollars, with the customer receiving a trade-in allowance.

When EPA came to Fairbanks in 1988 they told the Chrysler dealer they were a PRP to ABE superfund clean up so should not do business with Earl Romans anymore. Chrysler said, well if we cannot let Earl take our batteries anymore then what do we do with them? EPA said take them to the dump, so all of ABE's economic battery development and all of ABE's environmental battery protection had been set back 30 years by the EPA. When the EPA meet with local city officials, and Mayor Helms, representing the Borough, and the Mayor said, "Earl says his site does not represent a hazard to our community, why is EPA so interested in making a one-half acre of dirt a suferfund site? EPA replied because Earls will be fast and easy.

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TIMELINE FOR PROPOSED RESOLVEMENT OF IMPACT ON THE ALASKAN BATTERY ENTERPRISES SITE AND ITS OWNER, EARL F. ROMANS

BY THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY.

- May 1996 1. EPA Closure on testing groundwater and creating further expenses at ABE.
- May 1996 2. Elimination of Federal liens, past, present or future.
- May 1996 3. Procure Federal documents under Freedom of Information Act.
  - a. Letter from a Richard \_\_\_\_\_ stating presence of buried batteries in shallow water table at ABE. Bogus letter? Letter from competitor or Battery Bob Rohl? Letter from environmental group? Letter from EPA employee? EPA found no buried batteries!
  - b. Letter stating Earl Romans would be bankrupt by August of 1988. Who wrote it? Who wrote letter if Earl didn't? Bogus? Competition? Battery Bob? EPA? Environmentalist?
- May 1996 4. Copy of Environmental hit list, two pages of Alaskan sites, including "ABE Fairbanks government dumping ground."
- Sep 1996 5. Deposition Battery Bob Rohl on statement to EPA investigator and statement to FNSB attorney. Bob gave false information on partner Jim Norman's status as an ABE PRP resulting in Bob and Jim being dropped from PRP list. Honest PRP's paid; dishonest didn't.
- Sep 1996 6. Deposition Jim Norman and Bob Rohl on statements to newspaper concerning purchase of ARE from Earl Rowans and relationship of EPA liabilities, \$600,000 remaining. No sale was offered or made!
- Jan 1997 7. Review and recommendations for proposed Congressional amendments to environmental laws concerning compensation for injuries to innocent parties damaged by government actions beyond the intent of environmental laws. Settlements could be charged against

budget of the Department of Natural Resources' EPA Division to build in a form of checks and balances for accountability to Congress in determining following year's budget and actual needs, also would give Congress more control of proper Executive and Judicial influence.

- May 1998 8. Final resolution of ABE site with EPA, based on current laws and any amendments.
- Jan 2000 9. Restoration of Earl Romans' property to normal status, including title and ownership, for purposes of refinancing for business or selling property towards retirement.
- Jan 2000 10. Ability to pursue personal lifetime plans from the year 2000 to 2037, less longevity reductions resulting from unnecessary EPA activity at the ABE site.

Chairman STEVENS. Bonnie, could we have your statement, please.

### **TESTIMONY OF BONNIE WILLIAMS, MEMBER, JOINT BOROUGH-CITY CHENA RIVERFRONT COMMISSION**

Ms. WILLIAMS. Should the Federal Government be restructured?

The University of Alaska spends over \$7 million a year to fulfill EPA regulations governing clean air, clean water, hazardous materials. UA struggling with mounds of documentation for each minute trace ever used or concocted in a laboratory classroom or research experiment. \$7 million multiplied times 5 to 10 thousand other institutions of higher education across the country.

Why is the government so fruitless in its regulatory endeavors and so wasteful of our resources?

In Western Alaska in the small town of Bethel, there were said to be 156 Federal agencies in the early 1980's. Bethel had a single store, no restaurant, no trees, no running water, no sewage system and many of its homes were made of connex boxes, but they needed 156 Federal agencies.

How did the government become this ridiculously large?

A Fairbanks physician sought a way around the nightmare forms by offering to perform Medicare treatment free of charge. Medicare responded with a full-blown audit of his practice, and when nothing was found, caused an IRS audit.

When did the government become our enemy?

The FAA operates on museum-quality tube equipment. The IRS can't account for its operating budget. The Department of Agriculture can't tell Congress what properties it owns. The Corps of Engineers denies a wetlands permit for an existing gravel site in the industrial area of south Fairbanks, so Flowline Corporation builds the facility in Siberia and imports their product to Alaska.

How did our government get so out of control?

Yes, government needs major restructure. Causes lead to solutions and I believe the causes are these:

One, the government is too large overall in its constituent pieces; overlapping and duplicative.

Two, each entity has too many goals leading to conflict, internal struggle, gridlock.

Three, the Federal Government has seized powers and authorities not allowed in the Constitution at the expense of the powers of the States, local governments and individuals. Each expansion creates its own growth industry.

Four, government has too often attempted to do what government cannot do well rather than limiting itself to those things government does best.

For example, in housing, what government does outstandingly is to be the guarantor of mortgage loans, like the VHA and FHA program. They don't function very well as a bank and they are a total failure as a builder of public housing.

Five, there is no responsibility or accountability for individual employees, units, divisions, or agencies and all of the incentives give the wrong signals. Meritorious performance in sound management practices are sorely needed.

Six, the Federal Government lags severely in technology attainment. Without appropriate technology, Federal agencies endanger lives, offer archaic services slowly, require a high quality of low skill employees and consistently fail in adequate accounting standards.

These causes are not overwhelming. Rather, they are challenges and opportunities for all of us to creatively address and resolve.

I believe the solutions lie in establishing three commissions, and in Congress then attacking what may be the three most difficult challenges it will ever have attempted.

My written testimony describes recommendations on the structure of the commissions. The three commissions and their draft charges would be:

One, a Governmental Restructure Commission. This commission would be charged to review the structure and functions of the Federal Government predicated on the Constitution; make recommendations on eliminations, consolidations, reorganizations, devolutions to State and/or local government, and privatization; provide goals to find the appropriate types of functions for each new entity; and identify those functions that government does well.

The second would be a Civil Service Redirection Commission. This commission would review compensation benefits and personnel management policies and make recommendations identifying incentives and disincentives to good management practices and to merit performance.

The third would be a commission called a Technology Enhancement Commission. This commission would be charged to review the technology level of each department and agency of the Federal Government; make recommendations for technology acquisition which meets one or more of the following goals. It saves lives. It reduces labor costs. It improves response time. It reduces costs other than labor. It improves communication. Increases service to the public or increases access to the information or services of the entity to other entities of government or its citizens.

This commission should be able to award the selected acquired technology to particular units, divisions, or agencies and to particular positions within those entities. My document explains why to you more fully.

There remain then the three special challenges to Congress. The downsizing and devolution of the Federal Government cannot be accomplished without a simultaneous consideration of regulatory reform issues, a major undertaking. I have recommended the pursuit of statutory policies that attain and accomplish worthwhile

broad spectrum reform. These are in the document of my testimony.

Second, the U.S. Congress should take a hard look at the element of unfairness which has crept more and more into Federal actions. We're a Nation of the rule of law and yet legislation is passed in Congress which violates the very foundation of that law, the Constitution, and Bill of Rights.

The legislation that created the superfund cleanup sites is a prime example, as it tramples upon the constitutional prohibition against ex post facto law: Article 1, Section 9. In addition, it holds the current landowner guilty of actions taken by any prior owner.

The terrorism bill currently under consideration is another classic example as it violates several of the 10 amendments of the Bill of Rights.

I urge you to work for a change of direction in this area to return the Legislative branch to actions which follow the Constitution and Bill of Rights.

The final challenge for the U.S. Congress is to devolve ownership of Federal lands to the States, to local governments and to the people. The Federal Government is a massive landlord with responsibility held in an array of departments and agencies. Governmental ownership poses a special problem in relation to private enterprise creating a constant and direct conflict. Socialist governments own the means of production, not capitalist nations and, yet for much of the United States, that dichotomy exists. Our government too often owns the means.

This ownership, even where appropriately governmental, results in single solutions for problems scattered across our vast land in a hundred different circumstances. The single solutions don't fit each case and generally don't fit any cases resulting in deliberate but unintentional bad management and bad practices. The ownership also presents constant conflicts with State powers in a variety of areas and makes many fairly simple projects extremely complex as the largest single difficulty of each project becomes resolving differences amongst and between landowners both public and private. As a first step, I would urge Congress to identify large blocks of Federal land that would be appropriate for transfer to State ownership.

Finally, in relation to land ownership, I would respectfully remind this Senate panel—Senator Stevens, I know you have a special interest in this—that over 20 years ago, when ANILCA passed, a large quantity of land was promised to Alaska natives and Alaska native corporations.

In 1991, when I served on the BLM advisory council, that was 20 years later, we were told that the ongoing process of transferring title might take another 50 to 70 years. This is identical to justice delayed being justice denied. In 70 to 90 years, none of the people alive when ANILCA passed will still be alive. They need their land now. And each moment of delay for Alaska natives is also a delay for all of the State whose lands also cannot receive final full title until ANILCA has been resolved.

Again, thank you for the opportunity to address this really—this fascinating issue and I hope I didn't take up too much of your time and you can use some of it.

[The prepared statement of Ms. Williams follows:]

PREPARED STATEMENT OF BONNIE WILLIAMS

IS THERE A NEED?

One must first ask, Should the Federal Government be restructured?

The University of Alaska spends over \$7 million a year to fulfill the EPA regulations governing hazardous materials. UA struggling with mounds of documentation for each minute trace ever used or concocted in a laboratory classroom or research experiment.

Why is the government so fruitless in its regulatory endeavors, and so wasteful of our resources?

In Western Alaska in the small town of Bethel, there were said to be 156 Federal agencies in the early 1980's. Bethel had a single store, no restaurant, no trees, no running water, no sewage system, and many of its homes were made of connex boxes. But they needed 156 Federal agencies.

How did the government become this ridiculously large?

A Fairbanks physician sought a way around the nightmare forms by offering to perform Medicare treatment free of charge. Medicare responded with a fullblown audit of his practice, and when nothing was found, caused an IRS audit team of his practice.

When did the government become our enemy?

The FAA operates on museum-quality tube equipment, the IRS can't account for its operating budget, the Department of Agriculture can't tell Congress what properties it owns. The Corps of Engineers denies a wetlands permit for an existing gravel site in the industrial area of south Fairbanks, so Flowline Corporation builds the facility in Siberia, and imports the pipeline. And the primary function of local offices of Members of Congress is to intervene on the behalf of citizens with Federal agencies and thereby accomplish what the citizens should have been able to obtain directly.

How did our government get so out of control?

GOING OUT OF CONTROL

I believe the causes are these:

*One—The government is too large.*

It is huge overall, each in its constituent pieces are themselves too large, and there are far too many nearly identical, separate but often duplicative entities.

*Two—Each entity has too many goals.*

Too often, these goals are in conflict with one another, leaving the entity to internal struggles, gridlock, and activities that cancel and damage one another.

*Three—Federal Government has seized powers and authorities not allowed in the Constitution, at the expense of the powers of the States, local governments and individuals.*

Each such expansion has in turn created its own growth industry in bureaucracy, regulations, mandates, forms, investigators, auditors, and permits.

*Four—In both legitimate and illegal areas of authority, government has too often attempted to do what government cannot do well, rather than limiting itself to those things government does best.*

A classic example can be found in the issue of housing. What government does outstandingly is to be the guarantor of mortgage loans, such as the VA housing program. Government does not function very well as the actual lending institution, and is a total failure as a constructor of public housing.

*Five—There is no responsibility or accountability for individual employees, units, divisions or agencies, and all of the incentives give the wrong signals.*

Managers are punished if they use cost-effective management techniques for reducing operating costs. Their personal salaries and potential for advancement are retarded if they improve efficiencies thereby reducing staff required. And finally, they are too often required to follow "group-think" in their decisions, rather than using the independent experience and intelligence for which their high salaries presumably derive.

*Six—The Federal Government lags severely in technology attainment.*

Without appropriate technology, Federal agencies endanger lives, offer archaic services slowly, require a high quality of low-skill employees, and consistently fail in adequate accounting standards.

These causes are not overwhelming. Rather, they are challenges and opportunities for all of us to creatively address and resolve.

SOLUTIONS TO THE CHALLENGE

I believe the solutions lie in establishing three commissions, and in Congress then attacking what may be the three most difficult challenges it will ever have attempted.

First, the commissions: Each commission should be modeled after the base-closure commission, to the extent that final recommendations can only be overturned by Congress by a 3/4 majority of both Senate and Houses. Each commission should be relatively small (9 to 11 members) and should be comprised of individuals selected partially by the President of the Senate, Speaker of the House, and Majority Leaders, and partially by the Minority Leaders of the Senate and House. No commission member should be a Member of Congress, an employee of Congress, or a current appointed Federal official or Federal Civil Service employee, or a relative thereof.

The three commissions and their draft charges would be:

*A Governmental Restructure Commission:*

This commission would be charged with:

- Review the structure and functions of the Federal Government predicated on the Constitution.
- Make recommendations on eliminations, consolidations, reorganizations, devolutions to State and/or local government, and privatization.
- Provide goals for each newly restructured entity of Federal Government.
- Define the appropriate types of functions of each newly restructured entity of government.
- Identify functions that government does well, and those functions which government cannot do well or even poorly.

In order to achieve and fulfill these charges, this commission would have to consider, in every instance, whether a given program or function was appropriate to the Federal Government, whether it should be done at all, or done elsewhere at another governmental level, or privatized with or without governmental oversight.

Timeframe: 12 months for initial report, 24 months for interim report, and 26 months to issuance of the final recommendations. Initial and interim reports would contain the first sets of recommendations, triggering necessary actions and considerations by both Legislative and Executive branches of government. That is, the first eliminations, consolidations, etc., would occur within no more than 12 months.

*Civil Service Redirection Commission.*

This commission would be charged to:

- Review the compensation, benefits, and personnel management policies and practices of the Federal Civil Service.
- Identify disincentives to good management practices and make recommendations for elimination.
- Identify incentives to good management practices and to merit performance, and make recommendations to strengthen and enhance these outcomes.
- Identify training and management practices which can increase and enhance the attitude and provision of "service" by employees to members of the public, and make recommendations to achieve those.

The most immediate impact, and therefore largest opposition, to any structural change of the Federal Government will come from Federal employees. Their livelihoods will be at risk, their efforts suddenly questioned, and they will be helpless to control or influence what is happening to their professional lives. Any plan to restructure the Federal Government must contain a major element that offers hope and gives positive opportunities of encouragement to the employees. Most Federal employees work hard and try to do a good job; they are often the most frustrated of all about the disincentives for common sensical practices; and would actively support a plan that would allow them to do their jobs better. The importance of recognition of a solid performance cannot be overestimated. Finally, a Civil Service that is merit-oriented will begin to be perceived by the general public as meritorious, and

this radical change in public perception will both vastly improve Federal employee morale and improve the public's opinion of the Federal Government.

Timeframe: 18 months to the final report, with no extension allowable. It is critical that this aspect be completed early, enlisting as much support as possible from Federal employees for the other aspects of the restructure as soon as possible.

*Technology Enhancement Commission.*

This commission would be charged to:

- Review the technology level of each department and agency of the Federal Government.
- Make recommendations for technology acquisition which meets one or more of the following goals—
  - Saves lives
  - Reduces labor costs and requirements
  - Improves response time
  - Reduces costs other than labor (i.e., storage, maintenance, etc.)
  - Improves communication capability.
  - Increases service to the public
  - Increases the access to information or services of the entity to other entities of government, or its citizens.
- Awards the selected, acquired technology to particular units, divisions, or agencies and to particular positions within those entities.
- Make non-binding recommendations to agencies about appropriate software.
- Make one-time expenditure awards for software to agencies predicated on those recommendations.

Timeframe: Six months to the initial report, 18 months to the interim report, and 24 months to the final report. However, this commission should not initiate effort until the Governmental Restructure Commission has been underway at least 4 months.

(There are particular dangers involved in this third commission. It has been my personal experience that the selector of equipment must be able to designate the recipient, and that superiors of the recipient must be barred from removing or taking that equipment for their own or other use. As Director of a new, pending Human Resources Information System, I served on a committee charged with selecting PC hardware and assigning it to the Payroll, Personnel, Budget, Registration and Student Loan clerical staff who would have to perform the actual input and response of this online system. When training for the new system began, I had to recapture the equipment from the offices of Vice Chancellors and Deans, who felt it was more important that they have a PC computer, than that their Admissions and Records, Payroll or Budget offices be able to function.)

Software selection may be done globally for one department, entirely appropriately, and be individualized per local office for another. This issue is too complex for a single commission to make determinations in any useful timely fashion. However, the commission could impose an overall operating system on PC hardware, for example, and recommend a "Windows 95" as suitable for all clerical and accounting support staff positions. This in turn would greatly simplify training for word processing and spread sheet programs, allowing OPM to provide training (and applicant testing) across the full spectrum of departments.)

#### CHALLENGES TO CONGRESS

The downsizing and devolution of the Federal Government cannot be accomplished without a simultaneous consideration of regulatory reform issues. This needs to become one of the major undertakings of the U.S. Congress. In this area, I would recommend the pursuit of statutory policies that attain and accomplish the following:

- Eliminates any bureaucratic ability to promulgate regulations without a specific triggering statute.
- Eliminates any regulation which relies on false science, or which accepts a particular scientific viewpoint and ignores conflicting views held by a large part of the scientific community.
- Restores common sense.
- Prohibits regulations which specify particular technology; allow only specifying particular required results.
- Prohibits regulations which require percentage changes, allow only regulations that specify the required results.

- Prohibits regulations which are predicated on a life-saving cost analysis that ignores the cost in lives resulting from the extreme cost in dollars and effort.
- Requires regulations to consider all costs, and to hold in abeyance any issuance of regulations that impose excessive costs until after receiving specific approval from a Congressional body associated with the triggering statute.
- Prohibits regulations which encroach upon the powers and authorities of States or local governments.
- Requires a special public process, for resolution where pending regulations are in conflict with extant regulations of a particular State.

#### RESTORING FAIRNESS

While the commission proceed with their work, the U.S. Congress should take a hard look at the element of unfairness which has crept more and more into Federal actions.

We are a Nation of the rule of law, and yet recently, too many entities of the Federal Government have acted, variously, as though they are above the rule of law. The BATF agency at both Ruby Ridge and Waco are a classic example, but so too is Medicare when it sics not just its own auditors, but those of the IRS, on a private citizen for having dared to inflict some imagined offense upon Medicare.

We are a Nation of the rule of law, and yet legislation is passed in Congress which violates the very foundation of that law, the Constitution and Bill of Rights. The legislation that created the superfund cleanup sites is a prime example, as it tramples upon the constitutional prohibition against ex post facto law (Article 1, Section 9: No bill of attainder or ex post facto law shall be passed.) In addition, it holds the current land owner guilty for actions taken by any prior owner. The Terrorism bill currently under consideration is another classic example, as it violates several of the 10 amendments of the Bill of Rights.

A people whose rights are trampled by their government will not long sustain that government.

I urge you to work for a change of direction in this area, to return the Legislative branch to actions which follow the Constitution and Bill of Rights.

#### LAND OWNERSHIP

The final challenge for the U.S. Congress is to devolve ownership of Federal lands to the States, to local governments and to the people. Clearly, the State of Alaska is a classic example of extreme Federal land ownership, but many other States have the same problem, and overall, the Federal Government has major problems because of its total ownership in a variety of departmental and agency hands. Governmental ownership poses an additional, special problem in relation to private enterprise, creating a constant and direct conflict. Socialist governments own the means of production, not capitalist nations, and yet for much of the United States, the dichotomy exists: Our government too often owns the means.

This single ownership, even where appropriately governmental, results in single-solutions for problems scattered across our vast land in a hundred different circumstances. The single-solutions don't fit each case, and generally, don't fit any cases, resulting in deliberate but unintentional bad management and bad practices.

The ownership also presents constant conflicts with State powers in a variety of areas, and makes many fairly simple projects extremely complex as the largest single problem of each project becomes resolving differences amongst and between landowners both public and private.

As a first step, I would urge Congress to identify large blocks of Federal land that would be appropriate for transfer to State ownership.

Finally, in relation to land ownership, I would respectfully remind this Senate panel that over 20 years ago, when ANILCA passed, a large quantity of land was promised to Alaska Natives, Native village corporations, and Native corporations. But the distance between promise and fruition are vast. When I served on the BLM Advisory Council, we were told that the ongoing process of transferring title might take another 50 to 70 years.

This is identical to justice delayed being justice denied. In 70 to 90 years, none of the people alive when ANILCA passed, will still be alive. They need their land now. They need economic activity now. They need resource development now. And each moment of delay for Alaska Natives is also a delay for all of the State, whose lands cannot receive final full title until ANILCA has been resolved.

Again, thank you for the opportunity to address this critical issue. I hope that somewhere in my comments are one or two small things that you can use together with all of the other ideas you have been collecting over the past few months. Use

them well and wisely, and watch the ripples of change flow endlessly across our Nation.

Chairman STEVENS. Thank you very much. I read your statement. It was very interesting as a matter of fact. I liked the multiple commission concept.

Let me apologize to you. It just seeped in my brain that we've kept you all waiting. It's been—normal process in Washington would be there would be a series of other senators who would want to ask questions, so we would keep you all. We're going to change that process for the next panel so you don't have to sit and wait. So, I'm sorry.

Thank you very much. Let's take a 5-minute break for the lady and we'll be back in 5-minutes.

[Recess.]

Chairman STEVENS. Ladies and gentlemen, can we proceed, please. I thank you for your patience. We're going to the next panel.

We have Mr. Ricketts, Mr. Noyes, Mr. Seekins, Ms. Nordale, and Ms. Schuhmann. If you would just take a seat in the front row there. When it's your turn to testify, come forward. You can leave when you're finished, if you like. It was not very kind of me to keep people waiting.

Mr. Noyes, why don't you start off, please.

Mr. NOYES. OK.

Chairman STEVENS. I might state that when I get back, if I can, I'm going to have this Alaska portion of our hearings printed, so that we can distribute them. There are many things in some of these documents that have been filed, I think, others would find interesting. I have, so I'll do my best to get them printed.

Proceed, will you, please, Mr. Noyes.

#### **TESTIMONY OF HAROLD J. NOYES, MANAGER, RESOURCES DEVELOPMENT, DOYON, LIMITED**

Mr. NOYES. Thanks for providing Doyon, Limited the opportunity to testify today. Morris Thompson, president of Doyon, is unable to be here today. He's out of town. He has asked me to provide testimony in his place.

Doyon, Limited, as the largest private landowner in Alaska and as an Alaska Native Corporation established through the Alaska Native Claims Settlement Act of 1971, has extensive interaction with several Federal agencies having natural resources and environmental functions. Our experience as a customer in dealing with these agencies is generally positive and constructive. Over the years, through relatively frequent interaction with a number of agencies, we have developed productive working relationships, often with specific individuals, providing for effective solutions to routine matters and an atmosphere conducive to constructive approaches to those matters which are less than routine. While there undoubtedly is room for improvement in these relationships, today I would like to focus on the positive and emphasize that, in fact, the system often does produce useful results.

I would like to specifically address several of the agencies with whom we have worked, agencies with whom we have frequent interaction, and whose functions will continue to have an impact on

Doyon, Limited, its shareholders, and other Alaskans. These include the National Park Service, the Fish and Wildlife Service, BLM, the U.S. Geological Survey, and until its recent elimination, the Bureau of Mines.

With respect to the National Park Service, during the last year, Doyon has found representatives of Denali National Park and Preserve to be quite cooperative as Doyon took over ownership of a wilderness lodge in the park. Park Service representatives provided a win-win attitude—or conveyed a win-win attitude in their work with Doyon as both parties worked to develop a plan for the future development of the lodge and related activities. We would hope to see a continuation of this cooperative attitude in future tourism developments pursued by Doyon, whether on our own landholdings or as a concessionaire on other park lands.

Another agency with whom we have frequent contact is the Fish and Wildlife Service. Doyon holds land in or adjacent to a number of wildlife refuges in Alaska. We share a range of resource management issues with the respective refuges. Over the years, we have found constructive approaches to deal with these mutual interests.

I would also like to comment on the Bureau of Land Management. Since Doyon was established, the company has maintained a continuous working relationship with BLM. Especially in recent years, BLM has provided a quite good level of service in terms of land conveyance and related management activities so that land status issues generally do not constrain Doyon's abilities to fulfill its mission.

Finally, I would like to comment on the USGS and the Bureau of Mines. Because of Doyon's long-term interest in mineral development, the company has maintained a working relationship with these two agencies for many years. They have provided excellent service in developing and publishing geological information that can assist in the economic development of the State, both with direct application and indirect application to Doyon land. Without exception, we found the staff of these agencies to be dedicated professionals eager to cooperate with the private sector within the limitations of their positions and budgets. Alaska, as a State heavily dependent on resource production, will continue to benefit from the efforts of the functions of these agencies. We hope that the demise of the Bureau of Mines will not compromise the evaluation and development of mineral resources in Alaska.

While we generally have a constructive working relationship with the various agencies, we do have concerns as we move forward. In this period of budget tightening, we are concerned that the ability of some agencies to respond in a timely manner or to consider innovative approaches may be compromised. This could constrain our efforts in tourism, natural resource development, and other less obvious areas.

For example, it has been nearly 25 years since passage of ANCSA and 16 years since passage of ANILCA. This has been long enough that the intent of these two acts may not be well understood among more recently hired staff. Retirements, retrenchments, and reassignments could leave various agencies with a lack of appropriate talent and capabilities in these areas.

As a specific example, Section 1010 of ANILCA provides for the assessment of the mineral potential of public lands in Alaska. Elimination of the Bureau of Mines and reductions in the USGS suggest a lesser commitment to this task, whereas the database on which to assess the mineral potential of the State, compared to that available for the Lower 48, is really quite limited. A lesser commitment to this evaluation is likely to lessen the opportunities for resource development in the State.

With respect to restructuring the various agencies, we express support for efforts that may lead to greater efficiencies and effectiveness. At this time, we do not have specific suggestions to provide. However, as a large landowner that can anticipate a future with frequent interaction with Federal natural resource agencies, we would appreciate the opportunity to contribute as the process evolves.

We can provide some general concerns that should be considered in any reorganization. Alaska is unique in its location, conditions, and needs compared to the rest of the country. It will be important to recognize these special circumstances in any reorganization. It will also be important that in an effort to cut costs, inefficiencies do not develop that further hinder Alaska in its attempts to diversify and strengthen its economy.

We would like to participate in a process that preserves the best of what is currently working and leads to improvements, rather than delays due to unclear objectives or inadequate appreciation of the special needs of the State.

Because of the unavailability of senior staff and management in the days prior to this hearing, we are unable to provide you with a more detailed list of observations and recommendations at this time. However, at your request, we will more thoroughly assess our relationships with these agencies and provide you detailed recommendations in the future.

[The prepared statement of Mr. Noyes follows:]

#### PREPARED STATEMENT OF HAROLD J. NOYES

Thank you for providing Doyon, Limited the opportunity to testify at the field hearing of the Senate Committee on Governmental Affairs on Tuesday, February 13, in Fairbanks. Morris Thompson, President of Doyon, is unable to be present at the hearing and he has asked me to provide testimony in his place.

Doyon, Limited, as the largest private landowner in Alaska and as an Alaska Native Corporation established through the Alaska Native Claims Settlement Act of 1971, has extensive interaction with several Federal agencies having natural resources and environmental functions. Our experience as a customer in dealing with these agencies is generally positive and constructive. Over the years, through relatively frequent interaction with a number of agencies, we have developed productive working relationships, often with specific individuals, providing for effective solutions to routine matters and an atmosphere conducive to constructive approaches to those matters which are less than routine. While there undoubtedly is room for improvement in these relationships, today I would like to focus on the positive and emphasize that in fact the system often does produce useful results.

I would like to specifically address several of the agencies with whom we have worked, agencies with whom we have frequent interaction, and whose functions will continue to have an impact on Doyon, Limited, its shareholders, and other Alaskans. These include the National Park Service, the Fish and Wildlife Service, the Bureau of Land Management, the Geological Survey, and until its recent elimination, the Bureau of Mines.

First I would like to comment on the National Park Service. Doyon, Limited has land interests in and adjacent to a number of national parks in Alaska. During the last year Doyon found representatives of Denali National Park and Preserve to be

quite cooperative as the company took over ownership of a wilderness lodge in the park. They conveyed a win-win attitude in their work with Doyon as both parties worked to develop a plan for the future development of the lodge and related activities. We would hope to see a continuation of this cooperative attitude in future tourism developments pursued by the company, whether on our own landholdings or as a concessionaire on national park lands pursuant to Native preference provisions recently implemented by the Department of the Interior.

Another agency with whom we have frequent contact is the Fish and Wildlife Service. Doyon holds land in or adjacent to a number of wildlife refuges in Alaska. We share a range of resource management issues with the respective refuges. Over the years, we have found constructive approaches to deal with these mutual interests in a number of refuges.

Next I would like to comment on the Bureau of Land Management. Since Doyon was established, the company has maintained a continuous working relationship with the Bureau of Land Management. Especially in recent years, BLM has provided a quite good level of service in terms of land conveyance and related management activities so that land status issues generally do not constrain Doyon's abilities to fulfill its mission.

Finally, I would like to comment on the USGS and the USBM. Because of Doyon's long-term interest in mineral development, the company has maintained a working relationship with the USGS and the USBM for many years. These agencies have provided excellent service in developing and publishing geological information that can assist in the economic development of the State, with both direct and indirect application to Doyon land. Where possible, we have cooperated with these agencies and provided them data, samples, concepts, and other types of support. Without exception, we have found staff of these agencies to be dedicated professionals eager to cooperate with the private sector within the limitations of their positions and budgets. Alaska, as a State heavily dependent on resource production, will continue to benefit from the efforts of the functions of these agencies. We hope that the demise of the Bureau of Mines will not compromise the evaluation and development of mineral resources in Alaska.

While we generally have a constructive working relationship with the various agencies, we have concerns as we move forward. In this period of budget tightening, we are concerned that the ability of some agencies to respond in a timely manner or to consider innovative approaches may be compromised. This could constrain our efforts in tourism, natural resource development, and less obvious areas.

For example, it has been nearly 25 years since passage of ANCSA and 16 years since passage of ANILCA. This has been long enough that the intent of these two acts may not be well understood among more recently hired staff; retirements, re-trenchments, and reassignments could leave various agencies with a lack of appropriate talent and capabilities in these areas. As a specific example, Section 1010 of ANILCA provides for the assessment of the mineral potential of public lands in Alaska. Elimination of the Bureau of Mines and reductions in the USGS suggest a lesser commitment to this task, whereas the database on which to assess the mineral potential of the State, compared to that available for the Lower 48, is quite limited. A lesser commitment to this evaluation is likely to lessen the opportunities for resource development in the State.

With respect to restructuring various agencies, we express support for efforts that may lead to greater efficiencies and effectiveness. At this time we do not have specific suggestions to provide. However, as a large landowner that can anticipate a future with frequent interaction with Federal natural resource agencies, we would appreciate the opportunity to contribute as the process evolves.

We can provide some general concerns that should be considered in any reorganization. Alaska is unique in its location, conditions, and needs compared to the rest of the country. It will be important to recognize these special circumstances in any reorganization. It will be important that in an effort to cut costs, inefficiencies do not develop that further hinder Alaska in its attempts to diversify and strengthen its economy. We would like to participate in a process that preserves the best of what is currently working and leads to improvements, rather than delays due to unclear objectives or inadequate appreciation of the special needs of the State. In this era of increasing global competition, in areas as diverse as mineral development and tourism, it will be important to provide a level of Federal services that minimizes delay and uncertainty.

Because of the unavailability of senior staff in the days prior to this hearing, we are unable to provide you with a more detailed list of observations and recommendations at this time. However, at your request, we will more thoroughly assess our relationships with the various agencies and provide you detailed recommendations in the near future.

Thank you for the opportunity to participate in this hearing.

Chairman STEVENS. Thank you very much.

Mr. NOYES. I would like to emphasize that there are a lot of things that do work and that I think surely will continue to work, but there clearly is room for improvement.

Chairman STEVENS. Thank you very much. Appreciate your courtesy. Our next witness is Mr. Ricketts.

**TESTIMONY OF RONALD L. RICKETTS, EXECUTIVE DIRECTOR,  
FAIRBANKS INDUSTRIAL DEVELOPMENT CORPORATION**

Mr. RICKETTS. Thank you very much, Senator, for inviting me to testify today. I have submitted my comments in writing and, so, rather than read them, I will not except to summarize.

My comments may be subject to the complaint that they're micromanaging perhaps, but I have to deal with what I am familiar with. Consequently, as my comments indicated, my recommendation is for the merger of the Bureau of Land Management with U.S. Forest Service. And I think there is a great deal of logic to that.

Their missions and their responsibilities are virtually the same. They both deal with grazing issues. They both deal with forest issues. They both deal with mining issues and recreation issues. And, consequently, I see that that is a prime opportunity for reorganization.

In fact, I spoke with a number of BLM—both current and former BLM employees on this issue and they say, yeah, that makes sense. In fact, one of them said he didn't understand why the BLM was formed in the first place. The logic existed in 1946, when BLM was formed, to have the two agencies as one. So, that's basically where I am coming from.

Second, I mentioned in my comments that we couldn't find the forest inventory that was done here in the Interior for—on the BLM lands. Well, I have a copy. It was handed to me this morning; so, we have found it.

And with that, I applaud your efforts and thank you very much. [The prepared statement of Mr. Ricketts follows:]

**PREPARED STATEMENT OF RONALD L. RICKETTS**

Thank you for the opportunity to testify concerning these important issues.

I will confine my remarks to two areas: (1) the potential of combining the functions of the Bureau of Land Management and the U.S. Forest Service, and (2) deficiencies in forest management of Alaska lands under Bureau of Land Management jurisdiction.

The Bureau of Land Management (BLM) came into existence in 1946 as a consequence of the merger of the General Land Office and the Grazing service. The agency functions under the Department of the Interior. Because of its origins, the BLM has jurisdiction over Federal lands in the west (basically west of the Mississippi River). Although range land dominates, much of the land under BLM management is forested. In contrast, the U.S. Forest Service (USFS) had much earlier origins under the auspices of the Department of Agriculture, and its jurisdiction is nation-wide, focusing on national forests.

Today, both agencies are involved in multiple use resource management. Thus, there is a logical opportunity to seriously study and consider the merger of these two agencies.

An example of a particular problem which would be resolved through a merger brings me to the second issue which I wish to discuss.

The USFS manages approximately 23 million acres in Alaska (the Tongass National Forest in Southeast and the Chugach National Forest in Southcentral). In

1988, the BLM managed 90 million acres in Alaska, although 26 million of those acres were and are under various stages of transfer to State ownership and to Native ownership. Thus, when the title transfer program is completed the BLM will manage approximately 64 million acres in Alaska.

Virtually all of the land administered by the BLM is located in the Southcentral, Interior and Northern regions of the State. Forested areas exist almost exclusively in the Interior and Southcentral regions. Nonetheless, forested areas are significant, representing, for example, 15 to 20 percent of the total forested lands in the Interior.

Consequently, it is startling to realize that *not one forester is employed* by the BLM in a forest management capacity in its entire Alaska jurisdiction.

As a member of Secretary of the Interior Babbitt's recently formed Alaska Resource Advisory Council (to the BLM), I have asked why this is. The answers touch on budgetary constraints and a lack of demand by the forest industry. Little discussed, however, is the issue of responsibility by the BLM for maintaining the health of the forest.

BLM forests in the Glenallen area of Southcentral Alaska are presently experiencing a heavy infestation of the spruce bark beetle, which is devastating thousands of acres of mature spruce timber. This occurrence did not happen overnight, and yet the BLM only recently contracted with the State of Alaska Division of Forestry to establish a sales program in the area of infestation. Whether this is "too-little-too-late" I do not know, but it is clearly a reactive approach to a problem which may have been more effectively handled by a proactive management program. Incidentally, the agreement with the State of Alaska was negotiated without soliciting bids from private sector forest management firms, which may have resulted in a less expensive, and equally satisfactory, result to the U.S. Government.

In 1993 a forest inventory was completed on BLM lands in Interior Alaska (thanks to funding obtained by Senator Stevens). The purpose of the inventory was to commence a program which would lead to a full evaluation of the potential for establishing a forest industry in Interior Alaska following the Scandinavian model. I have asked what happened to the inventory, and no one seems to know—perhaps I have not yet found the right person in BLM. This should not be the case—and would not be if BLM had a forester on staff with authority and responsibility for proactive forest management.

In the longer term, these problems would not likely occur with a combined USFS and BLM. Forest management programs already in place in the State's two national forests would logically be extended to BLM lands. In the short term, I strongly suggest that Congress direct the BLM to fulfill its multiple use mandate by establishing an active forest management program in Alaska. Timber sales, which are in increasing demand by the industry as curtailments take place in other areas of the Western U.S., could more than cover the cost of such a program.

Finally, a note of caution: The current Administration's emphasis on the environment has created a new operating philosophy in both of these agencies which is styled as "ecosystem management." While there is some scientific basis for such an approach, by and large it omits the human equation. That, along with the Endangered Species Act, is why we have devastating unemployment in the Pacific Northwest's forest industry, and in the Tongass of Southeast Alaska. In any reorganization of these agencies, operating directives must include economic as well as scientific factors.

Chairman STEVENS. You're right. One of the concepts is to try and consolidate these functions and really eliminate the distinctions between agencies like that. I'm sorry we had to lose the Bureau of Mines, but clearly some of those functions were moved into BLM. I don't know if you know that.

Mr. RICKETTS. That's correct, yes, and that's a good move.

Chairman STEVENS. We ought to have a land management agency, period. That's what we're looking at.

Mr. RICKETTS. Yes, exactly so.

Chairman STEVENS. Thank you very much.

Mary Nordale, please. Good morning, Mary.

**TESTIMONY OF MARY A. NORDALE, ATTORNEY, BIRCH,  
HORTON, BITTNER AND CHEROT**

Ms. NORDALE. Good morning, Senator.

For the record, Senator, my name is Mary Nordale. I'm an attorney in private practice here in Fairbanks. I'm the immediate past president of the Alaska Miners Association. I recently completed service on the Long-Range Financial Planning Commission. The LRFPC was established by the Alaska Legislature and the Governor to prepare a long-range plan to fill Alaska's fiscal gap caused by declining oil and gas revenues. I also served as Commissioner of Revenue under former Governor Bill Sheffield.

First, let me thank you for holding hearings on this vital subject and inviting me to testify. Natural resource development and utilization have become burdened with conflicting and uncertain Federal regulation in the last 20 years. Federal regulation has made a mockery of the underlying statutes that authorize use of Federal lands. Such regulation has also spilled over to a Federal effort to control State lands in Alaska.

I read with interest the proposal to establish a Federal restructuring commission. I applaud the proposal. My experience on the Long-Range Financial Planning Commission causes me to believe, however, that the proposed charter for the restructuring commission is inadequate and will not result in savings and increased accountability. The life of the commission is too short. Insufficient directions given to allow the type of probing and comprehensive exploration of the intricacies of Federal law that is necessary to assure the public of desired reforms.

The Long-Range Financial Planning Commission had 6 months in which to come up with a plan. Quite early in our deliberations, we realized that we could not make reasonable proposals for specific spending cuts because we simply did not have the time to analyze the interaction of Federal and State law so as to pinpoint areas of savings.

I believe that the same will be true of the restructuring commission because the overlap of agency jurisdiction in the Federal Government is far more complex than in Alaska State Government.

Let me cite a few examples of what is happening in Alaska.

One, the Corps of Engineers has jurisdiction over navigable waterways and the State of Alaska has ownership of the beds of navigable waterways. However, in the Forty Mile District, placer and suction dredge miners are being prevented from pursuing their occupations by the Bureau of Land Management, notwithstanding Corps and State permits. Why? Because employees of BLM stationed in that district simply do not like miners. In fact, the dislike of miners has gone to the extreme of personal vindictiveness.

I am attaching to these remarks a copy of a statement I presented to the U.S. Senate Committee on Energy and Natural Resources last summer that goes into the Forty Mile problems in greater detail.

Two, the National Park Service is in the process of promulgating regulations requiring miners who have inholdings because of enactment of the Alaska National Interest Lands Conservation Act (ANILCA) to undertake all of the work necessary to patent their claims, except that the Park Service refuses access to those claims to do the work because the work has not been done.

The Park Service is thus imposing a process on the Bureau of Land Management and on miners that has never been required in

the history of mining on public land and is a wasteful and entirely unnecessary process when patent is not contemplated. The NPS proposed regulations are, of course, intended to drive miners from the claims.

Three, the Corps of Engineers has jurisdiction over wetlands and impoundment of waters in the United States. The Environmental Protection Agency is attempting and is, in some instances, succeeding in usurping that jurisdiction by claiming that its authorities are paramount because it regulates water quality.

Permitting the Alaska-Juneau mine is a good example. Another example is the determination by EPA that Corps permitted tundra filtration will not be permitted at placer mines here in the Interior.

Four, EPA is attempting to usurp Alaska's jurisdiction and authority over mine reclamation. Pending at the moment are two cases brought against small placer miners. EPA seeks not just penalties for alleged water quality violations, but also the opportunity to require additional reclamation that is neither approved nor considered necessary by Alaska.

Five, EPA now proposes to settle a lawsuit brought by special interest groups of American Rivers and the Northern Alaska Environmental Center, which is a group supported by a number of national environmental groups, on terms largely dictated by the Washington headquarters of these groups.

The EPA is well aware that the provisions of the settlement will make it almost impossible for small miners to pursue the business. Driving miners from the creeks is a goal sought by the environmental special interest groups and enthusiastically supported by the EPA. Congress has demanded no accountability and no consideration of the State's interests is being taken into account in that area.

There are many more examples, but the important point to be made is that Federal agencies with authority over natural resources are out of control. Our Federal agencies are out of control.

I had thought of using the term rogue elephant. Then, I thought, no, maybe it should be rogue donkeys. But, in any event, they are rogues, Senator. They exceed what presumably was the intent of Congress and because they have been able to operate without accountability for decades, only new legislation more clearly defining the limits of their authority can cure the problem.

Again, thank you for the opportunity to testify before your Committee. I should be pleased to respond to questions.

[The prepared statement of Ms. Nordale follows:]

#### PREPARED STATEMENT OF MARY A. NORDALE

My name is Mary A. Nordale. I am an attorney in private practice here in Fairbanks. I am the immediate past president of the Alaska Miners Association and I recently completed service on the Long-Range Financial Planning Commission. The LRFPC was established by the Alaska Legislature and the Governor to prepare a long-range plan to fill Alaska's fiscal gap caused by declining oil and gas revenues. I also served as Commissioner of Revenue under former Governor Bill Sheffield.

First, let me thank you for holding hearings on this vital subject and inviting me to testify. Natural resource development and utilization have become burdened with conflicting and uncertain Federal regulation in the last 20 years. Federal regulation has made a mockery of the underlying statutes that authorize use of Federal lands. Such regulation has also spilled over to a Federal effort to control State lands in Alaska.

I read with interest the proposal to establish a Federal restructuring commission. I applaud the proposal. My experience on the Long-Range Financial Planning Commission causes me to believe, however, that the proposed charter for the restructuring commission is inadequate and will not result in savings and increased accountability. The life of the commission is too short. Insufficient direction is given to allow the type of probing and comprehensive exploration of the intricacies of Federal law that is necessary to assure the public of desired reforms. The Long-Range Financial Planning Commission had 6 months in which to come up with a plan. Quite early in our deliberations we realized that we could not make reasonable proposals for specific spending cuts because we simply did not have the time to analyze the interaction of Federal and State law so as to pinpoint areas of savings. I believe that the same will be true of the restructuring commission because the overlap of agency jurisdiction in the Federal Government is far more complex than in Alaska State Government.

Let me cite a few examples of what is happening in Alaska.

One, the Corps of Engineers has jurisdiction over navigable waterways and the State of Alaska has ownership of the beds of navigable waterways. However, in the Forty Mile district, placer and suction dredge miners are being prevented from pursuing their occupations by the Bureau of Land Management, notwithstanding Corps and State permits. Why? Because employees of BLM stationed in that district simply do not like miners. In fact, the dislike of miners has gone to the extreme of personal vindictiveness. I am attaching to these remarks a copy of a statement I presented to the U.S. Senate Committee on Energy and Natural Resources last summer that goes into the Forty Mile problems in greater detail.

Two, the National Park Service is in the process of promulgating regulations requiring miners who have inholdings because of enactment of the Alaska National Interest Lands Conservation Act (ANILCA) to undertake all of the work necessary to patent their claims, except that the Park Service refuses access to those claims to do the work because the work has not been done. The Park Service is, thus, imposing a process on the Bureau of Land Management and on miners that has never been required in the history of mining on public land and is a wasteful and entirely unnecessary process when patent is not contemplated. The NPS proposed regulations are, of course, intended to drive miners from their claims.

Three, the Corps of Engineers has jurisdiction over wetlands and impoundment of waters in the United States. The Environmental Protection Administration is attempting and is, in some instances, succeeding in usurping that jurisdiction by claiming that its authorities are paramount because it regulates water quality. Permitting the Alaska-Juneau mine is a good example. Another example is the determination by EPA that Corps permitted tundra filtration will not be permitted at placer mines here in the Interior.

Four, EPA is attempting to usurp Alaska's jurisdiction and authority over mine reclamation. Pending at the moment are two cases brought against small placer miners. EPA seeks not just penalties for alleged water quality violations, but also the opportunity to require additional reclamation that is neither approved nor considered necessary by Alaska.

Five, EPA now proposes to settle a lawsuit brought by special interest groups of American Rivers and the Northern Alaska Environmental Center, a group supported by a number of national environmental groups, on terms largely dictated by the Washington headquarters of these groups. EPA is well aware that the provisions of the settlement will make it almost impossible for small miners to pursue their business. Driving miners from the creeks is a goal sought by the environmental special interest groups and enthusiastically supported by the EPA. Congress has demanded no accountability.

There are many more examples, but the important point to be made is that Federal agencies with authority over natural resource development are out of control. They exceed what presumably was the intent of Congress and because they have been able to operate without accountability for decades, only new legislation more clearly defining the limits of their authority can cure the problem.

Again, thank you for the opportunity to testify before your Committee. I should be pleased to respond to questions.

[The testimony before the U.S. Senate Committee on Energy and Natural Resources, June 2, 1995 follows:]

TESTIMONY OF MARY A. NORDALE GIVEN BEFORE THE U.S. SENATE  
COMMITTEE ON ENERGY AND NATURAL RESOURCES

JUNE 2, 1995, FAIRBANKS, ALASKA

My name is Mary A. Nordale. I am an attorney in private practice here in Fairbanks with the firm of Birch, Horton, Bittner & Cherot. I am in the final months of my second term as president of the Alaska Miners Association and I appear here both in that capacity and as an irate citizen. I very much appreciate the opportunity you have given to me to speak of issues that affect the mining industry and, indeed, all Alaskans.

As a lifelong Alaskan, I have had a lifetime in which to observe the actions of Interior Department employees. Since passage of the Alaska Statehood Act, the integrity of the employees and the reasonableness of policies of the department have deteriorated alarmingly. There have always been a number of Interior Department people who resent Alaska's status as a State, resent the statehood land grants and are willing to do whatever they can to obstruct the process of the transfer of land ownership. Now, the Interior Department has adopted a new strategy to impede Alaska's control of its land, primarily through the assertion of the right of the Federal Government to impose its land management philosophies on State land through the denial of access to the State and its citizens. Passage of ANCSA with its large land grants to Alaska's Natives merely added fuel to the fire of the belief that only Federal management should prevail in Alaska.

You have requested that we address inholdings and access to inholdings within Federal conservation units. I shall concentrate my remarks primarily on the Forty Mile Mining District because I believe that what is happening in that district brilliantly illustrates the problems the State and private citizens have with Federal land management practices.

To set the context of my remarks, I should like to mention some of the major Federal enactments that set out the rights of Alaska and her citizens in federally managed lands. In 1953 Congress passed the Submerged Lands Act which, among other things, "recognized, confirmed, established and vested in and assigned to the respective States" lands beneath navigable waters within the boundaries of the respective States.<sup>1</sup> Congress made that statute applicable to Alaska when it passed the Alaska Statehood Act.<sup>2</sup> The courts have long held that when Congress declares that property "vests" in a State or other body, that enactment constitutes an immediate divestiture of Federal title. No additional documents of transfer, such as deeds or patents, need to be executed or delivered.

Both ANCSA and ANILCA recognized the need for access across lands, saving existing access across ANCSA lands and guaranteeing access across Federal conservation units.<sup>3</sup>

Notwithstanding this array of congressional actions, access remains one of the most difficult issues facing Alaska, especially with the passage of ANILCA. Both FLPMA and ANILCA provide procedures for obtaining access, but these procedures have proved unworkable throughout the western States. Alaskans had to resort to special legislation to gain access to the Red Dog Mine.<sup>4</sup>

While congressional utterances have honored age-old principles of access, the Federal agencies charged with carrying out Congress's intent, primarily the Bureau of Land Management, the Fish & Wildlife Service and the National Park Service, all agencies of the Department of the Interior, have refused to abide by either the letter or the spirit of Federal law. They have steadfastly resisted all congressional direction to provide reasonable and adequate access across Federal lands to State and private landholders. Indeed, BLM personnel acting under BLM policy, treat Federal lands as their own, not the public's, and pursue their own interests at the expense of the law, justice and congressional mandate. And they do it with impunity because, until now, the Congress has expressed little interest in curbing the transgressions of Federal agencies.

To illustrate these points, let me deal with issues arising in the Forty Mile Mining District. The Forty Mile was one of the earliest mining districts in Alaska and mining has occurred on the Forty Mile River and its tributaries for over 100 years. The district lies in the area bounded on the north by the Yukon River, on the east by the Canadian Border. The Taylor Highway from Tetlin Junction on the Alaska Highway to Eagle on the Yukon traverses the district. ANILCA designated seg-

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<sup>1</sup> 43 USC 1311

<sup>2</sup> Sec. 6(m)

<sup>3</sup> 16 USC 3170 et seq.

<sup>4</sup> 43 USC 1629, Cape Krusenstern

ments of the Forty Mile River as wild and scenic. The river is navigable throughout most of its length and the riverbed is, therefore, State land and the Federal environmental impact statement prepared to support that designation noted that there were many mining claims in and along the Forty Mile River.

The Wild and Scenic Rivers Act requires Federal land managers to develop a corridor along designated rivers and ANILCA mandates access to non-Federal land holdings across federally owned lands.<sup>5</sup> Notwithstanding these provisions of Federal law, Federal land managers and, in the case of the Forty Mile, specifically BLM managers, have assumed a right unknown in law to prohibit, prevent or impair access to the Forty Mile by miners and others lawfully using the State-owned river bottom and have further undertaken systematic and deliberate harassment of miners and other users whose uses do not conform to their personal preferences. It is my understanding that because the present director of the Alaska BLM office personally dislikes mining and sees no reason to tolerate it on State, Federal lands or other non-Federal lands, he is committed to preventing access to State and Federal mining claims in the Forty Mile River Mining District. His attitude is rather well portrayed in a letter he wrote on February 27, 1995, to John Shively, Commissioner of the Alaska Department of Natural Resources, and Commissioner Shively's two responses. This exchange of correspondence is attached to my testimony.

These transgressions pale almost into insignificance, however, when compared with BLM's deliberate and systematic destruction of its land records throughout the western States. In Alaska, the lack of accurate Federal land records creates enormous problems because the process of conveying State and native corporation selections has not been completed. The magnitude of the problem can be illustrated by the fact that in a test of the accuracy of the records relating to 1,500 townships, 85 percent of the Alaska BLM status plats were shown to have substantive errors. Another illustration of the problem is that during the fire season BLM personnel often have to rely on State records, rather than BLM records, to determine land ownership so that fire fighting responsibility can be appropriately assigned.

Throughout the western States, the land records of the BLM are untrustworthy. It is incomprehensible to me that Congress would tolerate this situation. Even if an agency dislikes a particular use of the public land and does everything in its power to thwart that use, the destruction of knowledge of the public land base should be the subject of close investigation. It could rise to the level of inexcusable neglect and willful and malicious destruction of government records.

BLM's failure to maintain accurate land status records has enabled Robert Burrirt, a BLM employee stationed at Tok (headquarters for the Forty Mile District), systematically to harass and abuse miners holding State claims in the rivers by withholding access to State submerged lands and to Federal mining claims. His most egregious actions have been the assertions of trespass against Mr. and Mrs. Cecil Cox, charging them with violation of BLM camp site regulations when, with accurate records, he would know that he could not do so. Mr. and Mrs. Cox hold an approved plan of operation under which no camp permit is required. Mr. and Mrs. Cox are now appealing trespass allegations to the Interior Board of Land Appeals. The Coxes were denied a stay of removal actions by IBLA, even though they showed that Mr. Burrirt had planned his demands that their camps be removed when he knew that the Taylor Highway would be closed and the Coxes would have no reasonable means of access to remove their own possessions.

This case and all of Mr. Burrirt's actions relating to Mr. and Mrs. Cox and other miners against whom Mr. Burrirt is waging a vendetta should be thoroughly investigated by an outside, impartial investigator. Included in the investigation should be Mr. Burrirt's insubordination in refusing to comply with his superior's orders to issue BLM camp site permits to the Coxes. The investigation should also include Mr. Burrirt's demand, without an iota of legal, moral or other justification, that Mr. and Mrs. Cox remove all of their equipment from a State-owned staging area near the Forty Mile Bridge. To add insult to injury, it is my understanding that Mr. and Mrs. Cox have been *ordered* not to talk with any BLM personnel except Mr. Burrirt, that Mr. Burrirt will be their sole contact with the agency. It takes little imagination to figure out that Mr. and Mrs. Cox are certainly not going to receive any assistance or even courtesy from Mr. Burrirt.

Title XI of ANILCA requires that "adequate and feasible access for economic and other purposes" be granted across Federal lands in conservation units. It is my understanding that in the 15 years since ANILCA was passed, the BLM has begun processing one access route in the Forty Mile District. That process has not yet been completed. The original applicant, Mr. David Likins, gave up, sold his claims to Mr.

<sup>5</sup> 16 USC 3210

and Mrs. Cecil Cox and, as pointed out earlier, Mr. Burritt and other employees of BLM are doing all in their power to prevent the Coxes from mining their claims.

The BLM manual requires that land management plans be developed for conservation units, including wild and scenic rivers. Part of a land management plan must include a transportation plan to accord access to State, Native corporation and other non-federally owned lands, including Federal mining claims. There is no transportation plan for the Forty Mile and there appears to be no intention of preparing one. In fact, it is my understanding that BLM could not prepare a reasonably adequate transportation plan for the Forty Mile because it has systematically eliminated the necessary talent and training from its personnel roster by hiring only those with recreation interests, not people with broad land and natural resource management expertise who could be assigned to the Tok BLM unit.

One element of a transportation plan would be the analysis of where access is required and how the needs of many could be served by the fewest roads and trails. This type of analysis should result in far less disturbance of the land than by issuing individual permits. The experience in Alaska has been that when individual permits are issued, many of the permittees are required to use the same trails and roads, but no plan for maintenance is in place. The miners and other permittees are then accused of bad land use practices when the fault really resides with the BLM for its failure to take responsibility for maintaining the access routes it authorized and to put in place appropriate measures for road maintenance. BLM has even attempted to require miners, as part of their reclamation plans, to perform road maintenance off site.

Another area that should be investigated by an impartial observer is the method of counting and the actual count of persons using the Forty Mile for recreation. The allegation has been made to me that fewer than 20 visitors a year use the river for rafting or boating and all other users counted are, in fact, BLM or other Interior Department employees using government boats. I cannot speak to the truth of these allegations, of course. I am persuaded, however, that even if the numbers of river visitors reported to me by people who are not Federal employees are low, the actual number asserted by BLM has been exaggerated many fold by what I suspect are counts of traffic on the Taylor Highway and the several BLM campgrounds in the Chicken area.

Just recently, the BLM has persuaded the Corps of Engineers to stall issuing permits for activities in the Forty Mile. The BLM has asserted to the Corps that two Solicitor's opinions substantiate their position that BLM has the power to control access to and activities on State land in the river. The opinions are attached to my statement. Neither opinion sustains BLM's belief that through ANILCA and the Wild and Scenic Rivers Act the agency has the ability to control activities on State land. Under ANILCA, BLM is specifically required to grant access so that State goals under its own land management plans can proceed. Further, an amendment to the Wild and Scenic Rivers Act in ANILCA by Congressman Young specifically provides that State and other non-Federal owners be excluded from Federal management.

Prior to August, 1993, the Corps of Engineers did not assert jurisdiction over the Forty Mile River and its tributaries. In August of 1993, the Corps asserted jurisdiction and further ruled that miners who had been mining in the past would be grandfathered for the 1994 season if they applied for a permit in a timely manner. Mr. David Likins, a long-time miner, applied for and was granted his 1994 permit. He inquired of the Corps about the 1995 permit and in April was informed that he needed only to write another letter and his 1995 permit would be issued. However, at the urging of BLM, on May 26, 1995, the Corps of Engineers issued a public notice announcing that Mr. Likins would have to have an individual permit, requiring a period of 120 days for administrative processing. A similar notice went to other suction dredgers in the Forty Mile Mining District. Mr. Likins has a 10-inch suction dredge. He moves about 1,000 yards of gravel every year. The Forty Mile River environmental impact statement prepared by BLM in response to *Sierra Club v. Penfold (BLM)*, 664 F. Supp. 1299, found that suction dredging had no significant, if any, impact on the river. It cannot be deemed to be other than abuse by the Corps of Engineers and the BLM to have refused to process permits for suction dredge miners for the 1995 season. Both Corps and BLM personnel know that Mr. Likins and other suction dredge miners are dependent on their mining for the support of their families.

Senator, this is a set up. The Corps of Engineers and the BLM are deliberately setting up the suction dredge miners in the Forty Mile Mining District. American Rivers, represented by the Sierra Club Legal Defense Fund, doesn't like miners and wants to drive them out of this historic mining district. The Corps of Engineers and BLM are cooperating with and encouraging American Rivers by instituting this per-

mitting process at this late date so that American Rivers can challenge each permit application and, thus, prolong the administrative process. Delay may very well mean extraordinary economic hardship for Mr. Likins and his family, as well as for the other affected suction dredge miners.

It has been suggested to me that I should urge you to request a GAO performance and financial audit of BLM in Alaska. I agree with the suggestion and I hope that you will be able to obtain the audit. However, the situation is an urgent one. I understand that GAO's backlog is such that it could take years before an audit could be performed. Therefore, remedial action needs to be taken immediately. I urge the following actions:

1. BLM be required to contract out the reconstruction of its land records, either to the State of Alaska or to a Native regional corporation with experience in developing a geographical information system for land records. I would urge that either the State or its programs be used so that GIS maps can be developed for all land in Alaska that are based on compatible computer programs.
2. Undertake immediate review and investigation of the incidents surrounding the efforts of Mr. and Mrs. Cecil Cox and Mr. David Likins to mine their Federal and State mining claims in the Forty Mile.
3. Require BLM to contract with an engineering/resource management firm to develop a transportation plan for the Forty Mile that will offer reasonable and safe access across the river corridor for access to State and Native lands and to Federal mining claims. This action to frustrate the long-standing mining operations has all of the appearance of a taking, and miners are being denied the right to mine during the season.
4. Inform the Corps of Engineers that BLM does not have authority to manage State or other non-Federal lands in the Forty Mile or State lands within any other wild or scenic river in Alaska. Request the Corps to issue all permits promptly for which complete applications have been made. Investigate the arbitrary and capricious manner of the Corps' dealings with the suction dredge miners' permits.
5. Review all camp site permit applications to BLM and all such permits issued during 1994 and 1995 for the purpose of determining which applications have been denied or not been acted upon. Investigate all denied or delayed applications to determine whether or not any reasonable basis exists for either granting or denying the permits. Investigate all evidence of ignoring permit requirements for the friends of Mr. Burritt and other BLM personnel.

An even more complex situation prevails for holders of mining claims within the boundaries of national parks. Harassment of inholders by National Park Service personnel has been well documented throughout the western States. Particularly egregious actions by NPS employees in Alaska has also received a good deal of publicity. However, the recitation of these few examples does not approach the needed documentation of constant, purposeful harassment of inholders, particularly miners.

Section 103(c) of ANILCA<sup>6</sup> provides, among other things, that if an inholder desires to convey his lands, the Secretary of the Interior may acquire those lands. In order to be able to acquire those inholdings at the lowest possible price, NPS employees refuse to process plans of operation filed by miners, thus making them unminable and, therefore, of substantially less value than they would be based on the known mineralization of the inholding. Moreover, claimants in parks enjoy few of the rights of miners outside of the parks.

Miners with claims in national parks may retain their claims by paying the \$100 holding fee if their plans of operations have been denied or the NPS has given a "Notice of Intent to Take." The present tactic of the NPS is to stall approval of a filed plan of operation until the season has passed. Thus, the miner does not have a denied plan of operation and he, therefore, cannot pay the \$100 holding fee in order to hang on to his claims. This also allows NPS to avoid the expense of the consequences of a "Notice of Intent to Take." Many miners have had to relinquish their claims as a result.

The National Park Service has been able to get away with this because neither ANILCA nor any other Federal law imposes standards on NPS activities. The National Park Service has been allowed to write its own standards, or none at all. In-

<sup>6</sup> 16 USC 3103(c)

deed, in *Northern Alaska Environmental Center v. Hodel*, 803 F. 2d 466 (9th Cir. 1986), the court confirmed that the National Park Service can use whatever standards it cares to in processing plans of operation and the necessary access such plans require.

Congress needs to take corrective action and I suggest to you the following for claims within ANILCA-created parks:

1. Require the Bureau of Land Management to repay to claimants all of the fees paid by inholders in the national parks created by ANILCA.
2. Restore to good standing all of the claims so far forfeited because the inholders could not pay their holding fees.
3. Provide expeditious administrative procedures so that inholders can seek redress in Federal courts in the States in which the claims lie.
4. Require the National Park Service to process plans of operation for mining claims within 60 days of their filing. Provide that failure to approve the plans will constitute a denial or a "Notice of Intent to Take" at the agency's discretion.

I would be inexcusably naive if I were to believe that if the Congress undertook all of remedies I have suggested the situation would be greatly improved. It would not. There would remain agencies of the Federal Government that are fully staffed by people dedicated to the eradication of mining or other nonrecreational use on Federal land. But at least these measures would begin to rein in a rogue department that has become habituated to the idea that it may crush the rights and lives of the people whenever and wherever it chooses.

Thank you for undertaking this review of access problems across Federal lands. This issue of access is of vital importance to the State of Alaska, to Native regional and village corporations and to all who have the right to use and occupy Federal lands in Alaska. Undoubtedly, it is a vital issue throughout the western States. Your review and, I hope, further investigation into the cavalier treatment accorded Americans by the Department of the Interior and its agencies, the Bureau of Land Management, the Fish and Wildlife Service and the National Park Service, may reverse the long history of abuse of power.

Chairman STEVENS. Thank you very much. Is the LRFPC still in existence?

Ms. NORDALE. No, it isn't, Senator. When we submitted our final report, we died. We had—the problem that we saw—we were given a number of areas in which to seek solutions to the State's fiscal problems.

And, of course, reformation, consolidation, cutting back State agencies was very important, but the problem was that we did not have time to examine the underlying statutes, determine what the goal sought by the Legislature in enacting the legislation was and seeing how the interplay of that legislation with the way in which its administered, by whom its administered, what piece of the legislation is administered by what agency, we didn't have that time.

And it's a very exhausting, but very necessary, process and that's why I suggest to you that the 2-year limitation imposed on the commission by the proposal is inadequate. It should be longer, so that the goals may still be met, but we can eliminate the inter-agency jurisdictional fights.

For instance, here's an interesting chart. It shows in large measure the effect of a clean air legislation and, obviously, it's very effective and we're enjoying the benefits of that. We don't want to see that kind of legislation imperiled.

On the other hand, we want to see the way in which it's administered, made more efficient, more appropriate, and less confusing and less obstructive.

I think you recall there was an instance in, I think it was Kodiak, somewhere out on the chain, where a fish processing plant

was unable to get started because while they had installed an enormous amount of equipment to solve clean water problems, it required a generator that, because it wasn't permitted, violated clean air. So, we had the clean air and clean water statutes head to head in this one little fish processing plant out in the chain. It made no sense.

And we need to be able to get away from the problem of a miner in the Forty Mile getting his permits from the State and the Corps and, then, having another agency like EPA say, well, we don't think those are good enough and we want to give you another permit or we will not allow you to operate.

Chairman STEVENS. A law that imposes sanctions at the end of that cycle is not good.

Ms. NORDALE. Well, that's right and, you know, I don't agree with that approach. I think it's an unreasonable one. But, nonetheless, the process has dramatically reduced carbon monoxide levels in Fairbanks and, frankly, I was quite amazed. I had been away from Fairbanks for a number of years, came back and this winter we had a lot of cold weather and I was quite surprised that the ice fog didn't begin at 17 below, which it did when I left. It was beginning in the thirties and that's a big difference in the amount of pollutants that are in the air. It's great.

Chairman STEVENS. One last question. I don't mean to keep you, but the Bureau of Mines' demise came about because of economic considerations of the States that have no public lands. We're going to see more of that.

Ms. NORDALE. Right.

Chairman STEVENS. Now, the real problem is, how do we proceed now. Are you aware of any effort to try and get the State to pick up that concept of having what amounts to a Bureau of Mines?

Ms. NORDALE. No, I'm not. The demise of the Bureau of Mines has come on very suddenly, although it had been sort of whispered for a long period of time. It really did happen quite abruptly.

The State does not at the present time have any agency that is capable of picking up the many functions that were performed by the Bureau of Mines. At the same time, the State is struggling with cutting back many of the existing programs that it has in place at this time and these programs will have to be more severely cut as time goes on.

The State has a legitimate interest in continuing those functions. I would like certainly to work toward the States performing those functions, but we simply haven't been able to do it yet.

Chairman STEVENS. I would encourage you to think about some sort of a private entity that would look to State, native, Federal, and municipal lands and have some sort of contribution from them. I think the Federal Government would contribute to the cost of mineral examination if assignments were necessary. I think it just objected to having—easterners objected to having the cost of maintaining a bureaucracy that was only functional in one part of the country.

Ms. NORDALE. Well, probably. We have many bureaucracies on the East Coast that aren't functional.

Chairman STEVENS. Well, they are going, too. You can look at them. They are going down.

Ms. NORDALE. But, there is one thing, Senator, you might think about. That is, the BLM land records are in a terrible mess.

Chairman STEVENS. Well, I'm looking at that.

Ms. NORDALE. The State would very much like to take over the mapping and registration of land in Alaska. It makes real sense for them to do it. It would require a Federal contribution, but it certainly would eliminate the bureaucracy.

Chairman STEVENS. We're looking at that. I think that's another partnership project for us.

Thank you very much. Appreciate your courtesy.

Ms. NORDALE. Thank you.

Chairman STEVENS. Next, Mrs. Schuhmann. Good morning, Barbara.

**TESTIMONY OF BARBARA SCHUHMAN, ATTORNEY, COOK,  
SCHUHMAN, GROSECLOSE, INC.**

Mrs. SCHUHMAN. Thank you. My name is Barbara Schuhmann. I've been practicing law in Fairbanks for about 20 years. And my particular area that I'd like to address this morning is in the environmental law field.

I have found in my practice over the past 20 years that more and more of my practice has centered upon representing small business and other groups not always in favor of development but sometimes working towards permitting that kind of issue and just trying to deal with the Federal and State Governments in this area.

In the entire issue of trying to reorganize the government, I have given several recommendations, Senator, which I would just like to summarize this morning.

First, I really think it is the role of Congress to review the environmental legislation that has been enacted over the past 20 years. I can't think of a better opportunity than now, that there is a different majority in Congress, to take a look at whether what has been accomplished was really intended and whether all of these tasks are really necessary any longer and how many of those could be eliminated, because I fear even if we consolidate functions, if the same agency has all of the same functions that existed before the consolidation, what will get priority?

My own view is that what should receive priority is less of an enforcer or enforcement mentality and more of a cooperative management philosophy. I could give you a couple of examples.

One is, here in Fairbanks, the EPA has no office per se. It sends its investigators about every 2 years from Seattle and they seem to pinpoint or target a certain group of the regulated community. Oftentimes, these people don't realize that they need a permit to be doing what they are doing, operating a garage or whatever. And instead of an outreach program where these people are targeted and assisted in coming into compliance with the law; instead these investigators come, they knock on your door, they ask questions, they take samples. Months later when it's in the middle of winter, they issue notices of violation threatening \$10,000 a day or \$25,000 a day penalties until you come into immediate compliance, which, of course, is impossible in the middle of winter in Fairbanks. You can not construct what is needed to accomplish a permitted activity.

A better approach, in my opinion, would be to direct whatever environmental agency or department is left after any kind of consolidation or even if there is no consolidation to direct the presently existing environmental agencies to direct more of their efforts towards bringing the regulated communities into compliance, alerting them of what they need to do, and assisting them in coming into compliance.

In that regard, one of the most effective programs that EPA had, in my opinion, was the underground storage tank program which did exactly that. It targeted the groups that needed to come into compliance. It gave them a very clear set of rules of when they would be regulated. It gave them time to come into compliance. And through a State program, it actually offered financial assistance and other assistance to enable them to come into compliance.

The propensity of the environmental agencies to concentrate on enforcement efforts leaves good corporate citizens, for example, with an inability to have their permit requests even reviewed or responded to or decided in a timely manner. This makes it very difficult for good corporate citizens to expand or to continue doing business because they need amendments. If they're expanding their operations, they need additional permit, but because they are doing everything right, the agencies aren't focusing as much on them as on the problems that they feel need more of their attention.

I would also offer the suggestion—it's sort of a double flip side of the coin suggestion—I see a lot of problem in the total adversarial role that seems to exist between people who would like to do some kind of development and people who fear the results of that kind of development. The environmental agency seems to be pitted in the middle of this adversarial role. The minute that they try to issue regulations, somebody is going to challenge them, take them to court, go through appeals, and nothing ever gets decided.

And I would propose to limit the appeals on the one hand. On the other hand, I would propose that a real effort be given towards more mediation, towards more consensus building, towards more of getting people together talking about and agreeing ahead of time so that there is less need for further appeals and that there is more ability to give a definite answer when a question is raised.

I'll repeat a theme that I have heard already this morning several times and that is, in this whole outreach and consensus building and working more with the public, there needs to be a drastic increase in the level of technology of all of the environmental agencies. People asking for a permit ought to be able to transmit via modem all of the data that they need—that the agency needs to review. A lot of the permits ought to be able to be reviewed via computer and that is just absolutely not possible the way things work right now.

And I would go even a step further to say that part of this whole adversarial problem between people who oppose a particular kind of development and those that would like to see it go forward is the utter lack of trust by the public in scientific information or what the agency ultimately decides in the final analysis.

The whole area of risk analysis and what is risk and what is an acceptable risk needs more public—we need to bring the public into that. Even down into the schools, I think of what is an acceptable

risk. That whole theory and the whole acceptance of scientific data, I think, needs a lot of work and if we could convince each other that the data is sound and that the risk is reasonable, I think we would also have less adversarial confrontations over development or just any kind of permitting even.

I think one temptation will be to eliminate field offices and if there is any way to keep us here in Alaska, who we feel so far away anyway from where the decisions are made and from the people who make them, if there could be at least some representative field offices nearby or if that is not possible, then the technology definitely needs to be upgraded so that we feel we can communicate with the people that are making decisions that affect our land use and our health and our livelihood.

I think that if there is any way, there should be more Federal deference to State programs that have primacy. There is a tendency to micromanage those State programs when, in fact, I believe, the Federal Government should only take a look and see how the State is administering them. They shouldn't be looking at every single project and trying to second guess the State.

One other example that I might raise this morning is in the field of transportation of hazardous materials. In Alaska, they are transported via air which has FAA regulation. They are transported via ocean and barge on the rivers and that is Coast Guard regulation. There is land based transportation, which EPA and the Federal Emergency Administration also has some say in. I assume even the railway perhaps has its own regulations. And all of these require a transporter of a "hazardous" material, which there are varying definitions depending on which set of regulations you fall under, to have a spill plan.

What happens in case of an emergency or a spill? Some transporters have to have multiple plans because they fall under multiple regulatory schemes. If there could be some way of consolidating transportation, let's say, versus disposal or permitting, I think it would be of great assistance in Alaska where everything has to travel such great distances to get to our people.

In terms of the specific proposals for reorganization of the government, I may be perhaps the only one today that is not wild about the idea of creating a commission. I can see the beauty of it only if Congress is unwilling or unable itself to undertake the kind of study and consideration of the issues. I worry that if Congress itself does not become an expert, that this commission may not be able to convince Congress of the beauty of its proposals in the ultimate analysis.

Finally, I cannot leave the subject of environmental legislation, Federal environmental legislation, without commenting on a couple of programs. One, being the wetlands program. For the life of me, I do not understand why the Army Corps of Engineers has jurisdiction over that program. I think that is one that should fall within whatever agency issues any kind of environmental permitting.

Second, the superfund and RCRA programs are in dire need of oversight by Congress and changed. The whole ex post facto problem joint in several liability is sort of tar-baby attitude. The minute that you get anywhere near a hazardous waste on a site, that you are personally liable to the total amount of the clean-up whether

you have any cause-causation relationship whatsoever or not. It has greatly affected the development and even the real estate market, I think, in the country.

In summary, I would urge that Congress itself undertake a systematic review of the Federal environmental legislation to determine whether all of the tasks that have been demanded of the EPA and other environmental agencies are really needed today and whether it would be best to clarify or eliminate some of those. Certainly, to place more emphasis on outreach, public education, and cooperation and assisting the public in coming into compliance with rules and regulations rather than an enforcer kind of mentality which really takes away from the ability of good citizens to do what they seek to do, which should be permitted in the final analysis.

I would like to thank you very much for allowing me the opportunity to address you and for holding this Senate hearing.

[The prepared statement of Mrs. Schuhmann follows:]

#### PREPARED STATEMENT OF BARBARA SCHUHMAN

Mr. Chairman, thank you for providing an opportunity for us to share some of our thoughts on how best to re-organize certain agencies of the Federal Government, in the environmental and natural resources areas. Because so many of Alaskans industries are based upon our natural resources, the permitting, oversight and enforcement of Federal environmental law is of particular interest to Alaskan citizens.

The opinions I express are my own. I do not represent any other person, entity or group. My opinions are based, however, on over 20 years of the private practice of law, in general civil practice, here in Fairbanks. I have found that more and more, my clients need help in dealing with government agencies, in the environmental and natural resources fields, as well as other fields.

Thus, I would offer several suggestions that I believe should be applied to Federal agencies handling environmental issues in particular, regardless of how the functions are assigned as among several agencies or centralized into one agency. Frankly, I believe that it is more important to incorporate these ideas into directives to the agencies handling environmental issues, than in consolidating their many functions into fewer agencies.

##### *1. Review Environmental Legislation and Directives to Agencies; Simplify*

I would urge Congress, in trying to re-define the organization of government, to first review those environmental and natural resources law changes accomplished, for the most part, in the last 20 years. Are all these laws still needed; and are they accomplishing the goals Congress intended? The Federal environmental field is extremely complicated, with layer upon layer of statutory requirements, with several agencies issuing and enforcing ever more complicated and stringent regulations. For a small business in Alaska, the law, regulations and court decisions in this area are bewildering. Most small business cannot afford to hire a separate environmental officer to deal only with environmental issues. Most businesses and citizens would prefer a far simpler statutory and regulatory scheme. One almost always distrusts what one cannot understand.

In my opinion, centralizing functions within one or two agencies is of less concern than eliminating some of the ever-more-complicated tasks and directives the Executive branch receives from Congress. Without eliminating directives and tasks, any new agency will be the same or worse than existing agencies.

In addition to Congress reviewing the tasks it has assigned to EPA and other agencies handling environmental issues, it would be helpful for the agencies to undertake a similar review of how they use their own money and personnel. While they undertake this review, there should be a moratorium, or at least a limitation on new regulations that would make standards more stringent than they are today. Such things as cleanup standards should be sufficient as they exist today. Present regulations dealing with substances that are being phased out in any case, (like PCB's) should suffice. Yet, the agencies spend a great deal of time re-writing regulations that probably could be left well enough alone.

This seemingly endless cycle of issuing and re-writing regulations causes environmental rules to be in a constant state of change and uncertainty. One can never be sure of what the standard is or will be at a particular time. Lack of certainty

of what the law requires is not an ideal situation to obtain cooperation and trust from the public, or to operate business.

Thus, an overall review of where our country is today with its environmental laws and regulations is needed. Simplicity, certainty and less change should be the goals of both Congress and the agencies in defining what the government should do as well as how best to do it.

## *II. Less Agency Enforcement and More Assistance.*

I believe that directing a new philosophy and setting different goals for any environmental agency will be quite important, probably more important than consolidating tasks into fewer agencies. There should be less of an enforcement or police function than EPA has today. It should have more of a management philosophy. There should be more outreach and public education.<sup>1</sup>

### *A. Less "Enforcer" Mentality*

One example of how the EPA does business in Fairbanks is that it sends its investigators to Fairbanks about every 2 years or so. They come during the summer, unannounced, I assume to "wake up" the regulated community of small businesses. They appear on one's doorstep, ask questions, and take samples. This is a very intimidating experience for any business, much less a small business. A few months later in the dead of winter, they issue a notice of violation. The NOV threatens penalties of \$10,000 or \$25,000 per day if the violation is not immediately rectified. Of course, performing any construction or major changes to an operation is impossible during the winter in Fairbanks.

This happened to some businesses in south Fairbanks. A new EPA rule had defined "underground injection wells" to include septic systems of truck repair shops when their shop floor drain connected with the septic system. Such shops needed a permit to "operate" their septic system, a long and costly procedure. Or, they needed a different way to handle their oily wastes. Without the permit, however, they were in violation of the law. While EPA did allow at least some of these owners time to come into compliance after the fact, I really question the initial approach to the problem.

A better approach, in my opinion, would have been and would continue to be, a public education and outreach program, with technical assistance and a specific time allowed for obtaining the permit needed, or for changing one's old system so it did not need a permit. If the agency were directed or allowed to spend more time in assisting the public to come into compliance with these ever-more-complex rules and laws, and less in surprise "enforcement", it would earn more trust from the public, and the public would seek its assistance more often.

I predict that the real environmental problems of the future will originate from outside the United States. Instead of wasting money on rather minor problems, in terms of the globe, our agencies should focus on providing information that can be used not only by our citizens, but in other countries as well. Because of the prevailing winds, for example, Alaska's air may be more affected by the fuel used in China or the Russian far east, than on any regulations or permits enforced within our borders. We need our agencies to think globally and prioritize tasks in terms of the "Big Picture."

One of the more effective programs of the EPA has been the Underground Storage Tank provisions, (enacted as part of RCRA.) These rules were clear, they were communicated to the regulated community. They allowed time for coming into compliance. They worked through State programs, and in Alaska, a financial assistance program. They were accepted by the regulated public, and accomplished the goal of better controlling the use of underground storage tanks, and cleaning up any oil or hazardous releases from them. This kind of program and approach should be preferred over the sudden appearance of investigators who, months later, issue a "Notice of Violation", without any warning, any offer of assistance or any real attempt to help the public come into compliance with the law or rule.

Some good corporate citizens with permits needing to be renewed or amended, have found they cannot obtain the time and attention of the EPA, in particular, due to its "enforcement" activities against the "worst offenders". In summary, I believe less of an "enforcement mentality", and more of a cooperative, management philosophy is needed from any and all agencies dealing with environmental issues.

### *B. Provide More Cooperation and Guidance to Permit Applicants.*

More so than many other Federal agencies, the EPA seems unwilling and unable to provide prospective permit applicants, on an informal basis, with the information

<sup>1</sup> This cannot happen if the agency is constantly changing its rules.

they need to formulate their application. Obtaining a permit of nearly any sort requires gathering, organizing and providing information to the agency. Many natural resources and environmental permits require a great deal of technical and scientific data to support them. Before an applicant goes to the expense to develop such data, it would be extremely helpful to obtain a "read", some indication, even if it were non-binding, of what EPA will require, how it will likely decide certain issues, and generally, how the applicant should approach the permit process, before it begins, and as it progresses.

Thus, the permit applicant "shoots in the dark" with its application. It may have to change it significantly in the future, at a great cost in terms of time and developing new data to go a direction different than that originally sought, because after a great deal of time, EPA finally rejects the application. Or, perhaps the permit issues, but when operations begin, the limitations of the permit cannot be met and the holder is immediately operating in violation of a goal that was unrealistic to begin with.

This inability to provide answers extends the amount of time needed, and increases the expense of obtaining the permit. Instead of obtaining guidance from the agency on how best to proceed to achieve agency approval, the applicant must prepare the application, with all the attendant expense and scientific and paperwork justification. The applicant then must wait for the agency to review this mountain of data and make a determination. If the applicant could have obtained an early informal response, it could have prepared its data and its application in a way most likely to be acceptable to the agency.

The public's perception of environmental agencies is not that they are a friend. There is a great deal of resistance to calling them for help, for fear of prosecution. In this kind of climate, the public simply will not call the agency for help. This includes the "hotlines" established for reporting of releases. I would urge Congress to establish less of an "enforcement" attitude by any agency dealing with environmental issues, and more of an public education and assistance mentality.

#### *C. Fewer Appeals and Public Interest Group Attacks*

Perhaps this inability or unwillingness of the EPA to provide answers, on a nonbinding and informal basis, is due to the threat of citizen complaints and public interest group litigation over any decision EPA makes. EPA seems more subject to this method of objection to its decisions than other Federal agencies. While Congress may have had good reasons to establish this kind of challenge, it should review the results.

The results include the ability by a small minority to halt or overturn decisions supported (or at least not objected to) by a sizable majority of the public. The number of challenges and appeals allowed can slow or stop a project for years. Is this really what Congress intended in setting up this system? If so, the goal has been achieved. If not, a better method of decision-making needs to be enacted.

#### *D. Consensus-building Techniques; Binding Arbitration*

Alternatives currently being discussed in the environmental community, as other methods for resolution of environmental issues, are mediation and binding arbitration. The current system of decision-making by an agency or court after an adversarial process, with appeals, is expensive and time-consuming. While more consideration would need to be devoted to issues such as due process and public participation than have given to it, I would offer mediation and binding arbitration as possible solutions, to the current methods of dealing with controversial environmental issues.

#### *E. More and Better Use of Technology*

Most governmental agencies dealing with permits are not keeping up with the regulated community in terms of technology. Again, a mentality more focused on "enforcement" instead of dialogue and cooperation is behind this failure. The agencies do not perceive the regulated community as the "customer", and thus little has been done to satisfy that customer.

Permittees and the public should be able to transmit information to the agency and to communicate with it, via modem, rather than just the telephone, mail or facsimile machine. The agency should be able to process the information through use of computers. In many instances, a computerized answer should be available.

This is a major failing and will take a great deal of time and money to rectify. If any consolidation of functions takes place, I would ask that this whole area of technology be given priority.

One result of the government's failure to keep up with technology and failure to communicate with the public is the public's utter distrust of any scientific findings by environmental agencies. The public does not understand the concept of "risk", or

what is reasonable in terms of dealing with risk. This is a whole area of public outreach that is needed, starting in our schools. If we are ever to achieve consensus and only require what is reasonable, the public must understand the science behind environmental decisions, and must make reasonable choices about risks they face every day.

#### *F. Do Not Eliminate All Field Offices*

Elimination of Alaska field offices will be one temptation that any agency will have, in any reorganization. I do not favor such an outcome, as with distance comes neglect, lack of understanding and negativism. If, as I believe, more public service is necessary by the environmental regulators, field offices should be bolstered and not eliminated.

However, regardless of whether they are eliminated or not, technology and communications systems need to be implemented so that Alaskans, whether in Anchorage, Fairbanks or a village off the highway system, can obtain quick answers to their requests and questions.

#### *G. Federal Deference to State Programs*

In some areas of environmental regulation, States obtain primacy over the Federal regulatory agencies. Instead of meddling with the State and its review of certain projects or issues, the Federal Government should not try to micro-manage these programs. Deference to the State programs with primacy should be observed. Oversight of the administration of such programs is proper. Oversight and second-guessing of a particular project or permit is not.

#### *H. More Consolidation of Regulations Among Agencies, Departments*

I doubt that all environmental functions of the Federal Government will ever be consolidated into one or two agencies. The issues span not only land use and emissions of pollutants, but also transportation of "hazardous" materials, research into innovative technologies for cleanup, and public education and outreach. I believe a more attainable goal would be for those agencies or departments dealing with a particular issue to act more cooperatively and to issue consolidated rules. For example, transportation of oil or hazardous substances, whether by land, air, rail or water should have one coordinated set of guidelines. There should be one definition of what is "hazardous". One spill plan should suffice. Instead, we have multiple departments and agencies (Departments of Transportation, FAA, the Coast Guard, EPA, and others) all with a finger in preparing guidelines and rules. Transporters could have many different spill plans to fulfill the requirements of differing agencies with differing jurisdictions. This kind of duplication may not be eliminated by consolidation only. But more coordination and consolidation of the rules the regulated community and the public must follow should be a priority with all Federal agencies.

### *III. Specific Proposals for Reorganization*

While I am no expert, I would offer several suggestions for dealing with any reorganization of environmental duties of the Federal Government.

#### *A. Congress, not a commission, should study and decide the issues*

I believe a commission is not the preferred method for studying and reorganizing governmental functions. Commission members are not elected. They will not make decisions on funding and tasks for governmental agencies.

It would be far preferable for our elected decision-makers to become the experts in what the government does and how better to do it, than for an appointed commission. I would find the single vote "up or down" particularly objectionable. How would Congress decide? The easiest vote would be a "NO" vote, with no results to come from this expensive and time-consuming study. Congress itself needs to be convinced of how to re-organize the tasks and agencies of the Federal Government. The best way for Congress to do this is to undertake the studies and make the recommendations, itself.

#### *B. Wetlands*

While I do not feel strongly about how to re-organize functions into a single agency, except for the points already made above, I am compelled to comment upon the "wetlands" program, because of its pervasive effect upon Alaska.

I do not understand why this program is administered by the Army Corps of Engineers. This function should be consolidated into whatever environmental agency remains.

Nationwide permits should be expanded. Computerized permitting should be the norm. Again, the punitive "enforcer" attitude should be replaced by a cooperative,

outreach effort by the agency to assist the public to come into compliance with whatever rules remain in effect or are enacted in the future. Review of applications should only take 5 to 7 days per agency (or department, if all functions are consolidated into one agency.).

### C. Superfund and RCRA

Congressional changes to the Superfund and RCRA programs are necessary to achieve more certainty and less litigation over hazardous waste issues. The retroactive, joint and several liability provisions of both should be modified to achieve a true "polluter should pay" result. EPA should not be required to seek reimbursement of the Superfund in all instances. Innocent, non-polluting parties should not be liable for cleanup costs or natural resource damages.

Simpler and more definite rules of what is "hazardous" should be enacted. personally find the existing system almost incomprehensible.

More flexibility should be granted for disposal sites, so that so-called "hazardous" waste does not have to be shipped Outside for disposal. This results in multiplying the cost of cleanup of any site in Alaska by many times what it should be.

### IV. Summary

In summary, I would urge Congress itself, to undertake a systematic review of all Federal environmental law, to eliminate and simplify both the tasks and goals of Federal agencies and to simplify and clarify the rules that the public must follow. Agencies should be directed to undertake a similar review. The agencies should place less emphasis on "enforcement" and more emphasis on management and cooperative efforts to obtaining the compliance with its rules. More cooperation and guidance should be given to the general public and to persons seeking to apply for, renew or amend permits. Such an information base could be used by persons in other countries, where some of the worst environmental problems still exist. More consensus-building approaches should be used in developing and enforcing regulations and permits. And agencies should work more cooperatively with each other to develop one comprehensive set of guidelines and definitions for use by the regulated community and the public. The agencies need to update their ability to communicate and process information through use of technology. Better technology for dealing with environmental problems also needs more attention. If Federal agencies focused on their most important functions, a streamlining of the Federal Government would naturally result.

I recognize that all this may be a bit optimistic. But I would prefer Federal agencies and Congress work on some basic, underlying goals to achieve more clarity and predictability than we presently have, rather than have a large-scale "reorganization" that could inject more uncertainty and disorganization into the entire process.

Thank you very much for allowing me this opportunity to share my views.

Chairman STEVENS. Thank you. I take to heart some of your comments about the Congress doing the job. But the difficulty is is to get Congress to maintain continuity for a long enough period to really do a thorough study and while also being responsible for the day-to-day things that come to us in the hearings, in the appropriations, in the budgets, in the defense matters, and in treaty matters. It's just not—I can't conceive that a group of Congress would really put the time in, you know, five or more days a week for 2 or 3 years. It just would not be done. I understand what you're saying about more oversight.

The wetlands problem comes from the fact that it was a court interpretation of Section 404 of the Clean Water Act that created the Wetlands Doctrine really because of the spoil—the dredge spoil that was being put up on wetlands. And that was extended by a court decision and extended by regulation.

And we are now looking forward to a bill that's coming out of the public—out of what we call the Public Works Committee. And it is a new reform of the Clean Water Act and it does have, for the first time, legislation that defines Congressional attempt with regard to wetlands and I think you will be pleased with the agreement.

There is really—I'm not saying the administration, but on a bipartisan basis on the Committee so far, there is an agreement that there has to be some basic definition of this wetlands problem and it cannot be continually expanded through court decision which, as you know, expands the law and regulation on a worst case basis. So, it is, I think, something that is coming.

But, I hear you about this enforcer business. I think you're right. I made some comments here, notes to me and I'll be back to you on that, too.

Mrs. SCHUHMANN. Thank you very much.

Chairman STEVENS. We're going to turn to Rodney Perdue, Bill Robertson, Ms. St. Martin and Gary Wilkens, in that order.

Let's go in that order. Mr. Perdue.

### TESTIMONY BY RODNEY PERDUE, MEMBER, GREATER FAIRBANKS CHAMBER OF COMMERCE BOARD

Mr. PERDUE. Yes, sir. Thank you, Senator. I'm pleased to accept your gracious invitation to testify this morning.

As an employee of a national bank, I work to provide my customers with consumer and commercial loans, as well as a number of other banking services. In the process of doing this, I am, therefore, in turn, directly and indirectly a customer of various Federal agencies. I, therefore, experience on a daily basis the restrictions, the cumbersome clerical and documentation requirements, and the ever-changing regulations that are inherent in dealing with a large bureaucratic organization.

Although I spent a number of years as an Army officer and encountered literally mountains of regulations and paperwork, I am continually astounded by what I now encounter practically on a daily basis. What is more distressing is the frustration and the confusion that is often experienced by the customers that I serve.

For example, not too long ago, a customer sought my help in releasing a lien on his property. The lien was originally held by a financial institution that was no longer in existence. The customer had in his possession proof that the loan had been paid in full. However, the deed of trust could not be reconveyed without the consent of the FDIC. The FDIC would not give consent without the permission of the financial execution that was no longer in existence. I had a difficult time explaining this to the customer.

There are times when just the amount of forms and questionnaires alone that I present to a customer seem to be overwhelming. There are forms from HUD and forms from FEMA, forms required by the Real Estate Settlement Procedures Act and the Home Mortgage Disclosure Act. There are many forms required by the Small Business Administration and the Bureau of Indian Affairs. This is of particular concern in the Interior of Alaska because of the number of small businesses in the Fairbanks North Star Borough area and the fact that there are over 100 minority-owned businesses that use the SBIA or seek to use the SBIA—SBA and BIA services—excuse me.

I fully understand that these requirements are necessary to protect the consumer and are in keeping with prudent banking practices. However, I feel that the regulatory requirements and procedures mandated by the various agencies could be streamlined, bet-

ter coordinated, and made to be less cumbersome. This would reduce the cost of doing business time wise as well as monetarily for both the customer and the banking industry.

Thank you.

[The prepared statement of Mr. Perdue follows:]

#### PREPARED STATEMENT OF RODNEY PERDUE

I am pleased to accept your gracious invitation to testify at the field hearing of the Senate Committee on Governmental Affairs.

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There are times when just the amount of forms and questionnaires alone that I present to a customer, seem to be overwhelming. There are forms from HUD and forms from FEMA. Forms required by the Real Estate Settlement Procedures Act and the Home Mortgage Disclosure Act. There are many forms required by the Small Business Administration and the Bureau of Indian Affairs.

I fully understand that these requirements are necessary to protect the consumer and are in keeping with prudent banking practices. However, I feel that the regulatory requirements and procedures mandated by the various agencies could be streamlined, better coordinated, and made to be less cumbersome. This would reduce the cost of doing business time wise as well as monetarily, for both the customer and the banking industry.

Chairman STEVENS. Thank you for coming. Very good. Appreciate that.

All right. Our next person, Bill Robertson.

#### TESTIMONY OF BILL ROBERTSON, PRESIDENT AND CHIEF EXECUTIVE OFFICER, GREATER FAIRBANKS CHAMBER OF COMMERCE

Mr. ROBERTSON. Thank you, Senator, for having invited me here.

My name is Bill Robertson and I am currently president and chief executive officer for Greater Fairbanks Chamber of Commerce, a position that I have held for the past 2 years.

Formerly, I worked for the U.S. Forest Service and later for the Federal Bureau of Land Management. I retired from this later agency in 1994, after 33 years of service.

Having had the opportunity to work in both the government arena and the private sector, I have formed some definite opinions about where the government falls short in its mission. The first of these areas, I fear—I feel is the failure of government organizations to truly believe that their mission and their employment is one of service to the public. I think that until this thinking is changed, the government and the public will always be at odds.

The governments and the public must work together as a team toward set objectives with the tax-paying public leading the charge

and government of all forms aggressively and enthusiastically supporting those objectives.

Another area of concern by the user of the public land is the great differing land management philosophies put forth by the various land management agencies.

For instance, if a game animal is taking a jaunt across a stretch of Alaska, it encounters many differing situations. If it starts the walk in a National Park, the only prey species is the photographer in a yellow school bus. And the yellow school bus, and its food, and its fate is left to the desires of Mother Nature.

If the critter now steps onto Federal Fish and Wildlife Service land, then it better start looking over its shoulder for a bullet or an arrow. And food—but the food and its way of life will be a whole lot better since the agency encourages habitat improvement and herd management for maximum productivity.

Other agency lands, both Federal and State, all have differing management objectives and differing outcomes for the future of this beast. He's confused. He doesn't understand the artificial lines of management.

The game animal isn't much different than a human animal that wants some sort of sanity in the management of the lands and some sort of consistency from one agency to the other. The current system is absolute chaos. Each management agency has their constituents who lobby and champion the objectives of their pet agency even though it may differ vastly from that of adjacent land managers and the desires of the majority of the users.

The concept of a Department of Natural Resources is a good one. In fact, it has been a good one ever since President Hoover was putting chickens in everyone's cooking pot. But every time it comes up, the larger agency, such as Agriculture, shoot it down or put it under study with more public meetings.

I truly think that the only solution public land management is to blur the lines of management authority that now exist and put the authority under one agency, call it whatever you like. One would think that with all of the resources available to the government that it would be able to figure out how to be a multiple land use manager.

If the Federal BLM can manage a wilderness area in the White Mountains just north of town here and at the same time convey land and provide land to the private sector, have timber sales, mine coal and other minerals, drill for oil, and all of the other uses that the public demands; then, why can't all of the agencies be combined? Why do we have to have an agency that does nothing but parks? Why do we have to have an agency that does nothing but wildlife? Do we have so many excess dollars in the bank that we can afford so many kingdoms of single use?

If private industry ran their business in such a manner, they would have been bankrupt long before they reached the Federal \$6 billion mark.

I say, combine the agencies into one homogenous group. Think of it, a one-stop shop with all the answers, hopefully. One data base, one set of regulations, and no shuffling from agency to agency. Perhaps that makes too much sense and it will never occur. At least it may be worth another 20 years of public meetings.

Another of the pet peeves I had as a Federal employee was that the government organizations were top heavy with too many drones directing the actions of too few worker bees. Forgive my being so caustic toward my Federal agency, but it was also typical of other such agencies given the task of managing lands.

At one period of time in BLM, the agency had about a thousand employees in Alaska. Eight hundred of these people were stationed in the State office in Anchorage with the other 200 in the field. Even the so-called field people were further diluted by an additional management level that was office bound.

I think it would be a fair assumption to say that no more than five percent of the thousand people in the agency actually see, touch, and experience firsthand the lands and the user public they manage. This in itself is a sad commentary on the way lands are managed, but to make it even more incomprehensible, fully 80 percent of the agencies' people responsible for managing these lands are located in a city south of the Alaska range. About 75 percent of the lands managed by the—are in the Interior of the State and on the North Slope. This is the absentee landlord at its finest.

Use of the natural resources is the lifeblood of the economy in a State such as Alaska. Without the ability to use these resources, the State will see an economy in decline. Oil cannot last forever and without the ability to diversify, we cannot meet the growing needs of the public. State lands are available for these purposes, but without the Federal Government acting in concert with the State, the resources cannot be used to their best and highest potential.

Access is an issue that I left to last, but it is an issue that has no higher priority. Without access, legal and physical, you can't get from here to there. One of the pleasures of this life is having the right to go from one place to another without restriction. Without access, we could not visit our next door neighbor or travel to our place of work or enjoy that trip to our favorite fishing hole.

For most people, access has usually been a trail or road, either on foot or in vehicle. In Alaska, our roads are extremely limited. Most of the State's surface access consists of a meager network of historic trails that have served the many communities and people of Alaska for decades. Continued access to these trails is at the very core of our future existence. Without proper access, we cannot develop our extensive natural resources and we cannot provide for the growing tide of visitors that wish to experience our State. But if the Federal Government has its way, even this small network of lands, trails will soon vanish and along with them, our opportunity for the future.

In 1986, the Congress of the United States enacted legislation that granted rights-of-way across Federal lands. This law, as you know, is called RS-2477. The statute states simply the right of the—the right for the construction of highways over public lands not reserved for public use is hereby granted. Congress clearly had the intent that the RS-2477 were grants and, therefore, if the Federal Government prohibited the use of these grants, then it is a taking and must be compensated.

The Interior Department is now attempting to set aside this law by means of restrictive regulations. Claiming that the present his-

toric trails identified as RS-2477 grants are invalid and land management is unwieldy. Interior counters that the State's needs for access with the claim that other laws provide for that need. However, these other laws are unworkable in the real world and have never been successfully used.

It is important to note that although the statute has existed for 130 years and the historic trails have been used for many decades, the Federal Government has consistently failed to recognize the existence of the grants mandated by Congress. Now, it appears that the Interior Department is attempting to defeat the will of Congress through the use of regulation. This is just another example of an agency making life complex for the public that is just trying to go someplace.

One final comment. I wrote this while I was sitting listening to the others. Congress can never hope to change government unless it happens all the way to the lowest levels. The person that's charged with cutting down a tree or making a national monument out of it can block or delay that charge just by waiting until a more favorable boss comes along. That's a sad commentary. If that happened in the private sector, you would be history. But in government, you are forever.

That concludes my comments. Thank you.

[The prepared statement of Mr. Robertson follows:]

#### PREPARED STATEMENT OF BILL ROBERTSON

My name is Bill Robertson and I am currently President and Chief Executive Officer for the Greater Fairbanks Chamber of Commerce, a position that I have held for the past 2 years. Formerly, I worked for the U.S. Forest Service and later for the Federal Bureau of Land Management. I retired from this later agency in 1994 after 33 years of service.

Having had the opportunity to work in both the government arena and the private sector, I have formed some definite opinions about where the government falls short in several areas. The first of these areas is the failure of government organizations to truly believe that their mission and their employment is one of *service* to the public. I think that until this thinking is changed, government and the public will always be at odds. We must work together as a team toward set objectives with the tax-paying public leading the charge and government of all forms aggressively and enthusiastically supporting those objectives.

Another area of concern by the user of the public lands is the great variety of different land management objectives by the many land management agencies. A game animal taking a jaunt across a stretch of Alaska encounters many differing situations. If it starts the walk in a National Park, the only prey species is the photographer in a yellow school bus and its food is left to the desires of Mother Nature since habitat in the parks is managed to be natural. If the critter now steps onto Federal Fish and Wildlife Service land, then it better start looking over its shoulder for a bullet or arrow, but the food might be better since the agency encourages wildfire as range improvement. Other agency lands, both Federal and State, all have differing management objectives and differing outcomes for the future of this beast.

The game animal isn't much different than the human animal that wants some sort of sanity in the management of the lands and some sort of consistency from one agency to the other. I am not so naive to believe that we will ever have a single land managing group as the overseer of all the public lands in Alaska, but we should be striving towards a common management objective. The current system is absolute chaos—each management agency has their constituents who lobby and champion the objectives of their pet agency—even though it differs vastly from that of adjacent land managers and the desires of the majority of the users.

One of the pet peeves I had as a Federal employee was that the organization was top-heavy with drones directing the actions of the worker-bees. Forgive my being so caustic toward my former agency, but it was also typical of other such agencies given the task of managing lands. At one period of time in BLM, the agency had about 1,000 employees in Alaska. Eight hundred of these people were stationed in

the State Office in Anchorage, with the other 200 in the field. Even the so-called field people were further diluted by an additional management level that was office bound. I think it would be a fair assumption to say that no more than 10 percent of the people in the agency actually see, touch and experience first-hand the lands and user-public they manage. This in itself is a sad commentary on the way lands are managed, but to make it even more incomprehensible, the 80 percent of the agency's people responsible for managing the agency's lands are located in a city south of the Alaska Range, while 75 percent of the lands managed are in the Interior of the State and on the North Slope. Talk about your absentee landlord.

The concept of a Department of Natural Resources is a good one—in fact, it has been a good one since President Hoover was putting chickens in everyone's cooking pot. But every time it comes up, the larger agencies such as Agriculture, shoot it down or put it under study. I think that the only solution public land management is to blur the lines of management authority that now exists and put the authority under one agency—call it whatever you like. One would think that with all of the resources available to the government that it would be able to figure out how to be a multiple-use land manager. If the Federal BLM can manage a wilderness area in the White Mountains and at the same time convey land to the private sector, have timber sales, mine coal and other minerals and all of the other uses that the public demands, then why can't all of the agencies be combined? Think of it—a one-stop shop with all the answers, one data-base, one set of regulations and no shuffling from agency to agency. Perhaps that makes too much sense and it will never occur.

Use of the natural resources is the life-blood of the economy in a State such as Alaska. Without the ability to use these resources, the State will see an economy in decline. Oil cannot last forever and without the ability to diversify, we cannot meet the growing needs of the public. State lands are available for these purposes, but without the Federal Government acting in concert with the State, the resources cannot be used to their best and highest potential.

Access is an issue that I left to last, but it is an issue that has no higher priority. Without access, legal and physical, you can't get from here to there.

In 1866, the Congress of the United States enacted legislation that granted right-of-ways across Federal lands. This law is called RS-2477. The statute states simply, "The right-of-way for the construction of highways over public lands, not reserved for public uses, is hereby granted." Congress clearly had the intent that the RS-2477 were "grants" and therefore if the Federal Government prohibited the use of those grants, then it is a "taking" and must be compensated.

The RS-2477 was repealed in 1976 by the Federal Land Policy and Management Act. Under a grandfather clause, however, roadways created before 1976 could still be developed. Because no documentation was required to legally create a roadway and because the Federal Government has made no attempt to identify and validate RS-2477 grants, the State and the Federal Government are at odds.

The USDI is now attempting to set aside this law by means of restrictive regulations. Claiming that the present historic trails identified as RS-2477 grants are invalid and land management is unwieldy, the USDI counters the State's needs for access with the claim that other laws provide for that need. However, these other laws are unworkable in the real world and have never been successfully used.

Its important to note that although the statute has existed for nearly 130 years and the historic trails have been used for many decades, the Federal Government has consistently failed to recognize the existence of the grants mandated by Congress. There has been ample opportunity to note the RS-2477 grants to the land records, and in fact there was an early effort by the local BLM to identify the trails but the attempt was nixed by their Anchorage and Washington offices. Management problems of land ownership and the crossing of those lands by the many historic RS-2477 trails is a problem created by the Federal Government. It failed to take the initiative to note historic trails prior to the Federal withdrawal of lands into restrictive conservation units. Now it appears that the Interior Department is attempting to defeat the will of Congress through the use of regulations.

One of the pleasures of this life is having the right to go from place to place without restriction. Without access, we could not visit our next door neighbor, or travel to our place of work, or enjoy that trip to our favorite fishing hole. For most people, access has usually been a trail or road either on foot or in vehicle. In Alaska, our roads are extremely limited. Most of the State's surface access consists of a meager network of historic trails that have served the many communities and people of Alaska for decades. Continued access to these trails is at the very core of our future existence. Without proper access, we cannot develop our extensive natural resources and we cannot provide for the growing tide of visitors that wish to experience our State. But if the Federal Government has its way, even this small network of trails will soon vanish and along with them, our opportunity for the future.

This concludes my comments. Thank you for the opportunity to appear before you.

Chairman STEVENS. Thank you very much.

Now, we have Ms. St. Martin.

**TESTIMONY OF ALTHEA ST. MARTIN, PAST PRESIDENT,  
GREATER FAIRBANKS CHAMBER OF COMMERCE**

Ms. ST. MARTIN. Yes. Thank you very much. I appreciate the invitation today to express some feelings on the restructuring and the plans that you have offered.

My name is Althea St. Martin. I'm a financial planner here in town and I'm not a heavy politician, so a lot of what I am talking about is as a user, as a person, and also as somebody who really believes in consensus building and partnership.

It's been extremely encouraging to hear how many times partnership has been used here this morning, because I really think that's what we have to deal with here in order to come to a resolution.

I also feel that Alaska is a very unique State. It's composed of Federal land and also State land. That's the majority of our land. Federal policy on natural resources is going to greatly affect our State and its people.

While we have vast stretches of land, we have a very small population of people and a very delicate economic base with relatively few jobs in the private sector. Few would disagree that we need restructuring of our Federal Government, but how it is accomplished will affect Alaska to a great extent, probably more than a State where the majority of land is privately held or where access to the lands is actually taken for granted. And, also, where they don't have any problems with resource development because they have either developed their resources or they have paved over them.

The resource wealth of Alaska is yet to be realized. For the Alaskan economy to grow, it needs encouragement from the Federal Government, not regulation and restriction.

Again, if we have a partnership and not an adversarial relationship, we can go places. Maybe that's part of just being a second child in the family where I always try and get everybody to agree what's the best for everyone. And I think that we can reach some of those conclusions by working together.

Use of the Federal land in Alaska, I think, is very much defined by access. The opening of the RS-2477 transportation corridors would allow the people of the United States to have access to their property. This access would be beneficial in many ways, particularly to Alaska.

Alaska's winter tourism will be greatly enhanced if we had access to our parks in winter seasons. Right now, we can't develop a real strong winter tourism, because the majority of where they would want to visit is not available in the winter times.

By allowing organizations and the private sector to groom and utilize those trails in the wintertime, we could have increased winter tourism for hiking, for dog mushing, skiing, and snow machining, and all at no cost to the government, again making government lands more accessible to its people.

The people of the United States own a great expanse of land in Alaska, but they can't appreciate the beauty of it unless they are willing to buy a postcard. People want to see what they own. Our

Federal parks are turning people away. Denali National Park tourists may have to wait days to enter the park. Many of their travel schedules do not allow for that. But, yet, they can't make advanced reservations; so, is their access restricted? They may be lucky to get in.

Unfortunately, what we deal with in Fairbanks is a lot of the people that are sitting waiting. We're not ending up with happy tourists. We're ending up with tourists that have got to be here in order to see something that they consider their own. They deserve access to their parks.

I really appreciate living in Alaska where all of the cabins, the BLM cabins, and the trails have been out so people can go out and experience wilderness. I really don't find that there is mismanagement at those areas. The people that are out there on those trails and in those cabins appreciate that. I think that we've got very strong enforcement. Just from the fact that there is no trash when you get there, people don't leave trash when they leave.

Alaska has one of the lowest non-resident hunting industries in the United States. I think this is unusual for a State with the largest land mass and the largest population of game animals. But without access to the lands, we cannot develop this industry.

Do tourists really like to come to Alaska to do combat fishing in a few spots? I think not. I think given a choice, they would much rather spread out, have access to other areas, which would also have much less impact on the areas that we have now.

I wonder if mineral wealth of Alaska can be realized or even explored without the access. Without transportation access, much of our State lands become actually worthless lands.

When we look to the development of Alaska's economy, I think that there are many things that the Federal Government can do in a partnership to help us develop our economy as opposed to regulating it and strangling it.

As I used in my example, the hunting industry. If we were to be able to manage our game for a sustained yield as opposed to a minimum yield, we would be able to have a guiding industry here. We would be able to have another level of very clean impact for our economy. I think this is an area where the State and the Federal Government need to cooperate together. I think that we cannot have our game managed by outsiders who don't know the impact of game management on our lifestyles or economies and also the future survival of the wildlife itself.

Sustained yield does not pit the subsistence user against the game, the hunter. I think that's very beneficial also. Again, maybe I'm being naive in saying that partnerships are available there, but I certainly think we should be working towards that end.

As the burden of providing services moves from the Federal Government to the State Government, local economies must be allowed to strengthen to take up the slack that is being given to them.

On your proposal for creating the Federal Government Restructuring Commission, I commend you on some of the goals that are mentioned there. I think that they are very worthwhile and there are very few people that would disagree that we do need to have some changes to bring our government into the 21st Century.

There are several things in that proposal that do really give me a great deal of concern. One of them is the wording that the commission would hold at least one public hearing in each State. I'd like to know which city they would try and hold it in in Alaska here to satisfy everyone and give everyone access.

I think that that type of wording where they are using such a minimum number of one hearing really puts the emphasis on the fact that public review and public involvement is not really wanted or encouraged.

I think that because we are talking about different States with different perspectives, I think you really have to have an open door there where there is a lot more ability to comment. The message should not be that public opinion is the lowest factor in the process.

A single up and down vote on the entire package of the report sounds very straightforward and a very efficient method of reorganizing. I find it's also very dangerous.

I think that I agree with people that have said today that there is much more time needed. The impact on Alaska and the future of our country would be far reaching and I think it deserves much more flexibility, much more attention, and much more input.

It also sets the report and a great deal of work that goes into it up for potential failure and then we are back once again to studying the problem.

Much of the work that is now done by Federal employees could easily be handled by the private sector. The government should provide the strategic oversight and the long-range vision and allow the private sector to do the work, efficiently and cost effectively. I think that there is the ability for incentives to be put in place for government employees to find ways to cut costs within their agencies and reduce the costs through internal as opposed to it being, we're going to hold our turf and we're going to keep our castles going as opposed to getting some recognition that indeed they didn't spend their whole budget for the year and there is some compensation for that as opposed to their worrying about the fact that if I don't spend every one of these pennies, I'm not going to get it next year.

A move to privatization would also have to be done very gradually and I really emphasize the strong vision that I would expect of the Federal Government. As we talk about the lands in Alaska are different from the east coast, we have natural resources, we have game to manage, we have a lot of considerations that they don't have, I think that the Federal Government has to maintain that strong vision of what we want to bring all of the small agencies that adapt for the States' needs into compliance and also to give some type of a uniform reporting of statistics.

The recent cut of the U.S. Bureau of Mines, I think saves money today, but I really worry about what it gives us for tomorrow. I think that the expense may be very great if we don't have those statistics, if we don't have that compilation of information so that we can enhance one development by learning from what another one has done. I think that there has to be the Federal Government having some type of a structure that makes the recording consistent but allows for flexibility between States according to what the States' needs are.

I worry about the lowering of the natural resource management from a cabinet-level position to a bureau for possible extinction. Again, I am taking an Alaskan perspective here. That is very important to us and to our economy. It may not be so to other States, but I think somehow there has to be some consensus built there.

The job of restructuring and downsizing of our government is a very difficult task at best. I really appreciate your efforts and I hope that together we can work to minimize the negative impacts on Alaska and other western States that also have large land-holdings.

Thank you very much.

[The prepared statement of Ms. St. Martin follows:]

#### PREPARED STATEMENT OF ALTHEA ST. MARTIN

Alaska is a very unique State, composed primarily of Federal and State lands. Federal policy on Natural Resources greatly affects our State and its people. While we have vast stretches of land we have a very small population of people, and a delicate economic base with relatively few jobs in the private sector. Few would disagree that we need restructuring of our Federal Government, but how it is accomplished will affect Alaska to a great extent, more than a State where the majority of land is privately owned and access to land is taken for granted. The resource wealth of Alaska has yet to be realized. For the Alaskan economy to grow, it needs encouragement for the Federal Government—not regulation and restriction.

#### *The Use of Federal Land in Alaska is Defined Mainly by Access*

The opening of the RS-2477 transportation corridors would allow the people of the United States to have access to their property. This access would be beneficial in many ways. Alaska's winter tourism would be greatly enhanced if we had access to our parks in winter seasons. By allowing organizations and the private sector to groom and utilize trails in the winter time we could have an increased winter tourism for hiking, dog mushing, skiing, and snow machining at no cost to the government.

The people of the United States own a great expanse of land in Alaska, but cannot appreciate the beauty of it—except in postcards. People want to see what they own. Our Federal parks are turning away people. Denali National Park tourists may have to wait days to enter the park if they are lucky enough to get in at all. Do they deserve access to their parks?

Alaska has one of the lowest non-resident hunting industries in the United States. This seems unusual for a State with the largest land mass and the largest population of game animals. Without access to the lands we cannot develop this industry. Do tourists really like to come to Alaska to do combat fishing over the few spots where there is access?

Can the mineral wealth of the State be fully realized or even explored without the access? Without transportation access much of our State land becomes worthless.

#### *Development of Alaska's Economy*

Alaska could develop a hunting industry larger than those we see in other States. This is a replenishing resource and should be managed for sustained yield and not minimum yield. This is an area where State and Federal Governments need to cooperate. Resources managed by outsiders who do not know the impact of game management on our lifestyles, economy and the future survival of the wildlife is not in anyone's best interest. Sustaining yield management would not pit subsistence users against hunters and would encourage further tourism in Alaska. As the burden of providing services moves from the Federal Government to the State level, local economies must be allowed to strengthen.

#### *Proposal to Create a Federal Government Restructuring Commission*

While restructuring is needed to bring the Federal Government and its agencies into the next century it should be done with care. The proposal for a bipartisan government restructuring commission lists very sound goals, however it has several components that I question. The commission would "hold at least one public hearing in each State" does not allow for much public review or involvement. The message is instead that public opinion is a very low factor in the process. The single up or down vote on the entire package of the report sounds like a very straight forward

and efficient method of reorganizing—but very dangerous. The impact on Alaska and the future of our country would be far reaching and deserves more flexibility. It also sets the report and a great deal of work that went into it, up for potential failure.

Much of the work that is now done by Federal employees could easily be handled by the private sector. The government should provide the strategic oversight and the long range vision, and allow the private sector to do the work—efficiently and cost effectively. Incentives need to be put in place for government employees and agencies to find effective methods to reduce costs.

#### *Commercial Development*

As the Federal Government looks at development the plans need to be flexible to allow for smaller components to allow local business the opportunity to bid and operate the businesses. Smaller components diversifies the economic benefit and create a better local economy that involves the people who have a vested interest in the development.

A move to privatization of Federal jobs must be done gradually and with a strong vision of what we expect of the Federal Government. I believe the government should provide a strategic vision on long range goals. Many recent cuts such as the U.S. Bureau of Mines will cut costs today—but at what expense for tomorrow? Without the mineral statistics for production and research how will we know what we produced and where we are headed? I do not agree that we need to lower Natural Resource management from a cabinet level position.

The job of restructuring and downsizing our government is a difficult task at best. I appreciate your efforts and hope that we can work together to minimize the negative impacts on Alaska and other western States that also have a large land holdings.

Chairman STEVENS. Thank you very much.  
Mr. Wilken, Gary.

#### **TESTIMONY OF GARY R. WILKEN, PRESIDENT, WILKEN-ALASKA, INC., d/b/a FAIRBANKS DISTRIBUTORS AND GREAT ALASKAN FOOD COMPANY**

Mr. WILKEN. Good morning, Senator, and thank you for inviting me. I humbly suggest I am the witness you've been looking for. I'm the last one.

My name is Gary Wilken and I'm a wholesale food distributor in Fairbanks, a resident of Alaska for 40 years.

I'd like to speak today about what it costs to bring products to Alaska over the water carriers into the Port of Anchorage. This is a rather difficult subject, but I'll try to put it into 15 clauses that I'll call whereas clauses and those will be summarized by 5 suggestions and recommendations, if I could.

First whereas; the State of Alaska is uniquely dependent on water transportation between the State of Washington and Alaska.

Whereas; the deep water transport market serving the Alaska Railbelt is a classic duopoly situation in that just two water carriers provide the vital service of transporting at least 90 percent of all goods shipped to 80 percent of the State's residents; and,

Whereas; in a duopoly situation, the service providers have an obligation to their customers to operate with the highest degree of fairness and disclosure.

And I would like to repeat that, because that's the crux of this argument and my concern.

In a duopoly situation, the service providers have an obligation to their customers to operate with the highest degree of fairness and disclosure.

Moving on.

Whereas; the Federal Government has passed legislation that has eliminated the Interstate Commerce Commission and its corresponding regulation of water carriers transporting property between the State of Washington and Alaska; and,

Whereas; the Alaska-Washington water trade is the only water shipping corridor that was regulated by the Interstate Commerce Commission; and,

Whereas; that authority is now being assigned to a surface transportation board within the Federal Government; and,

Whereas; this is a once-in-a-lifetime opportunity to investigation, validate, and, if needed, affect the cost of bringing those goods to Alaska; and,

Whereas; the freight system by which Alaskans receive vital cargo should treat all customers fairly by guaranteeing equal access to competitive rates; and,

Whereas; the citizens of Alaska, in the Alaska State Legislature House Joint Resolution 42, have recognized that their best interests may best be served by allowing the free market to determine the cost of bringing vital goods to our State; and,

Whereas; the three primary interests of Alaskans in regard to the cost of bringing vital products to Alaska are, one, to insure that rates are fair and competitive, two, to ensure the carriage service to Alaska is dependable, and, three, to insure that an accessible forum exists in which Alaskans can present and resolve complaints; and,

Whereas; the people of the city of Anchorage have proven the fallacy of a body such as the Interstate Commerce Commission or perhaps the Surface Transportation Board being a forum for consumer complaints as they, in 1994, spent in excess of \$400,000 to file and peruse a legitimate formal Interstate Commerce Commission complaint only to discover, one, the money expended did not even get the issue to the initial hearing stage, and, two, that the continuance of such a complaint would cost upwards of over a million dollars; and,

Whereas; the people of Anchorage have funded the Peabody Study which has raised significant questions as to the validity of the current structure of moving goods to the State of Alaska.

Page 4 of my testimony is a graph that shows the Anchorage rates are a hundred percent. The rates to Europe—these are sea-land numbers—in 1993, are 39 percent. The rates to the Americas by sea-land are 21 percent of the Alaska rates. Rates to the Pacific are 20 percent of Alaska rates. And the rates to Asia and Europe—the rates to Asia are 16 percent. That's on page 4 of the testimony.<sup>1</sup>

Whereas; the Totem Ocean Carrier Express has done an internal analysis of the Peabody Study which suggests a margin of error of approximately 50 percent; and,

Whereas; the freight companies have made it standard practice to institute their annual Generate Rate Increases in a discriminate fashion, that is unequally across their customers depending on their position or status of a secret contract of affreightment; and,

Whereas; the freight companies are the sole determinants of who ships under these secret contracts.

<sup>1</sup>The chart referred to appears on page 78.

I would ask in summary the Federal Government consider the following:

(A) The Federal Government be the party to facilitate the reconciliation of the Peabody Report with the subsequent water carrier response.

(B) When generating the rules and regulations under which the Surface Transportation Board may operate, a system must be put in place which supports a free market freight rate system which thus possesses a mechanism, which continually validates and verifies the true costs of bringing vital goods to Alaska while at the same time provides a reasonable rate of return to the water carriers.

(C) This freight rate regulation system in light of our duopoly situation is based on contract rates that are public documents rather than secret contracts.

(D) It becomes law that the general rate increases are applied equally across all shippers on the first effective day of the increase; and,

(E) Lastly, consider that the people of Alaska may be best served by the cost of freight between Washington and Alaska being controlled by an open book tariff system with oversight by the State of Alaska thus removing the need for the Federal Government's involvement.

I thank you for the opportunity to be here this morning. I appreciate Trevor McCabe's assistance in this issue. It's very much appreciated.

Thank you.

[The prepared statement of Mr. Wilken follows:]

#### PREPARED STATEMENT OF GARY R. WILKEN

Whereas: the State of Alaska is uniquely dependent on water transportation between the State of Washington and Alaska; and,

Whereas: the deep water transport market serving the Alaska Railbelt is a classic duopoly situation in that just two water carriers provide the vital service of transporting at least 90 percent of all goods shipped to 80 percent of the State's residents; and,

Whereas: in a duopoly situation, the service providers have an obligation to their customers to operate with the highest degree of *fairness* and *disclosure*; and,

Whereas: the Federal Government has passed legislation that has eliminated the Interstate Commerce Commission and its corresponding regulation of water carriers transporting property between the State of Washington and Alaska; and,

Whereas: that authority is now being assigned to a Surface Transportation Board within the Federal Government; and,

Whereas: the Alaska-Washington water trade is the *only* water shipping corridor that was regulated by the Interstate Commerce Commission; and,

Whereas: this is a "once-in-a-lifetime" opportunity to investigate, validate, and, if needed, affect the cost of bringing those goods to Alaska; and,

Whereas: the freight system by which Alaskans receive vital cargo should treat all customers fairly by guaranteeing equal *access* to competitive rates; and,

Whereas: the citizens of Alaska, in the Alaska State Legislature House Joint Resolution 42, have recognized that their best interests may be best served by allowing the free market to determine the cost of bringing vital goods to our State; and,

Whereas: the three primary interests of Alaskans, in regard to the cost of bringing vital products to Alaska, are:

- to insure that rates are fair and competitive,
- to insure that carriage service to Alaska is dependable, and,
- to ensure that an accessible forum exists in which Alaskans can present and resolve complaints; and,

Whereas: the people of the City of Anchorage have proven the fallacy of a body such as the ICC (or the Surface Transportation Board) being a forum for consumer complaints as they, in 1994 spent in excess of \$400,000 to file and peruse a legitimate, formal Interstate Commerce Commission complaint only to discover:

- the money expended did not even get the issue to the initial hearing stage, and,
- that continuance of such a complaint would cost upwards of a \$1 million, and,

Whereas: the people of Anchorage have funded the Peabody Study which has raised significant questions as to the validity of the current structure of moving goods to the State of Alaska, and,

Whereas: Totem Ocean Carrier Express has done an internal analysis of the Peabody study which suggests a margin of error of approximately 50 percent, and,

Whereas: the freight companies have made it standard practice to institute their annual General Rate Increases (GRI) in a discriminate fashion, that is unequally across their customers depending on their position or status of a secret contract of affreightment, and,

Whereas: the freight companies are the sole determinants of who ships under these secret contracts.

I would ask in summary the Federal Government consider the following:

(A) The Federal Government be the party to facilitate the reconciliation of the Peabody Report with the subsequent water carrier response.

(B) When generating the rules and regulations under which the Surface Transportation Board may operate, a system must be put in place which supports a *free market* freight rate system which thus possesses a mechanism which continually validates and verifies the true costs of bringing vital goods to Alaska while, at the same time, provides a reasonable rate of return to the water carriers.

(C) This freight rate regulation system, in light of our duopoly situation, is based on contract rates that are *public documents* rather than secret contracts.

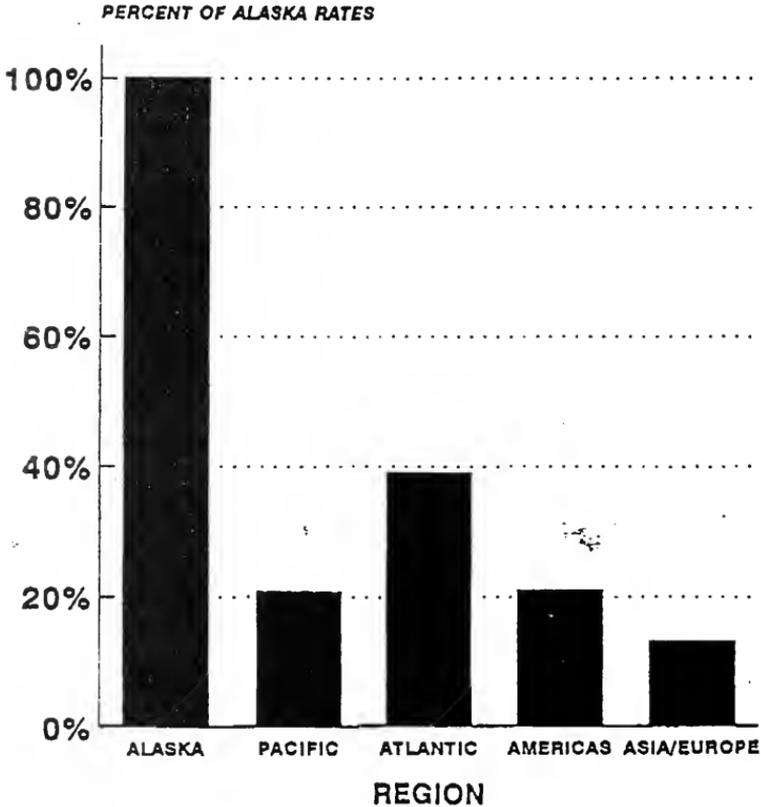
(D) It becomes law that the General Rate Increases (GRI's) are applied equally across all shippers on the first effective day of the increase.

(E) And lastly, consider that the people of Alaska may be best served by the cost of freight between Washington and Alaska being controlled by an open book tariff system with oversight by the State of Alaska, thus removing the need for the Federal Government's involvement.

Thank you for the opportunity to testify on this technical, confusing, yet extremely important issue.

[The chart referred to above follows:]

# SEA-LAND RATES PER CONTAINER MILE AS A PERCENT OF ALASKA RATES (1993)



SOURCE: "Seatrade Review", 2/94 and  
"Distance Between Ports".

L. E. PEABODY & ASSOCIATES, INC.  
ECONOMIC CONSULTANTS

Chairman STEVENS. Yes, he is steadily working on that and it is something that is going to be—it's very timely, because this is just taking place now, as you know.

I'm glad to have your statement. We'll follow up on it when we get back.

Mr. WILKEN. OK.

Chairman STEVENS. Let me thank you all very much for coming. I think the tone of the hearing and the statements you made demonstrate that a hearing in Alaska produces testimony on a par with or exceeds that which we receive in Washington. That gives us the opportunity to hear from people that wouldn't have the time to go to Washington. I'm grateful to all of you for coming.

As I said, I'll do my best to get the statements that were made here printed and a portion of the record and have it duplicated so you can all have a copy of the testimony that's been given and to see some of that that was compiled for the record and not read here in public.

I thank you all very much for coming. I hope to see you all soon. Appreciate it.

[Whereupon, at 11:56 a.m., the Committee adjourned.]



# REFORMING AND RESTRUCTURING THE FEDERAL GOVERNMENT

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WEDNESDAY, FEBRUARY 14, 1996

U.S. SENATE,  
COMMITTEE ON GOVERNMENTAL AFFAIRS,  
*Washington, DC.*

The Committee met, pursuant to notice, at 9:30 a.m., in the Captain Cook Hotel Ballroom, Anchorage, Alaska, Hon. Ted Stevens, Chairman of the Committee, presiding.

Present: Senator Ted Stevens.

## OPENING STATEMENT OF CHAIRMAN STEVENS

Chairman STEVENS. If we may start, let me state at the outset these are hearings that we thought we would hold last October, we had to cancel them because of problems in Washington. At that time we had several senators who indicated they would come along, now it's just not possible to get them to come because of the primary and political season in the south 48.

I apologize for the late notice on these hearings. We actually didn't know until we got the telecommunications bill passed last Thursday that we would be able to schedule the hearings and be here in the State this week. This is the second in three field hearings here in the State.

Yesterday in Fairbanks, we heard from elected officials and leaders from the academic and business communities about ways to improve cooperation between the Federal Government, State, and local governments and services to our citizens. We heard about ways in which government works, and we heard about ways in which government needs to do much better. Today we've asked the distinguished panel of citizens from the Anchorage area to share their experiences and ideas as to how to make the Federal Government work better.

In the last decade Americans have witnessed enormous changes. Businesses and entire industries have been restructured, they have restructured themselves to take advantage of the new technologies of the information age. They have become leaner, smarter and more agile to survive the rigors of the marketplace. We encounter the fruits of those new technologies every day, at the supermarket, at the department store, through overnight mail services, even at the gas pump.

Americans are directly accessing them in their homes through personal computers and on-line purchasing networks. Products and services are being delivered faster and more responsively than ever before.

To most Americans, and to the citizens we heard from in Fairbanks yesterday in particular, government seems to be stuck in a time warp. Whether filing a Medicare claim, applying for a patent or waiting in line at the post office, the gap between the way customers are treated by the best companies in American and Federal agencies is enormous and seems to be getting worse. Today, a car loan is approved within a few hours, but it can take the Federal Government 6 months to process a disability claim.

The innovations which are transforming the world have bypassed our Federal Government. The Federal Government consumes about 20 cents out of every hard earned dollar in America. The government ignores the feeling that citizens are not getting their money's worth at its own peril, and that's why we're here.

We have started now on a proposal to reorganize and reform our government. We believe the government must be fundamentally reorganized to meet the needs of our citizens now and in the 21 century. The citizens we heard from in Fairbanks expressed strong support for creating a citizens' commission to take on this job. And we look forward to hearing from today's witnesses.

We're privileged to have a series of guests who responded to my request today, State and local officials, members of the higher education community and business leaders, people who know the problems of government intimately and have experience in fixing them.

Let me tell you, we're going to make a record on this and we'll make a copy of that available at a later time; but above all, these statements we hear today will be used by Frank and Don and me as we address this legislation in the Senate. We thank you for giving us the opportunity to make the record so we can cite the record and show the record to our colleagues as we proceed to try to put Alaska's imprint on this very important job of restructuring and reforming the Federal Government.

The written statements you've given to me will be entered into the record in their entirety. I would ask you to keep your remarks as brief as possible in the interest of time.

If any of you have statements you want to submit, we will be glad to consider printing them in the record also with witnesses' testimony.

[The prepared statement of Senator Stevens follows:]

#### PREPARED STATEMENT OF SENATOR STEVENS

Today, the Committee on Governmental Affairs will hold its second of three field hearings in Alaska. Yesterday in Fairbanks, we heard from elected officials and leaders from the academic and business communities about ways to improve cooperation between the Federal Government, State, and local governments and services to citizens. We heard about ways in which government works, and ways in which government needs to work better. Today, we will ask distinguished citizens of the Anchorage area to share their experiences and ideas about how to make the Federal Government work better.

In the last decade Americans have witnessed enormous changes. Businesses and entire industries have restructured themselves to take advantage of the new technologies of the information age. They have become leaner, smarter, and more agile to survive the rigors of the marketplace.

We encounter the fruits of new technologies every day: at the supermarket, at the department store, through overnight mail services, even at the gas pump. Americans are directly accessing them in their homes, through personal computers and on-line purchasing networks. Products and services are being delivered faster and more responsively than ever before.

Yet, to most Americans, and to the citizens we heard from in Fairbanks yesterday, government seems stuck in a time warp. Whether filing a Medicare claim, applying for a patent, or waiting in line at the post office, the gap between the way customers are treated by the best companies in American and Federal agencies is enormous. And it seems to be getting worse. Today, a car loan is approved within a few hours, but it can take the Federal Government 6 months to process a disability claim.

The innovations which are transforming the world have bypassed the Federal Government. The government consumes about 20 cents out of every hard earned dollar in America. The government ignores the feeling that citizens are not getting their money's worth at its own peril. That is why we are here today. Our government must be fundamentally reorganized to meet the needs of our citizens today and in the 21 century. The citizens we heard from in Fairbanks expressed strong support for creating a citizens' commission to take on this job. We look forward to hearing from today's witnesses.

We are privileged to have as our guests today, State and local officials, members of our higher education community, and business leaders—people who know the problems of government intimately, and have experience in fixing them. Ladies and gentlemen, thank you for coming. We welcome your observations and suggestions. Your written statements will be entered into the record in their entirety. I ask that you keep your remarks brief in the interest of time.

Chairman STEVENS. Our first panel is the current mayor, Hon. Rick Mystrom, and former mayor, Tom Fink of Anchorage. Good morning, gentlemen.

Mayor MYSTROM. Good morning, Senator.

Mr. FINK. Good morning. Beauty before age.

#### TESTIMONY OF HON. RICK MYSTROM, MAYOR, ANCHORAGE, ALASKA

Mayor MYSTROM. Pretty generous, I think.

Senator, thanks very much for the opportunity to testify before the Committee and given a chance to let our voices be heard, and I think this is a very important issue. Let me start by reading generally a prepared statement, and I tend to digress a little bit and give some examples, but I will keep it very short.

Mr. Chairman and Members of the Committee, staff, thank you for holding the hearing on Federal, State and local government relations here in Anchorage. We are pleased that the entire Alaska delegation is strongly united in support of the issues that you are addressing here, especially the need to reform Federal mandates and to build a more functional partnership between local and Federal Governments.

For your colleagues on the Committee not familiar with our long-standing frustrations in Anchorage, I brought a copy of a publication that illustrates one of the many problems we must address on a daily basis. Do you have a copy of that, I think it is on my chair right there. There may be a copy handy. If not, there is one in the back and I'll show you in just a moment.

Chairman STEVENS. I might interrupt you and tell you I distributed copies of this to Members of the Senate when we considered the Federal mandates legislation last spring.

Mayor MYSTROM. That is a very good report, it was done by my predecessor, Mayor Fink, who is here today, and this really details a lot of the issues, a lot of the cost of environmental mandates that in many, many cases don't apply to Alaska, and I think Mayor Fink will probably speak to this. But he had this prepared, and I think it's very helpful and very good.

We're hoping that the recent Federal Mandate Reform Act, passed and signed into law in March, will help curb the growth of

unfunded Federal mandates. At last, Congress, by law, must consider the fiscal impact on local and State governments of all new Federal legislation. And I think that probably has started having some impact already.

But we still have to live with the enormous body of unfunded Federal mandates and conflicting governmental responsibilities. Therefore, as you look at restructuring government and the statutes that govern and guide Federal agencies, we appeal to you to keep the following concerns in mind.

Many Federal agencies are still operating under regulations based on one-size-fits-all. And I think a good example of this is the Clean Air Act. Anchorage does an excellent job in clean air, except in the unusual cases where we have a temperature inversion or an extremely cold day. And I think witness the fact that in 1995 we had zero days where we exceeded the carbon monoxide level that was required by the EPA. So we had zero days, and I think anybody who was here really appreciates how clean the air in Anchorage has become. However, in January of 1996 we had some extremely cold temperatures, and there was 1 day that we exceeded the Federal mandates.

Now what that means is if we have one more day that we exceed the Federal mandates anytime over the next 10 months, then we will be declared in non-compliance, and this is a city that has gone 100 percent in the past year of clean air of meeting the mandates, and then this year, if we have one more day, then we will be declared non-compliant and probably have to hire a couple more people just to deal with the regulations that that entails.

I also would say that in some cases the second concern is beyond the fact many agencies are still operating under regulations based on one-size-fits-all, but the second is lack of sound science and common sense when it comes to certain environmental policies. And I think a good example of this is the "no net loss" on wetlands. This is an example of a policy that may be very, very good for most parts of the country, but in an area like Alaska where the vast majority of our State is wetlands, this becomes a hindrance, that in all practicality, doesn't do any good for the environment because we have so much wetlands, but in fact what happens it becomes a great hindrance for development. So there is a concern that we have there.

The third concern is the multiple Federal agencies that have limited mandates on their own, but they really have virtual veto power over economic development and infrastructure, and I think the example is the Endangered Species Act.

In moderation, that act is probably wonderful for the country as a whole; however, those who enforce it have the ability to take it to the extreme, and I think almost any project can be stopped if this act is taken to the extreme. So again, here is an area where local control and local balance, I think, is something that we should strive for.

The fourth concern I have is the need to work with local government to prioritize the spending of limited public funds. And I would say that there is an example, and that is the shifting of Federal programs to block grants, I think, is a big improvement in this area and has real promise.

An example would be the challenge we have with the police grant that we are now using in Mountain View. We have a grant for police in Mountain View that's paying one third of all the new officers in this high crime area and will pay for the next 3 years. But the restrictions are such that it makes it very difficult to respond quickly if the crime shifts out of Mountain View as a result of this. So we're going to make this work, but it would be much easier if we had the opportunity just to hire 15 more policemen to have the same grant paid for by the Federal Government, but not to be restricted exactly where our police chief has to deploy these officers. And in a sense what we have is the Federal Government telling us where we can deploy these officers, and that isn't always the best way to do it.

Those are some of the concerns we have specifically, and I would say that there is a chorus of sentiment in America against expensive government, excessive and burdensome government and that is sentiment that is really a whisper in Washington is clearly a roar at the local government level. As a result of this at the local level, we're asked to do more and more each year and each year with less and less.

As I look at the Federal contribution to Anchorage, it's diminished from \$17 million down to zero. That's OK, that's something we understand, but let me tell you how we have been able to deal with this at the local level, and also why government can operate better the more power is given to the local level.

In 1985 our municipal budget was \$214 million. In 1995 our municipal budget is \$224 million. We've increased our municipal budget \$10 million over a period of 5 years. That's a total of about \$10 million over a period of 10 years. That's a total of five percent increase over a 10-year period of time, or about one-half percent per year. And the reason is is that we are a lot closer and a lot more accountable to the tax payers.

Now I'd like to say that taxes have not increased any more than that, but they have because we have received a lot less funding from both State and Federal Government. Taxes have substantially increased, they have increased at the lower level, and it's not because we have spent more, because we have only a one-half percent increase. Now when you factor in inflation, we have actually decreased spending over the past 10 years. Spending has decreased in real dollars, I believe down to the \$214 million in 1985 is now the equivalent of \$177 million in those 1985 dollars. So we actually are spending less money than we have before. That really can happen at the local level, but it's very difficult for it to happen at the national level.

We really salute the healthy new trend to downsizing the Federal Government and shifting program leadership from Washington to the States and cities, because in most cases we believe this will help a great deal. But as you design this shift please give us the flexibility to function responsibly.

This is needed in Alaska, and we all recognize there is a difference between Alabama and Alaska, but I think the folks in Washington also need to understand that there is a difference between Anchorage and Anatumik Pass, Anchorage and Barrow, Anchorage and Angoon, so there are huge differences within the

State, and certainly nobody in Washington can fully understand those differences. So the closer we are able to get the decisions to the State and local level the better we are.

Alaskans must have the flexibility to address these differences. The Federal Government must allow for uncommon realities and must encourage common sense, and I think those who write the regulations in Washington D.C., well meaning as they may be, appear to think they know more about our part of our world than we do, and one has to wonder what the direct experience they have in running a local government, a small business or a day-care center or a landfill in the Arctic. They must assume that we will ignore our people's concerns. They must believe that we will ravage our resources and environment and that is not the case. This is a State that has more concern about the environment, we believe, than most States in America. This is a big part of our life. We certainly have as much concern or more concern about our people than the Federal Government does.

So we would encourage, again, more local control of how we operate our city and indeed our State. So Mr. Chairman, please keep up your efforts to communicate to your colleagues the message that the people of Alaska, and I venture to say the people of America, are ready for a more mature and functional relationship between Federal and local governments.

I've reviewed the proposal to create a bipartisan government restructuring commission, and I support this approach. With the end of the Cold War, let's not lose this opportunity to get our national house in order, to balance our budgets, to pay off our debts and streamline our governmental system. This is certainly what is happening in the U.S. industry, and certainly as I explained it is happening in local government, and I believe it can and should happen in Federal Government. So Mr. Chairman, I encourage the efforts in creating a commission to restructure government.

Thank you very much.

[The prepared statement of Mr. Mystrom follows:]

#### PREPARED STATEMENT OF RICK MYSTROM, MAYOR OF ANCHORAGE

Mr. Chairman and Members of the Committee staff, thank you for holding this hearing on Federal, State and local government relations here in Anchorage.

We are pleased that the entire Alaska delegation is well-informed and strongly united in support of the issues you are addressing here today—especially the need to reform Federal mandates and to build a more positive partnership between Federal and local governments.

For your colleagues on the Committee not familiar with our long-standing frustrations in Anchorage, I have brought copies of a publication that illustrates one of many problems we must address on a daily basis—Federal mandates.

This report, produced in 1993 by the Administration of my predecessor, Mayor Tom Fink, is entitled *Paying for Federal Environmental Mandates: A Looming Crisis for Cities and Counties*.

We're hoping that the recent Federal Mandate Reform Act, passed and signed into law in March, will help to curb the *growth* of unfunded Federal mandates.

At last, Congress, by law, must consider the fiscal impact on local and State governments of all new Federal legislation.

But we still must live with the enormous body of unfunded Federal mandates and conflicting governmental responsibilities that were created during the last 20 years.

Therefore, as you look at restructuring government and the statutes that govern and guide Federal agencies, we appeal to you to keep the following concerns in mind:

1. Many Federal agencies are still operating under regulations based on *one-size-fits-all*.

Example: The Clean Air Act. Anchorage does an excellent job except when nature causes a temperature inversion. We should have an exemption for such situations, and it shouldn't require an Act of Congress.

2. The *lack of sound science* and common sense when it comes to certain environmental policies.

Example: The "no net loss" wetlands policy is one of many classic examples. It may be good for those parts of America that have used up their wetlands, but it is absurd in Alaska which is almost all wetlands.

3. *Multiple Federal agencies* with limited mandates on their own, have *virtual veto power* over economic development and infrastructure creation.

Example: The Endangered Species Act, when taken to the extreme, can be used to stop almost any project. How can we compete in a global economy in this context?

4. The need to work with local government to *prioritize* the spending of limited public funds.

Example: The shifting of Federal programs to block grants at the State level has real promise, *if* the State will listen to local needs.

5. And, above all, the necessity to encourage on-site *flexibility*.

Example: Our municipal staff tries everyday to help people get off welfare, but they constantly run into inflexible Federal and State regulations, including income ceilings, that discourage people from becoming economically self-sufficient.

The attached appendices detail a few of the specific Federal statutes and agency rules and practices that make local government in Anchorage more difficult and expensive. (See Appendices A and B).

There is a chorus of sentiment in America against expensive government, unnecessary government and burdensome government.

The whisper you hear in Washington, D.C. is a shout in the ear of local government.

As a result, we at the local level must do more and more each year . . . with less and less.

And we must do it while Federal and State dollars diminish.

Only a decade ago, Anchorage received \$17 million a year in Federal Revenue Sharing.

Today we receive zero.

We salute the healthy new trend to downsize the Federal Government and shift program leadership from Washington, D.C. to the States and cities. In most cases, this will help a great deal.

But as you design this shift, please give us the *flexibility* to function responsibly.

This is especially needed in Alaska.

Yes, there is a difference between Alabama and Alaska.

But Washington, D.C. needs to understand that there is also a big difference between Anchorage and Anaktuvik Pass or Arctic Village and Angoon.

Alaskans must have the *flexibility* to address these differences.

You must allow for *uncommon realities*.

You must encourage *common sense*.

Those who write the regulations in Washington D.C., well-meaning as they may be, appear to think they know more about our part of our world than we do.

One has to wonder, what direct experience do they have in running a local government, a small business or a day care center or a landfill in the Arctic?

They must assume that we will ignore and abuse our people.

They must believe that we will ravage our resources and environment—unless someone from the Federal Government makes us march in lock-step.

Mr. Chairman, please keep up your efforts to communicate to your colleagues the message that the people of Alaska—and I venture to say the people of America—are ready for a more mature and more positive relationship.

I have reviewed the proposal to create a Bipartisan Government Restructuring Commission.

I support this approach. Let's get on with it.

With the end of the Cold War, let's not lose this opportunity to get our national house in order—to balance our budgets, to pay off our debts, and streamline our governmental system.

This is certainly what is happening in U.S. industry and in local government. It's appropriate that the Federal Government follows suit.

Thank you.

## APPENDIX A

## MUNICIPALITY OF ANCHORAGE—COSTS OF SELECTED MANDATES

Unfunded Federal mandates cost the Municipality of Anchorage millions of dollars each year. While many of these mandates represent solutions to environmental and social problems, the burden to State and local governments often does not justify their existence. Regulatory, inflexibility adds unnecessary costs, also. Nonetheless, we are forced to comply or risk the threat of civil or, in some cases, criminal lawsuits. Further, we are threatened with loss of Federal funding in related programs if we fail to comply with the mandates.

The following are examples of Unfunded Federal Mandates that place an extraordinary burden on the Municipality of Anchorage.

*EPA—Clean Water Act*

An issue that received considerable attention last year concerns the Anchorage Water and Wastewater Utility.

EPA requires that 30 percent of organic material be removed from sewage before it can be discharged. Meeting this requirement for Anchorage has been difficult, albeit attainable, because the sewage inflow is extraordinarily clean. In 1991 we were approached by two fish processors asking to discharge 5,000 pounds fish entrails into the system daily. We approved their request and the effect was to make it easier to meet the 30 percent requirement. The discharge from the sewer treatment plant was less clean, but the EPA requirement was satisfied.

In actuality, the costs of meeting this mandate is \$180,000 per year in increased operating expenses. In addition, we will be required to spend an estimated \$4.5–\$5.0 million in capital outlay within the next 2 to 3 years. We have also spent over \$1 million in the past 6 years to monitor the water quality of Upper Cook Inlet to ensure there is no negative impact from our discharge.

Had there been some flexibility in the law, Anchorage could avoid millions of unnecessary expenditures.

This anecdote represents but one fraction of the total cost of compliance with the Clean Water/Water Quality Act. The Municipality spent over \$5,800,000 in 1994 to comply. We project total municipal expenditures for the 10-year period of 1991–2000 in excess of \$108,000,000 to meet the Act's requirements.

Noncompliance has serious ramifications. Should the Municipality fail to comply with certain sections of this act, its officials can be charged with criminal violations.

*Clean Air Act*

The Clean Air Act represents another example of Federal regulator inflexibility. Anchorage is often the victim of temperature inversions in the winter time. These inversions act to trap the colder air along with any carbon monoxide discharges from vehicles and heating systems. The inversions sometimes last for days before the climate changes and the atmosphere is allowed to cleanse itself. However, during these inversions, our air quality suffers to the extent that we risk violating the strict standards set by the EPA. In order to avoid nonattainment, we are required to use oxygenated gasoline during four winter months. For the past several years, the additive chosen, Methyl Tertiary Butyl Ether (MTBE), not only cost the residents of Anchorage almost \$4.5 million annually, but caused a variety of health problems attributed to exposure to the additive. In 1995, authorization was received to use ethanol instead of MTBE. This reduced the cost to the consumers but was unable to eliminate nonattainment during temperature inversions.

The cost to the consumer is but one piece of the mandated pie. The Municipality of Anchorage spent an estimated \$4,037,000 in 1994 to meet the requirements of the Clean Air Act.

*Resource Conservation and Recovery Act*

Compliance with the Resource Conservation and Recovery Act has cost the Municipality of Anchorage nearly \$25,000,000 in the past 4 years. RCRA was amended in 1984 to cover hazardous and solid wastes, including used oil, medical wastes, and of prime importance to Alaska, underground storage tanks.

*Federal Labor Standards Act*

Mandates are not limited to environmental issues. Interpretations of the FLSA have recently cost the Municipality \$2,179,000 to settle lawsuits arising out of broad interpretations of overtime requirements for police and paramedics. In one case, we were required to pay \$250,000 in overtime to police K-9 officers for the care of the dogs in their home. This is in addition to the 5 percent wage supplement they receive for the added duties.

Another case, *Alexander vs. MOA*, paramedics used the FLSA to argue they should not be classified in the same category as firefighters. This claim was in direct conflict with the contract negotiated on their behalf by the bargaining unit representing them, the Anchorage Firefighters Union.

### *Summary*

These examples of unfunded mandates are a sampling of Federal requirements that cost the Municipality of Anchorage millions of dollars annually. Others include Americans with Disabilities Act, National Environmental Policy Act, Occupational Health and Safety Act, Endangered Species Act, Safe Drinking Water Act, Toxic Substances Control Act, Comprehensive Environmental Response, and Compensation and Liability Act.

## APPENDIX B

### ANCHORAGE WATER AND WASTEWATER UTILITY—FEDERAL AND STATE MANDATES AFFECTING AWWU

#### *Safe Drinking Water Act*

This statute regulates the operation of AWWU's water treatment facilities. It is composed of a number of different rules all of which apply to Anchorage. Following is a summary of the rules over which we have concerns:

#### *Enhanced Surface Water Treatment Rule*

Since about 90 percent of our water comes from Ship Creek and Eklutna Lake, this rule clearly applies to Anchorage. Recent cryptosporidium outbreaks in the lower 48 will result in new regulations that will affect both of our facilities. This rule will likely require that our facilities remove 99.9 percent of the particles in the 5–10 micron range from the raw water. Under normal conditions our facilities will be able to meet this requirement, however, AWWU will need to install particle counting instrumentation to measure and assure compliance. We estimate this equipment will cost about \$100,000 for both facilities. This will still provide no guarantee that the finished water is free from cryptosporidium but significantly reduces the chance that we would have an outbreak.

#### *Information Collection Rule*

This rule will require AWWU to perform intense monitoring of its raw and finished water for an 18-month period. We will need to test for a variety of microorganisms and parasites as well as a number of chemical pollutants. Because of the pristine nature of our watersheds, we have little reason to believe that any of these contaminants will be discovered. This testing program may cost as much as \$100,000 and will produce very little information other than what we already know, that we have clean source water.

#### *Synthetic Organic Compounds/Inorganic Compounds Rule*

This rule will take contaminants from the drinking water priority list and the disinfection/disinfection byproducts rule to make up 25 new contaminants to be tested for every 3 years. This rule, as currently written, will require Anchorage to test its raw and finished water for synthetic contaminants such as pineapple herbicide and other chemicals which have never been used in Alaska. There is limited ability to design this testing program to meet local needs. Even though most if not all of these chemicals will not be found, we will continue to have to test for them regularly.

#### *Disinfection/Disinfection Byproduct Rule*

The goal of this rule to determine what byproducts, if any, are being formed in the finished by the use of chlorine as a disinfectant. If harmful byproducts are discovered, Anchorage will have to switch to an alternate form of disinfection such as ozone. We do not expect to discover any such problem but will need to do the testing anyway. This testing will cost about \$25,000 and if harmful byproducts are discovered may result in millions of dollars in capital costs.

#### *Analytical Methods Rule*

This complicates the testing methods that have historically been utilized to test both water and wastewater samples. Lab personnel may need to be retrained in new testing methods and existing lab equipment may become obsolete and need to be replaced. EPA claims that this rule will result in more standardized test methods and equipment but their past history indicates otherwise.

## *Clean Water Act*

### *National Pollutant Discharge Elimination System (NPDES)*

This program requires Publicly Owned Treatment Works (POTW) to apply for and operate under a discharge permit issued by EPA. All three of AWWU's wastewater treatment facilities are permitted. All three, however, are expired, but renewal applications have been submitted 6 months in advance of the permit expiration dates. Since the renewal applications were submitted as required, the permits are administratively extended until EPA makes a determination on the application and ultimately renews or denies the permit.

These permits require sampling and testing of the plant influent and effluent for a variety of pollutants. They set limits on the quantity and concentration of pollutants that can be discharged. The Pt. Woronzof permit, which includes a 301(h) waiver from secondary treatment, requires substantially more monitoring of the influent and effluent and even requires monitoring of the Knik Arm receiving water. We anticipate that the renewed permits for the Eagle River and Girdwood facilities will also require much more monitoring of the plant effluent as well as receiving water monitoring.

The Pt. Woronzof and Eagle River facilities will be issued a stormwater runoff permit sometime in the future. AWWU has applied for these permits through a group application facilitated by the Association of Metropolitan Sewerage Agencies (AMSA). The application has been approved for more than a year, but EPA has yet to issue permits.

The Pt. Woronzof facility, because it incorporates a sludge incinerator was required to apply for yet another NPDES permit to regulate the solids handling portion of the facility. Although our application was submitted by the August 1993 deadline, we have yet to receive a permit.

AWWU's primary concern with the NPDES program is that every renewed permit contains monitoring and studying requirements much more intensive and nebulous than did the previous permit. For instance, we know the Eagle River permit will require monitoring of the influent, effluent, sludge as well as the receiving water for trace metals in addition to the more traditional pollutants such as Suspended Solids and Biochemical Oxygen Demand. These tests and studies are expensive to conduct, tell us what we already know and will do nothing to improve the receiving water because there is nothing wrong with it to start with. AWWU negotiates these requirements with EPA but since this is going on nationwide whether it's Boston or Eagle River, receiving water quality is irrelevant.

### *301 (h) Regulations*

These regulations affecting the Pt. Woronzof facility were promulgated last summer. They require that we establish local limits for 126 priority pollutants or justify why they are not needed. They require that our industrial users meet at least 85 percent compliance with their individual discharge permits which will have to be changed incorporating the new local limits. AWWU will have to rewrite the Sewer Use Ordinance, adding substantial enforcement authority to accomplish this requirement and it will, at best require some industries to spend a great deal of money to comply. At worst, it will drive some companies out of business. Once again, none of this will result in a measurable difference in the Pt. Woronzof effluent nor the Knik Arm receiving water.

These regulations also require the facility to remove 30 percent of the BOD from the influent. While we can meet that requirement now, we may not be able to in the future. We have initiated litigation with EPA to resolve this issue.

### *Water Quality Standards and the National Toxics Rule*

EPA has established what they believe are maximum levels of contaminants for a variety of water uses. They have required the States to either adopt Federal criteria or establish their own. Alaska and many other States failed to do either so in 1992 EPA promulgated the National Toxics Rule. This automatically imposed the Federal standards on Alaska and restricted a number of other options available to the States including their ability to establish site-specific standards. In order for the State to get out from under the rule, Alaska must adopt the Federal standards or develop their own. As yet, the State has done neither. This has a potential to hamper renewal of Anchorage's discharge permits. The Pt. Woronzof permit will require the State to issue site-specific criteria for some trace metals in the area of our outfall. The National Toxics Rule, however, prohibits this. Legal battles will likely result from this conundrum and once again, it is an ecological non-issue.

### *Sludge Disposal Rule*

This rule required AWWU to spend about \$400,000 on plume dispersion modeling, performance testing and new instrumentation for its sludge incinerator at Pt. Woronzof. We will spend thousands annually on increased maintenance, monitoring and reporting costs although no change to the environment will result. Phase 2 of this rule is yet to come and will require more monitoring for synthetic organics in the incinerator stack. Again, we expect none to be present and no change to the operation of the incinerator or the environment.

### *Alaska's Role in the Clean Water Act*

The State is responsible to assure that EPA approved discharges meet receiving water quality standards. They are authorized to allow mixing zones in receiving water to allow for the dilution that is normally required for such discharges to meet standards. ADEC, under pressure from environmental activists has severely restricted mixing zones and placed substantial burden on dischargers to prove that no adverse impacts will be caused by a mixing zone. This effort frequently costs thousands of dollars over a few parts per billion of trace metals. For example, the Eagle River facility is still negotiating with EPA and ADEC for a mixing zone for copper, lead and ammonia. This facility discharges about 20-50 parts per billion (ppb) of copper. The receiving water criteria for copper is 6 ppb. By the way, the maximum contaminant level of copper for drinking water is 1 part per million (ppm) or 1000 ppb. The effluent from the Eagle River Wastewater Treatment Facility more than meets National Drinking Water Standards but yet it cannot be discharged to Eagle River without a mixing zone. We at AWWU and in other similar utilities believe this is a clear example of nuisance regulation that costs lots of money but does nothing to improve the environment.

### *Clean Air Act*

Although the 1990 amendments to this statute have resulted in few regulations as yet, AWWU has concerns about portions of this Act. Stringent limits on Volatile Organic Carbons will require ambient air testing around our facilities to determine compliance. The potential exists that we may need to install covers over our exposed tanks and scrub the off-gases. This would require millions of dollars in both capital and operating expenses.

### *Underground Storage Tanks and Resource Conservation and Recovery Acts*

These laws regulate underground tanks, solid waste and hazardous waste disposal. They have some impact on AWWU mainly with regard to our underground tanks. We have a replacement and remediation program in place and have replaced many fuel storage tanks. While there is clearly a need to address this problem, like many regulations there is little flexibility. Extremely expensive cleanup projects are required, for example, even when no environmental or health hazard exists. These funds could be much better utilized on more pressing problems.

### *Other Issues*

The State has already been charging for their services primarily regarding their part of Clean Air Act Administration. For example, the Pt. Woronzof incinerator is operated under an ADEC Air Quality Permit. Regulations were recently passed which allow ADEC to charge us for any work they do related to that permit. AWWU pays ADEC staff \$65 per hour to review reports that they require us to submit. The same charge applies if they decide to perform a site inspection. When a permit expires and ADEC has to issue a new one, we will be charged \$65 for every hour ADEC staff takes to prepare the permit.

We expect this trend to continue and expand into other areas of ADEC and other State regulatory agencies such as DNR. This is one way in which the State can, at least appear to, cut their budget. Municipal governments need to pay close attention to this activity.

Chairman STEVENS. Thank you very much Mr. Mystrom.

### **TESTIMONY OF TOM FINK, FORMER MAYOR, ANCHORAGE, ALASKA**

Mr. FINK. Senator Stevens, I'm very pleased to have an opportunity to comment to you and your Committee on how the Federal Government ought to be restructured to solve the Federal mandates problem, and the division of responsibility between the Fed-

eral and State agencies, with a goal of a more efficient and effective government.

I have reviewed the GAO Budget Function Classification book of April of 1995 which you sent me. It was a light review as I know I cannot master the maze of Federal Government operations. I have a difficult enough time to understand our State Government and our Anchorage Municipal Government.

The goal of change in the Federal Government structure, no doubt, is ultimately to enhance one's right to life, liberty and the pursuit of happiness. Some restructuring in Federal departments and agencies would have some beneficial effect, but I believe we must go beyond that to have an opportunity to achieve the big goal.

I want to suggest that the Federal Government take some quantum leaps and take many Federal Government functions and return them to State and local governments. I believe that some tinkering of the Federal Government functions will not solve the problem.

I believe that the public strongly believes that Federal Government should cease and desist passing laws that have to be enforced or paid for by State and local governments. I believe the vast majority of the people believe that one law for 50 States no longer fits each of the 50 States, and that certainly when the cost must be borne by the State and local governments, the law should be written by the State and local governments. I believe that the vast majority of people in this country are of an opinion that too much of the individual wealth is being sent to the Federal Government. Once those functions are transferred back to the State and local governments, those governments will have to determine how much government the people want and are willing to pay for. The Federal Government is simply too much involved.

These functions that are currently being performed by the Federal Government should be returned to the State Government without any strings. The State and local governments must have the power to do what the Federal Government was doing or to change those functions as they see fit. The Federal Government should retain the functions of defense, international relations, interstate relations, and the protection of equal rights of individuals going from one State to another. The assets, including the land owned by the Federal Government, except when it is absolutely needed for the above four functions, should be transferred to the State Governments without any or very few strings.

There will be a few additional functions of national significance which the Federal Government should retain, such as Social Security, Federal employee laws, jurisdictions over crimes of national significance and so forth. Clearly ownership and control of the land, our environment, and education should be returned or given to the States.

The changes I am suggesting would be traumatic to the Federal, State and local governments. It would take time to adjust. I believe, however, the public opinion has been solidified on the precepts of less money to the Federal Government and more decision-making by the State and local governments. There is a strong belief that the most local a government can be made, the better it

represents the people and the least it interferes with the right to pursue happiness.

We have the unhealthy situation today wherein there is entirely too much distrust of the national government. The public will remove, through elections, anyone who tries to take more of the individual's wealth and pass it to the Federal Government, or anyone in the Federal Government who just continues to go more in debt to fund the current programs. The only practical answer is to devolve many of the Federal Government functions to the States. The public believes, and correctly so, that it has more control over its government on a State and local level.

I believe we have reached the time when the public demands, what is called today, a complete re-engineering of our national government, and a few modifications are not sufficient, amen.

[The prepared statement of Mr. Fink follows:]

#### PREPARED STATEMENT OF TOM FINK

Senator Stevens, I am very pleased to have an opportunity to comment to you and your Committee on how the Federal Government ought to be restructured to solve the Federal mandates problem and the division of responsibility between the Federal and State agencies with a goal of a more efficient and effective government.

I have reviewed the GAO Budget Function Classification book of April 1995. It was a light review as I know I cannot master the maze of Federal Government operations. I have a difficult enough time to understand our State Government and our Anchorage municipal government. The goal of change in the Federal Government structure, no doubt, is ultimately to enhance one's "right to life, liberty and the pursuit of happiness." Some restructuring in Federal departments and agencies would have some beneficial effect, but I believe we must go beyond that to have an opportunity to achieve the big goal.

I want to suggest that the Federal Government take some quantum leaps and take many Federal Government functions and return them to State and local governments. I believe that some tinkering of the Federal Government functions will not solve the problem.

I believe that the public strongly believes that Federal Government should cease and desist passing laws that have to be enforced or paid for by State and local governments. I believe that the vast majority of the people believe that one law for 50 States no longer fits each of the 50 States, and that certainly when the cost must be borne by the State and local governments, the law should be written by the State and local governments. I believe that the vast majority of people in this country are of an opinion that too much of the individual wealth is being sent to the Federal Government. Once those functions are transferred back to the State and local governments, those governments will have to determine how much government the people want and are willing to pay for. The Federal Government is simply involved too much.

These functions that are currently being performed by the Federal Government should be returned to the State Government without any strings. The State and local governments must have the power to do what the Federal Government was doing or to change those functions as they see fit. The Federal Government should retain the functions of defense, international relations, interstate relations, and the protection of equal rights of individuals going from one State to another. The assets, including the land owned by the Federal Government, except when it is absolutely needed for the above four functions, should be transferred to the State governments without any or very few strings.

There would be a few additional functions of national significance which the Federal Government should retain, such as Social Security, Federal employee laws, jurisdictions over crimes of national significance. Clearly, ownership and control of the land, our environment, and education should be returned or given to the States.

The changes I am suggesting would be traumatic to the Federal, State and local governments. It would take time to adjust. I believe, however, the public opinion has been solidified on the precepts of less money to the Federal Government and more decision-making by the State and local governments. There is a strong belief that the most local a government can be made, the better it represents the people and least interferes with the right to pursue happiness.

We have the unhealthy situation today wherein there is entirely too much distrust of the national government. The public will remove, through elections, anyone who tries to take more of the individual's wealth and pass it to the Federal Government or anyone in the Federal Government who just continues to go more in debt to fund the current programs. The only practical answer is to devolve many of the Federal Government functions to the States. The public believes, and correctly so, that it has more control over its government on a State and local level.

I believe we have reached the time when the public demands, what is called today, a complete re-engineering of our national government, and a few modifications are not sufficient.

Chairman STEVENS. Thank you very much.

Mayor Mystrom, Mayor Fink, in your service here in the city, has there been a conscious attempt to put into the administrative functions of the city computerization and telecommunications and centralization through the use of digital information?

Mr. FINK. Through the use of what?

Chairman STEVENS. Digital information.

Mayor MYSTROM. I'm not sure I understand exactly the digital information portion of it. But we certainly are relatively up to date in our computer systems and our communication among all our employees within the city.

Chairman STEVENS. A friend of mine uses the example of Wal-Mart, how they took the information right directly from the cash register, put it right into the hands of the people who are planning for acquisition of new stock to go on the shelf, rather than going through at least three divisions to get there, and they eliminated the people in between, and that's one of the keys to their functions. They took information directly from the people who face the customer and put it in the hands of the people who are trying to plan for meeting the customers' needs, and I wonder if we have the ability to use that kind of a system in government. Have you thought about that?

Mayor MYSTROM. If I can respond, Senator. Let me use the Wal-Mart example. I think clearly Wal-Mart has one of the best reputations for communication and getting a product on the shelf once a customer buys it, and once a customer buys the product and it goes through the cash register, it goes into the ordering system, the ordering system go to the distributor, and the distributor gets the product back to the shelf in about 2 days.

There are three reasons why I think it would be very difficult. I think government can do this, but it's very difficult for government to gain this efficiency. One is that government doesn't enjoy the competition like Wal-Mart does, and competition, I think as we all understand, creates efficiency.

The second thing is government doesn't have the freedom to fail that stores like Wal-Mart or K-Mart do, and that freedom to fail means less efficient companies fail and more efficient companies take their place. And in shorter revolution, government doesn't have that ability to fail, so it doesn't have that strong creator of competition or efficiency.

And the third thing, it's very difficult for individuals to fail within the government.

Now if we recognize these as realities, we recognize that as government gets bigger it's going to be very, very hard to make it efficient, I think the answer is maybe not trying to make it—or try to make it as efficient as possible, but recognizing we won't be able

to get the kind of efficiency we all expect. So perhaps the goal is to make it smaller or closer.

And I really think that making government smaller or bringing it closer to the people whose services are provided by government is the best opportunity we have, and maybe that digital communication can be done at a local level, perhaps it could be done at the national level, but I really think that in the long run the best opportunity we have to keep government providing services as efficiently as possible is to keep it relatively small with its decisions made as close to the receiver of services as possible.

Chairman STEVENS. Comment, Tom.

Mr. FINK. Your question had to do with how far advanced the city was. I think the city is almost the state-of-the-art as far as storage retrieval and communication within the city, and of course it's very expensive and that's what limits government, because it's constantly changing.

But insofar as the city operating with the Federal Government or State Government based upon the speed of the digital computer, the City of Anchorage is probably more up to date than most places you go.

Chairman STEVENS. I think you're right. I appreciate you gentlemen coming today and helping us, and I look forward to seeing you.

Our next panel consists of Lee Gorsuch, chancellor of the University of Alaska at Anchorage, Dr. Sheila Selkregg, George Geistauts and Barbara Sokolov, both of the University of Alaska.

Let me start off with you, Dr. Selkregg.

#### **TESTIMONY OF SHEILA ANN SELKREGG, UNIVERSITY OF ALASKA, ANCHORAGE, ALASKA**

Ms. SELKREGG. When I reviewed the material before me I thought about it in reflection for a class that I taught at the university which involves public sector productivity. There are a lot of opportunities that we have before us, and they are almost buzz words in terms of empowering employees to make decisions on the site.

The idea—in fact, the mayor talked about allowing employees the ability to fail, because part of creativity and part of change in the workplace is taking risks, and to a great extent our government is not designed to reward people who take risks at this point.

And then finally, and probably most important in terms of productivity right now, is that entrepreneurial spirit that we talked about in terms of how you get people to think creatively beyond the regular job. And it's the entrepreneurial spirit that has pulled us out of tough situations in the past, and America is very much grounded in the sense that we have these creative, risk-taking, strong-based abilities, but for some reason we don't see them happening in the public sector, we see them happening in the private sector.

And if we think about what that ability is in terms of a worker and a public worker, we can realize that that spirit to produce and that spirit to be creative and that spirit to actually do a better job is grounded in a sense of mission, and it's grounded in a sense of hope, and if you look up American's history and you realize we've been in positions before where we were concerned about where we

were going, and it seems that—for example, we can look at—we've come up with answers. We've had the New Deal, and the New Deal really responded to the depression with creative ways we haven't really thought of before. And then World War II and how we responded to the devastation of our fleet at Pearl Harbor instantly. I mean, we have the ability in this country to be very creative, and the government really responded.

So there is, within the structure and the history of our country, if you go through step by step by step, times where we have been in great crises and we had to call on the American worker and the public worker and the government worker to make change.

And so what I did when I looked at the material that was given to me for today was not necessarily come through with specific things, and I think you're getting very good specific things from practitioners, mayors and people who are dealing with these hard challenges, but try to think about what it is that really changes or shifts the American worker, what it is that really shifts the government worker to be effective.

My sense is that what we have right now in our country, we have these government agencies that are really fragmented solutions from the past. We created agencies with the New Deal, we created agencies with the GI Bill, we created agencies with the Great Society, we created agencies with the Cold War, we kept responding in flexible ways to what was needed, and now, after basically succeeding in those things, we find ourselves with all these fragmented administrations that were really created to solve other problems.

And so restructuring is, in fact, I think what we need to be doing, but I think that it's very important that that restructuring be grounded in what it is we want to do as a Nation.

And my sense is right now America is in great peril. Even though we have a private industry that seems to be responding to a world economy in efficient ways, if you look at the daily level of American life, I don't think that most Americans are comfortable about the direction we're going. And I think that the real part of restructuring has to be grounded in a new national vision, and I don't say that lightly. I mean I think we are crying right now for a new vision.

What is it that we're restructuring for is the question, why restructure? There is a sense that we're downscaling, and a friend of mine said, yes, we're becoming the incredible shrinking country.

It's certainly valuable to become more efficient and do less, but I think people who are in government jobs make shifts and make changes and give up things if they have a sense that this Nation is doing it for some reason. Like in the past we did it for the war, or we did it for a response to the depression.

And now I haven't the answers in terms of what the vision is, I don't know, and I'm sure we're all struggling with that. But it would seem to me that the heart of the job of this Committee as it moves through the process of restructuring has to be grounded in where is it that we're really going with the restructure? What is it that's positive that will come from it? How is it that we're building America for the year 2020 and our children?

So I would hope that a component of this commission really has to do with defining the goal of government, redefining it. And if it is, in fact, to empower the local entity, then it needs to be set in a context that that will mean that life of a daily American will improve.

And so I'm hoping that this commission will not only spend time restructuring, but actually redefining what it is we're about.

Chairman STEVENS. Thank you.

Our next witness is Dr. Geistaunts.

### TESTIMONY OF GEORGE A. GEISTAUNTS, UNIVERSITY OF ALASKA, ANCHORAGE, ALASKA

Mr. GEISTAUNTS. Good morning, Senator. Thank you for the invitation to testify.

My name is George Geistaunts, I am a professor of business administration and chair of the MBA program in the school of business at the University of Alaska, Anchorage. I have 25 years of full-time teaching and research experience in the area of corporate strategy, and I would like to testify to the Committee from the perspective of corporate strategy, that is what we can learn from corporate strategy that might be applicable to the issue of reorganizing government.

I have formulated my response to the invitation in the form of 13 questions that I think should be asked whenever restructuring, either in the broadest sense in government, or even in restructuring specific agencies or parts of the government that are being considered. These questions come from the experience of corporate America.

The first question is, is the restructuring being pursued in response to a clearly laid out strategy? That is, is there really a high level vision or set of goals that have been accepted as what government should be doing? Unless you know what you want to do, and I take your time frame here 2020 as a good time frame in the extreme, but perhaps maybe the next 10 years as a more workable time frame for the immediate thinking, unless you have a clear idea of the strategy, you can restructure any way you darn well went to, but you're not going to get anywhere. I think that strategy is already part of the debate in Congress and it's part of the political debate, and it's the responsibility of citizens, our legislators and the President and his staff to come to formulate that.

The second question I would ask is, will the proposed restructuring of the department or agency bring internal decision making closer to the customer? I am using the word customer as opposed to citizen or public because I think that's what we are, we are customers of government. And there is a difference between thinking of us as citizens and thinking of us as customers. As customers thinking focuses on what services are we delivering to you. The citizenship role is broader than that of simply being a customer.

Probably the best known management book of the last 15 years is *In Search of Excellence* by Peters and Waterman in that one of their eight points to distinguish excellent companies is that excellent companies are, "Close to the customer." I think what the mayors have said and what others have said today so far also reflects

that. So I would ask that if you reorganize, how does this bring government closer to the customer?

My third question is, how will the customer value obtained from government restructuring increase? What value will I get as a customer from the restructuring? And that does not necessarily mean an automatic reduction in cost. It may be a better kind of service, target of service, much better quality of service, but if you restructure and there is no ultimate impact on me except perhaps a small budget reduction, I think you missed a great opportunity.

The fourth question is, how will the proposed restructuring increase the flexibility of government in differentiating services to better meet the needs of specific individual customers? Mayor Mystrom, I think, spoke very well to the problem of differentiation. In industry we are long passed the age of mass production, we are now in the age of niche market, and the size of the future niche market will be the single individual customer as a single individual person. And that is being made possible by information technology and made necessary by competitiveness.

My fifth question is, how will the proposed restructuring decrease the number of administrative layers and flatten the organizational structure? If you look at what's happening in industry, we're cutting out a lot of middle management. What does middle management do, it passes orders from top down and passes information from the bottom up. With information technology we can do that much more effectively.

In the old classic text books on organizational structure they used to talk about the span of control, how many people can one person manage, but that was before the computer era. With the computer, we can have much better spans of control. So I would ask, how do you cut layers as you do this restructuring?

My sixth point or question is, how will the proposed restructuring introduce the forces of competition in the delivery of government services? There are two reasons why American industry has acted to become as competitive as it now is, and there is a general agreement that we are tagged as a whole the most competitive Nation today. The two reasons are information technology and global competitive pressures. So the question is, how can we introduce more competitive pressures into government? Well, I don't fully have the answer, but I think you need to look at that, and I think there is some possibilities.

For example, the policy decision to have Social Security as a program does not automatically mean that the processing of Social Security claims, requests for information and other things has to be done by government, that can be farmed out. Just as long as it provides an efficient and faster response, the customer will be happy. Most Social Security recipients are interested in getting their check, I don't think they are interested in knowing that a government employee processed that check. I would also consider having government agencies bid against each other for new approaches or new programs. And I would also invite in some of those situations the private sector firms to bid against those government agencies. Whatever we can do to increase competitiveness will produce the pressures to perform better. Whatever we do to insulate govern-

ment and make it a monopoly will reduce the pressures to do better.

My seventh point is, how will the proposed restructuring increase the potential for strategic alliances between government agencies, and between government agencies and private sector firms? What has happened in industry over the last 5 or 6 years is that many people recognize that a company really should be a little bundle of very substantive core competencies on which it bases its business, and it should contract out or make alliances with other firms for those things that it chooses not to have a core competency in but those other firms have competencies in. I think government can also form strategic alliances between various agencies which shift from time to time to differing agencies in business. Some of these would be temporary, some of these might become permanent.

Number eight, how will the proposed restructuring increase efficiency and responsiveness through the application of modern information technology? I'm not going to talk about that. That's so obvious that should not be an issue.

Number nine, will the restructuring creatively use the potential for information technology to redesign organizational structures rather than just a substitute for manual labor? Information technology has now reached a point where our new management information systems can be so radically different from those of the past that we can have totally new organizational structures, and I think we should look at those. Industry is looking at that, those structures and the processes emerging; government should do the same.

My next question is, how will the proposed restructuring increase the potential for creativity on the part of government employees? Mayor Mystrom said government employees can't fail. Sure they can fail, they just don't get punished for it, they stay there forever. What we need is to have a situation where the government employees can take risks, they can fail. If they fail repeatedly they should be gone, but if they fail in good faith an overall approach to risk taking increases the effectiveness of government and we're headed in the right direction.

Number 11, how will the restructuring empower government employees to participate in decisions and increased personal authority and responsibility for their own work? Business complains all the time about government regulations, other levels of government can complain about government regulations, but my judgment, the most regulated people are the people who work in government themselves. They have endless procedure manuals, they have endless forms to fill out.

If you want to see something really silly, take a look at your tax packet, where on a number of those sheets there is a paperwork reduction notice which you can read to find out that it takes you 1 minute to read the form, 3 minutes to do this, 4 minutes to do that, that's absurd. Some bureaucrat must have done that, I can't believe that was done consciously.

I think we need to free up government employees from this big massive procedures and manuals that they have to follow, essentially blinding. That would make them more responsible. I'd like to suggest that on an experimental basis, on a very small scale, a number of locations throughout the country, we say to some little

department of Federal Government, for the next year you operate without procedure manuals. Here are your goals, here is your budget, do the job, but we're going to take all the procedure manuals out of here. Let's see how well they work. I can't believe industry could remain competitive if they had that kind of procedural millstone around its neck.

My twelfth point is, how will the transition to the restructured government be handled so as not to demoralize the government employees? I think that you have to consider what has happened to the employees in business, and there has been a great deal of demoralization as a result of the restructuring, there are very significant human costs. And this is a subject of debate in industry as well as our society. I don't think we should demoralize government employees, I think we should empower them and help them in the transition.

And finally the thirteenth point is an obvious one. Will this cut costs? But that I put deliberately last, because I think cost reduction should be achieved by improving what we do as opposed to saying let's see where we can find a place to save a dollar. If you improve the way we do things, they become more efficient and effective, cost reduction is automatic.

Now in response to the issue of the commission, I have mixed feelings about the concept of the commission. I understand why the Base Closing Commission had to operate the way they did, which as I understand is essentially that there is too many parochial interests for the Congress, the Executive Branch to reach a decision unless they farm it out that way. But I ask myself would any company hire a consulting firm, get its report, take a look at the report and say, well, the executives will vote this up or down, we will either use the whole thing or we won't use the whole thing. I think they would pick and choose on the parts that would work.

And I think what you really have in the restructuring is a set of policy issues and a set of technical issues. The policy issue as an example would be, should there be a Federal department of education? The technical issue, if there is a Federal department of education, how should it be organized? I think the policy issues have to be solved to a significant extent before this commission sets to work, otherwise I think you will not be able to focus on the technical issues effectively enough.

The other material that was sent to me was marginally interesting. I received three sets of organizational boxes that were just boxes. I was amused to find that one box American Indians were a natural resource. I would suspect they would be amused to find that out, too. But there is no way to react to a set of boxes. And as far as the GAO report is concerned, people in the Federal Government undoubtedly understand what it means, but it didn't mean very much to me except there is duplication. Consolidation has probably been clearly appropriate.

[The prepared statement of Mr. Geistauts follows:]

#### PREPARED STATEMENT OF GEORGE A. GEISTAUTS

My name is George Geistauts. I am a Professor of Business Administration and Chair of the Master of Business Administration (MBA) program in the School of Business at the University of Alaska, Anchorage.

I have also taught at Washington State University and at Alaska Pacific University. I have a M.S. and a Ph.D. in management, and 25 years of full-time teaching and research experience. My primary focus is on technology management and strategic management.

Corporate restructuring is a major strategic management issue, and in my testimony I shall draw on the corporate experience for some guidelines on restructuring that I believe might be applicable—although in modified form—to the problem of government restructuring.

I want to thank the Committee for the invitation to testify. I regret that recent surgery on my right shoulder temporarily limits my ability to write, and thus my written testimony is brief, and presented in an outline format.

There is widespread agreement among most experts that today American industry, taken as a whole, is the most competitive in the world. The twin forces of global competition and accelerating information technology capability have made it imperative that firms re-examine their missions and goals, and how they organize and operate to maximize competitive advantage. This has led to emphasis on *Total Quality Management (TQM)*, *reengineering*, *downsizing*, *restructuring*, *outsourcing*, *increasing use of strategic alliances*, and to the concept of the *virtual corporation built around a basic set of core competencies*.

While some of these concepts may at first glance simply appear to be buzzwords peddled by today's crop of management gurus, and while they are often misunderstood and ineptly or perhaps cynically applied in practice, the fact remains that *American industry has made massive strides in improving competitiveness*. And it has done this without significant guidance or favors from government. There are, then, perhaps some guidelines that can be extracted from the corporate experience and applied to making government more effective and efficient. One way to phrase these guidelines is in the form of the following questions that should be asked about any proposed restructuring. To emphasize the analogy to business restructuring and to emphasize the fact that government exists to provide services of value to the citizens, I use the word customer(s) rather than citizen(s) or the public.

1. *Is the restructuring being pursued in response to clearly laid out strategic (i.e., high level policy) goals?* These strategic goals must address the mission of government, and not just a search for efficiency and cost reduction. If a "blue ribbon commission" is to be used, the most fundamental strategic mission goals should be inputs to the commission, not outputs.

2. *Will the proposed restructuring of the department or agency bring internal decision making closer to the customer?* Being close to the customer is a characteristic of excellent business firms. It should be a characteristic of government agencies.

3. *How will the customer value obtained from government increase as a result of restructuring?* What, beyond perhaps some reduction of the Federal budget, will the customers get from reorganization and restructuring?

4. *How will the proposed restructuring increase the flexibility of government in differentiating services to better meet the needs of specific individual customers?* Industry has left the era of mass production of undifferentiated products, and is now concentrating on niche markets. The future optimal size of the niche will be the single individual. Yet, in general, government continues with an undifferentiated mass service approach.

5. *How will the proposed restructuring decrease the number of administrative layers and flatten the organizational structure?* Multi-layer hierarchies are more bureaucratic, inhibit communication, respond slowly, and waste money. Government badly needs to shed layers.

6. *How will the proposed restructuring introduce the forces of competition into the delivery of government services?* American industry has regained competitiveness under global competitive pressure. Because we can have only one government, the competitive pressure for better performance is weak. We should seek to increase competitive pressures on government. Competitive outsourcing bids from the private sector, with the possibility of government agencies bidding to keep the work internal is one possibility. Another is to have agencies bid against each other for new programs.

7. *How will the proposed restructuring increase the potential for strategic alliances between government agencies, and between government agencies and private sector firms?* Today, businesses do not seek to have all of the required competencies internally. Instead they identify a set of key competencies around which they build their identity, and then form strategic alliances with other firms to obtain access to complementary competencies on an as-needed basis. Government restructuring should allow flexibility for agencies to also engage in strategic alliances. Any consolidation of responsibility should also increase the freedom to form unique partnerships for

specific tasks or mission components. Some of these would be temporary, and others permanent.

8. *How will the proposed restructuring increase efficiency and responsiveness through the application of modern information technology?* This is so obvious as to need no further elaboration.

9. *Will the restructuring creatively use the potential of information technology to redesign organizational structures, rather, than just as a substitute for manual information processing?* Today information technology makes new organizational forms possible. Instead of designing information systems to match existing organizational structures, we can now design new organizational structures to take advantage of cutting-edge information technology. These forms are the organizational models of the next century. Government should become a leader in their development and implementation.

10. *How will the proposed restructuring increase the potential for creativity on the part of government employees?* The problems of the next century will require unique solutions, not currently known. The government structure should be a facilitator of creativity, and not a road block to it.

11. *How will restructuring empower government employees to participate in decisions and increase personal authority and responsibility for their own work?* We often complain about the impact of government regulations on business and the public. Yet the most over regulated people are the government employees themselves. Massive sets of obligatory procedures codified in endless procedures manuals, endless forms and paperwork requirements, and diffused authority kill creativity, rationality, and enthusiasm. Restructuring must free government employees to concentrate on mission goals, and not on rigid procedures.

12. *How will the transition to the restructured government be handled so as to not demoralize the government work force?* Restructuring is change, and change brings uncertainty and anxiety. Business restructuring has not handled this aspect well, and has replaced the former bonds of mutual loyalty between employer and employee with a "virtual loyalty" where each pretends commitment to the other but both know it is not really so. Government should avoid this error!

13. *Will the proposed restructuring reduce the cost of government?*

While the previous list of guidelines is not intended to be hierarchial, this guideline is deliberately placed last. I realize that cost reduction is perhaps the primary government reorganization objective of many people, but using cost reduction as the primary guideline for reorganization may be a mistake. The least cost government is after all no government. Is that what people really want? I do not think so. I think they really want two things.

First, they want the national government to stay out of some areas totally. But the objections regarding national government involvement in these areas are not based on the costs of Federal Government activities, but rather on their appropriateness. Thus what it costs to do something that you should not do in the first place is really not the issue.

Second, I believe that people want government to pursue those activities that are appropriate in a way that is responsive, effective, and efficient. Using language from the world of business, they want maximum customer value from government. Just like shoddy junk merchandise sold at very low prices seldom represents the best customer value, so shoddy junk government will not produce maximum value for the citizen. Thus the cost issue really should be one of ensuring that maximum customer—i.e., citizen—value is produced for each dollar spent. If the above guidelines are effectively applied to government reorganization, customer value will increase significantly, and the ratio of value produced to dollars spent will also increase. Both the absolute and relative amount of dollars required will decrease, and that is true cost reduction.

Now, I would like to address explicitly the questions posed in the letter inviting me to testify.

First, the "opportunities . . . to reduce costs and improve services through consolidation, streamlining, privatization, better use of information technology, or other means" have been addressed by me through the list of guidelines in this testimony. Regrettably, I have stated these guidelines in very general terms, but that is all I can do, given the complexity of the reorganization problem and the extremely short time given to me to prepare this testimony.

Second, I am not aware of any unique "lessons . . . we learned in Alaska that the Federal Government should follow" relative to general government reorganization. However, the failure of the Federal Government to focus on "being close to the customer" is dramatically demonstrated over and over again by many frustrating experiences Alaskans have had in dealing with that government.

Third, should a "blue ribbon" commission be created to do the reorganization job? Any reorganization has both policy and technical issues to be considered. Commissions producing reports for "up-or-down" votes may be an effective way to reach closure in government at the highest level, but they are less than an effective way to deal with technical issues. Again, to bring up a corporate analogy: Would any corporation that had hired a consulting firm (analogous to the "commission") then have its executives make an "up-or-down" decision to adopt the report as a whole? I think not! The executives would pick and choose among the recommendations, implementing some directly, modifying others, and rejecting some totally.

The reorganization problem is also vastly more complex than deciding which bases to close, which reduced to its basics is a series of yes/no decisions. Reorganization is a design problem, not simply a set of yes/no choices. Thus a restructuring commission can only be effective if it is backed by a strong support structure of staff and consultants, capable of doing technical organizational structure analysis.

With respect to policy issues, I would like to respectfully point out that we elected the Members of the House and the Senate to do just that: make policy and appropriate funds to carry out the policy. For example, the issue of whether there should be a cabinet-level department of education is policy issue, and should be debatable on its own merits, rather than being part of a larger take-it-or-leave-it proposal. I am also bothered that the commission proposal requires the plan to "include no more than 10 departments . . ." What makes 10 the magic number? Here, we seem to have an answer before we have investigated the question.

In summary, on the issue of the commission, such a commission may be a good idea if it acts as sort of a grand consultant to the President and Congress, but it must be backed by an effective technical staff I am bothered by the up/down aspect. And, I believe that some of the biggest policy issues (e.g., should there be a department of education) should be decided by Congress before the commission starts its work, and thus be an input to the commission rather than an output from the commission.

Fourth, with respect to the other materials sent to me for review, in general there is not enough information included to make any rational analysis. For example, the three alternative organizational charts are just three sets of boxes. No arguments for or against the three alternatives are included for review. One or two comments, however, are possible. For example, in the Heritage Foundation Proposal, agriculture ceases to be a cabinet-level department and becomes an "independent agency" apparently reporting through some more indirect means to the President. It is hard to see what is gained. Does this bring it closer to the customer? Does this flatten the organizational structure? Actually, it seems to add one more layer. Another curiosity is that under the Ash Council Proposal American Indians are apparently a natural resource!

Similarly, the GAO report "Budget Function Classification" tells me very little. That their overlapping or split responsibilities is certainly true, but how bad it is and what should be done about this cannot be analyzed without first starting with broad public policy goals and individual agency missions. That kind of information was not provided to me.

Again, I want to thank the Senate Committee on Governmental Affairs for the invitation to testify.

Chairman STEVENS. Thank you.

Ms. Sokolov.

**TESTIMONY OF BARBARA J. SOKOLOV, DIRECTOR, ANCHORAGE CONSORTIUM LIBRARY, UNIVERSITY OF ALASKA, ANCHORAGE, ALASKA**

Ms. SOKOLOV. I thank you for the opportunity to testify. I'm not going to give you advice on what I think should be considered in restructuring the government, but rather to talk about an example of the restructuring that's going on right now within the Alaska library.

My name is Barbara Sokolov, director of the consortium library at the University of Alaska. Sort of a little history. Early this spring several librarians from the Department of Interior libraries realized they were not only faced with additional downsizing, there was a possibility of closure of their libraries, and their concern for

the reliability of information that was available to the Department of Interior agencies in fulfilling their missions, as well as concern for the rest of Alaskan libraries, and the rest of Alaska citizens, led them to propose what I'm going to describe for you.

Let me digress for a minute. This is more for the record than for you, Senator Stevens, I think you know this. Alaska is library poor. Several years ago a customer told the Alaskan librarians, if you took all the books and libraries and combined them in one building you would not have a medium-sized research library, that's all the books and libraries in the entire State.

Because of this Alaska libraries have a long and unique history of close collaboration and types of libraries, special, libraries, public libraries. And in addition they have a formal program called collection development that was established over 10 years ago in which they looked at each library and what their mission was, who they were serving, and made an agreement among the libraries that the libraries that had a distinct mission would collect a superb collection in that area and rely on the other libraries for the peripheral materials, they share across library bounds completely.

What that means is the university and public libraries in Anchorage and in Alaska have deliberately avoided expensive, highly specialized materials on natural resource management. In practice what this means is if a public library patron goes into the Anchorage municipal library, Loussac Library, and asks for materials on Arctic marine mammals, and it's clear they want some specialized materials, they are sent to the Alaska Resources Library, the Bureau of Land Management library or the materials acquired from Fish and Wildlife or Fish and Game.

The second fact which is obvious to all of us in this room, is Alaska's economic well-being is very tightly bound with its natural and cultural resources; oil, mining, fishing, tourism. Name it, it's related to natural resources or cultural resources.

Wise resource management is a primary concern to every Alaskan, and effective access to information relating to resource management is critical to governments, Federal, State, local, private industry, special interest groups and all Alaska citizens. With this in mind you can understand why the closure of the natural resources libraries of the Department of Interior would be a devastating loss to all Alaskans.

In addition to just having expensive and very superb collections, they have very strong holds in what's called grey literature in the library world. These are materials that are agency-produced and distributed in very limited numbers. You do not usually find these much outside of the immediate agency or relevant agencies. These are specific to the mission of the agency, and because these agencies are natural resources agencies in Alaska, they tend to be very important to the management of Alaska resources. So closure of these libraries would mean a major loss of material for Alaskans and they have no alternative.

In discussing these potential closures and downsizing with other Alaskan libraries, the idea of a coalition library came up. They discovered that State natural resources libraries and other libraries, university institute libraries were facing similar problems of

downsizing, and by collaborating and forming a single library they began to explore the possibility of what this would mean.

They approached the Alaska Cooperative Planning Group, which is the managers of the various Department of Interior agencies in Alaska chaired by Deborah Williams, special assistant to the Secretary of Interior for Alaska. This group approved them exploring the concept and gave approval for them to seek what's known as reinvention laboratory status within the Department of Interior. They got the status from the Secretary of Interior, and as part of that received training this last December from a group from Washington, and this was funded by Minerals Management Service and the Bureau of Land Management.

The training identified what we needed to do in terms of coming up with a design for a reinvented government service. They described the practices that had been established through the Department of Interior that would support this sort of change. They provided us with the management tools, and since the training they have continued with support and advice from Washington and from within Alaska.

As a non-Federal employee, I wanted to thank the Department of Interior and the two agencies, MMS and the BLM, for having asked me to take part in this training, it was excellent.

Involved in this training are State, Federal and other libraries. Let me give you a list of them. Department of Interior libraries from MMS, Bureau of Land Management. National Park Service is a heavy user and supporter of the Alaska resources library, and they are a member of the team as a library user. Fish and Wildlife Service, the Alaska Department of Fish and Game, the Exxon Oil Spill Trustees Council. The University of Alaska Anchorage's Environment and Natural Resources Institute, my own consortium library. And we also have a member on the team from the Anchorage municipal library to make certain that we do not in any way disenfranchise the general public, although the Anchorage municipal library is not expected to be a part of the coalition.

Told you how we got there, let me explain our vision. We expect to have a single library that will be continuing services to their agencies and to their publics, continue to be responsive to the agencies as the agencies' mission change. We will reduce cost by sharing costs more equitably among the user. We will be open for the public. We will allow participation of other libraries who want to join our group. We expect costs savings through centralization, cost savings in space, efficiencies among the staff. We will be eliminating duplications of functions and materials of those I have explained with our collection development program. That will probably not be as large a savings as other libraries in other places, and we expect to get some cost recovery. Most of the libraries do not charge for such things as photocopying.

In addition, because the university is participating, we have a mechanism for providing for-fee services for people who have not at this point received the kind of services that agency staff gets, private consultants can have—for a fee have some of these specialized services that the agency staff are now getting. We can go after grants and contracts with the university as a mechanism for ac-

cepting corporate and individual gifts. In essence we will have one-stop shopping for natural resources information.

The ultimate benefits will come when the library is co-located with the consortium library located on the university campus. The benefit to the users will be immediate. The library will be open weekends, not just normal working hours. There will be additional costs savings because of the proximity to the staff of the consortium library, we can take care of the collection maintenance and the routine tasks much less expensively, reduce space cost and we will be able to make use of the plentiful supply of student workers to do the more menial tasks, shelving and reshelving, etc.

This example, our reinvention laboratory, which we call the Alaska natural resources library group, might become a model for other libraries throughout the U.S., other groups of libraries, State and Federal libraries with similar missions, and it may well work for other similar service functions that cross cover many types.

Our history of collaboration and poverty, in fact, make us ideal to take the lead in this. We've encountered some problems, and these are the only suggestions I have for the Committee. A Department of Interior Solicitor has been helping us identify legal problems, we've got to do this legally. There are problems with the Federal Government in providing for-fee services, lapsing and revolving government funds, and something called FACA (ph) which relates to non-Federal advisory groups, which we are very careful not to exceed. But these particular laws seem to have been passed in the days of big government, and they are certainly a hindrance for this sort of collaborative work we're doing between types and levels of government and I think it would be appropriate for this Committee to look at these very carefully for the possible modification or repeal.

I thank you for the opportunity to describe what I find as a very exciting initiative and I hope you're successful.

[The prepared statement of Ms. Sokolov follows:]

#### PREPARED STATEMENT OF BARBARA J. SOKOLOV

Senator Stevens, and Members of the Senate Committee on Governmental Affairs: My name is Barbara Sokolov and I am the Director of the Consortium Library which serves the students of both the University of Alaska Anchorage and Alaska Pacific University. Thank you for the opportunity to testify before your Committee, as you consider restructuring the Federal Government. My part today is not to advise you on how that might be done, but, instead, to give my perspective of an example of restructuring that Alaska librarians are currently involved in.

First, a little history. In the late spring of 1995, librarians from several U.S. Department of the Interior agencies located in Anchorage realized that in the current budget climate, their libraries would be facing additional downsizing and in some cases possible closure in the next fiscal year. These Federal librarians were already concerned about the quality of information services their agency staffs were currently receiving, because library staffing had been cut to levels where deterioration of services could not be avoided. Now the complete loss of effective access to information for their agencies' personnel was a very real prospect.

I should digress here for some important background information about Alaska. Alaska is library poor. By this I mean that all the books in all the libraries in Alaska, combined, do not equate to a medium-sized research library in the "lower 48." To compensate for this lack of resources, in addition to using worldwide networks, Alaska librarians have a long tradition of close collaboration. A State-wide collection development program has been in practice for over a decade. Through it libraries have agreed to be responsible for collecting (and sharing) materials in their subject areas, while they can depend upon other libraries for collecting in other areas of less direct concern to their users. For example: Alaska libraries (and especially those in

Anchorage) rely on the several natural resource agency libraries to collect materials dealing with the management of Alaska's cultural and natural resources. In practice, this means that when a public library patron needs some highly specialized materials on Arctic marine mammals, he or she is referred to the Alaska Resources Library, or else the material is borrowed for them from one of the other natural resource libraries. The public and university libraries have not collected heavily in cultural and natural resources management, but instead have concentrated their limited resources in other areas. Further, much of the material in each of these special libraries is "grey literature," that is, material specific to the mission of the agency and produced in such limited numbers that it is unlikely to be found in libraries in other locations. Alaska's economic well-being is so tightly bound to the utilization of its natural and cultural resources (e.g., oil, mining, fishing, tourism) that wise resource management is of primary concern to all informed Alaskans. Effective access to this information is critical not only to the Federal resource management agencies, but also to State and local governments, private industry, and any Alaskans concerned about the State's resources.

With this background, perhaps you can understand how devastating closing any of these Federal libraries would be to Alaskans. In essence it would mean the loss of a significant part of Alaska's library resources. In several informal discussions among Anchorage librarians, it became clear that other natural and cultural resources libraries (e.g., those of State agencies and university institutes) were facing similar threats, and the concept of a coalition library began to take shape. By centralizing the resources (both print and electronic) and the staff expertise, cost-savings could be realized. Duplicate subscriptions and materials could be eliminated, support-staff costs could be shared, and the prospect of one-stop shopping for all resources management information was an added bonus. Library expenses could be more equitably shared among the entire body of users by instituting cost-recovery fees for copying, etc.; by providing for-fee specialized services to non-agency staff (services which were not currently available to these users); by instituting per service fees for the staff of agencies that had previously used, but not contributed to supporting the libraries; and by being in a position to accept gifts and donations.

The concept of a coalition of natural resources libraries was submitted to the Alaska Cooperative Planning Group (ACPG), along with a request for permission to apply for Department of the Interior Reinvention Laboratory Status. The ACPG is chaired by Deborah Williams, Special Assistant to the Secretary of the Interior for Alaska, and includes the managers of Department of the Interior agencies in Alaska. With the approval of the ACPG, Reinvention Laboratory status was applied for, and received.

The first step in the Department of the Interior's Reinvention Laboratory process is a training workshop. I would like to insert here how appreciative I am to the Department of the Interior for the Reinvention Laboratory training which was funded by the Department of the Interior's Bureau of Land Management and Minerals Management Service. It was excellent; it identified what needed to be considered in a reinvention design proposal, described the established procedure for developing the design, and provided us with the management tools necessary to undertake the process. Librarians and library users taking part in the training in December 1995, and committed to working on the initial design of the coalition include:

U.S. Department of the Interior:

- Bureau of Land Management, Alaska Resources Library
- National Park Service (Alaska Resources Library funder)
- Minerals Management Service Library
- Fish and Wildlife Service Library
- Alaska Department of Fish and Game
- Habitat Division Library
- Exxon Valdez Oil Spill Trustees Council
- Oil Spill Public Information Center
- University of Alaska Anchorage
- Environment and Natural Resources Institute, Arctic Environmental Information and Data Center
- Consortium Library
- Anchorage Municipal Libraries
- Z.J. Loussac Library (participating as a partner in the planning, but not expected to be a member of the coalition)

Having explained how we got where we are, let me describe our vision:

We are calling the coalition the Alaska Natural Resources Library Group (ANRLG). It will continue to be responsive to the information needs of funding agencies, as they downsize and refocus their missions. The organizational framework will

allow for other resource libraries to participate in the future. Cost-savings brought about by centralization, along with the contribution of revenues generated by fees for special services, will more equitably spread the expenses among those directly benefiting. University participation provides a mechanism to accept gifts and permits the seeking of grants and contracts and a structure for fee-based services. It will provide previously unavailable specialized services (on a for-fee basis) to private industry and special interest groups. And it will maintain access to the highly specialized resources of the several collections for all users. If we maintain close ties with the funding agencies, the information being generated within the agencies could be captured as it was released. Funding agencies would benefit from the continuing leadership by the librarians in identifying and evaluating new sources of information using new technologies. Librarians have been providing access to information resources for centuries; the new electronic technology only changes the media, not the need to identify, evaluate, and organize for better access.

The ultimate benefits would come with co-location of ANRLG with the Consortium Library on the university campus. Only then will all the possible savings and benefits be realized. The collection would be accessible evenings and weekends (i.e., all the hours the academic library is open), not just during the normal working day. Proximity will bring increased savings in the back-room operational functions, such as ordering books, creating electronic holding records, and preparing the item for the shelves, as well as in the functions of circulation, interlibrary loan, and the never-ending tasks of shelving. With the special resources librarians on duty during the normal working day, with the library open evenings and weekends, and with the maintenance functions performed by university paraprofessional staff and student workers, effective and efficient services will be available at the least possible cost.

One of the questions posed in my letter of invitation referred to lessons that have been learned in Alaska. I believe that the Alaska Natural Resources Library Group could be a model for other groups of libraries, and perhaps for coalitions of other types of service institutions. Because of Alaska's unique library situation, we are perhaps more ready to take the lead in developing a plan to combine Federal, State, and university libraries.

We are, however, struggling with the problems inherent in developing such a coalition while complying with Federal statutes. A solicitor from the Department of the Interior is working closely with us to identify legal issues and to help us do what must be done, legally. She has identified problems related to such concepts as for-fee services; revolving and lapsing funds; coalitions and advisory bodies involving non-Federal entities; and ownership of the collections; among others. We intend to develop acceptable (and legal) funding mechanisms, a governance structure, and business and operational plans, though we may have to turn to Congress for legislative authority. If we are successful, we will have preserved access to a mass of critical information for all Alaskans. We may also have developed a workable model that is useful for other such coalitions.

Chairman STEVENS. I see Dr. Gorsuch is here. Good morning.

#### **TESTIMONY OF LEE GORSUCH, CHANCELLOR, UNIVERSITY OF ALASKA, ANCHORAGE, ALASKA**

Mr. GORSUCH. Good morning. It's always good to see you back in your home State, Senator. Delighted to have the opportunity to share my remarks with you and the other Members of the Senate Committee on Governmental Affairs.

For the record, I am Lee Gorsuch serving as the chancellor of the University of Alaska, Anchorage. I'd like to bring to this conversation two recent experiences and two sets of observations that I think are germane to the question about the structure and functioning of the Federal Government.

The first is my recent experience serving on the State Alaska long-term financial planning commission. As you know, Senator, the State of Alaska faces some very significant financial challenges as a result of declining production at Prudhoe Bay and the revenues the State receives from that field.

This precipitates a very significant challenge to the State to basically chart out a course as to how it's going to compensate for declining oil production. The commission's purpose was to take the long view, and notwithstanding, I think, a significant progress the legislature and past governors have made in trying to address this question.

I think there was wisdom in pulling together a bipartisan group with representation of the public as well as from the legislature and from the governor's office itself to sit down and try to take a long view of what would be the State's long-term interest.

We have an opportunity to not only look at the long view, but take a comprehensive sweep of all State programs, all sources of State revenues, and I personally feel that this same kind of long-term, comprehensive review would be constructive for the Federal Government just as it has been for the State Government.

We elected not to go to the form of the Base Closure Commission for some of the same reasons that Professor Geistauts had indicated; it was far too comprehensive, it would be far too pretentious to get into the specific questions about the allocations of particular resources, but nonetheless it was important to basically frame the terms of what I think is now going to be an Alaska debate on the question of how we are going to meet our long-term financial obligations to the citizens of Alaska.

So I think in the same way a commission looking at the structure of the Federal Government could help frame the question about the appropriate mission and function of the Federal Government in light of the challenges that we confront.

My second experience is a current one, and that is going through the process of reorganizing the University of Alaska Anchorage campus, and here our motivations are two-fold. One is simply to reduce our administrative overhead and to try to ensure that a maximum amount of resources are put back into the classroom and instruction and research, and the advancement of knowledge. And the second is to organize ourselves to reflect the mission of the university and how we can most effectively advance that mission.

This is an active debate, it's not a foregone conclusion, but I think in many ways people are looking to the Federal Government in that same sense, what is the fundamental mission of the Federal Government and how does it organize itself as a way of advancing that mission.

I did find it instructive in looking at the ASHE Commission Report and Mr. Panetta's proposal. For example, I found a great deal of similarity in those proposals, and some of those similarities framed around what I think were de facto projections of what the fundamental role of the Federal Government is.

Both proposals clearly provided for Department of Defense. Both clearly provided for Department of Justice and the protection of civil liberties. Both of them provided for the Department of State and the conduct of the international affairs. And interestingly both of them also provided for a combination of what in previous administrations have been health, education and welfare, in others have combined these with Departments of Labor.

But what we're seeing increasingly is the challenges to use all of the American people as a human resource, and increasing this

means life-long learning, learning that begins at the conception of life and doesn't terminate until the conclusion of life. And this involves not only the Department of Labor, the schools of education, the higher education, but I think makes a great deal of sense to approach the question of maximizing our human resources in the United States of America by consolidating all these functions into a single department.

So I think a Department of Human Resources development has a lot of potential merit and clearly identifies for us the challenges that we confront in terms of making full use of all of the American people creative talents and abilities.

A fifth area that also interestingly enough seems to have a lot of parallels was in the recommendations for consolidated Department of Natural Resources. In some instances they left out and maintained a separate Department of Agriculture. I personally see no logical reason why agriculture would be isolated from the other natural resources of the Nation.

I would suggest that we even go a little bit further and recognize what I think is one of the important realities, that old presumptions we had, that air and water were free goods, now has come into serious challenge, and we're looking at water allocation propositions throughout different parts of the country. We're looking at ways in which we can allocate air emission, trying to achieve air emission standards through allocations of certain pollutant emissions.

So another argument to be made is that the environment should be regarded as much a part of our natural resources as are our historically and traditionally thought of resources in terms of our fisheries, our forestries, our mines, our petroleum reserves and things of that sort.

So I think a creative tension might exist by thinking about the Department of Natural Resources that included not only Agriculture and Interior and parts of NOAA, but also potentially some of our Department of the Environment.

And lastly was the issue about the formation of a, I believe it was called an economic policy or development. And here again it was the integration of the Departments of Treasury, the Department of Commerce, but I think there was a very strong case to be made that increasingly the globalization of the economy requires an integration of our domestic policy to be consistent with the interactions that take place on the international front. And I think there is a lot to be said for that as well.

And lastly was the idea where one might place programs in the Department of Transportation, Housing and Urban Development and others. I think that's an open question that could constructively be debated from several different points of view.

The two different perspectives I bring to this question of the pros and cons of looking at a governmental reform commission would be framed, one, around the current experiences of the government over the last several years, and the second, what I regard to be important international realities that form the context for exercising the mission of the Federal Government.

On the current activities—I would like to actually take this opportunity to applaud you, Senator, and your colleagues and the ad-

ministration for what, I think, is largely an unrecognized accomplishment by the larger public, that the rapid escalation of the national debt has been brought to a halt, and in fact we are now beginning to make some significant inroads into that debt, the service of which is commanding an increasing share of our national budget. I don't think the public really appreciates the enormous effort that the Congress has exercised in bringing that escalating national debt to a halt, and in fact, we're now beginning to work the debt down. And it has significant long-term benefits for the health of the country.

And second, I don't think the public fully appreciates the reform efforts that are taking place, sometimes contentiously, but often times in cooperation between the Congress and the administration as it relates to significant governmental reforms and trying to make government more business like in how it conducts its business.

These are characterized by concentrating more on the results rather than on the process. This gets back to Professor Geistauts comment about overly elaborate procedure manuals and regulations when, in fact, the policy issue has to do with the desired results, not so much the means by which you tried to accomplish those.

I'm very heartened by the potential capacities to develop block grants to States in the delivery of welfare services and Medicaid services. I do think there is some significant opportunities with this additional flexibility that will be provided to States that have on the beneficiaries of those services.

And I for one would like to see the Congress and the administration take a similar approach as it comes to the infrastructure requirements of States, and that is rather than simply looking at highway funds as one source of funding and air funds as another, and perhaps a maritime assistance as a third category, is to really look at the block granting some of our intermodal transportation funds as well, much as now what we're trying to do with welfare and Medicaid.

I know you fought long and hard and tried to protect some of the anomalies of Alaska through things like our essential air services. Well, those obviously need to be provided as caveats to some of this consolidation and block grant processes, but I think you've demonstrated, and we have ample illustrations of this capacity to make those accommodations and other pieces of legislation that does not negate essentially the promising prospects of doing intermodal transportation grants to States and particularly a State like Alaska, where we rely so heavily on air services and marine services, as well our road system.

So I think some of these innovations that have been taking place over the recent years really ought to be applauded and expanded as an illustration of how to go about doing things differently.

Along that same line, and just to reinforce how Alaska has such a unique relationship with the Federal Government, and I know this is a cause that you have to champion continuously, that is simply the recognition that over half of the entire U.S. coastline is in Alaska waters, half of most of the national parks, forests, wild and scenic rivers and refuges are all in the State of Alaska.

If anything, this argues for a genuine partnership in how we manage these natural resources. I'm not talking simply about fish and game, I'm talking about the entire resource, whether it's in the national parks or whether it's in the wild and scenic river areas or whether it's in the refuges.

I think a much more comprehensive strategy towards the management of these resources can overcome the jurisdictional problems we have had of who owns what, and to try to hold out the larger interest of how we can wisely manage our environment and our wildlife and our natural resources in a manner that's consistent with good trusteeship.

I happen to think that if we were able to create a Department of Natural Resources, this would afford an opportunity for the State of Alaska to come back and suggest a full-blown partnership with the Federal Government about how we can break some of this gridlock and the conflicts between the environmental conservation and the economic development and do it in a wise and prudent manner.

Right now I think we have so many bureaucratic obstacles in terms of statute, regulation, as well as bureaucracies and some of the self interests that are interlocking, it makes it very difficult to even envision how we might go about doing this. But I think some of the foresight that went into the partnership on the management of our fish and wildlife, which unfortunately at this point is still in somewhat of a jeopardy, is a good illustration of how we could take that example and apply it much more broadly to the entire envelope of our natural resources than simply restricting only to fish and game.

You know, I'm excited about the prospects Ms. Sokolov elaborated on in terms of a library as a way of trying to do some innovative practices that not only lower the administrative costs, increase the accessibility to the libraries, but I'm very much excited about the prospects of digitizing this information and making it available worldwide, and I think there are some significant opportunities for Alaska and for the university to be a full partner.

In this issue of our natural resources, clearly one of the major roadblocks has been the kinds of lawsuits that are regulatory in nature. We've had enough experiences with conflict resolution, negotiations prior to rulemaking to suggest that there are ways to get around this gridlock, but it takes some new ways of thinking and some new pyridines and some new partnerships, and I think here in Alaska we're now seeing the emergence of some of these partnership concepts that are very promising where the State Government and the petroleum industry are sitting down and trying to think out together how they could cooperatively advance their mutual interest into a win-win strategy.

There is no reason at all that this can't include the Federal Government as well as the State Government, but right now we don't have the cognizant official who has the authority to sit down and have that conversation. If we did I think we could see some very exciting developments taking place here in Alaska.

And finally, just to reiterate my sense that the reorganization I think is also, to some extent, compelled by some fairly significant

international trends that force a reality for our country as well as other countries.

The first is clearly the globalization of the world economy. This is not something that we can stand in isolation of, we're very much a part of it, and our policies need to be reflective of it. I think we want to continue to advance the idea of free markets, but at the same time it's been quite clear to many people who are involved in international trade, that we do not have parity in terms of the terms of trade with some of our trading partners, and I think the Federal Government has a responsibility to insist upon some degree of a quid pro quo. As we open up our markets, we expect our trading partners' markets to also be opened.

The second major emphasis I think would be well advised to highlight has to do with the importance of increasing American savings and investment. There is nothing more fundamental to our long-term economic growth than reinvesting in new technologies, and currently I think our economic policies tend to discourage savings and investment rather than encourage it. I think having a commission look at that fundamental question, how the government structure and processes can try to encourage more American investment and savings would be to our long-term benefits.

A third trend that I think is extremely important has to do with the role of research and development. We tend to take for granted some of the significant break-throughs in technology and science that's taken place largely on the shores of the United States of America, which have been readily exported to other countries, often time illegally.

I think the only way that the United States of America is going to be able to compete globally is certainly not on the basis of wages we pay our workers, but in terms of our capacity to use technologies as a friend of productivity. So continuing to emphasize the importance of research and development as a part of making America more competitive I think is a fundamental issue for the country, and is one that ought to be embraced with some kind of organizational structure and profile and recognition that it aptly deserved.

I already mentioned air and water as no longer a free good, but simply another part of our natural resources, and it needs to be managed, including the tradeoffs that are associated with compromising the qualities but at the same time recognizing the tradeoffs that are associated with our economic development, and I think we need to put those in a relationship to one another and not view them as independent questions.

And lastly I'd be remiss as a chancellor of the university and a strong advocate of higher education if I didn't sort of conclude my remarks with a plea that the American people are far and away our most important resource, and increasingly we're recognizing that the work force has to be retrained, the industry is changing so rapidly that people will have four and five careers during their lifetime. Some of our most significant developments in terms of our intellectual capacities occur during the earliest years of life, not in the mid years of life. We have to think much more comprehensively about how we nurture and develop the intellectual capacity, the competence and understanding of our America people if we're going to be successful in the long run of maintaining our leadership in

the world, our advocacy for free markets in the world, and our belief in personal liberty and any advancement of democracy around the world.

The foundation of democracy lies to the heart of the American people, and I believe the Federal Government would be remiss if we didn't have that as a significant dimension of our organizational structure in the Federal Government, as well as the commitment of natural resources to ensure that we're doing everything we can to realize the human potential of the American people.

Senator I appreciate the opportunity to share my remarks with you, and I too would be more than happy to answer any questions you might have.

Chairman STEVENS. Thank you very much.

This hearing wouldn't be much different if we had it in Washington. I conduct hearings as a single Senator more often than not, it's unfortunately part of our system that's developed.

But Dr. Selkregg, your comment about a new vision for America, we looked at this concept of reorganization from the point of view, should we create departments, should we just decide how many there should be and pick names and then get a commission to tell us which functions go in effect in those boxes, or should we look at the functions and decide which are the most important with which we need or went into the Federal mandate, and tell the commission to determine how to organize the government to achieve those functions. Which would you say is right?

Ms. SELKREGG. Well, part of my training is in design, and I was taught early on that form follows function, it's just a bottom line. That if you want to build something, you have to know what it is that you want. Actually I was thinking today this is a little bit like remodeling, and you can have a perfectly nice home that doesn't meet your needs, and you think I want to change the home, so there is options about how you go about it.

You can say, I don't know exactly what it is I want to do, so first I'm going to take it all apart and see what I've got and then proceed from there. Or you can say, what is it that I want, and what do I have that's working for me now, and what do I want to keep and what do I want to take out. And you might find that in the existing structure there is some trusses that actually work in terms of what you want. So the fundamental question, I think, is what is it we want, and it's the same question, I think, that each of us have addressed, and it is what is the vision.

And I think leadership right now is really needed. I mean as a citizen I'm not sure, I turn to leaders to help articulate that. And so I think definitely form follows function. You first have to figure out what it is we want as a country, and then we get to do the restructuring.

In the meantime there is lots of honing and tuning, improving that can go on. It's not like we have to stop. There are ways, there are obvious things that have been addressed here today that can be corrected as we move, but I think the greater issue is where is it that we're going.

Chairman STEVENS. I understand, and I've listened to you Dr. Geistauts. Those are good questions, but we have to face it from the point of view, what does the constitution give us the right to

do to start with. And many of us think that the Federal Government has gone beyond the original concept of the constitution. Would you ask the question as part—do we need to change the constitution in order to prepare for the 21 century?

Mr. GEISTAUTS. Senator, I'm an immigrant to this country, enormously grateful to be here, been here almost 45 years, I have read the constitution a number of times. I am grossly opposed to changing the constitution. I think it has served us extremely well. I don't think any of the points I raise are constitutional issues.

For example, to the extent that you privatize some of the delivery of government services, not the policy, I don't see that as a constitutional issue. Should there, for example, be a department of education or not at the Federal level, I don't see that as a constitutional level. We lived for a long time without one, we now have one, to me that's a policy issue.

Should we redesign the functioning of some bureau or department or delivery process to utilize modern computer technology, not just in a mundane way but in the most creative ways, I don't see that as a constitutional issue. Should government be closer to the customer and more willing to look at the differences between customers as delivery services, I don't see that as a constitutional issue. I don't think we're facing constitutional issues here.

Let me suggest one way to think about it. Suppose we took ten points or ten units and we could allocate these between first government versus private sector responsibility, so we might ask to what extent, if we have ten points to allocate, would we allocate in education, points to the government versus private sector.

Right now, by and large, the primary education, K through 12, is essentially a public sector responsibility. There are, however, some private schools. Perhaps we should have more private schools. Maybe instead of being 9.5 points government, .5 points private sector, maybe it would be better and more competitive and stimulating if we had six points government at this time and four points private sector.

The second way to take that same ten points is to look at the allocation of government's role once you define what should be between Federal and State and local. Let's take environmental protection. To what extent, if we're going to allocate ten points of responsibility for environmental responsibility, would we like to have five points in the Federal, three at the State level, two at the local level or some other mix? If you were to take a scale like this, whether it's ten points or a hundred points or a hundred percent, it gives you some kind of systematic way to look at the relative roles of government in various areas.

Now if you need to cut the absolute size of government and you can't do it through efficiency, then you look at those areas where you say the Federal role has found to be only one or two points, then you say what would be lost if we move that to zero points and transferred it totally to say the State or local levels. I hope I responded to your question.

Chairman STEVENS. It does. I really think one of the problems that we have, and as you were talking, each of you were speaking, I was going back to some of my own experiences. I remember my first senior partner E.B. Collins from Fairbanks, he was the first

speaker of the house of the territory of Alaska, and he told me once when he was in his 80's to always keep in mind that there were no consultants and no staff. And they wrote some of the most beautiful laws you've ever seen, most of them were miners, most of them had no formal education. I just wonder whether the leadership function that you talk about is fostered by a citizens commission to propose this reorganization, or whether that, too, is pushing off into sort of another area, a responsibility that we may have. What do you think about that?

Mr. GEISTAUTS. I think you have policy responsibility. In my written statement I have a sentence here: With respect to policy issues, I would like to respectfully point out that we elected the Members of the House and Senate to do just that, make policy and appropriate funds to carry out the policy.

And I think you perhaps in spirit would be giving up your constitutional responsibility if you said the overall broadest sense of organization of the Federal Government is no longer going to be something that Congress and the Executive Branch decide on, we're going to take the commission's report, yes or no. But once you drop out of the broad policy issues into the technical issues, I think they are a commission which acts like a super consultant without an ax to grind of its own, so it isn't one from Agriculture and two from Justice and three from Defense, might be very, very useful, and it in turn should draw on why a set of inputs from consulting firms, from citizens, from other government employees, from universities and so on as much input as possible. You cannot vote a technical truth but you can vote a policy.

Chairman STEVENS. Some of our colleagues say right now, just do it, eliminate Commerce, eliminate Housing and Urban Development, eliminate DOE, eliminate Department of Education and the functions within those departments that are absolutely essential to the Federal Government, put them in other agencies, but block grant all of those funds to the States, just do it now.

Mr. GEISTAUTS. Are they doing it on the basis of analysis or are they doing it on the basis of politics? I guess as professors we argue that analysis should be a major input, but the ultimate policy decision is still years.

Chairman STEVENS. Dr. Selkregg.

Ms. SELKREGG. Something comes to mind, very local. We've had a lot of struggle in terms of the school bonds and paying school taxes here, and actually I think we've accomplished reducing the cost of what we pay for schools.

But it's interesting, my son is in 8th grade, he has 38 kids in each of his classrooms. So at one level we're meeting the need of reducing what we're paying for schools, at another level I wonder about the level of education that we're getting. So I think there has always got to be a connection to the outcome and is the outcome of just doing it what we want. I mean what's the goal again, comes back to that original question.

Chairman STEVENS. And you say debate, Dr. Gorsuch, you think we ought to have public debate on where we're going?

Mr. GORSUCH. If I could respond to your earlier question. My sense is that watching what's happened with the Federal Government over the past 30 years, we now have a White House that al-

most replicates the structure of the different departments and agencies, so you have White House advisors for not only domestic policy, but within domestic policy the different kind of divisions. So you wind up with almost another cabinet inside the White House. And then you go over to the Hill and you find a proliferation of Congressional committees that are not trying to keep track of all these different issues.

So I think from a policy point of view the larger question about who are your principal advisors, if you were the President, and who are your principal conversations with in terms of legislative leadership, congressional leadership, is obstructed by the fact that we have duplications that wind up making that policy discussion more difficult rather than easier.

So I think not to overly dramatize simplification, because a lot of the issues that you deal with I know are extremely complicated and require a lot of careful thought and reflection that takes staff time and what have you, but I think the merits of having senior policy conversations in a direct engagement with the Congress is something that is somewhat slighted now.

We do get a lot of mixed signals that come out of the administrations and cross currents that take place within different Congressional committees, and I think some degree of simplification would be constructive to that kind of dialogue. Whether to do it now or do it later or have some kind of big public debate—I don't think a big public debate is what's called for, but I do think the idea of a commission does have a potential place for this conversation. It gives a degree of impartiality to the process, it brings people who are outside the government to bring their experiences as citizens, as government or civic leaders to the consideration, it participates fully with Members of Congress or the administration so you get all points of view in formulations of general recommendations.

Whether or not those recommendations are adopted I don't think is the issue. I think the issue is, does it properly frame the question squarely in terms of what the challenges are that face the country and identify the role of the—appropriate role of the Federal Government in terms of meeting and advancing those challenges.

So I think rather than a big, open public debate, I think the idea of a commission would be a constructive way in which we look at some of the issues that are invariably associated with the complexity of the issues, and at the same time the compelling requirements to have a macro strategy, if you will, that deals with some of these issues of the life-long learning or the integrated domestic or international policies or the America's infrastructure.

But the segmented way we go about that now is not very constructive, but it's sufficiently complicated that thoughtful consideration would be helpful in having some input from industry and State and local government as well as civic leadership would be a constructive part of the process and would add to its credibility, and I think at least contribute to the public perception that this is not simply a political agenda that's being advanced by one party or interest, I think it would create a sense of bipartisanship and it would also create a sense that it's a larger concern being articu-

lated by the American people, not simply through its elected representatives.

So I think there is something to argue in support of not simply doing it now, but to have some kind of intermediation, if you will, through the use of a thoughtful commission.

I recognize that there are lots of problems with commission structures and who is appointed and how large it is and what time line it has, those are all questions, but I do think that it could make a substantial contribution and diffuse the American cynicism that this is just simply politics, it's not really what's good for the country.

Chairman STEVENS. Our bill requires that there be hearings, at least one in each State. Do you think that's necessary, that is by the commission, is that necessary and is that sufficient? Should it be more than one?

Mr. GORSUCH. I think it's absolutely necessary. As far as the number, one hearing in the State of Alaska is going to be hard. You know this perhaps better than anyone. We're a big State and we're quite diverse in our composition. I think trying to reach out to the State in our case, at least three areas would be important, and I suspect that's true in other areas where you have major metropolitan areas.

Chairman STEVENS. If you do that in every State that's 150 hearings, and you're talking about extending the time frame at least a year. I'm not arguing with you, but I just want you to judge that now, is that a consideration?

Mr. GORSUCH. Well, I suspect it's a consideration in terms of the associated tradeoffs. It doesn't mean, however, that those conversations can't take place simultaneously. You might not have congressional representation at every one of those hearings.

Chairman STEVENS. You won't have any, it would be the commission.

Mr. GORSUCH. Or commission representation.

Chairman STEVENS. Base Closure Commission broke down into groups of three, but there was a lot of complaints about that. I hear you and I appreciate the dialogue.

Mr. GEISTAUTS. Senator, may I make a suggestion. What about the use of the Internet as a formal device to get public input on this issue?

Chairman STEVENS. I tried the Internet in my office for a while, and we were overwhelmed with comments, most of which were irrelevant to what we were trying to look into. I've got to tell you, if you really want to use the Internet for an acquisition of an informed opinion, I think you got to find some way to limit access. It is just—it's weird some of the comments you get out of the Internet, so I don't want to knock it too much.

But from the point of being serious about government, someone has to make a decision. And who is here this morning, I'm going to be criticized because you're here and someone else isn't. You have to make a decision, and you can't do that with the Internet. And I respect your judgment, but I wouldn't rely on the Internet for any acquisition of information, you have to limit access and know who you are talking to and know that they know what they are talking about. I don't want to be disrespectful.

Ms. Sokolov, I'm worried about one of the things you talked about, and that is the loss of the libraries of the agencies that are closing down. Have you had any access yet to getting to the Bureau of Mines library, to getting to some of these libraries and the functions that are leaving us.

Ms. SOKOLOV. My understanding is that the Bureau of Mines library, particularly the one in Juneau, is now attached to the Bureau of Land Management, and it's a public reading room. And I think what we're working at is a way of maintaining these resources most cost effectively in all of them. So the Bureau of Mines library in Juneau is still open.

Chairman STEVENS. I do have a staff person working on that because of the information that came to us about a fear that some of the basic data from the Minerals Management Service Library, as it was being downsized, that we might lose not only a textbook, but we lose basic data that had been acquired about Alaska lands, about the various functions in Alaska, we might lose those, and I would urge you and this person who is working with you on the legal aspects of this, our idea was that we ought to have authority for those to stay with the library of the State or consortium of Federal libraries, and be able to transfer the titles to themselves so it would be accurate.

I spoke with the Library of Congress about that because I believe we ought to be able to keep these libraries in regional areas when they are here, and not have them—they just become surplus, you know what happens, they go back to the Library of Congress and they see if they have duplicates, if they do they put them out in a bin, then other agencies can pick them up. If they don't take them they ship them off—or I don't know what they do with them.

Ms. SOKOLOV. We're keenly aware of closing a Federal library which ends up boxed in a basement.

Chairman STEVENS. I appreciate all of you being willing to have a dialogue with us, and we will give you a copy of the record and look forward to your participating in conversations with the commission when it's created. I think we'll create the commission hopefully this year.

Thank you very much.

Our next witnesses are here now. Judith Brady, executive director of the Alaska Oil and Gas Association; Jim Mills, Support Industry Alliance; Kevin O. Meyers, senior vice president of ARCO; and Bill Allen of VECO.

#### **TESTIMONY OF JUDITH M. BRADY, EXECUTIVE DIRECTOR, ALASKA OIL AND GAS ASSOCIATION**

Ms. BRADY. Senator, I want to thank you for inviting us to participate in this discussion.

I'm Judy Brady, I'm executive director of the Alaska Oil and Gas Association. AOGA has 19 members and they account for the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska.

For the record, I'd also like to point out that because of the short time frame here AOGA does not have a written statement.

This has been real interesting, there has been a lot of discussion about changing the way we look at government and overall some

philosophic debate about how to go about doing that. I think essentially what's been talked about this morning is how to redesign a freeway system, and the companies I represent are just trying to get to work. So our look or how we view it is probably short of term for right now.

There is a couple of interesting things about AOGA. Ten years ago we had in Alaska 36 companies operating, and now we have 19. And of those there is probably eight of them actually active in the State.

After all the years in the 1950's when we started looking for oil again seriously in Alaska, we're only in two areas, and that's Cook Inlet and Prudhoe Bay. And in most of those areas all the land to be leased has been leased at least six times. So we're looking at the same land in the same area, and we're also looking at tremendous changes in technology that allow us to do things in a much more safer way and leave a much smaller footprint.

As we do all of these things in the same areas, and from year to year, at least what you have to do for exploration and for production tends to be pretty much the same except with the advances we've made in technology. The paperwork or Federal permitting, I'll keep it to Federal permitting now, has increased 300 percent, at least 300 percent, and yet we're not operating in new areas, we're operating the same areas where leases and production and exploration have taken place over and over again.

And as a side note to that, probably you heard in Fairbanks, the same is true for almost all of the resource industries in Alaska, mining is concentrated, except for Red Dog, in three areas. Red Dog around Fairbanks we have some mines and Southeast, that's it. It's not like we're spread all over this huge State doing different things in different areas. We have done the same things in the same areas since territorial days essentially.

And timber is the same thing, there is only a couple areas where you're actually cutting trees, and yet the paper work for all these activities in areas with the long history of having those activities continues to increase as if it was the first time any of this activity had ever taken place. And, in fact, every time, from the oil and gas industry's perspective, every time you try for—you go for a permit for exploration or production, it's as if it was the first time. And every time we have a lease sale in this State, whether it's Federal or State because of the interaction between the two, it is if it's the first time. And the amount of paperwork generated with exactly the same information in it is pretty overwhelming and this is at a time in which the Federal agencies, like the companies themselves, are all facing too much work, more work than they can handle, and fear of scarce budgets.

So perhaps for the first time in a long time we have some goals in common, and that is to be able to do our jobs in the most efficient way with the least duplication.

And I was interested that the one example of something that actually worked was the library example where the people had a common goal and they worked together to actually achieve that. That's why you'll here the industry talking partnering over and over again, because we think that that is the way between—among the industry, the State and the Federal Government and municipi-

palities to get things done, to identify common goals and then work on how to get there.

Two of the things—I'm going to give you three examples of recent incidents or continuing incidents, and then I'm going to suggest that one of the things we can do as an industry is actually concentrate on where we could partner better with the Federal Government and where the State and the Federal Government could partner better, to help not only oil and gas industry, but the municipalities as well. And, in fact, all of the clients groups up here in Alaska of the different Federal agencies are working closer and closer together to try to identify actual examples.

In 1995 President Clinton committed to try to do things that would reduce paperwork and reduce monitoring reporting requirements and permits and duplication of regulation. And you start with, what's the goal and what are we trying to accomplish and you say what is it doing that we don't need. That still has not, at least in the instances that we are dealing with on trying to get to work, that still has not translated into—too well into action.

One example I know, Senator, that you're aware of is the VANPDS permit in Cook Inlet, and the draft permit requires 300 percent increase in new monitoring work. Without value added, there is nothing new that we're going to know when that's finished. And one of the problems is although there has been four studies in the last 2 years to see if there has been pollution, all of those studies has shown there hasn't been, and yet the draft permit is going to require about 4 million dollars a year in extra monitoring.

Another example is that the oil spill contingency plans that the companies have to submit, in many areas of the State they have to submit five. One to the State, one to EPA, one to DOT, one to the Coast Guard, one to MMS. That's not a good way to do business. These plans are huge, and each agency asks something a little bit different, and that's one area we think we can all partner together with the State and the Federal agencies and the citizens groups that are helping monitor those plans and agree on a central way, a single way of doing things.

Two short-term things while the Congress is looking at restructuring government that we are looking at, and one is based on a memoranda of understanding, Senator, that you helped put together with the Department of Defense and the EPA and the State on the cleanup of the military lands in Alaska. We are taking a look at the memorandums of understanding that the State and Federal agencies have to see where there are holes and see if we can't update and focus the memorandums of understanding so while we're waiting for the restructuring to take place, we can identify those problems that we could solve through well-done, well-worked out memorandums of understanding.

And the second thing that we are looking at is that perhaps for those industries like the oil and gas where you're only operating in two places and you've been there a very long time and there is a lot of information, that you would use the Joint Pipeline Office example and perhaps set up a single—an agency where all the Federal agencies who have monitoring responsibilities would work together to do the permitting and monitoring in a much more efficient way. It would save them time and they could concentrate on

the things that actually need to be done, and we could meet the legal requirements and at the same time be more efficient. So those are some of the things that we are looking at.

We thank you again for inviting us. We focused our attention—when we sent out the message to the 19 companies saying that this hearing was coming up, we started getting lots of E-mail, Senator. So there is lots of ideas coming through and there is a very great appreciation for the focus. And because most of the companies, in fact every single one of them up here have gone through major restructuring themselves, there is a huge appreciation of what it is you're trying to accomplish. Thank you.

Chairman STEVENS. Thank you very much, appreciate it.

Mr. Mills.

### **TESTIMONY OF JIM MILLS, SUPPORT INDUSTRY ALLIANCE**

Mr. MILLS. Good morning, Senator. Along with Ms. Brady, my subject is going to be permitting, also.

I was asked by the Alliance to speak this morning as customers dealing with various Federal agencies with roles in natural resources. In general, our membership does not directly interface with Federal agencies for permits. Our membership is, however, very interested in this process being streamlined. The increase in time and the cost of permitting oil and gas operations in Alaska has a direct effect on our businesses.

The current permitting process reflects two problems. First, there is a regulatory maze. It continues to grow. When you think it can't get any more difficult to navigate, it does. It requires a large, technical staff for the government and industry. There are also the compliance costs that increase exponentially when you add requirements such as specialized modeling of air emissions or long-term biological monitoring programs. Costs that are not always commiserate with any environmental benefits.

Second, there are the people issues. Philosophical differences, individual personalities and conflicting agendas can affect the working relationship between permittee and regulator. Too often since 1969 in the advent of the National Environmental Policy Act adversarial relationships developed and made the permitting process contentious and slow. It is a gross oversimplification, but in general, regulators have not trusted industry with their profit motive, and industry has not respected regulators, whom they viewed as more interested in protecting specific environmental agendas and imposing punitive stipulations than in seeking legitimate solutions to environmental issues. Over the years, this has hindered productive cooperation and killed or delayed oil and gas projects.

Both the regulatory issues and the people issues, issues of trust and cooperation, should be addressed by this commission as it formulates recommendations aimed at streamlining the permitting process. The oil industry is obviously vital to Alaska, a State that has relied on the development of various natural resources for generations. It is proper that the oil industry and other natural resource industries be regulated, but the regulatory process has become so complicated it is often unreasonably burdensome.

Some historical background gives context to what we face today. The first commercial quantities of oil and gas were discovered on

Kenai Peninsula in 1957, Swanson River oil field. It took 2 years to bring this field into production. There were a number of other small fields discovered over the next decade. The entire development process, delineation, engineering and permitting took about 2 years for each of them. One of the last reservoirs, McArthur River Field, was discovered in 1965, was producing by 1967. A year later, 1968, Prudhoe Bay was discovered. Then came the first of many Federal environmental laws that have shaped both Federal and State permitting today, National Environmental Policy Act.

NEPA was followed by the Marine Mammal Protection Act of 1972, the Coastal Zone Management Act and the Endangered Species Act among others. Finally in June, 1977, 9 years after Prudhoe Bay was discovered, oil began flowing through the Trans-Alaska Pipeline. On the heels of Prudhoe's start-up during the winter of 1977/1978 the Endicott Field was discovered. It came on line almost 10 years later. Lead times required to go from discovery to production have increased five-fold over the last four decades. These are big impacts.

New fields aren't developed every day, but something is wrong when the original Kenai oil fields took only 2 years to permit, and just recently it took an applicant 15 months to permit a one-and-a-half mile road in the north Swanson River area and covered no wetlands and 50 percent of which was on an existing right-of-way. Something is wrong when it takes 15 months to renew a single air permit with no changes that should have been completed in less than 60 days. Something is wrong when five different spill plans covering the same facility have to be submitted to five different agencies for their review and approval.

There is no question that the sheer volume of regulations and the extensive and often duplicative permitting processes are time consuming and increase development costs. There are overlapping jurisdictions, local, State and Federal, they review primarily the same activities.

More often than not the different jurisdictions review permits on different time lines and project changes required by one regulatory entity affect the review by other regulatory entities, especially requested design changes or operating restrictions.

When a project proposal is still fluid, as most are by necessity, changes requested by the permittee can throw regulators and the process for a loop in all the jurisdictions. It is not uncommon for the regulatory review clock to be reset to zero following project changes.

Too often we, either industry or agency, have not approached the permitting process as a win-win situation, especially at the staff level. If a permit was issued, for whatever reason, some regulators felt like losers. When a permit was significantly delayed or not approved as proposed, the permittee felt like a loser. And when a permit was issued after much negotiation and the inclusion of costly stipulations, everybody felt like losers or neutral at best. Historically this last situation has been true for large projects and it's not good. It's like a troubled marriage, both parties must share the blame and be willing to change if they want to improve the relationship.

Industry and agency representatives alike emphasize that attitude, on both sides, is a key factor, but attitude cannot be legislated. When attitude precipitates adversarial relationships and an us versus them battle, it could be a crippling factor in the permit process. Certainly when this happens it's a frustrating experience for all involved. Attitude, when there is respect, cooperation, openness and a common goal can also be incredibly productive. An example of this is the Joint Pipeline Office.

The JPO is worth looking at because it is for the most part an efficient productive group of regulators. The JPO was set up administratively to bring together representatives of the State Department of Natural Resources, the Alaska Department of Fish and Game, Department of Environmental Conservation and the Division of Governmental Coordination with Federal representatives from the Bureau of Land Management and the EPA. Their mission was to bring efficiency to the permitting and compliance requirements for the operation and maintenance of the Trans-Alaska Pipeline. JPO representatives work as a team for the clear goal housed under one roof. Centralization and accessibility facilitates meetings, whether they are planned or impromptu.

Where there are mutual goals people tend to be open about their concerns and their needs. This openness has allowed regulators to better understand operational costs and restrictions, and it allows operators to understand regulatory constraints. A willingness on both sides to be flexible with respect to project timing, project design and construction methods is important. Consideration of operational and cost restrictions is also important. A centralized organization reflecting a team approach to oil and gas development would be beneficial if it worked toward these goals.

Strong management is important in any organization. Employees must understand the overall goals and mission of the organization and where their role fits in. With respect to the State, the Governor may encourage new developments, his commissioners may support him, but if the staff do not they can effectively throw a monkey wrench in the works. At the permitting level, staff can effectively set policy that does not reflect policy at the leadership level. And in government, most staff know that they can outlast their management. Effective leadership requires close ties and constant communication up and down between management and staff.

Technical qualifications are also important. Industry and government both benefit from having strong, technically-qualified regulators. When people know what they are doing, typically they are easier to deal with. When someone regulating industry does not have a good grasp of both the big picture and the specific issues, they are reluctant to make a decision. They will typically focus on one issue they do understand, often distorting its significance and lose the perspective necessary to review the project as a whole.

Recommendations on how to improve the permitting process include the establishment of a single, centrally-located organization with the expertise to administer Federal and State regulatory programs for the oil and gas.

Providing regulators with sufficient training in the operations of the oil and gas industry so that they understand what they are reg-

ulating. They must understand both the big picture and the details that they are responsible for.

Review of regulations, particularly the most contentious ones. Make sure regulations are written clearly and that they can be scientifically justified, and work with industry during this review. Draw on their experience and expertise to know what is or what is not feasible and why.

Promote coordination between agencies to eliminate territorial plan requirements. The same plan should satisfy different agencies.

Given the explosion of regulations over the years, it would be a worthwhile exercise to review them and assess whether or not they meet the intended purpose. They should be examined with an eye for clarity, reasonable time frames for permitting and simplified procedures for compliance. Industry representatives repeatedly state that they are not asking that their projects not be regulated. They want the permitting process to be simplified, the regulatory requirements to be clear and supported by science, and they don't want compliance requirements that are cost prohibitive.

Thank you for the chance to testify, Senator.

[The prepared statement of Mr. Mills follows:]

#### PREPARED STATEMENT OF JIM MILLS

##### PERMITTING OIL AND GAS OPERATIONS IN ALASKA—HOW IT HAS CHANGED, HOW IT COULD BE IMPROVED

PREPARED BY LGL ALASKA RESEARCH ASSOCIATES, INC., ANNE L. BROWN, SENIOR  
ENVIRONMENTAL SCIENTIST

Good Morning. I was asked by The Alliance to speak to you this morning on our members' experiences as a "customer" dealing with the various Federal agencies with roles in natural resources. In general, our membership does not directly interface with Federal agencies for permits. Our membership is, however, very interested in this process being streamlined. The increase in time and the cost of permitting oil and gas operations in Alaska has a direct effect on our businesses.

The current permitting process reflects two problems. First, there is the regulatory maze. It continues to grow. When you think it can't get any more difficult to navigate, it does. It requires a large, technically specialized staff for both the government and industry. There are also the compliance costs that increase exponentially when you add requirements such as specialized modeling of air emissions, or long term biological monitoring programs—costs that are not always commensurate with any environmental benefits.

Second, there are people issues. Philosophical differences, individual personalities, and conflicting agendas can affect the working relationship between permittee and regulator. Too often since 1969 and the advent of the National Environmental Policy Act (NEPA), adversarial relationships have developed and made the permitting process contentious and slow. It is a gross oversimplification, but in general, regulators have not trusted industry with their profit motive, and industry has not respected regulators whom they have viewed as more interested in protecting specific environmental agendas and imposing punitive stipulations than in seeking legitimate solutions to environmental issues. Over the years, this has hindered productive cooperation, and killed or delayed oil and gas projects.

Both the regulatory issues and the people issues, issues of trust and cooperation, should be addressed by this commission as it formulates recommendations aimed at streamlining the permitting process. The oil industry is obviously vital to Alaska, a State that has relied on the development of various natural resources for generations. It is proper that the oil industry, and other natural resource industries, be regulated. But the regulatory process has become so complicated it is often unreasonably burdensome.

Some historical background gives context to what we face today. The first commercial quantities of oil and gas were discovered on the Kenai Peninsula in 1957—the Swanson River oil field. It took only 2 years to bring this field into production. There were a number of other small fields discovered over the next decade. The en-

tire development process—delineation, engineering, and permitting—took about 2 years for each of them. One of the last reservoirs, the McArthur River Field, was discovered in 1965 and was producing by 1967. A year later, 1968, Prudhoe Bay was discovered. Then came the first of many Federal environmental laws that have shaped both Federal and State permitting today, the National Environmental Policy Act of 1969 (NEPA).

NEPA was followed by the Marine Mammal Protection Act of 1972, the Coastal Zone Management Act of 1972, and the Endangered Species Act of 1973, among others. Finally, in June 1977, 9 years after Prudhoe Bay was discovered, oil began flowing through the Trans-Alaska Pipeline. On the heels of Prudhoe's start-up during the winter of 1977-78, the Endicott oil field was discovered. It came on line almost 10 years later, October 1987. Lead times required to go from discovery to production have increased five-fold over the last four decades.

Something is wrong when the original Kenai oil fields took only 2 years to permit and just recently it took an applicant 15 months to permit a 1.5 mile road in the North Swanson River area that covered no wetlands and 50 percent of which was on an existing right-of-way. Something is wrong when it takes 15 months to renew a single air permit (with no changes) that should have been completed in less than 60 days. Something is wrong when five different spill plans covering the same facility have to be submitted to five different agencies for their review and approval.

There is no question that the sheer volume of regulations and the extensive and often duplicative permitting processes are time-consuming and increase development costs. There are overlapping jurisdictions, local, State and Federal, that review primarily the same activities. This limited list of the major Federal environmental acts shows the breadth of the regulatory issues: National Environmental Policy Act (NEPA), Clean Air Act (CAA), Clean Water Act (CWA), Safe Drinking Water Act (SDWA), Resource Conservation and Recovery Act (RCRA), Superfund Act (CERCLA), Federal Insecticide, Fungicide and Rodenticide Act (FIRA), Coastal Zone Management Act (CZMA), Endangered Species Act (ESA), Marine Mammal Protection Act (MMPA), and Toxic Substances Control Act (TOSCA).

More often than not, the different jurisdictions review permits on different time lines, and project changes required by one regulatory entity affect the review by another regulatory entity, especially requested design changes or operating restrictions. And when a project proposal is still fluid, as most are by necessity, changes requested by the permittee can throw regulators and the process for a loop in all the jurisdictions. It is not uncommon for the regulatory review clock to be reset at zero following project changes.

This focus on regulations begs a discussion of one of the major differences between the government and industry—their reaction time, their ability to initiate change and to incorporate change. Regulations and regulatory decisions are set in stone, but industry's plans and capabilities are not. This has caused problems during the permitting process, and solved problems as well. A good example is directional drilling. When permitting first began on the proposed Niakuk development, directional drilling allowed wells to extend approximately 5,000 feet from their surface location. To reach the farthest offshore portion of the reservoir, the proposed production scenario included an offshore drilling island connected to shore by a small causeway. This ultimately proved impossible to permit due to regulatory objections to the causeway. An alternate onshore scenario was then proposed and ultimately permitted. The physical limitations imposed by not having an offshore drilling pad meant that a significant portion of the offshore reserves could not be produced.

Since that time directional drilling capabilities have increased and are now in the range of 15–20,000 feet. This extended reach has increased the anticipated production from Niakuk. The point here is that industry is progressive, and their staff are allowed and encouraged to be so. While this is a good example of how technology can overcome permitting hurdles, there is a price. In a new development, this technology can increase the cost of a project such that it is not competitive in the world marketplace.

Industry staff have a wide open door to try new things and they can incorporate changes quickly. This ability is a two edged sword. While it promotes creative solutions, it has been the basis for some distrust between industry and its regulators. Industry can change project designs, they can do things they originally said they could not do, and sometimes they cannot do things that regulators assume they should be able to do if only the regulators stand firm long enough against what industry has proposed. It also means that some regulations are no longer appropriate or flexible enough to accommodate change in the oil industry.

Too often we, either industry or agency, have not approached the permitting process as a win-win situation, especially at the staff level. If a permit was issued, for whatever reason, some regulators felt like losers; when a permit was significantly

delayed, or not approved as proposed, the permittee felt like a loser; and when a permit was issued after much negotiation and the inclusion of costly stipulations, everybody felt like losers, or neutral at best. Historically, this last situation has been true for large projects, and it is not good. It is like a troubled marriage. Both parties must share the blame, and both parties must be willing to change if they want to improve the relationship.

Industry and agency representatives alike emphasize that attitude, on both sides, is a key factor. But attitude cannot be legislated. When attitude precipitates adversarial relationships and an "us versus them" battle, it can be a crippling factor in the permit process. Certainly, when this happens it is a frustrating experience for all involved. Attitude, when there is respect, cooperation, openness and a common goal, can also be incredibly productive. An example of this is the Joint Pipeline Office (JPO).

The JPO is worth looking at because it is, for the most part, an efficient, productive group of regulators. The JPO was set up administratively to bring together representatives of the State's Department of Natural Resources (DNR), Alaska Department of Fish and Game (ADF&G), Department of Environmental Conservation (DEC) and the Division of Governmental Coordination (DGC) with Federal representatives of the Bureau of Land Management (BLM) and EPA. Their mission was to bring efficiency to the permitting and compliance requirements for operation and maintenance of the Trans-Alaska Pipeline. JPO representatives work as a team with a clear goal, housed under one roof. Centralization and accessibility facilitates meetings whether they are planned or impromptu.

Where there are mutual goals, people tend to be open about their concerns and their needs. This openness allows regulators to better understand operational costs and restrictions, and it allows operators to understand regulatory constraints. A willingness on both sides to be flexible with respect to project timing, project design, and construction methods is important. Consideration of operational and cost restrictions is also important. A centralized organization, reflecting a team approach to regulating oil and gas development, would be beneficial if it worked towards these goals.

Strong management is important in any organization. Employees must understand the overall goals and mission of an organization, and where their role fits in. With respect to the State, the Governor may encourage new developments, his commissioners may support him, but if the staff do not, they can effectively throw a monkey wrench in the works. At the permitting level, staff can effectively set policy that does not reflect policy at the leadership level. And in government most staff know that they can outlast their management. Effective leadership requires that there be close ties and constant communication—up and down—between management and staff.

Technical qualifications are also important. Industry and government both benefit from having strong, technically-qualified regulators. When people know what they are doing, no matter whom they work for, they are typically easier to deal with. When someone regulating industry does not have a good grasp of both the big picture and the specific issues, they are reluctant to make a decision. They will typically focus on one issue they do understand, often distorting its significance, and lose the perspective necessary to review the project as whole.

Not only must government continue their efforts to hire technically qualified staff; but they must provide educational opportunities, especially when dealing with specialized industries whether it be oil and gas, mining, fishing or timber. Industry has to take on some of the responsibility in this regard. The development of a joint, formalized training program on different aspects of industry operations and regulatory restrictions, and how the two can be meshed to promote safe development, would be beneficial to any staff.

Recommendations on how to improve the permitting process include:

Establish a single, centrally-located organization with the expertise to administer the Federal regulatory programs for oil and gas.

Provide regulators with sufficient training in the operations of the oil and gas industry so that they understand what they are regulating. They must understand both the big picture and the details they are responsible for.

Review regulations, particularly the most contentious ones. Make sure regulations are written clearly, that they can be scientifically justified, and work with industry during this review. Draw on their experience and expertise to know what is or is not feasible, and why.

Promote coordination between agencies to eliminate territorial plan requirements. The same plan should be able to satisfy different agencies.

Given the explosion of regulations over the years, it would be a worthwhile exercise to review them and assess whether or not they meet their intended purpose.

They should also be examined with an eye for clarity, reasonable time frames for permitting, and simplified procedures for compliance. Industry representatives repeatedly state that they are not asking that their projects not be regulated. They want the permitting process to be simplified, the regulatory requirements to be clear and supported by science, and they don't want compliance requirements that are cost prohibitive.

Chairman STEVENS. Thank you very much.  
Mr. Allen, nice to have you here.

**TESTIMONY OF BILL J. ALLEN, CHIEF EXECUTIVE OFFICER,  
VECO CORPORATION**

Mr. ALLEN. Thank you, Chairman. I'd like to thank you for the opportunity to speak on behalf of VECO Corporation about how the private sector and governmental agencies deal with each other on natural resource management.

My name is Bill Allen, I'm chairman, CEO of VECO, which is a global engineering, construction, drilling and maintenance and operations company with 30 years of experience in the petroleum industry, including decades of work in the Arctic and sub-Arctic both on-shore and off-shore.

VECO has about 3,000 employees in the various operating companies which are part of VECO corporation. Our primary focus is to service the oil and gas industry, and we are engaged in major projects in many places in the world. Our headquarters is in Anchorage, while our work is international. We consider ourselves first and foremost, Alaskans.

I should tell you at the onset that I have no particular expertise or knowledge about the inner workings of government—how it should be organized or reorganized, or how various responsibilities should be assigned between different departments and agencies.

However, I can offer some general comments which I hope will be helpful in your deliberations, comments with respect to what it means to a company like ours when it's necessary to deal with the complex regulatory authority of the government and it's many branches.

Let me make two points. First, our various companies have at this time a minimum of direct primary involvement with governmental regulatory agencies, simply because of the nature of the projects that's on our plate. On the other hand, we do business with clients who are directly involved, and our work is impacted any time there are delays in permitting, in field reviews, in the paperwork that moves between agencies.

Anything that helps eliminate duplicated efforts in overlapping jurisdictions is going to reduce cost in the private sector and improve efficiency at which we are able to do our job.

I'm aware that studies are underway in both Congress and the administration to explore the possibility of consolidation of existing cabinet offices and to get realigned Federal responsibilities.

Without going into any specific proposals, the details of which I'm not fully familiar, I would simply add my voice to those who applaud these efforts. I think that all of us worry about the size of government and believe there are steps that can be taken to reduce the size and simplify the responsibilities it exercises.

I have some concerns about that, however, and that brings me to my second point. In the commendable move to reduce govern-

mental size and to consolidate the various functions of government, care needs to be taken that the hard-core, on-site, necessary and basic duties that are involved in natural resource operations, that these operations are not moved, removed too far from the action that's taking place.

In other words, I would be dismayed if the government office overlooking management of Alaska's huge natural forests, for example, were consolidated in a regional headquarters in some place like Kansas City or Salt Lake City.

In the interest of consolidation for consolidation sake, I would hate to see regional Federal fisheries management programs dealing with Alaska's salmon and crab resources be headquartered in Portland, Oregon or San Francisco.

And it seems to me that agencies with specific responsibility for oversight in Alaska's oil and gas industry, whether that means the Army Corps of Engineers or the Bureau of Land Management or the Department of Energy or the Department of Transportation or whatever, must be close to the action, not in Seattle or Tacoma or Boise or wherever, thousands of miles away from here.

Alaska, as the Committee chairman needs no reminder, is a very specific place. The size of Alaska, huge coastlines, vast land mass and enormous natural resource treasurers compels the consideration of exceptions to any reorganization plan that would remove from here the very experts that government needs to responsibly fulfill its obligations.

I think all of us endorse your commitment to review the workings of government in the light of new technology, new budgetary constraints, new demands for a smaller, leaner operations at the Federal level. At the same time, however, we know that when it comes to dealing with natural resources and the environment in Alaska, there is going to be a heavy Federal presence.

That being the case, I would urge those drafting the specifics of governmental consolidations to come up with plans that would make it easier, not more difficult for the private sector, to access and work with the Federal agencies that wind up with jurisdiction over Alaska resources.

Since much of the Nation's future natural resource development is likely to center in Alaska, it stands to reason in my view that those agencies involved should at least have their key regional offices located here in the city or State.

Like many others, I favor smaller government. But I recognize that government isn't going to go away. And when it comes to reorganization and consolidation, in so far as Alaska is concerned, I don't want it to be too far away.

And thank you again for letting me testify.

[The prepared statement of Mr. Allen follows:]

#### PREPARED STATEMENT OF BILL ALLEN

Good afternoon.

Thank you for the opportunity to speak on behalf of the VECO Corporation about how the private sector and governmental agencies deal with each other on natural resource matters.

My name is Bill Allen. I am chairman and CEO of VECO, which is a global engineering, construction, drilling, maintenance and operations company with 30 years of experience in the petroleum industry, including decades of work in Arctic and sub-Arctic areas, both on-shore and off-shore.

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However, I can offer some general comments which I hope will be helpful in your deliberations—comments with respect to what it means to a company like ours when it is necessary to deal with the complex regulatory authority of the government and its many branches. Let me make just two points.

First, our various companies have at this time a minimum of direct, primary involvement with governmental regulatory agencies—simply because of the nature of what projects are on the plate.

On the other hand, we do business with many clients who are directly involved—and our work is impacted any time there are delays in permitting, in field reviews, in the paper work that moves between agencies.

Anything that helps eliminate duplicated efforts and overlapping jurisdictions, therefore, is going to reduce costs in the private sector and improve the efficiency at which we are able to do our job.

I am aware that studies are under way in both Congress and the administration to explore the possible consolidation of existing Cabinet offices and to realign Federal responsibilities.

Without going into any of the specific proposals, the details of which I am not fully familiar, I would simply add my voice to those who applaud these efforts.

I think all of us worry about the size of government and believe there are steps that can be taken to reduce its size and simplify the responsibilities it exercises.

I have some concerns about that, however—and that brings me to my second point.

In the commendable move to reduce governmental size and to consolidate the various functions of government, care needs to be taken that the hard-core, on-site, necessary and basic duties that are involved in natural resource operations are not moved to offices far removed and distant from the action.

In other words, I would be dismayed if the governmental office looking over management of Alaska's huge national forests, for example, were consolidated in a regional headquarters in some place like Kansas City or Salt Lake City.

In the interest of consolidation for consolidation sake, I would hate to see regional Federal fisheries management programs dealing with Alaska's salmon and crab resources being headquartered in Portland, Oregon, or in San Francisco.

And it seems to me that agencies with a specific responsibility for oversight in Alaska's oil and gas industry—whether that means the Army Corps of Engineers or the Bureau of Land Management or the Department of Energy or the Department of Transportation—or whatever—must be close to the action . . . not in Seattle or Tacoma or Boise or somewhere else thousands of miles from here.

Alaska, as the Committee Chairman needs no reminder, is a very special place.

The size of Alaska—its huge coastline, its vast land mass and its enormous national resource treasures—compels the consideration of exceptions to any re-organization plan that would remove from here the very experts the government needs to responsibly fulfill its obligations.

I think all of us endorse your commitment to review the workings of government in the light of new technology, new budgetary constraints and new demands for a smaller and leaner operations at the Federal level.

At the same time, however, we know that when it comes to dealing with natural resources and the environment in Alaska, there is going to be a continued heavy Federal presence.

That being the case, I would urge those drafting the specifics of governmental consolidations to come up with plans that make it easier—not more difficult—for the private sector to access and work with the Federal agencies that wind up with jurisdiction over Alaska resources.

Since much of the Nation's future natural resource development is likely to center on Alaska, it stands to reason—in my view—that those agencies involved should at least have their key regional offices located here, not in some distant city or State.

Like many others, I favor smaller government.

But I recognize that government isn't going to go away.

And when it comes to reorganization and consolidation, in so far as Alaska is concerned, I just don't want it to go too far away!

Thank you very much.

Chairman STEVENS. Thank you very much.

Well I appreciate your concern. We are looking at the prospect of how to combine the basic Federal authority over resource utilization from the Federal lands, and how to consolidate or arrange that in terms of its function with those Federal authorities that apply to the utilization of resources on non-Federal lands. It's not an easy proposition, and there are, as someone mentioned this morning, pressure groups to resist change and consolidation, but I am of the opinion that a leaner government is going to require that we have less recognition of the individual responsibilities, Forest Service, BLM, Bureau of Mines, USGS, there are just too many entities that are doing about the same thing, and we are looking at the consolidations. So I do believe that it is important for us to keep in mind how that consolidation affects what you're talking about in terms of duplication of regulations coming from these separate agencies today. That will require that these laws come together.

I don't understand why you would have to have five permits to deal with the problems of the spill contingency in one installation. It would seem that we should be able to say it would be much more efficient and consistent to have one that would be capable of being filed with the five agencies that might currently have jurisdiction over them, but hopefully we'd get down to the point that we would have one agency that would have the responsibility to assure the Federal functions were carried out, and you would have to have one in that regard, that's our goal, I appreciate you taking the time to be with us, thank you.

I did enjoy meeting with some of your people, Judy, and I look forward to doing more listening next time.

Ms. BRADY. Thank you very much.

Chairman STEVENS. Let us take a couple minutes off the record, all right?

[Recess.]

Chairman STEVENS. Now we're going to go into a slightly different subject, but since we're here we wanted to get it on the record, and this has to do with some aviation problems we're trying to deal with. And since I have another function on another debate, we wanted to make a record on this.

So I now have two witnesses pertaining to problems related to aviation and the restructuring of the government, and we're going to hear first from Joe Sprague and then from Richard Harding.

Joe, please.

#### **TESTIMONY OF JOE SPRAGUE, DIRECTOR OF MARKETING, ERA AVIATION**

Mr. SPRAGUE. Thank you, Senator. My name is Joseph Sprague, and I'm director of marketing for Era Aviation, and it's an honor to speak before you today concerning a crucial regulatory issue facing this State's essential aviation industry.

The most recent government burden facing air carriers in Alaska and throughout the country is the Federal Aviation Administration's attempt to regulate rest through its current notice of proposed rulemaking to revise the pilot flight and duty time regulations for scheduled airlines and on-demand air taxis. This proposal

picks up where the commuter rule leaves off by providing a nearly insurmountable economic hurdle for smaller air carriers with no distinguishable safety benefit. Era shares the view of the Alaska Air Carriers Association and National Air Transportation Association that this NPRM fails to accurately reflect the unique nature of smaller carriers.

As a pilot from Alaska yourself, you are very aware of the wide variety of critical services provided by the aviation industry here. Era performs many of these functions, including air freight, dedicated State-wide air ambulance service, aircraft charter and contract work throughout Alaska, and scheduled passenger service both from Anchorage to the relatively large communities of Southcentral Alaska, and from Bethel to 17 bush villages in the Yukon-Kuskokwim Delta. All of these types of flight operations are conducted under Part 121 or Part 135 of the Federal aviation regulations. Era and other operators around the State performing these types of air services are truly fulfilling central roles in Alaska's transportation infrastructure. Yet, consider the following likely scenario if the flight and duty time proposal is made final.

A young boy in Nome is injured in a snowmobiling accident. A medivac airplane flies from Anchorage to Nome to transport the boy to a trauma unit at an Anchorage medical center. Upon arrival the flight crew anxiously waits at the Nome airport while the boy is stabilized at the local hospital. When the ambulance finally arrives at the airport, the pilots must reluctantly inform the medical crew that they cannot take off because the new FAA mandated duty day allows no flexibility, effectively shortening the duty day.

This is but one dramatic example. Other, less exciting, but still as damaging outcomes of the rule will be the abandonment of regular air service at dozens of smaller villages.

Prior to my current management position, I served as a pilot for an Alaskan air carrier and can attest that the existing flight and duty time regulations do ensure pilots receive ample time for rest while accommodating the widely diverse types of operations within Alaska. They ensure that operators have ample flexibility so that the described scenario does not happen. There are many different and unique types of operations that are conducted under Part 121 and 135 of the FAR's. Specific flight and rest guidelines cover scheduled airlines using large aircraft, large aircraft charter operations, smaller scheduled air carriers, and on-demand air taxis. The FAA's proposal, however, would do away with these differences in the rule and create one overall standard.

What is the background of this impractical and potentially dangerous rulemaking effort? Various attempts to revise the air carrier and air taxi flight and duty time rules have been ongoing for almost 20 years. Two different "regulation by negotiation" attempts between the FAA and the aviation industry, one in the mid 1980's and the other in 1993, failed to produce any consensus, but they did underscore the significant differences between the various types of affected operations.

After the second negotiated attempt, the FAA—under pressure from the National Transportation Safety Board and certain Members of Congress—took over the vast task of revising the flight and duty time rules. The effort then became entangled in Transpor-

tation Secretary Federico Pena's dubious public relations campaign known as the "zero accidents" initiative.

The result is a proposed rule that emphasizes a labor issue and places the Federal Government between employers and their employees. The rule will reduce a crew member's duty day, increase significantly the amount of required rest, introduce new caps on the amount of weekly, quarterly, monthly and yearly flight times, and severely limit scheduling flexibility as evidenced in these cited examples.

This reduction in the allowable duty and flight time will require additional crews to accomplish the same amount of work with an obvious increase in labor costs. Era will be faced with a cost increase of well over \$500,000 annually in additional crew expenses, and many other operators have conservatively estimated labor cost increases of over 50 percent.

All this cost comes with extremely questionable benefit. The FAA claims the rule addresses the issue of fatigued flight crew members, yet the agency has no data to illustrate this fatigue problem. In fact, where many FAA regulations are the result of unfortunate aircraft accidents, few, if any, air carrier accidents list pilot fatigue as a factor.

The FAA also maintains that it has developed the proposal around scientific studies conducted by NASA. Long-haul international flight crews that cross several time zones and have trips of several days in length were often the subject of these scientific studies.

Typical Alaska flights, though, as you know, are shorter in length and are completely contained in one time zone. The only place most regional airline pilots in Alaska are remaining overnight are in their own beds at their home base of operation.

It would seem the real science in this proposal is political science. Secretary Pena has not been shy about getting in front of TV cameras at accident sites to play on people's fears in order to build support for his regulatory agenda. While his understanding of aviation seems limited, he is very knowledgeable in how to garner political support from the pilot labor unions.

These groups are delighted, because many work-rule type issues better suited for the bargaining table are now being played out on the regulatory field. Senator, this type of politics and safety do not mix.

Unfortunately, this regulatory field that I mentioned is not a level one. Instead of a careful review by the FAA of what the proposal's impact might be on air carriers, and whether the rule is even necessary, the agency is pushing through a rule that will have a far-reaching impact with almost no cost benefit analysis, an essential requirement of the regulatory process. The agency even acknowledges this fact in the NPRM. Consider the following actual statements from the preamble:

"The FAA is unable to develop an estimate of the effectiveness of this proposal in reducing fatigue-related incidents."

And:

"The FAA does not have sufficient information at this time to evaluate the cost effectiveness of this proposal for air taxi operators."

Incredibly, the FAA admits that they have no idea of the effectiveness of what they are proposing, and no idea of the cost. This is tantamount to making rules just for the sake of making rules. The FAA cannot guarantee this rule will not do more harm than good; however, air carriers in Alaska can guarantee it, it will do more harm than good.

Senator, I bring two requests for you and the Governmental Affairs Committee. First, please urge the FAA to drop this proposal completely, or at the very least, withdraw it until a more adequate cost-benefit analysis is completed.

Second, demand that the FAA extend the public comment period for the proposal. House Aviation Subcommittee Chairman John Duncan recently joined with National Air Transportation Association president, James Coyne, in formally requesting an extension from FAA administrator David Hinson. The Alaska Air Carriers Association supports this, and your endorsement of an extension may prove crucial in allowing the hundreds of small aviation businesses in Alaska time to carefully review the proposal's full impact on their operations.

The FAA commuter rule is actually a vast collection of regulations with far-reaching impacts that will cost commuter carriers millions of dollars. But the proposed flight and duty time regulation is but a single rule, yet will have nearly the same financial impact—on even a broader segment of commercial aviation—and have even less justification. The FAA claims the rule will result in a more well-rested flight crew, yet the Federal Government must realize that no matter how much time off a pilot is provided, you simply cannot regulate rest.

[The prepared statement of Mr. Sprague follows:]

#### PREPARED STATEMENT OF JOSEPH A. SPRAGUE

Good morning Senator Stevens. My name is Joseph Sprague and I am Director of Marketing for Era Aviation. It is an honor to speak before you today concerning a crucial regulatory issue facing this State's essential aviation industry. The most recent government burden facing air carriers in Alaska—and throughout the country—is the Federal Aviation Administration's attempt to regulate rest through its current Notice of Proposed Rulemaking to revise the pilot flight and duty time regulations for scheduled airlines and on-demand air taxis. This proposal picks up where the Commuter Rule leaves off by providing a nearly insurmountable economic hurdle for smaller air carriers with no distinguishable safety benefit. Era shares the view of the Alaska Air Carriers Association and the National Air Transportation Association that this NPRM fails to accurately reflect the unique nature of smaller carriers.

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tantly inform the medical crew that they can not take-off because the new, FAA-mandated duty day allows no flexibility—effectively shortening the duty day.

This is one dramatic example. Other, less exciting, but still as damaging, outcomes of the rule will be the abandonment of regular air service at dozens of small villages.

Prior to my current management position, I served as a pilot for an Alaskan air carrier and can attest that the existing flight and duty time regulations do ensure pilots receive ample time for rest while accommodating the widely diverse types of operations in Alaska. They ensure that operators have ample flexibility so that the described scenario does not happen. There are many different and unique types of operations that are conducted under Parts 121 and 135 of the FAR's. Specific flight and rest guidelines cover scheduled airlines using large aircraft, large aircraft charter operations, smaller scheduled air carriers, and on-demand air taxis. The FAA's proposal, however, would do away with these differences in the rule and create one overall standard.

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The result is a proposed rule that emphasizes a labor issue and places the Federal Government between employers and their employees. The rule will reduce a crewmembers duty day, increase significantly the amount of required rest, introduce new caps on the amount of weekly, quarterly, monthly, and yearly flight times and severely limit scheduling flexibility—as evidenced in the example above. This reduction in the allowable duty and flight time will require additional crews to accomplish the same amount of work with an obvious increase in labor costs. Era will be faced with a cost increase of well over \$500,000 annually in additional crew expenses and many other operators have conservatively estimated labor cost increases of over 50 percent.

All this cost comes with extremely questionable benefit. The FAA claims the rule addresses the issue of fatigued flight crewmembers. Yet the Agency has no data to illustrate this fatigue problem. In fact, where many FAA regulations are the result of unfortunate aircraft accidents, few—if any—air carrier accidents list pilot fatigue as a factor.

The FAA also maintains that it has developed the proposal around scientific fatigue studies conducted by NASA. Long-haul international flight crews that cross several time zones and have trips of several days in length were often the subject of these studies. Typical Alaska flights, though, are shorter in length, are completely contained in one time zone, and the only place most regional airline pilots in Alaska are remaining overnight are in their own beds at their home base of operation.

Indeed, it would seem that the real science in this proposal is political science. Secretary Pena has not been shy about getting in front of the T.V. cameras at accident sites to play on people's fears in order to build support for his regulatory agenda. And while his understanding of aviation seems limited, he is very knowledgeable in how to garner political support from the pilot labor unions. These groups are delighted because many work-rule type issues better suited for the bargaining table are now being played out on the regulatory field. Senator, this kind of politics and safety do not mix.

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"The FAA does not have sufficient information at this time to evaluate the cost effectiveness of this proposal for air taxi operators."

Incredibly, the FAA admits that they have no idea of the effectiveness of what they are proposing and no idea of the cost. This is tantamount to making rules just for the sake of making rules. The FAA can not guarantee this rule will not do more harm than good. Air carriers in Alaska can guarantee it, though—it will do more harm than good.

Senator, I close with two requests for you and the Governmental Affairs Committee. First, please urge the FAA to drop this proposal completely, or—at the very least—withdraw it until a more adequate cost-benefit analysis is completed. Second, demand that the FAA extend the public comment period for the proposal. House Aviation Subcommittee Chairman John Duncan recently joined with National Air Transportation Association President James Coyne in formally requesting an extension from FAA Administrator David Hinson. The Alaska Air Carriers Association supports this and your endorsement of an extension may prove crucial in allowing the hundreds of small aviation businesses in Alaska time to carefully review the proposal's full impact on their operations.

The FAA's Commuter Rule is actually a vast collection of regulations with far reaching impact that will cost commuter carriers millions of dollars. The proposed flight and duty time regulation is but one rule, yet will have nearly the same financial impact—on an even broader segment of commercial aviation and has even less justification. The FAA claims the rule will result in a more well rested flight crew. Yet the Federal Government must realize that no matter how much time off a pilot is provided, you simply can not regulate rest.

Chairman STEVENS. Thank you very much, Joe.

Mr. Harding, please proceed.

#### **TESTIMONY OF RICHARD HARDING, GENERAL MANAGER AND DIRECTOR OF OPERATIONS, PENINSULA AIRWAYS (PENAIR)**

Mr. HARDING. Good afternoon, Senator Stevens. My name is Richard Harding, I'm the general manager and director of operations for Peninsula Airways doing business as PenAir.

PenAir appreciates the opportunity to submit the following comments regarding the effects of the recent rulemaking on commuter operations.

PenAir is one of the oldest and most successful bush carriers in Alaska. PenAir is based in Anchorage and its system of commuter and on-demand service extends from the Cold Bay to Kodiak Island, Dutch Harbor, Pribilof Islands, King Salmon, Dillingham and inland to Unalakleet, McGrath, Aniak and St. Mary's.

PenAir conducts operations solely within the State of Alaska providing scheduled service of passenger, cargo and mail and on-demand service utilizing aircraft having a maximum seating capacity of less than 20 passengers. As such, PenAir is the type of commuter operator that has been adversely affected by the new rule.

PenAir fully supports any efforts by the FAA to enhance the safety of the commuter airline industry, however such efforts should have been undertaken with the realization that the characteristics of Part 135 within the State of Alaska are inherently different from both those of Part 135 and Part 121 operations in the Lower 48. The rule fails to recognize these differences in a substantive provision, although it acknowledges that Alaska's operational environment is unlike any other air transportation environment.

The FAA first concluded that Alaska's flying environment was unique in 1985 through a process called regulation by negotiation when it adopted the current Part 135 flight time limitations and rest requirements that Joe was talking about. Nothing has transpired in the last 10 years that would change that conclusion.

When I was about 10 years old my father told me you can't squeeze blood from a turnip but you can squeeze that turnip until it goes and gets some blood. I've never doubted my father's wisdom, although many people in Washington think we Alaskans just fell off a turnip truck, we're not turnips, and unlike turnips we just can't squeeze any more money out of our customers. This new regulation is extremely expensive and someone is going to have to shoulder that expense. Basic economics require regulatory costs to be passed on to the traveling public.

National columnist Clarence Williams, in his editorial this week, compared economics to Federico Pena's recent move to raise the 55 mile an hour speed limit. Williams pointed out that every decision we make is based on benefit versus cost. And even though the automobile accident rate claimed 40,000 lives per year, the benefit of higher speed limits and less time en route prompted the change.

We know that the 55 mile an hour speed limit is safer than higher speeds, 55 saves lives, and if we drop the speed limit down to 35 miles an hour we would save even more lives. If we went to five miles an hour, we would have no fatalities. The benefit of a reduction of the speed limit to five miles an hour is obviously not worth the cost. The benefit of safety over time wasn't worth the cost even at a speed limit of 55 miles an hour.

On the other hand, Mr. Pena decided zero accidents was the goal for the commuters because 263 fatalities occurred in 1 year in the airline business. He didn't consider that the changes he proposed would have had no effect on the specific accidents nor on the number of fatalities. Also he didn't address the fact that most accidents that year were operated under Part 121 or the equivalent. What he accomplished with the new regulation would create essentially the same effect as imposing a 35 mile an hour speed limit on automobiles. The benefits don't come close to justifying the cost.

The U.S. Government is required by law to make cost benefit analysis before enacting any new regulations. Perhaps they should also be accountable for those numbers. It appears they have to present a cost benefit analysis, but it doesn't have to be based on any facts using realistic numbers.

When this commuter rule was made public, our local TV journalist, Ty Hardt, made a comment at the end of his presentation, if the new rule saved one single life, it would be worth it. Not only does he not understand economics, but he doesn't realize that the new rule would actually cost lives. The new rule is not going to enhance safety, it's going to cause a degradation of safety, particularly here in Alaska.

The regulation was prompted by an NTSB safety study conducted on commuter flying in the Lower 48. Alaska was not considered in the study. The NTSB cited a lack of experienced captains in commuter operations. The average captain for a commuter in the Lower 48 had only 3,000 to 4,000 hours of flying experience. At PenAir the average Metroliner captain has 14,130 hours. We consider this experience essential to flying in Alaska because we don't have the runways, the weather reporting service and other navigational aids and approach facilities that are taken for granted in the Lower 48. We also have some of the toughest weather in the world because of mountainous terrain, warm ocean currents and Arctic

air mass. We have to depend on the experience and good judgment of our pilots. New, young, green pilots, regardless of how well regulated they are, cannot replace older seasoned pilots.

The commuter rule is going to force PenAir to dilute its present pilot force. We just don't have pilot applicants to choose from that have the qualities and capabilities we need. Also the cost of adding more flight crews to do the same job we are doing with our current crews is very costly.

Additionally we experience not only cost of training these pilots, but most pilots bend or break airplanes their first year. Sonny Peterson, president of Katmi Air told me 25 percent of his pilots broke an airplane the first year they worked for him.

PenAir calculated the first year of training and salary costs for additional pilots to be \$570,000. This financial burden created by the proposed rule is the incentive for the Alaskan commuter carriers to downsize their fleets and return to less reliable, single-pilot piston aircraft having nine or less seats.

Many of the communities that have enjoyed the safety and comfort of twin-engine pressurized turboprop aircraft will see their service revert to the smaller, single-pilot piston aircraft. In some cases, if rules aren't altered, communities such as St. George and Atka will see all their services disappear.

Many operators in Alaska are in the process or have unloaded their turboprop aircraft and reverted to the smaller piston aircraft that we used years ago. FAA representative Kathy Hakala states these are the very same aircraft that had 14 times higher accident rates than turboprop aircraft. Most of the Alaskan operators that started with smaller aircraft, still utilize that type of aircraft in their fleet and have the option of downsizing. Most operators in the Lower 48 began with the aircraft they are using now and downsizing is not an option.

For those of us that are going to continue with turboprop equipment and change our commuter operations to Part 121, the cost will be significant. PenAir estimated the initial cost to comply with the commuter rule, as well as the time and duty rule, at more than one million dollars. This is five times greater than our net profit last year. We always operate at the maximum efficiency and are continually monitoring and cutting costs to stay ahead of our competition.

Our only alternative is to squeeze higher ticket prices out of our customers, fellow Alaskans that have no alternate means of transportation. Transportation costs are higher in Alaska than anywhere else in the United States. Our customers don't have any extra money, our turnips are dry.

On February 12, I received a news release, "FAA Joins Aviation Industry and Labor to Release Aviation Safety Plan for 1996." The release states that a cooperative partnership with industry and labor has produced a second aviation safety plan. This news release is the first I've heard of a follow-up to the January 1995 summit.

I checked with other Alaskan carriers in the industry as well as with the Alaska Air Carriers Association and found that all Alaskan operators had been excluded from that partnership. Once again it appears that the Alaska industry was left out of the loop,

just as Alaska was left out of the NTSB study, the same study from which the new regulations were conceived.

In conclusion, PenAir appreciates the FAA's efforts to increase the safety record of Part 135 operators. However, the new FAA regulations cannot be justified. The realities of the commuter market, either on an economic or operational level, do not support the commuter rules. Specifically, the FAA did not recognize that, as it currently does in Part 135, commuter operations solely conducted within the State of Alaska are unique and merit a different set of regulations than those in other parts of the country.

In order to increase and reduce the administrative costs, the regulations applicable to Alaska should not require Alaskan commuter operators to petition the FAA for an exemption or waiver from the rule, rather the exemption for Alaskan commuter operators should have been affirmatively stated in a proposed rulemaking. As a case in point, 3 years ago I submitted a petition to the FAA and it's still pending somewhere in Washington D.C., probably on some turnip's desk.

Thank you, Senator Stevens.

[The prepared statement of Mr. Harding follows:]

#### PREPARED STATEMENT OF RICHARD HARDING

Good afternoon Senator Stevens. My name is Richard Harding and I am the General Manager and Director of Operations for Peninsula Airways, Inc., d/b/a PenAir.

PenAir appreciates the opportunity to submit the following comments regarding the effects of the recent rulemaking on commuter operations. PenAir is one of the oldest and most successful "bush" carriers in Alaska. PenAir is based in Anchorage and its system of commuter and on-demand service extends from Cold Bay, to Kodiak Island, Dutch Harbor, the Pribilof Islands, King Salmon, Dillingham and inland to Unalakleet, McGrath, Aniak, and St. Marys. PenAir conducts operations solely within the State of Alaska, providing both scheduled service of passenger, cargo and mail and "on demand" service utilizing aircraft having a maximum seating capacity of less than 20 passengers. As such, PenAir is the type of commuter operation that has been adversely affected by the new rule.

PenAir fully supports any efforts by the FAA to enhance the safety of the commuter airline industry. However, such efforts should have been undertaken with the realization that the characteristics of Part 135 operations within the State of Alaska are inherently different from both those of Part 135 and Part 121 operations in the lower 48. The new rule fails to recognize these differences in its substantive provision, although it acknowledges that Alaska's "operational environment is unlike any other air transportation environment."<sup>1</sup>

The FAA first concluded that Alaska's flying environment was unique in 1985, through a process called regulation by negotiation, when it adopted the current Part 135 flight time limitation and rest requirements.<sup>2</sup> Nothing has transpired in the past 10 years which would change that conclusion.

When I was about 10 years old, my father told me, "You can't squeeze blood from a turnip . . . but you can squeeze that turnip until it goes and gets some blood." I've never doubted nor questioned my father's wisdom.

Although many people in Washington think we Alaskans just fell off a turnip truck, we're not turnips, and unlike turnips, we just can't squeeze any more money out of our customers, the traveling public. This new regulation is extremely expensive and someone is going to have to shoulder that expense. Basic economics require regulatory costs to be passed on to the traveling public.

National columnist, Clarence Williams, in his editorial this week compared economics to Fedrico Pena's recent move to raise the 55-mph speed limit. Williams pointed out that every decision we make is based on benefit vs. cost. And even though the automobile accident rate claimed 40,000 lives, the benefit of a higher speed limits and less time en route, prompted the change.

<sup>1</sup> 60 Fed. Reg. 16230, 16235 (March 29, 1995).

<sup>2</sup> See 50 Fed. Reg. 29316 (July 18, 1985).

We know that 55-mph is safer than higher speeds ("55 saves lives") and if we dropped the speed limit down to 35-mph we would save even more lives. If we went to 5 mph, we would have no fatalities. The benefit of a reduction of the speed limit to 5-mph is obviously not worth the cost. The benefit of safety over time wasn't worth the cost even at a speed limit of 55-mph.

On the other hand, Mr. Pena decided "zero accidents" was the goal for the commuters because 263 fatalities occurred in one year in the airline business. He didn't consider that the changes he proposed would have had no effect on the specific accidents nor on the number of fatalities that year. Also, he didn't address the fact that most of the accidents that year were operated under Part 121 or the equivalent. What he accomplished with the new regulation would create essentially the same effect as imposing a 35-mph speed limit on automobiles. The benefits don't come close to justifying the cost.

The U.S. Government is required by law to make a cost benefit analysis before enacting any new regulations. Perhaps they should also be accountable for those numbers. It appears they have to present a cost benefit analysis but it doesn't have to be based on any facts using realistic numbers.

When this commuter rule was made public, our local news journalist, Ty Hardt, made an editorial comment, "if the new rule saved one single life it would be worth it." Not only does he not understand economics but he doesn't realize that the new rule will cost lives. The new rule is not going to enhance safety, it is going to cause a degradation of safety, particularly in Alaska. The regulation was prompted by an NTSB safety study conducted on commuter flying in the lower 48. Alaska was not considered in the study. The NTSB sited as a lack of experienced captains in commuter operations. The average captain for a commuter in the lower 48 had only 3,000 to 4,000 hours of flying experience.

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The commuter rule is going to force PenAir to dilute its present pilot force. We just don't have pilot applicants to choose from that have the qualities and capabilities we need. Also, the cost of adding more flight crews to do the same job we are doing with our current crews is very costly.

Additionally, we experience not only the cost of training these pilots, but most pilots bend or break equipment during their first year. Sonny Peterson, President of Katmi Air, told me 25 percent of his pilots broke an airplane the first year they worked for him. I believe this is pretty much the norm.

PenAir has calculated first year training and salary costs for additional pilots to be \$570,000. This financial burden created by the proposed rule is the incentive for Alaskan commuter carriers to down-size their fleets and return to less reliable, single-pilot piston aircraft, having a capacity of nine or less seats. Many of the communities that have enjoyed the safety and comfort of twin-engine turboprop aircraft will see their service revert to the smaller, single-pilot piston aircraft. In some cases, if rules aren't altered, communities such as St. George and Atka will see all air service disappear.

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In order to increase efficiency and reduce administrative costs, the regulations applicable to Alaska should not require Alaskan commuter operators to petition the FAA for an exemption or waiver from the rule. Rather, the exception for Alaskan commuter operators should have been affirmatively stated in the proposed rule-making. As a case in point, 3 years ago I submitted a petition to the FAA and it is still pending somewhere in Washington, D.C.—probably on some turnip's desk.

Chairman STEVENS. Your father is smarter than my grandfather, we didn't have any turnips that had blood, they didn't know where to go for blood, but I understand what you're saying. I appreciate that very much.

We are working, as you know, with the FAA, and I agree with you that Alaska was left out of the original study and was left out of this negotiation, but we have made a request to the FAA for a negotiation with Alaska specifically.

There was, in the past, such a negotiation, and there were specific Alaska regulations. We're hopeful we can work that out for the future, we don't know yet, but those are two good statements which we shall take back and use in conjunction with our current negotiations.

Mitch Rose who is here with me now is an attorney on my staff who is involved in the negotiations with the FAA. I'm sure he's available to chat with you if you would like to chat with him about the status of those negotiations now.

This concludes our hearing and we appreciate all those who participated, thank you.

[Whereupon, at 12:30 p.m., the Committee adjourned.]



# REFORMING AND RESTRUCTURING THE FEDERAL GOVERNMENT

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THURSDAY, FEBRUARY 15, 1996

U.S. SENATE,  
COMMITTEE ON GOVERNMENTAL AFFAIRS,  
*Washington, DC.*

The Committee met, pursuant to notice, at 2 p.m., in room 205, State Capitol Building, Juneau, Alaska, Hon. Ted Stevens, Chairman of the Committee, presiding.

Present: Senator Stevens.

## OPENING STATEMENT OF CHAIRMAN STEVENS

Chairman STEVENS. Today, the Committee on Governmental Affairs will hold its third field hearing in Alaska. Yesterday in Anchorage and Tuesday, in Fairbanks, we heard from elected officials and leaders from the academic and business communities. They testified about ways to improve cooperation between the Federal Government, State, and local governments. They also stressed the need to improve efficiency and customer service.

One message we have heard loud and clear is that too often the Federal Government seems to impose "one-size-fits-all" solutions that may work well in the south 48, but do not make sense in Alaska. The government needs to learn from leading companies about how to use information technology and smart management to tailor solutions to local conditions.

In the last decade, Americans have witnessed enormous changes. Businesses and entire industries have restructured to take advantage of the new technologies of the information age. They have become leaner, smarter, and more agile to survive the rigors of the marketplace.

We encounter the fruits of new technologies every day: At the supermarket, at the department store, through overnight mail services, even at the gas pump. Products and services are being delivered faster and more responsively than ever before.

Yet, to most Americans, and to the citizens we heard from in Fairbanks and Anchorage in particular, government seems stuck in a time warp. Whether filing a Medicare claim, applying for a patent, or waiting in line at the post office, the gap between the way customers are treated by the best companies in America and Federal agencies is enormous. It seems to be getting worse.

Today, customers can call a single 800 number at General Electric and get problems solved on the spot, whether they have a dishwasher or a jet engine to fix. But, as we learned in Anchorage yesterday, if you want a land use permit from the Federal Govern-

ment, you have to deal with five separate agencies and five different sets of forms and paperwork mazes.

The innovations which are transforming the world have bypassed the Federal Government. The government consumes about 20 cents out of every hard-earned dollar in America. The government ignores the feeling that citizens are not getting their money's worth at its own peril.

That is why we are here today. Our government must be fundamentally reorganized to meet the needs of our citizens today and into the 21st century. The citizens we heard from in Fairbanks and Anchorage expressed strong support for creating a citizens' commission to take on this job. We look forward to hearing from today's witnesses.

We are privileged to have as our guests, State and local officials who know the problems of government intimately and have experience fixing them. I thank you for coming, and we welcome your observations and suggestions. Your written statements will be entered in the record in their entirety, and I leave it to you how long you wish to address the Committee.

Let me point out that a one-senator hearing in Washington is no oddity. We conduct them all the time, but the problem was that we had set on hearings in Alaska in October and I had to cancel them, and we have just not been able to get them put back together at a time when we could get other senators to come.

They suggested it would be nice if we held this in July so they could come up and join the salmon season, but we really could not delay for that because we intend to try and get this bill moving.

I had delayed the bill until we have an opportunity to hear from Alaskans, as I committed I would do. As the Chairman of the Governmental Affairs Committee, I will be in charge of this legislation on the floor. We hope to present a change in that, a Chairman's substitute, when the time comes, and that is why I am listening to Alaskans, here, and throughout this State.

[The prepared statement of Senator Stevens follows:]

#### PREPARED STATEMENT OF SENATOR STEVENS

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We are privileged to have as our guests State and local officials who know the problems of government intimately, and have experience fixing them. Ladies and gentlemen, thank you for coming. We welcome your observations and suggestions. Your written statements will be entered into the record in their entirety. I ask that you keep your remarks brief in the interests of time.

Chairman STEVENS. So let me thank you for taking the time to come join me.

I think I will just go by my sheet and say my first witness is the Speaker of the House, Gail Phillips.

#### **TESTIMONY OF HON. GAIL PHILLIPS, SPEAKER OF THE HOUSE, ALASKA STATE HOUSE OF REPRESENTATIVES**

Ms. PHILLIPS. Thank you, Mr. Chairman. Mr. Chairman and Members of the Committee, I appreciate the opportunity to testify on an issue of great importance to the people of Alaska. For the record, my name is Gail Phillips, Speaker of the House of Representatives of the State of Alaska. My testimony today is in overwhelming support of your Committee's recommendations to create a bipartisan government restructuring commission. Let me specifically emphasize my support for the elimination of redundant regulations and agency functions. I further support agency consolidation and streamlined organization. Certainly we are attempting to do the same thing in Alaska today.

At the core of my being I am disturbed by the uncontrolled expansion of Federal power and the threat facing the balance of powers as outlined in the Constitution of the United States. Over the last 100 years, administrative agencies, through the imposition of regulation, have grown to disproportionately govern the United States. Individual States are forced to react in more significant ways and with greater consequence to administrative agencies than to Congress or the Judicial system. Let it not be forgotten that these three legs of government were intended to balance one another.

We depend on the actions and oversight functions of committees such as your own to help us reorganize the constitutionally mandated government system. We rely on the outcomes from bodies such as your proposed government restructuring commission to restore to States and to the people the power which has increasingly been centralized in the Federal Government.

Testimony to illustrate this dilemma is voluminous. I can only provide a glimpse, by way of example, of the problems we face at the hands of jurisdictional overlay, unfunded mandates, and fragmentation of responsibility. You will hear from each of the panel-

ists further examples, but leave this hearing knowing that the majority of frustrations with burdensome regulations went unmentioned and only because of the limit on our time.

The most poignant examples I can draw on deal with environmental regulation. I will qualify my criticism of the regulations by stating for the record that for all intents and purposes the environmental movement and the original intent of many of the laws derived from it were necessary and beneficial for the health of our country and its citizens. It is now the overzealous emotional charge and the uncontrolled growth in the reach and breadth of regulatory agencies that is unreasonable and unacceptable.

One example of governmental abuse of powers is the Endangered Species Act, effectively used by Federal agencies as a weapon and not a tool of conservation. The combination of agency and court interpretations of the law have created a conservation program that is phenomenally expensive and practically ineffective. To measure the success of the program, one simply has to review the species which have been delisted.

Rigid and sometimes creative interpretations of the law by Federal courts have frequently tied both the hands of the Federal and State agencies in trying to craft reasonable solutions to a very complex problem. The combination of agency and court interpretations of the law have served to create a conservation program that is expensive and ineffective.

From Alaska's perspective, we can point to some definite successes associated with the Federal ESA when coupled with old-fashioned partnerships with our State's own Endangered Species Act. Unfortunately, examples from across the Nation do not lend so readily to positive examples of success. Habitat is micro-managed to the detriment of communities, business, and individuals. In extreme cases, the viability of human communities and their ability to establish and maintain economic development have been entirely compromised for species protection with questionable results. My complaint is not with the role of the Federal Government in regulating but in the complete lack of reasonable standards and the absence of objective cost-benefit analysis.

With the ever-increasing complexity of our society and the growing need for government cooperation, the major emphasis must be on governmental partnerships. Unfortunately, most Federal agencies are not motivated by results and products but rather by the breadth of their power and jurisdiction.

I am convinced that the public, our economies, and our environment will be better served and protected if the Federal and State Governments can create a truly symbiotic relationship. Such a partnership can only be accomplished if Congress clearly establishes and maintains a more efficient and cooperative system.

Let me reiterate my support of this Committee's recommendations to create a bipartisan government restructuring commission. I urge you to include representatives from the State and local level as you proceed with the task ahead of you. We look forward to great results, and any assistance that we can provide, we certainly will. Thank you, Mr. Chairman.

[The prepared statement of Ms. Phillips follows:]

PREPARED STATEMENT OF GAIL PHILLIPS, ALASKA STATE HOUSE  
SPEAKER

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At the core of my being I am disturbed by the uncontrolled expansion of Federal power and the threat facing the balance of powers as outlined in the Constitution of the United States. Over the last 100 years administrative agencies, through the imposition of regulation, have grown to disproportionately govern the United States. Individual States are forced to react in more significant ways and with greater consequence to Administrative agencies than to Congress or the Judicial system. Let it not be forgotten that these three legs of government were intended to balance one another.

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Testimony to illustrate this dilemma is voluminous. I can provide only a glimpse, by way of example, of the problems we face at the hands of jurisdictional overlay, unfunded mandates, and fragmentation of responsibility. You will hear from each of the panelists further examples, but leave this hearing knowing that the majority of frustrations with burdensome regulations went unmentioned.

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I am convinced that the public, our economies and our environment will be better served and protected if the Federal and State Governments can create a truly symbiotic relationship. Such a partnership can only be accomplished if Congress clearly establishes and maintains a more efficient and cooperative system.

Chairman STEVENS. Thank you for taking the time to be with us.  
President Pearce.

**TESTIMONY OF HON. DRUE PEARCE, PRESIDENT, ALASKA  
STATE SENATE**

Mr. PEARCE. Thank you very much, Senator. I can assure you that before the days of Gavel to Gavel having a hearing in the Legislature with just one senator present was often seen, but these days people show up and on time. It is amazing.

Mr. Chairman, and Members of the Committee, let me thank you on behalf of all Alaskans for us having the opportunity to testify today on issues of great importance to the future of both Alaska and the entire United States. My name, for the record, is Drue Pearce. I am President of the Alaska State Senate.

News that the Federal Government is considering the creation of a government restructuring commission comes as a great relief. For many years our industries, small businesses, and municipalities have been suffering from redundant and often overlapping regulatory agency jurisdiction.

The successful functioning of a local government or private business relies on one basic principle, that being efficient operations. Unfortunately, efficiency and therefore effectiveness are too often impossible to achieve in Alaska because of Federal agency oversight. Without question, Federal agencies serve a critical role in the safe and fair operation of both the public and private sectors.

Agency oversight should not, however, be permitted to evolve beyond the scope of reasonable operation. When an industry leader cannot participate in a marketplace because the Federal agencies exercising oversight are literally lined up waiting to administer their own set of regulations, something has gone wrong. In my opinion, that something is the overexpansion of Federal agency oversight. Federal mandates that punish organizations in an effort to govern proper operation must be checked.

I am often called upon by my constituents to address problems created by Federal agency oversight. As legislators, however, we find that our hands are often tied by the preemption exercised by the Federal Government. It then befalls us to try to craft State legislation designed to accommodate the incredible web of overlap that was created over time, ironically, in an effort to permit the safe and just operation of business and local government. The regulatory shield we have created, however, has become a sword.

Added to this morass of regulatory overlap is the accompanying fragmentation of responsibility at the Federal level. Alaska is unique. Sixty-eight percent of our land base in Alaska is Federal. The Federal Government's administration of that land and the accompanying services often requires interaction of local, State, and Federal Government entities.

The increasingly divided responsibility across Federal agencies bogs down the delivery of services to a level that is no longer acceptable to Alaskans. Often, multiple organizations are responsible for similar and sometimes identical functions. In addition, it is not uncommon for different agencies to assess projects inconsistently—one reaching a conclusion that cannot be squared with that of another. Reorganization of the Federal Government will result in increasing effectiveness of government operations.

I think the best way for me to illustrate these ideas, Mr. Chairman, is by example, and I have two. The first example is one of

my favorites in my district: Anchorage International Airport and the case of the north/south runway—that is runway 1432—which people in Alaska know I have some very strong feelings about.

The airport is stuck in a situation where both the FAA and EPA have told them that they need to do things that are inconsistent.

First, let us take the EPA. The area around that runway is considered to be preservation wetlands, and the airport has been told that they cannot, will not, and shall not drain any of those wetlands to try to keep the migratory ducks and geese from spending many of their hours happily in that area right beside the runway.

The FAA, on the other hand, has told the Anchorage International Airport that it must drain those wetlands, dry them up, so that no water fowl are adjacent to the runway.

Each agency is threatening to either close the runway or give massive fines to the Anchorage International Airport.

Now, obviously, they cannot both drain and not drain the same wetlands and make these two agencies happy.

We also had a situation which I found interesting when I had the EPA representative in my office asking her what we could do about the problems. Her answer was, "Well, we should just haze the waterfowl," and, Mr. Chairman, you and I both know, through some extremely unfortunate experiences in Alaska, that the last thing you want to do in Alaska is cause those birds to fly, because that is what brings airplanes down and kills people. But that is the sort of overlapping regulatory options that are causing Alaskans to not know which way to turn.

The second example is, municipalities, Native corporations, small businesses and industries suffer from this onslaught of regulations, and in Southeast Alaska, for example, high rainfall, steep mountainous terrain, and proximity to seawater make it impossible for industries to comply with Federal regulations governing water quality and discharge when the same regulation was designed with arid, Southwest America conditions in mind.

On the Kenai Peninsula, air quality standards are compromised when one agency regulates slash burning for air quality, suppressing burns under less-than-ideal conditions, while a different Federal agency advocates burning for spruce beetle control. Business becomes the awkward bystander. They are penalized for noncompliance even in the face of conflicting intent.

And deep in the Interior of Alaska, lands in many locations are characterized as 100 percent wetlands. Yet current wetlands regulations would mandate that we avoid where possible any development of those wetlands; that we minimize, at the very least, to the extent of development where possible; and, third, that there has to be a compensatory mitigation where the other two conditions cannot be met. Alaska, obviously, cannot breach those regulations.

We are seeking relief from the enforcement of the unnecessary measures of compensatory mitigation. We very much appreciate the work that you have done and that the entire delegation has done to put legislation in place and move it forward through the House and the Senate, which would address our needs for restructuring the wetlands policies and the regulatory scheme for Alaska.

These unreasonable applications of blanket regulations to our unique and complex State are a concern that is unfortunately

echoed across the western States of America, not just here in Alaska. Future development of our State and of the entire west is severely threatened by the burden of Federal Government, the expense of unfunded mandates, the inefficiency of fragmentation at the regulatory level, and the confusion caused by this jurisdictional overlap. The above-mentioned regulations have certainly hindered the ability of our State to provide basic infrastructure and services, but most importantly these regulations threaten the ability for our communities to sustain themselves and to prosper for almost any kind of economic development.

Senator your Committee has the foresight and the potential to work to alleviate these conditions. On behalf of all Alaskans, the people of the west, and, in fact, of all Americans, I hope that you continue to work to help return this unbalanced Federal authority to a government of the people, for the people, and by the people, and thank you again.

[The prepared statement of Mr. Pearce follows:]

#### PREPARED STATEMENT OF STATE SENATOR DRUE PEARCE

Mr. Chairman and Members of the Committee, let me thank you on behalf of all Alaskans for this opportunity to testify today on issues of great importance to the future of Alaska and the United States. My name is Drue Pearce. I am President of the Alaska State Senate.

News that the Federal Government is considering the creation of a government restructuring commission comes as a great relief. For many years, our industries, small businesses and municipalities have been suffering from redundant and often overlapping regulatory agency jurisdiction.

The successful functioning of a local government or private business relies on one basic principle: efficient operations. Unfortunately, efficiency and effectiveness are too often impossible to achieve in Alaska because of Federal agency oversight. Without question, Federal agencies serve a critical role in the safe and fair operation of both the private and public sectors.

Agency oversight should not, however, be permitted to evolve beyond the scope of reasonable operation. When an industry leader cannot even participate in the marketplace because the Federal agencies exercising oversight are literally lined up waiting to administer their own regulations, something has gone wrong. That something is the over expansion of Federal agency oversight. Federal mandates that punish organizations, in an effort to govern their proper operation, must be checked.

I am often called upon by my constituents to address problems created by Federal agency oversight. As legislators, however, our hands are tied by the pre-emption exercised by the Federal Government. It then befalls us to craft State legislation designed to accommodate the incredible web of agency overlap—a web that was created over time ironically in an effort to permit the safe and just operation of business and local government. The regulatory shield we have created, however, has become a sword.

Added to this morass of regulatory overlap is the accompanying fragmentation of responsibility at the Federal level. Alaska is a unique State; 68% of the land in Alaska is Federal land. The Federal Government's administration of that land and the accompanying services often requires interaction of local, State and Federal Government entities.

The increasingly divided responsibility across Federal agencies bogs down the delivery of services to a level that is no longer acceptable. Often multiple organizations are responsible for similar, and sometimes identical, functions. In addition, it is not uncommon for different agencies to assess projects inconsistently—one reaching a conclusion that cannot be squared with that of another. Reorganization of the Federal Government will result in increasing effectiveness of government operations.

The best way for me to illustrate these ideas is by example. Municipalities, native corporations, small businesses, and industry suffer from the onslaught of regulations governing every aspect of development. The land base available for development in Alaska is so drastically limited that in most cases permits are sought on lands which have already been identified for development or have been developed in the past. The process for permit reauthorization on lands can be more cumbersome than applying for an original land use permit.

Regulatory agencies must be flexible enough to allow for site specific condition evaluations. In Southeast Alaska for example, high rainfall, steep, mountainous terrain, and proximity to sea water make it impossible for industry to comply with Federal regulations governing water quality and discharge where the same regulation was designed with arid Southwest conditions in mind.

On the Kenai Peninsula, air quality standards are compromised when one agency regulates slash burning for air quality, suppressing burns under less-than-ideal conditions, while another advocates burning for spruce beetle control. Business becomes the awkward bystander, penalized for non-compliance in the face of conflicting intent.

Deep in the interior of Alaska, lands in many locations are categorized as 100% wetlands. Yet current wetlands regulations would mandate:

- (1) avoidance where possible of development where wetlands exist;
- (2) minimization of the extent of development where possible; and
- (3) compensatory mitigation where the other two conditions cannot be met.

Alaska is currently seeking relief from the enforcement of unnecessary measures of compensatory mitigation in light of our unique abundance of wetlands. We strongly support legislation currently pending in the House and Senate which addresses the need for restructuring of the wetlands regulatory scheme in Alaska.

The unreasonable application of blanket regulations to our unique and complex State is a concern which is, unfortunately, echoed across the western States of America. The future development of Alaska, and of the west, is severely threatened by the burden of Federal Government, the expense of unfunded mandates, the inefficiency of fragmentation at the regulatory level, and the confusion of jurisdictional overlap. The above mentioned regulations have certainly hindered the ability of our State to provide basic infrastructure and services, but more importantly these regulations threaten the ability for our communities to sustain themselves and prosper from almost any form of economic development.

Senator, your Committee has the foresight and the potential to alleviate these conditions. On behalf of Alaskans, the people of the west, and the rest of the United States, help us return this unbalanced Federal authority to a government "of the people, for the people, and, by the people." Thank you.

Chairman STEVENS. Thank you very much.  
Mayor Egan, it is nice to have you, sir.

#### **TESTIMONY OF HON. DENNIS EGAN, MAYOR, JUNEAU, ALASKA**

Mayor EGAN. Thank you very much, Mr. Chairman, and welcome to Alaska's Capital City, and it is because of the citizens of Juneau and the money we contributed that major funding has gone to Gavel-to-Gavel coverage and you are being seen State-wide, and we are very proud of that.

For the record, I am Dennis Egan, the Mayor of the City and Borough of Juneau.

In the evolution of government in the United States, and Alaska, as well, communities came first. As the needs of our communities evolved, State and Federal Governments were created to provide services that required the coordination of the resources of many cities. There are, of course, some services such as national defense that will always be federal.

As our form of government has continued to evolve, the State and Federal Governments have taken on more and more responsibilities, including many of which can be done more appropriately or more efficiently performed at the local level. State and Federal Governments have also created revenue streams to support these services.

We believe we are now entering a period of "devolution" of the role of the Federal and State Governments, and this means that both the State and Federal Governments are attempting to "spin off" many traditional State and Federal services to what we like to

call lower levels of government. Unfortunately, the resources to provide those services do not always accompany the responsibilities.

In Alaska, we have heard a lot of debate on giving Federal Government block grants to States to provide public assistance, Medicare, etc., but unless this debate is over, it is going to be impossible to gauge the impacts on Alaska and, most especially, its communities. However, some of the scenarios seem to shift the costs to State and local governments without an assessment of how State and local governments can create the ability to meet those responsibilities. If State Governments fail to meet the public's needs, the social problems, if not the financing problems, will filter down to municipal taxpayers. The buck stops here.

Ever since the oil revenue crisis in 1986, State Government has indirectly been raising local taxes and property taxes by disproportionately cutting the municipal government's share of Alaska's oil wealth each year, increasing unfunded mandates, and, because of Federal cutbacks unilaterally transferring State service responsibilities to municipalities.

My hope is that while the Federal Government and States "devolve" services and responsibilities back to the "lower" level of government, they remember to involve us in those decisions in a meaningful way. Our greatest concern is cutting the Federal or State budgets will really mean shifting Federal or State problems to cities without shifting revenue capacity, or the means to otherwise solve the problem.

As mayor, I represent the "lowest" level of government in the United States, and I am proud of it. Cities have always been the basic unit of democracy and the incubator of many of the creative solutions to thorny problems like developing a local economy or balancing a budget in the face of overwhelming odds. Much of the creativity of cities comes from the diversity of America's cities. There are so many of us that are directly affected that we are bound to come up with a brilliant idea or two.

America's cities can be valuable partners in solving the problems of the Federal and State Governments. Very few municipalities would ever dream of operating on a deficit budget, even if they could get away with it. Each city does what is required to deliver the needed services to our community, and being that "lower" level of government also makes us the closest to the people we serve and the most flexible. By our nature, we are required to deliver the most "bang for the buck."

I have two suggestions for the Federal Government restructuring process, and those are: First, do not treat cities paternally when developing restructuring plans that would transfer service responsibilities to us. In the past, the Federal Government has seldom been able to really untie the strings, even when it decided to fully transfer responsibility for providing a service. The result, Senator, is extremely high cost at the local level to respond to Federal auditors, accountants, program managers, visiting regional directors, etc., while at the same time this legion of Federal officials typically approaches any issue with a "made in Washington, one-size-fits-all" set of guidelines or solutions.

A case in point is the proposed Echo Bay development of the A-J Mine. Initially, EPA told the City and Borough of Juneau that marine disposal of tailings would not be considered. As a result, Echo Bay Mines designed a tailings pond system in the Sheep Creek Valley that proved to be unacceptable to many locals and was determined by EPA to be inappropriate to climate and terrain. Millions of dollars and enormous time and energy at the local level were spent developing and debating the solution. Now the Federal Government has decided that, well, maybe, after all, marine tailings may be possible under certain conditions, but we still may be years away from a final solution, and that is just one example. There are hundreds more throughout the State. Every community in Alaska can tell a similar tale.

Some Federal loan programs may also be a good example. Nationwide loan guidelines seldom work well for Alaska. Programs to stimulate a local or State economy should be entirely administered at the level closest to the need, to achieve maximum effectiveness and efficiency.

The question often arises in "higher" levels of government about whether the money will be well spent. Well, all I can say, Mr. Chairman, is that if Federal officials had to discuss every decision they made in public every time they went to the grocery store or a high school basketball game, then they would finally understand local accountability. If the agency bureaucrats think they can do a better job, then I ask them to keep the service. If not, I ask them to back off and let the municipalities or the State administer the plan in the most efficient and cost-effective manner we deem appropriate.

Second, if the Federal Government wants to turn over responsibility or challenges to State and municipal governments, please get us involved early and often in deciding on how, why, what, when, and who foots the bill. Higher levels of government can easily forget that we all serve exactly the same customers and that the Federal and State Governments have the unique power of being able to spread revenues and resources equitably between the richer and poorer regions of the country.

Mr. Chairman, I want to thank you for inviting me to comment today. This invitation shows me that you truly care about local involvement, and as a member of the board of directors of the Alaska Municipal League and the Alaska Conference of Mayors, I will do all I can to help get our Alaska municipalities significantly involved if we are invited. Thank you.

[The prepared statement of Mayor Egan follows:]

#### PREPARED STATEMENT OF JUNEAU MAYOR DENNIS EGAN

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tempting to "spin off" many traditional State and Federal services to the lower levels of government. Unfortunately the resources to provide those services do not always accompany the responsibilities.

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Thank you for inviting me to comment today. This invitation shows that you truly care about local involvement. As a member of the board of directors of the Alaska Municipal League, and the Alaska Conference of Mayors, I will do all I can to help our Alaskan municipalities significantly involved, if we are invited.

Chairman STEVENS. Thank you very much, Dennis. I appreciate that.

Tom Briggs, the City Manager of Craig.

#### **TESTIMONY OF TOM BRIGGS, CITY MANAGER, CRAIG, ALASKA**

Mr. BRIGGS. Thank you, Hon. Chairman, and 19 members of the Committee. My name is Tom Briggs, and I am the city administrator of Craig, Alaska.

Craig is a first-class city of about 2,000 located on the outer coast of Prince of Wales Island in southern Southeast Alaska. It is about 60 miles due west of Ketchikan, and I cannot believe we have the opportunity to address our concerns and frustrations to you personally, and I want to thank you very much for the people of Prince of Wales Island and, particularly, Craig.

You have been of great help to us in many instances when we have had—were deadlocked, and we certainly appreciate this opportunity.

For some time, now, the Alaska municipalities have been told that it is time that they weaned themselves from their dependency on State and Federal funding. This funding is necessary for many things, from day-to-day operations to capital construction, economic development projects. Our mayor and our city council strongly support the idea that the community should become self-sufficient, sufficiently independent of other government's support that frequently holds our and other municipalities hostage by political and funding exigencies.

I have a picture of Craig here because most people do not know where it is, and I have entered it for the record.<sup>1</sup>

Craig is located with water all around it, and we are very marine dependent, and it is a fishing community. It is located proximal to some of the finest productive fishing grounds—salmon, halibut, herring—in the world. Fish processing founded our community at the turn of the century, and fishing has kept the community viable. Logging of Native corporation lands played a large part in the community's growth, but with the end of the corporation logging in sight, it will no longer be a factor after 1999.

Fishing has been, is now, and will continue to be the social and economic life blood of our community; so much so that the city worked during the 70's to identify a site for marine industrial development. Once the site was identified, which in our case was the only possible site, and that is located right here, right here on this peninsula, the city began working to acquire the site.

The site was included and approved for marine industrial development in the Craig Coastal Management Plan in 1984 and again in the 1990 update. The site was the only site available within the municipal boundaries that would lend itself to marine industrial development, and that is because the site has to be large enough

<sup>1</sup>The picture of Craig, Alaska appears on page 206.

to accommodate a year-round, land-based fish processor with an ice plant, a fuel dock to service deep-draft oceangoing vessels with a minimum depth of 20 feet, and other marine and water-related support facilities.

The State of Alaska and the Federal Government approved our Coastal Zone Management Plan, 1984 and 1990, with the idea that anything in the plan was approved for development. With this in mind, and since the land that we had chosen was conveyed to the city's Native corporation, the city identified the site as one of the properties needed for community development and thereby eligible for reconveyance 14c(3) provisions of the Alaska Native Claims Settlement Act, which I know you are very familiar with.

Negotiations for reconveyance of this land and other eligible lands began in 1978. As reconveyance negotiations continued, the city applied for and received from the State of Alaska in 1992 tidelands within the municipal boundaries. The tideland ownership was considered necessary for marine development because without it the development would be too expensive. With tideland ownership and with settlement of the 14c(3) reconveyance land imminent, the city began the final planning stages for the marine industrial park.

Finally, settlement of the 14c(3) lands was reached in the spring of 1994. We then aggressively pursued the reconnaissance engineering of the park and submitted the permit application to the U.S. Army Corps of Engineers in August 1994. In the meantime, the city looked at several funding sources, and with the advice of our financial advisor, the city contacted Alaska Industrial Development, an export agency, AIDEA, as it is called, a State agency established to assist economic development throughout Alaska. The criteria for qualifying for AIDEA financing is very stringent, but the board of directors of AIDEA enthusiastically approved our project and adopted a resolution of acceptance and support for the nearly \$5 million project.

This is to be paid from the revenue generated on the facility, and it is a bond. It is the city financing their own operations. We are not asking for a handout.

They recognized the feasibility and viability of the project as well as the importance of the project in sharing economic vitality for our water-dependent community.

Then, on November 22, 1994, we were notified that the Alaska Department of Fish and Game found the project inconsistent with the Alaska Coastal Management Plan and the Craig Coastal Management Plan, inconsistent even though the site had been approved for marine industrial development by the State in 1984 and 1990.

In rapid succession, a litany of written comments from Federal agencies, including United States Fish and Wildlife Service, National Marine Fisheries, and the Environmental Protection Agency, and from State agencies, including Department of Environmental Conservation, Department of Natural Resources, Division of Governmental Coordination, followed. These comments generally questioned, challenged, or openly rejected the project because of potential impact on eagles, benthic and epibenthic organisms—which I did not know what they were before this project started—wetlands, altering of estuarial currents, historical artifacts, laminaria and

eelgrass. Comments from Federal agencies stated that this project should not be approved because it was speculative in nature and threatened eagles, 10,000 shore birds, stellar sea lions, harbor seals, whales, herring, and salmon. But by far the greatest concern was that the covering of eelgrass would cause irreparable damage to the ecosystem. One Federal agent went so far as to say that eelgrass is sacred.

Not knowing which way to turn, we contacted the Corps of Engineers in November of 1994 and asked for an administrative closure to allow us time to address, if possible, all of these concerns. After closure and at the request of the city, the Corps visited Craig to review the site. The Corps suggested the city try to establish what the effect of filling one-half acre of eelgrass was on the entire ecosystem of the area. When asked how much eelgrass was in the area, we were told that an inventory was not available and that it would help our case if we did an inventory of eelgrass in the area. The city then decided that we had no choice but to conduct an inventory of eelgrass.

While waiting for the weather and tides to cooperate, the city researched the many other concerns expressed by the agencies. On April 18, 1995, just last spring, after several diving surveys by our consulting engineer—he found eelgrass everywhere—the city conducted an aerial survey of 62 miles of shoreline to determine how extensive the eelgrass was. The survey was documented by still photos and videos and showed that only three miles had no eelgrass. These three miles are located on the southwest corner of an island six miles from Craig but owned by the Native corporation and inaccessible to Craig.

On June 28, 1995, the city submitted a report addressing the concerns of the State and Federal agencies and requested that the Corps reopen the permit review to all agencies. In the report, we showed, among other things, that the project was not speculative; that there were no other practical alternatives since all sites had eelgrass; and we also reduced the footprint of the project and included a bridge to the site to minimize impacts to the area, and then the city, by ordinance, set aside for protection in perpetuity 82 acres of adjacent city-owned tidelands. That is mitigation for the loss of the half acre of eelgrass.

After several more meetings and further modifications of the footprint at the request of the agencies, the Corps reported on November 28, 1995, that the leading State and Federal agencies would support the project if the city would place in perpetuity the 82 acres of tideland into a conservation easement under the control of a third party such as a Nature Conservancy. U.S. Fish and Wildlife Service even agreed to waive their rights to elevate the project to Washington, D.C. if we were willing to do this.

All residents of the City of Craig contacted did not want to relinquish control of the city-owned tidelands that we had just acquired. We felt that we had gone far beyond what was reasonable, let alone required by law, and on December 10, 1995, the city informed the Corps that we were unwilling to place these lands into the hands of a noninterested third party.

After much more discussion and delay, the State of Alaska has finally conceded that the project is consistent with both plans,

Alaska and Craig. The Corps has stated that they are in the final stages of permitting and expect the hierarchal review to result in issuing the permit.

The various Federal agencies, however, have 15 days after the permit is issued to elevate the project to D.C. We will have to wait to see if the project can move forward or if we must defend the project in Washington.

Permitting costs to the city, costs—and these are the documents—these are all permitting correspondence that we have accumulated since this—just related to the permitting.

The permitting costs to the City of Craig so far is nearing \$60,000. If the project is permitted without further delay, the city will receive reimbursement from AIDEA for this money as project development costs. If the project is delayed by elevation the project could be delayed for up to a year I have been told—AIDEA support may not be available if the project is delayed any further.

A permit progress that normally takes 6 months has taken the City of Craig 18 months, and during this time inflation has—because of the additional 12 months' permitting—has increased the cost of the project by more than \$150,000. The project costs have reached a critical limit in that leases expressed to support the development debt service will not support any higher costs. Further delays will make the project impractical. Also, further increases will result in scope reduction to a level that will also jeopardize the project's acceptance to the major leaseholds, and the two major parties are Norquest Seafood and Petro Marine of Alaska.

The project must be completed by January of 1997 or it will be cancelled. Completed; not started, completed. The City of Craig cannot afford to lose this economic development project. The future of our marine-related community is at stake. I pity the poorer communities of Alaska that critically need economic development but do not have the resources to combat the Federal and State permit review agencies. They have the will but not the way to continue this fight.

Again, we thank you for the opportunity to testify on this critical issue for the small communities of Alaska. We hope that our testimony will contribute to correcting this serious situation and facilitating community economic development in Alaska.

Thank you.

[The prepared statement of Mr. Briggs follows:]

#### PREPARED STATEMENT OF TOM BRIGGS

Hon. Chairman Stevens and Members of the Committee: My name is Tom Briggs and I am the City Administrator of Craig, Alaska, a first-class city of 2,000 located on the outer coast of Prince of Wales Island in southern Southeast Alaska.

I welcome this opportunity to speak today as a concerned representative of local government in Alaska. For some time now municipalities in Alaska have been told that it is necessary that they wean themselves from their dependency on State and Federal funding; funding necessary for the day-to-day operations as well as capital construction within their municipality. The Mayor and City Council in my municipality strongly support the idea of our community becoming self sufficient; i.e., sufficiently independent of other governmental support that frequently holds our and other municipalities hostage by political and funding exigencies.

Craig, like most fishing communities in southeast Alaska, is located proximal to exceptionally productive fishing grounds. Fish processing founded our community at the turn of the century and fishing has kept the community viable. Logging of native corporation lands has played a part in the community's growth, but with the

end of corporation logging in sight, it will no longer be a factor after 1999. Fishing has been, is now and will continue to be the social and economic life blood of our community; so much so that worked during the seventies to identify a site for marine industrial development. Once the site was identified, which in our case was the only possible site, the city began working to acquire the site.

The site was included and approved for marine industrial development in the Craig Coastal Management Plan (CCMP) in 1984 and again in the 1990 update. The site was the only site available within the municipal boundaries that would lend itself to marine industrial development. The site would have to be large enough to accommodate a year around land based fish processor and ice plant, a fuel dock to service deep draft ocean going vessels (it needed a minimum depth of 20' MLLW) and other marine and water related support facilities. The State of Alaska and the Federal Government approved our Coastal Zone Management Plan in 1984 and 1990 with the idea that anything in the plan was approved for development. With this in mind, and since the land was conveyed to the city's native corporation, the city identified the site as one of the properties needed for community development and eligible for reconveyance to the city under 14c(3) of the Alaska Native Claims Settlement Act. Negotiations for reconveyance of this land and other eligible lands began in 1978.

As reconveyance negotiations continued, the city applied for and received from the State of Alaska in 1992 eligible tidelands within the municipal boundaries. Tideland ownership was considered necessary for marine development because without it the development would be too expensive. With tideland ownership and with settlement of the 14c(3) reconveyance lands imminent, the city began the final planning stages for the marine industrial park.

Finally, settlement of the 14c(3) lands was reached in the spring of 1994. We then aggressively pursued the reconnaissance engineering of the park and submitted the permit application to the US Army Corps of Engineering on August 4, 1994. In the meantime, the city looked at several funding sources and with the advice of our financial advisor, the city contacted the Alaska Industrial Development and Export Authority (AIDEA), a State agency established to assist economic development throughout Alaska. The criteria for qualifying for AIDEA financing is very stringent but the Board of Directors of AIDEA enthusiastically approved our project and adopted a resolution of acceptance and support for the nearly \$5 million project. They recognized the feasibility and viability of the project as well as the importance of the project in ensuring economic vitality for our water dependent community.

Then, on November 22, 1994, we were notified that the Alaska Department of Fish and Game (ADFG) found the project inconsistent with the Alaska Coastal Management Plan as well as the Craig Coastal Management Plan (CCMP); inconsistent even though the site had been approved for marine industrial development in both the 1984 and the 1990 plans.

In rapid succession a litany of written comments from Federal agencies including the United States Fish and Wildlife Service (USFWS), National Marine Fisheries (NMFS) and the Environmental Protection Agency (EPA) and from State agencies including Department of Environmental Conservation (DEC), Department of Natural Resources (DNR) and the Division of Governmental Coordination (DGC). These comments generally questioned, challenged or openly rejected the project because of potential impact on eagles, benthic and epibenthic organisms, wetlands, altering of estuarial currents, historical artifacts, laminaria and eelgrass. Comments from Federal agencies stated that this project shouldn't be approved because it was "speculative in nature" and threatened eagles, 10,000 shore birds, stellar sea lions, harbor seals, whales, herring and salmon. But by far, the greatest concern was that the covering of eelgrass would cause irreparable damage to the ecosystem. One Federal agent went so far as to say that "eelgrass is sacred".

Not knowing which way to turn, we contacted the Corps of Engineers and asked for an administrative closure to allow us time to address, if possible, all of these concerns. After closure, and at the request of the city, the Corps visited Craig to review the site. The Corps suggested that the city try to establish what the effect of filling one-half acre of eelgrass was on the entire ecosystem of the area. When asked how much eelgrass was in the area, we were told that an inventory was not available and that it would help our case if we did an inventory of eelgrass in the area ourselves. The city then decided that we had no choice but to conduct an eelgrass inventory of the area.

While waiting for the weather and tides to cooperate, the city researched the many other concerns expressed by the agencies. On April 18, 1995, after several diving surveys by our consulting engineer found eelgrass everywhere, the city conducted an aerial survey of 62 miles of shoreline to determine how extensive the eelgrass was. The survey was documented by still photos and videos and showed

that only 3 miles had no eelgrass. These 3 miles were located on the southwest corner of an island 6 miles from Craig but owned by the native corporation and inaccessible to Craig.

On June 28, 1995, the city submitted a report addressing the concerns of the State and Federal agencies and requested that the Corps reopen the permit review to all agencies. In the report, we showed among other things that the project was not speculative, that there were no other practicable alternatives since all sites had eelgrass. We also reduced the footprint of the project and included a bridge to the site to minimize impacts to the area, and, the city by ordinance set aside for protection in perpetuity 82 acres of adjacent city owned tidelands. After several more meetings and further modification of the footprint at the request of the agencies, the Corps reported on November 28, 1995 that the leading State and Federal agencies would support the project if the city would place in perpetuity the 82 acres of tideland into a conservation easement under the control of a third party such as the Nature Conservancy. USFWS even agreed to waive their rights to elevate the project to Washington, D.C., if we were willing to do this.

All residents of the City of Craig contacted did not want to relinquish control of these city owned tidelands that had just been acquired. We felt that we had gone far beyond what was reasonable, let alone what was required by law, and on December 10, 1995, the city informed the Corps that we were unwilling to place these lands into the hands of a noninterested third party.

After much more discussion and delay, the State of Alaska has finally conceded that the project is consistent with the ACPM and the CCMP. The Corps has stated that they are in the final stages of permitting and expect the hierarchical review to result in issuing the permit. The various Federal agencies, however, have 15 days after the permit is issued to elevate the project to D.C. We will have to wait to see if the project can be moved forward or if we must defend the project in Washington, D.C.

Permitting cost to the City of Craig so far is nearing \$60,000. If the project is permitted without further delay, the city will receive reimbursement from AIDEA as project development costs. If the project is delayed by elevation, the project could be delayed for up to a year. AIDEA support may not be available if the project is delayed any further.

A permitting process that normally takes 6 months has taken the City of Craig 18 months. Inflation during these additional 12 months of permitting has increased the cost of the project by more than \$150,000. The project cost has reached a critical limit in that leases expected to support the development debt service will not support any higher costs. Further delays will make the project impractical. Also, further increases will result in scope reduction to a level that will also jeopardize the project acceptance to the major leaseholds committed to participate in the project, Norquest Seafood and Petro Marine of Alaska.

The project must be completed by January of 1997 or it will be canceled. The City of Craig cannot afford to lose this economic development project. The future of our marine related community is at stake. I pity the poorer communities of Alaska that critically need economic development but don't have the resources to combat the Federal and State permit review agencies. They have the will but not the way to continue this fight.

Again, we thank you for the opportunity to testify on this critical issue for small communities in Alaska. We hope that our testimony will contribute to correcting this serious situation and facilitating community economic development in Alaska.

Chairman STEVENS. Thank you very much, Mr. Manager.

I am astounded at the length of that delay and will certainly look into—see if we can assist in any way.

Mr. BRIGGS. Thank you.

Chairman STEVENS. Mayor Egan, the unfunded mandates law has passed. It is not retroactive, although we are now looking for a series of subject-specific reviews of past legislation to determine whether we can put what we call sunset clauses on them which, in effect, would require them to come forward and be funded for the future.

But as far as the mandates in the block grants, they are, by definition, forward funded. They are entitlements and, therefore, not subject to review by appropriations and they are—to change, for in-

stance, on Medicaid, under the Medicaid program, the Federal Government pays 50 percent of the cost of the previous year.

Under this program, the Federal Government will dispatch to the State the moneys that cover the current—the prospective, the year in advance, that—we have got to do a little fancy footwork to be able to bridge that transition, but it is our intent that we will be forward funding of those things if we can manage it under this budget process, but clearly—I am disturbed by what I think I heard, that somehow or other you believe that that might be an additional burden on the cities.

That is not our intent, and I want to see if I can work out some way to make sure we can get that kind of input we need that you describe.

Mayor EGAN. Thank you very much, Mr. Chairman, and our finance people will be more than happy to give you that information through our Health and Social Services Department, if we do have that information available for you, to make it available.

Chairman STEVENS. We do have a series in the Senate of former mayors—Senator Kempthorne from Idaho is the leading member, as a matter of fact, of that group, and we have been conscious of the impact on cities.

We cannot, however, devise legislation that would be feared in terms of block granting to cities. We have looked at that, and we are just compelled to use the States'. That means that the Legislature has to work out a formula that is fair within the State, as we are trying to work out a formula that is fair within the Nation.

Have you had conferences with the legislators in that regard on how the block granting is going to go beyond the States?

Mayor EGAN. Not me, specifically, but the Alaska Municipal League has had many conferences.

Chairman STEVENS. Have they?

Mayor EGAN. Yes.

Ms. PHILLIPS. We just talked to him about housing in Juneau.

Mayor EGAN. Right.

Chairman STEVENS. We are doing some work on single-audit concepts that ought to be of interest to the City of Juneau.

Where is that bill now? Mr. Forman. I think it has been introduced.

Chairman STEVENS. It is not at the Committee yet, though?

Mr. FORMAN. No.

Chairman STEVENS. We would be happy to have your comments and would give you some information concerning it, but the idea is, is instead of having a series of audits by Federal entities, there would be one audit, and that audit would work with the city in terms of—this is on the oversight of Federal funding—and it would be one audit of all programs at one time and be something that could be utilized by the city, and so we are not duplicating what the city is doing, but we would join together with the city on one single audit of the function so the taxpayers do not pay twice, once for a Federal audit and once for a local audit.

Mayor EGAN. Senator, because of the nature of the program audits, it is in different sections, so a lot of our agencies at the local level are audited more than once, not even taking into consider-

ation the local audits that we have to perform for the Federal Government and for the State of Alaska.

Chairman STEVENS. I think we ought to submit that to the Alaska Municipal League and get some comments, because you will probably have greater problems than that.

To my friends from the Legislature, I do hope that we can find a way to define those instances where the 10th amendment has been violated. We are going out in the field hearings, soon, to determine how we can find the laws that ought to be rolled back so we have the concept of the Federal Government being a government of limited powers.

It is going to take a lot of cooperation from State legislators, and I hope that the State Legislative Association will help us work on that and delineate some of the areas that we ought to determine if the 10th Amendment Apportionment Act passes, where we ought to concentrate our activities on that, too.

Ms. PHILLIPS. Mr. Chairman, the NCSL Executive Committee will be meeting in Anchorage in May, and that would be a good opportunity for us to coordinate efforts with your office.

Chairman STEVENS. I would like to know when that is. Maybe we could plane some of our people up to explain what we are trying to do.

I thank you very much and appreciate your taking the time to join me. This hearing will be printed. We will print this series of hearings, and we will be glad to see that you get copies of your testimony and others so you can compare what they have said to us in other places.

Ms. PHILLIPS. Thank you very much.

Mr. PEARCE. Thank you.

Mayor EGAN. Thank you, Senator.

Chairman STEVENS. We will now have a second panel.

Ms. McConnell, Director of the Alaska Governor's Office of Management and Budget, and the Hon. Mark Boyer, Alaska Commissioner of Administration.

Nice to see you both. Thank you for coming.

I am delighted you would take the time to visit with us on the record because I have suggested, as you probably know, in Washington that we look towards trying to develop a department of administration for the Federal Government using digital telecommunication computerization capability and centralize the acquisition of data to determine payrolls, debts owed to the United States and the whole array of administrative concepts.

It has not been overwhelmingly accepted, so I would be happy to have your comments, what you might give us in guidance, Ms. McConnell.

**TESTIMONY OF ANNALEE McCONNELL, DIRECTOR, ALASKA GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET, JUNEAU, ALASKA**

Ms. McCONNELL. Certainly. I thought I could do this, if it is all right with you, fairly informally.

Your letter indicated your interest in knowing about cost-cutting initiatives that were proposed by the long-range financial planning commission, and, actually, that commission did not get so much

into the nitty-gritty of the sorts of things that you are looking at now. It was dealing much more with an umbrella financial plan for long-range financial security for the State of Alaska.

Chairman STEVENS. It was more of a budget planning concept than an administrative—

Ms. MCCONNELL. It was, that is right, and dealing with the issue of the physical gap, as opposed to how could we spent the dollars that we are going to use in State Government most effectively.

However, the Knowles Administration has done its own initiative on budget cutting and sort of approaches, and so I thought I could respond to some of the other questions in your letter, but it is not the commission's work that I am referring to but, really, the things that we are doing internally in the administration.

We have taken a double-pronged approach to budget discipline. One is looking at some process changes that we thought needed to be implemented, and the other was looking at the specifics and individual issue areas, and I think the kinds of things that you were mentioning are really much more the sorts of things that Mark Boyer is going to be speaking to.

You also had asked about some thoughts from us about how much—what sorts of things that we are doing in the State that might be transferable to the Federal Government.

I moved from being the OMB director in Anchorage to the State, and one of the things that I have decided in that process is that while there certainly are some ideas that are worth pursuing, many of the circumstances are so different that transition is not necessarily real easy. Part of it is just the scale of going to the larger entity, and every time I think I have got problems dealing with the State of Alaska budget situation I think of—

Chairman STEVENS. Alice Rivlin?

Ms. MCCONNELL. Exactly, Alice Rivlin, and what she must be thinking of.

But it does point out one significant difference that I have seen already even in the jump from the local to the State, and that is that your ability to deal at a central level with some of the nitty-gritty hands-on issues is much more difficult because you are that much farther removed from being able to see firsthand the operational—the opportunities for operational savings.

The other, of course, is just the nature of the differences between a local assembly, a State Legislature, and Congress, but one of the things that we have focused on is a real internal team-work approach, and I cannot speak to whether that is transferable to the Federal experience, but much of the way in which we are implementing our budget discipline efforts really focuses on inter-departmental efforts.

Mark and I serve on a number of different groups together. We bring in commissioners as necessary and have tried to combine the commissioners or OMB-director-type central administration points with the hands-on operational viewpoints that you get from including the commissioner of transportation or health and social services, whatever.

I highlighted in my written remarks some of the types of initiatives that we have undertaken that we are finding to have some success in this whole area.

First is looking more than 1 year at a time, and I cannot speak to the degree to which the Federal Government does that already, but certainly what I have found here at the State level was our focus was so much on the 1-year budget and 1-year activities that could be funded within a single budget cycle that we were really losing track of opportunities that require us to make investments over a multi-year period of time, or where we have to plug in a lot of money up front in order to get the cost savings down the line, which particularly would be the case in the kinds of technology-related items that you were speaking to.

We have asked our departments to give us views of multi-year budget reductions, as opposed to just telling us what they would do for the upcoming budget cycle, for instance, and I hope that that is going to expand our ability to be real constructive in the area of more efficient government operation and, also, examining more thoughtfully the areas that are not appropriate for the State to continue in or areas that are currently neglected, and some of those are areas that you have been particularly supportive of, things like rural sanitation. Those, obviously, require that we look more than 1 year at a time, not just for capital investment, but now we are focusing, for instance, very heavily on how do we provide the operational support so we do not build something that is not maintained either for lack of money or lack of experience.

Multi-year capital budgeting, a whole other area that has been completely absent in the State, from my standpoint, there have been token bows to the statutory requirement for 6-year capital plans. In my view, it is really 6-year "Dear Santa Claus lists" that we have had in the past, and we are trying to turn that into a real financial plan for State capital investment.

Another area has been insistence on real full-year budgeting, and that works two ways. One has been acknowledging up front what the full-year costs of some of these activities are. I think we have done our public and our administrators a real disservice in pretending that we can do some things for "X" number of dollars when we know full well it is going to require more or require a multi-year commitment.

The flip side of that is once there is a budget amount established is really insisting that our departments work within those, and that has been a major change that has not required any statutory action or legislative action. It is something we have done strictly internally within the administration. It is letting people know that we will say no up front. We are not going to propose supplemental budgets. We are expecting departments to work within the amount that they are given.

So those process changes, even though they sound fairly generic, have actually, I think, gone a long way toward establishing a different type of budget discipline within our State process.

We have still a long way to go, but I think the report cards, if you will, that we are getting now—the fact that our supplemental budgets came in under the amount that was projected and so on—are really forcing that discipline, and we are reaping the benefits.

In terms of cost control, we have taken the approach that we would focus on half a dozen or so major initiatives, major areas at a time.

The first one has been working on fast-growing areas of the budget, and many of the things we are doing there, of course, tie very directly to what is happening at the national level in terms of AFDC, Medicaid, but internally we have also focused on some of the areas that we felt were not watched carefully enough by departments, such as risk management and labor grievances.

In the case of the risk management, that ties into your question about centralization versus decentralization.

We are really trying to be sure that the financial responsibility for various areas of State Government, such as risk management, telecommunications costs, the labor—the impacts of not doing labor relations well and having the grievances and so on—that those are placed out in the departments.

So in some ways we are simultaneously centralizing and decentralizing. Facility management is a good example. We currently have centralized facility management in the Department of Transportation facilities that are State owned and in the Department of Administration for facilities that we lease, but the payer role has also been centralized, and what we are finding as a result is there is little incentive for departments to be really cost effective, even in things like flipping the light switches or investing in energy conservation measures or in space utilization.

So, while we are moving to centralize and consolidate the activities of leasing and facility management, we are going to be decentralizing the paying responsibility and getting that out in the department so that there is a much greater sensitivity to price changes. And, as you look at the Federal opportunities, you may also want to consider something that is not strictly considered all one way or the other, all centralized or all decentralized.

In reducing personnel costs, we have a number of initiatives to get at that area. We understand there is both a public perception that the salaries and benefits for public sector employees outstrip those of the private sector, but, also, in some cases, some very obvious inequities that we have within our own system.

So we have focused on those: Things like geographic differentials that do not reflect true geographic differences in the State; retirement incentive program, which we are hoping to get, some of which is actually modeled on some of the things that the Federal Government has done.

Chairman STEVENS. An early out, yes.

Ms. MCCONNELL. That we have not implemented at the State level.

We are doing more to shift towards user-pay proposals, again partly because that puts a different type of accountability into the picture than if the State is doling out all of the funds for a service, and there we have found that—a couple things that are key in the process of developing those, one of which has been within the inter-departmental coordination to be sure that we look at the impacts of any proposal on services delivered by other departments and also working very closely with the constituents who are affected.

This is another area where our multi-year approach is paying off, also, because there are some things that have just not happened when they are looked at 1 year at a time.

In the case of Pioneer Home fees, we are going to be looking at a 7-year phase-in toward full cost control, still allowing for the ability of folks to get a break if they cannot afford—

Chairman STEVENS. Do State users pay under your concept, as well as nonstate, in the user-pay concept?

Are you having inter-departmental/interagency contribution on paying for functions?

Ms. MCCONNELL. In some areas we have, and in some areas we have decided that the accounting is not worth the time and trouble.

We have tried to discriminate between those allocations of costs out to the department that are directly tied to incentives for cost control.

So one example is in the facility area, since departments which do not see the bills for their spaces have very little incentive to say, "Gee, as we have been down-sizing, we actually have more space than we need."

That is a place where we think the account—shifting the burden of paying can pay off in terms of really reducing the total amount of space that the State needs to lease in a community, let us say, or operate itself.

In other areas, we have decided that the accounting is more trouble than it is worth; it is not an area that is conducive to cost control simply by shifting the pay.

Senator STEVENS. Is there a different accounting mechanism for property you rent as compared to what the State owns?

Ms. MCCONNELL. In the sense that the property we rent is all financed through the Department of Administration. There is a cost—line item for facility leasing.

All of the responsibility for both managing and paying for State-owned facilities—not all—most is in the Department of Transportation. There are a few State agencies that handle it within their own budget. So we have a real hodgepodge right now, and that is not conducive to effective cost control.

But the other approach we are taking on things like facility management has more to do with the programmatic aspects than the financing. So, for instance, as we have looked at the need to cut budgets and in some cases reduce field offices, it occurred to us that we were also going to get some programmatic benefits by having one-stop shopping for citizens for—who need similar kinds of benefits, so that the job training and job placement and welfare caseworkers should all be co-located if we are really going to have the most effective system for helping welfare recipients get back to work.

We are exploring other ways in which field offices can be combined, and in some cases the initial reason for doing that was a cost reason. In other cases, there were departments that were saying, "Hey, we have got a programmatic problem. We are making it harder for our citizens to get the services they need because we are sending them all around town."

But I think until we get a central view and a central responsibility for the function of facility management and a clear system for having departments involved in the decision making about how much space is needed and so on, we are going to continue to have a lot of inefficiencies that only surface accidentally and not because

there is anybody looking at the whole picture, but I think if we were to purely centralize a function like that, we would probably miss some of the programmatic reasons to keep a lot of attention out at the local agency level.

So we are not taking an umbrella approach to centralization versus decentralization. We are really doing it pretty much case by case, looking at where the opportunities are for cost control.

I am also not a particularly big fan of getting into too much detail about allocating costs out because in my opinion you get—at some point you are counting pennies and missing—you are taking up so much time doing that that you miss the opportunity for saving much larger dollars, and I have found in my budgeting work over the years that very often too much attention to cost allocation results in more of a bean-counter approach than a sensible service-driven and overall cost-economy approach.

Chairman STEVENS. Have you tried any performance budgeting?

Ms. MCCONNELL. We are just getting into that now.

We prepared, and I did not think to bring a copy of this, but we prepared a different type of budget overview this year than has been done in the past, and it included for each department four or five key performance measures.

We decided to take the approach of having each department focus on a handful of things that would be real significant performance measures for them and have departments begin to see that if we do that, if we keep our eye on the goal—and the most important step is going to be checking back with them to making sure they are on target to meeting those—that would begin to convey the benefits of the performance budgeting.

Chairman STEVENS. What do you do to offset the end-of-the-year surge spending?

Ms. MCCONNELL. Actually, when I was at the Municipality of Anchorage, there was a fairly interesting approach to that.

The municipal manager closed off the purchase order authority a week earlier than the date that everybody was expecting, and then the next year, because he knew everybody would be assuming it would be 1 week earlier, he made it a week before that.

That is maybe a fairly crude way of doing it, but I think the way that probably we will find it working best is that we have tightened up the budgets considerably. We have not allowed departments to come in for supplemental requests except in very extraordinary circumstances. We have made them cope with the normal things that happen during the year within an existing budget.

I think there is, first of all, not going to be as much available for that kind of year-end spending, but both Mark and I have been concerned about what we have seen year-end, just even the anecdotal information, what you see stacked up at the elevator waiting to go upstairs in the way of computers and so on.

On the other hand, I think some of that is a function of our refusal to acknowledge that we—there is no successful private corporation that does not provide its employees with the basic tools of the trade, and in the 1990's, that includes computers that are up to the job of doing the current work.

I think we are very shortsighted in the State in not making real technology investments and assuming that people should have adequate equipment to do their jobs.

So some of the year-end purchasing is not being—actually, my opinion, I would have to say probably 99 percent of it in the State, for technology-related things, which is where we see so much of it, is not at all foolishly spending money. It is doing what we should have been budgeting for up front.

And another initiative that Mark and I are working on together is developing a mechanism within our State budgeting and accounting system for planning the regular renewal and replacement of computer and other technology capital expenditures.

We treat them now in the capital budget, generally, and two-thirds of the time they do not get funded at all. We think that is ridiculous. We should be assuming that every year you are going to have to have some routine replacement of equipment.

So that is an example where our budget process, by refusing to acknowledge true full-year budgeting, is working to cripple our ability to take advantage of technology investments, and we say that we want to be more like a private enterprise, but in my experience what that usually means, when those phrases are tossed about, is that we want to do all of the cost cutting and none of the investing, because private corporations do invest on a regular basis. They maintain their buildings.

The State of Alaska is not currently maintaining its buildings. We are losing the value of our infrastructure. If government funds projects in rural Alaska and does not have a plan worked out in advance with local communities for how those schools or water or sewer systems or whatever are going to be maintained and renewed as necessary, whether it is roofs being replaced or whatever, we are simply throwing the money away.

Chairman STEVENS. You do not have a basic O&M concept?

Ms. MCCONNELL. We have not in the State, no, and that is—in fact, in the past there has really been very little attention paid to the O&M projections for any capital facility.

That is a major part of the 6-year capital planning process that we are developing now. Ironically, it is something that we had in the Municipality of Anchorage when I was there in the early 80's. I think the State, partly because there was so much money there for a while, has just not had the level of discipline and planning.

So we are going to be forcing our departments to provide the money necessary for O&Ms, and that is part of this facilities management project that we are working on now. They will not only have to be paying for the lease or the day-to-day maintenance, but we are going to figure out what sort of system we want to set up for renewal and replacement, and the mechanics of that are yet to be worked out, but we would sure be happy to share with you, as we go through that process, what we come up with.

[The prepared statement of Ms. McConnell follows:]

#### PREPARED STATEMENT OF ANNALEE MCCONNELL

##### *Budget Discipline Priority*

Budget discipline is one of Governor Knowles' top priorities. The administration's overall budget goals are:

- developing a viable long range financial plan that closes the State's budget gap in no more than 6 years and provides a "safe landing" for Alaska's families and State-wide economy; and
- getting the State's fiscal house in order by improving the budget process itself as well as cost control in every agency.

The notes below highlight State efforts toward cost control which are producing the best results. Applicability to the Federal situation will vary depending on the topic, but is probably best assessed by Federal rather than State officials.

#### *Process Chances to Improve Budget Discipline*

*Multi-year budget reduction scenarios.* In the early planning stage of developing the FY97 budget proposal, we asked departments to give us a 3 year look at cost-cutting opportunities. This brought out many ideas which could be implemented more effectively through phasing or which required multi-year lead times for scoping and decision-making. Many of these ideas had been floated for years, but were never implemented because they did not fit within the immediate year's budget cycle.

*Six year capital budget plan.* The magnitude of State capital budgets has fluctuated wildly in the past 20 years, making community and private sector construction planning extremely difficult. We are developing a 6-year capital plan for legislative and public consideration. It will outline the total cost of meeting the State's construction needs for schools, rural sanitation, corrections, transportation and other basic responsibilities. It will describe how much of these needs can be met if Alaska continues financing capital projects mostly with cash and also will suggest options for other financing methods such as bonds or revolving loans.

*Insistence on full year budgeting.* In past years, departments operated on the assumption that approval of supplemental budget requests would take care of any cost increases. In some cases, programs were intentionally short-funded and the supplemental necessary for full year funding was not acknowledged in the budget. These practices gave the public a distorted view of State spending and virtually eliminated any internal pressure to operate within clearly defined budget limits. In his first month of office, the governor said publicly that these practices had to stop. Throughout the year, commissioners were reminded that they would have to resolve mid-year problems within their approved budgets except in extraordinary cases. The administration's recent supplemental budget request to the legislature made good on the governor's promise.

#### *Cost Control Targeting*

*Fast growing areas.* High level, high profile emphasis has been placed on areas in the budget which have grown rapidly in recent years. State efforts to reduce the rate of growth in areas such as AFDC, welfare, labor grievances and risk management are already paying off. The cost-control approach in each area is tailored to the program and varies greatly depending on the underlying causes of the rapid growth. Commissioners have worked in teams to develop creative approaches which address the problem. Problem-solving inter-departmental task groups and partnerships with private industry have been hallmarks of the Knowles/Ulmer administration.

*Facility management.* Earlier State budget cutting has reduced funds for many activities that prevent or reduce fixture costs. An example is facility maintenance where past budget cuts have imprudently increased the deferred maintenance back log, requiring remedies that are considerably more expensive. A major initiative is underway to consolidate and revamp the State's systems for facility management and leasing. These functions are now handled in several different departments, with no charge-back system to encourage effective space utilization and no mechanism for sharing maintenance staffs in communities throughout the State. The specifics of the new system are being determined now.

*Reducing personnel costs.* There is considerable public concern that State employee wages and benefits outstrip those in the private sector. After the previous administration's negotiated labor contracts were rejected by the legislature, the Knowles administration brought in contracts which will cost \$34 million less over the next 4 years. Last session, the legislature turned down the administration's proposed revision to overly generous geographic pay differentials; a revised proposal is under consideration this year. A retirement incentive program modeled after Federal and private programs is also being considered again this year.

*User pay proposals.* Several proposals to have users pay all or part of services they receive are in the governor's proposed FY97 budget. Phased implementation is a key feature in several of these proposals—for instance, bringing Pioneer Home fees closer to full cost of care over the next 7 years. The multi-year approach to

budget development and close communication with the affected groups are important factors in the likelihood of success for these proposals.

*Consolidation of similar programs.* We have strongly encouraged bringing similar State programs under one roof. In the past, the focus was on better coordination among programs in different departments and agencies. While coordination is better than conflict among activities, it may not be the most effective means of service delivery. As an example, we are bringing job training and employment programs from seven different agencies together under the auspices of a single council. Actual consolidation of some of these programs is likely in the near future.

*Technology improvements.* We have several major initiatives to improve the State's use of technology to cut cost and/or improve service delivery. Two examples are automating the budget process to free up staff time for analysis and program operations, and using video conferencing to reduce travel costs. Electronic commerce, imaging and other technology tools which are widely used in the private sector are also being explored.

Chairman STEVENS. Good.

Mark Boyer, Commissioner of Administration.

Mr. BOYER. Thank you, Mr. Chairman.

Chairman STEVENS. I appreciate your being here.

As I have suggested the department of administration, I have now been asked to explain what Alaska is doing with its Department of Administration.

I am not certain what we are suggesting is what you have. That is why I am happy to have you take the time to visit with us today.

#### **TESTIMONY OF MARK BOYER, ALASKA COMMISSIONER OF ADMINISTRATION, JUNEAU, ALASKA**

Mr. BOYER. I am glad to be here, because from what I have read about hearings around the State, I am going to be one of the few guys that talks from a perspective of the glass being half full.

I am kind of proud of some of the things we have initiated in this administration, and, frankly, fairly proud of what the Department of Administration has been able to accomplish over the years regardless of the administrative leadership because it has had, frankly, a fairly tough job being the centralized arbiter in many, many cases of decision making that has crossed all elements of government, and I am kind of the—along with Annalee—the guy that most people hate to see coming. They love to hate you, but they also like the fact that in many, many cases the Department of Administration is the place of final decision making with regard to procurement decisions that are sometimes made in the field, labor relations decisions that are made in the field. Oftentimes, they end up—well, by statute they end up at the Department of Administration for final decision making in most cases.

I would also like to make an observation about things that we are attempting to do in the Department of Administration and OMB that are not always popular. I would like to think about the folks in Anchorage. The Anchorage Chamber of Commerce passes out gold pan awards, and one of the slogans I use is the guys who pass out the gold pan awards are not necessarily interested in your success because many times the success that we might have in reducing the size and scope of government, reducing the cost, being smarter purchasers, smarter payers of government services, conflict with the interest of the business community in making a profit.

And I know that—in fact, I spent several hours this morning with some of your staff—that you obviously have dealt with that your entire political life. It is a delicate balance that you walk in

public life, particularly in the appropriation role and then in the management role, of trying to make sure that you do not diminish the life blood to local communities' jobs, and yet you are charged with managing efficiently.

So it is an interesting tightrope, and the Department of Administration is right in the middle of those kinds of things. In fact, the department has probably had more commissioners come and go than any other department because of some of the decisions that commissioners unfortunately are caused to make in this business.

I do want to say thank you for the opportunity to share, though, with you some of what we think are successes in our efforts to reduce costs and also improve performance overall.

Making government cost less and work better is one of the Governor's highest priorities, as Annalee has said. The Governor, coming from his business background most recently as the owner of a restaurant in downtown Anchorage, is very focused on what he characterizes as the customers' side of the counter, and we are all, on a daily basis, trying to infuse the customers' side of the counter way of thinking—and you touched on that in your opening remarks—to all governmental employees, and it is a simple kind of a mantra, but it is not always heeded, and it is because we forget that sometimes, how we would like to be dealt with on the other side of the counter, and forgetting that sometimes, that is where the public goes away with a rub and builds anxiety about government provision of services.

I would like to focus for a few minutes, though, on some successes and some specific areas in the Department of Administration and tie it to the issue of centralized versus decentralized delivery of services because, as you have heard a bit about, we are not real consistent in one approach or the other, and it really is a hit and miss. Sometimes centralization is the absolute key to successful management of dollar resources, but it is absolutely the wrong approach when you deal with some human resource kinds of issues and actual “on the cutting line” or “on the front line” delivery of services.

Over the years, though, the Department of Administration, like all departments of State Government, have been facing reduced budgets, reduced staffs, and we have been forced to absorb the increased costs of doing business. Not unlike the Federal Government, we in the State of Alaska, from 1990 to 1995, had to absorb about a 21 percent increase in the consumer price index kinds of things.

We are just forced to do it, and the public never sees. They see the reductions being made and you somehow hang on and make things work, and so the public does not see any reduction of services and then encourages additional reductions in appropriations, but there is a breaking point, and I would suggest that in the State of Alaska we are approaching that breaking point.

In fact, the only saving grace that we have had in the State of Alaska has been related to technology and how we have been able to capitalize on emerging and evolving technologies, and, actually, that is going to be the thing which pushes us out into the marketplace and allows us to be able to continue to provide services, is that emerging technology, and I will touch on some of the things

that we are doing in the State of Alaska right now in just a few moments.

I would also like to not miss an opportunity to thank you for your support and your effort and your initiative with regard to a Federal grant that we received from the NTIA recently which allows us to do some of what you are seeing here today.

You have heard people reference Gavel-to-Gavel coverage. It is coverage not unlike C-Span is with Congress. This is the first session that we have had it. There was a small pilot, a short 2-week pilot, I think, last year, but essentially it allows us to move—through a technology that was not available a couple years ago, allows us to move the capital out to Alaskan—the Alaskan public.

We are, literally, by satellite and cable connections, reaching 300-and-some-odd-thousand households with this technology, and it was a million-dollar grant that you were involved with that allowed us to have the technological advantage that had not been available to us a couple of years ago. So I want to say thank you for that.

A major initiative in this administration has been increasing access to government, providing broader access to government by Alaskans, and to that end we have reactivated something we call the Telecommunications Information Council. It is chaired by statute by the Governor of the State of Alaska, and Governor Knowles has delegated that responsibility to the Lieutenant Governor, who chairs it, and every member of the cabinet is a member of that.

It is the chief policy making body for communications. It is almost misnamed when it is named the Telecommunications Council because it really is all sides of the communications business and how we communicate both through telecommunications and our data processing needs across the State.

One of the areas that we have focused on in the Department of Administration over the last 10 years, really, has been the merger of data operations and technology operations of State Government information systems.

Starting as far back as 1986, we have seen—we have been making reductions in how we do business across the State. We have combined networks, we have combined our data centers. In fact, most recently we got caught crossways in a small political issue that really related to the desire of some to move the capital out of Juneau, and that was when we made a business decision, a fairly straight down-the-line business decision that is not unlike the decisions to consolidate data networks all over the country, but in the decision to move and consolidate our data processing—the decision was made to move the data processing out of Anchorage to Juneau, and the forces—or the interest of those who want to move the capital out of Juneau and to the rest of the State saw that as a countermove.

It certainly was not our intent, but we got embroiled in quite a fracas over what was just a good fundamental business decision to consolidate the way we do work and reengineer the way we deliver the services to our internal customers and then, also, the people who rely—or external customers who rely on data processing needs of the State of Alaska, but that is kind of an ongoing work in progress, looking for business opportunities to change the way that we deliver services throughout the State.

Each of these kinds of mergers in the past, not unlike the one we are involved with right now, have resulted in major reductions in costs to the State, not the least of which had to do with eliminating duplicate software, licenses, duplicate hardware. We obviously have some efficiencies in reduction of personnel associated with those types of things, and in this particular most recent case, we saved a million dollars. We will save a million dollars a year—small change in the overall scheme of things but very real when we are trying to manage to a \$40, \$50, or \$60 million budget reduction, each of several years into the future.

So we are looking for those kinds of opportunities, but the fact that we have a centralized—generally a centralized approach to data processing has made us able to coordinate those activities.

It has also allowed us to capitalize on buying opportunities, kind of being the gorilla in the marketplace. We can go in and command better pricing on items, and I would not miss an opportunity for my general services guys to mention the fact that we very much appreciate the buying opportunities that the Federal Government has made available to us through the GSA buying schedule, and I know that that has been controversial for all the same reasons that I mentioned earlier about the gold-pan-award approach to doing business, but it has helped us, at a minimum, to be able to leverage pricing in our Alaskan markets.

The last thing we want to do is push purchasing outside the State of Alaska, but we want a fair deal from the merchants, the people who are doing business with government in the State of Alaska.

So I just make a plug for being as flexible as you think you can get away with in your arena with regard to GSA buying schedules.

Annalee touched on the issue of charge back. You asked about whether or not—and she focused primarily in the area of where we are going with facilities management—but we have got a charge-back system with regard to how agencies pay for data processing and telecommunications utilization throughout the State. It is about 3 years old. It is not a perfect beast. They started with a base that no one understood and then just built the rates based on a base that had no relationship to the marketplace.

What we are doing now is going back and doing a major base-line bench marking study to determine what the base is in real terms, what the sunk costs are in our system, and then will be determining, one, whether or not our charge-back rate is fair and actually reflects the real cost of doing business, and, two, and perhaps more importantly, whether or not the State of Alaska ought to be in this business at all, the business of telecommunications.

It has been controversial that the State has been a major player and a provider of telecommunication services for years, and it is no less controversial now, but, absent a real base-line look at what it is that this telecommunications business is, I find it difficult to make the next leap to—leap to faith, almost, decision to get out of the business, but we have got a profitable little utility, is the way I like to look at it, and there are opportunities when you own your own little business, your own little utility, so to speak, in data processing and telecommunications services, to build in replacement features so that you do not have to have the buying scramble that

does take place at the end of each fiscal year, where because you have not taken care of what are essentially operating needs of the computer, hardware, software, those types of things, where we do not front load them and appropriate them, agencies scramble and use whatever is available, but through a properly functioning charge-back system, I am confident that we will build those things, build those operating needs into our rates through the charge back and then be able to make sensible purchase decisions throughout the year and not scramble at the end of the season and dump a lot of money into the stream of things.

I mentioned the Telecommunications Information Council as our kind of organizational structure for making policy decisions and policy development, and we have actually had some real interesting short-term success here.

We are now—we have Alaska's homepage on the Worldwide Web. I made a deal with those where—we are work in progress, there. Every department—the Department of Administration, through our information services division, laid a framework, literally, on the net and gave everybody a presence, and now it has been up to each department and each—and various divisions to actually fill in the fabric. And Fish and Game, if you—Fish and Game, for instance, it is very rich. They have got a lot of pictures. It is, in fact, one of the most visited sites of the Alaska homepages because it has pictures of bear and caribou and moose—

Chairman STEVENS. We use that on our home base, too.

Mr. BOYER. You have a hot button, probably, that goes right there.

So it is visited a lot. In fact, one of the ideas I took recently from the Federal Government—you have something called Fed World, and Fed World, while I would say it is not a good touchy-feely presentation, not a lot of razzmatazz, it gave us an idea of how we would address issues like personnel.

A lot of people who have pent-up desire, need, want to come to work for the State of Alaska, but the only personnel office we have in the entire State of Alaska is here in Juneau. So everything has to be done either by telephone or faxes, and people do not generally have the kind of access to State job opportunities.

So we have got a personnel page that is hot-button driven like Fed World. We do not break it down by regions of the country as Fed World job opportunities, and, actually, you have got Department of Interior jobs and other things, but we are working toward that.

So we picked up some of what at least was out there on the Net, the Federal Net, and brought it home to Alaska and are using it and getting real good. It is perhaps the third-most-visited site is jobs, personnel.

We also, as you may know, we have essentially got everybody on E-mail now. It is a very, very quick way of transmitting information between people without the cumbersome need to deal with the postal service, not that the postal service is not—

Chairman STEVENS. All State offices and agencies are compatible?

Mr. BOYER. We are moving toward that. I would say we have not got universal compatibility yet, but we did not even have an E-mail policy until about 2 years ago.

So the first thing was getting a policy up, and then we have struggled even recently with kind of a uniform software approach. We wanted to make sure we were compatible across agencies, that we could exchange documents.

Annalee, actually, was fairly frustrated early on where she was unable to talk to lots of the other agencies to transfer information. So we have, through the TIC, focused on at least a uniform presentation, software presentation, with an understanding that the technologies is evolving, but that is an area that we have moved into that has been very, very beneficial. It is amazing the kind of business that you do that you would not have done a year ago by using E-mail. Even the Governor is becoming proficient at it, and while I do not know if he answers all his own E-mail messages, it is a good way for him to keep current on what is going on in the various departments.

Chairman STEVENS. Do you have E-mail accessible for any citizen into your system anywhere?

Mr. BOYER. Actually, yes, and how that occurs is we have something called SLED, which is the State Library Educational Doorway, and even if you do not have at-home access to a computer, you can—or to the State network, you can, through SLED, access the State library, and once you get to the library homepage, then hot button out to the various departments, the Governor's office, and on each of those homepages a click function where you can click on the—literally on an E-mail icon and then send a piece of E-mail to the Governor or to anybody.

So that is the doorway into our electronic E-mail system at this point for those people out in rural Alaska who are certainly farther out than the urban people.

Chairman STEVENS. Someone reads that every day?

Mr. BOYER. There are people that—it is being used every day.

I think that—I do not know how much mail. It would be hard to determine how much mail is actually moving through that SLED system, but for a very small appropriation of real terms—I think last year it was maybe \$6 or \$700,000 and an equivalent amount this year—we were able to buy—essentially buy the window, and it is—a lot of that goes to contract costs to our long-line carrier, but it essentially allows for that access.

It is slow, obviously. It is slow to the users who are farther away from the system, and dependent on what kind of equipment you have got, your modems and what not, it is hard to download information because it is slower, but for those of us closer to the source here in Juneau or in Anchorage, it is fairly fast. It is a fast way to do business.

So we feel fairly proud about getting that up.

Another area that is both a cost-savings initiative and, also, just a friendlier way of doing business, is that we have set up five video conference units purchased near the end of last year, where we now have three sites in Juneau: One here in this building, the Governor's office, a Legislative Affairs agency site—actually, that is in Anchorage; there is a site over in the State Office Building and a

site in the Goldbelt Building, all in Juneau. Then we have the two sites in Anchorage, one in the Frontier Building and one LIO, and we are then able to jump off those video conference sites into the university system, where they have—I forget, now, the total number of sites, but a number of sites that we are able to reach out to Fairbanks, for instance, Fairbanks, Bethel, Barrow, Anchorage, and Juneau are kind of the five hub communities, and we use the video—it is a face-to-face fairly real time, current time telecommunications technology that allows us to save hundreds of dollars.

For \$150 an hour, we can have a meeting and be in three to five other locations around the State, and, as you know, it is sometimes difficult to get in and out of Juneau because of things like fog.

So, if you are questioning whether or not you might get fogged in or fogged out, you can set one of these video conferences up, and for \$400, \$500, or \$600, if it was a long meeting, conduct a good deal of business with a large number of people. So that is a technology that we have leaped into and we will see expanding over time.

Chairman STEVENS. User pay on any of that?

Mr. BOYER. It is all user pay. In fact, we are about to, I think, embark on kind of an assessment. We want to assess departments a base amount of money, and we are not talking about much. We are talking about, probably, somewhere around a thousand dollars. Hit them with a base amount of hours and—to get them in the door.

A lot of agencies are still—I would not say afraid of the technology, but they are unfamiliar with the technology and so are not using it to the benefit that we think is there. And, again, it is driven by costs. We want to bring down the travel costs of State Government. We see video conferencing as a friendly way to do that.

Probably the biggest change in the way we have done business has to do with the delivery—again, of not only Gavel to Gavel but what used to be called RATNet, the Rural Alaska Television Network.

Right now we—and, again, it is because the technology was not there. The compression technology was not available even 2 years ago to do this, but because we now have digital compression technology that is available to us and funded in large part by a Federal grant, we have that capability to literally put up on a transponder multiple signals, and so we have at least three signals on what used to only carry one signal.

We have Alaska One, which is produced out of Fairbanks, and that is then broadcast to the three other—or two other TV stations that are participating. Then we have Gavel to Gavel that is produced here by KTOO. They are not having to spend time producing their other programming. They have picked that up off the Fairbanks Alaska One station, frees them up to do Gravel to Gavel.

In Bethel, the RATNet used to be a rebroadcast of Anchorage programming with no local input, and now the program is produced by KYUK in Bethel, broadcast to 238 sites across rural Alaska. It has a distinctly rural feature. They do a small element of the rebroadcast for some of the national programming, but, for the first time, town meetings are occurring. Issues that are important to

rural Alaska are being broadcast and produced by Alaskans, and that is all possible because of this new digital compression and Federal support for that initiative.

And we have a new name for RATNet. It is called ARCS, the Alaska Rural Communications Services. So it is a radically redelivered program and can get the benefits of something like Gavel to Gavel, which was not available even last year.

[The prepared statement of Mr. Boyer follows:]

#### PREPARED STATEMENT OF MARK BOYER

My name is Mark Boyer, I serve as Commissioner of the State Department of Administration. Thank you for the opportunity to share with your Committee and Members of Congress the Department's successes in our efforts to reduce costs and improve performance of administrative functions.

I have been the Commissioner for 14 months. Prior to this job, I served as City Manager in Fairbanks and three terms in the State House of Representatives.

Making government cost less and work better is one of the highest priorities of this Administration. Governor Knowles emphasizes the need to constantly strive to serve the public as if you were on the customer side of the counter. Annalee McConnell and I co-chair a mini-cabinet on budget discipline and better government. Over the past 2 years, I have devoured everything coming out of the National Performance Review, the Kennedy School of Government, Innovations in American Government Program, read dozens of books on reengineering government, improving quality, and creating new paradigms for government.

Today, I will focus on the Department of Administration and the issue of "centralized versus decentralized" delivery on services.

In recent years the Department of Administration has been faced with the dilemma of having to reduce costs, reduce staff, and absorb growth in a flat budget environment while at the same time providing no less service to its constituents. In fact, demand for improved and extended services to other State agencies and the public at large has been the norm. From 1990 through 1995, the State's consumer price index increased approximately 21 percent, virtually all of which has been absorbed through the use of evolving technologies. Through careful analysis, trial and error, and some fortuitous planning, the Department has successfully maintained and improved its level of services provided to its internal and external customers.

#### *Cost savings through the innovative and effective application of technology*

Technology in general has been central to the State's ability to meet the growing demands of an increased population base and increased service requirements. Partly because of the State's sparse population and lack of an affordable transportation infrastructure from one community to the next, Alaskans have come to rely on a comprehensive telecommunications infrastructure. However, this infrastructure is also expensive and because of the physical limitations of laying cable, the State has not always been able to keep pace with telecommunications improvements available in the Lower 48. Recent operating budget reductions at both the Federal and State levels for public telecommunications services has caused the State to reexamine the way public communications is provided.

Thanks to recent landing opportunities available through the Federal NTIA, in partnership with public broadcasting, private broadcasting entities, and telecommunications carriers, the State has been able to employ new digital satellite compression technologies to deliver cost effective public telecommunications State-wide. The Department of Administration believes that having the centralization of telecommunications in the department was critical to the success of this project. The department was uniquely positioned to manage and understand the implications for State-wide telecommunications. Also critical to the success was the partnerships with private industry through competitive but cooperative efforts.

#### INFORMATION TECHNOLOGY AND ACCESS TO GOVERNMENT

Communications has been a major focus and priority of the Knowles/Ulmer Administration. As you know, Senator, Alaska was once a leader in telecommunications technology. While we may have fallen behind, the Governor has focused the Administration's attention on this area through the Telecommunications Information Council (TIC) and its chair, Lt. Governor Fran Ulmer.

*Cost savings through mergers in the State's information systems environment*

Over the last 10 years, the State of Alaska has been able to achieve significant cost reductions without corresponding reductions in service levels through mergers or consolidations in the State's information systems environment.

- 1986—A separate data network maintained by the Department of Labor was merged with the Department of Administration's network
- 1986—A separate data network maintained by the Legislative Affairs Agency was merged with the Department of Administration's network
- 1988—A separate data network for the State libraries was merged with the Department of Administration's network
- 1989—A separate computer center managed by the Legislative Affairs Agency was merged with the Department of Administration's center
- 1989—Workload maintained on a separate mainframe computer owned by the Legislative Affairs Agency was merged with the computer workload managed by the Department of Administration
- 1991—Workload maintained on two separate mainframe computers owned by the Department of Administration was merged onto one computer, which was called "functional consolidation"
- 1992—Workload maintained on three separate mainframe computers owned by the Department of Administration was merged onto one computer
- 1992—Workload maintained on a separate mainframe computer owned by the Department of Labor was merged with the computer workload managed by the Department of Administration
- 1994—Workload maintained on a separate mainframe computer owned by the Department of Transportation and Public Facilities was merged with the computer workload managed by the Department of Administration
- 1996—Pending as a work-in-progress—Workload maintained on a separate mainframe computer owned and operated by the Department of Administration in Anchorage to be merged with workload on the mainframe computer in Juneau.

Each of these mergers has resulted in significant savings in ongoing operational expenses and have followed accepted industry trends. Savings have resulted primarily from eliminating duplicate hardware, software, communications and management/personnel costs. Additional savings are possible from increased "buying power" and the ability to amalgamate purchases and like functions. This increased "buying power" has also led to the ability to land technological and service improvements that would otherwise have been cost prohibitive for any one agency. It is interesting to note that "outsourcing" contractors generally consolidate resources as a first step toward cost containment with their customers. Consolidations and mergers represent the low-hanging fruit or cost savings to be presented in any outsourcing of data functions.

Hand-in-hand with these merger/consolidation efforts has been the implementation and enforcement of "chargeback" or rate based services. Funding mechanisms which encourage the efficient and effective management of resources are critical. Information services are treated more as a utility with management focused on peak demands while encouraging off-peak use through rate incentives.

The consolidation/merger efforts have been largely successful because of the centralized nature of information services in the State of Alaska. The Department of Administration is by statute responsible for the management and operation of "automated data processing" and telecommunications State-wide. However, application/programming at the agency level is very decentralized. As a result close coordination between agencies and the Department of Administration is imperative.

This coordination is provided through regular customer meetings as well as input from various groups involved with information management. In addition, the Department is required to follow plans developed by the Telecommunications Information Council, a cabinet level council formed in statute to develop plans and policies for State telecommunications/information services. All agencies are represented on the Telecommunications Information Council.

Also central to the success of the mergers has been the willingness and commitment of management to work toward completion of the individual merger efforts. Perhaps one of the biggest hurdles in all of the efforts has been the employee sense of "loss." It is critical to work closely with management and personnel to minimize negative impacts which may result. Flexibility and the ability to work through concerns with written service agreements is also imperative.

*Cost savings through joint projects with other State agencies and local governments*

Telecommunications was centralized in the early 1980's because of the increasing demand for systems by various agencies. The State realized that it could not afford separate systems for highway maintenance crews, public safety officials, fish and wildlife biologists, emergency medical crews, and the forest fire fighters. As a result, money was pooled and one system was implemented to serve multiple agencies. It has been relatively simple for local governments and Federal officials to also coordinate with State officials. Unfortunately, from the State's perspective, the reverse has not always been true, particularly with Federal officials; as the Army maintains one type of system, the Bureau of Land Management another type of system, Federal Aviation yet another, etc. The efforts at coordination with Federal agencies appear to be limited by Federal laws and regulations which have reduced our ability to coordinate between State and Federal agencies and among Federal agencies. Further limitations are imposed due to the lack of consistent standards at the Federal level. Some inroads have been made in recent years but the State believes further progress in central management of telecommunications services at the Federal level would be helpful.

*Cost savings through increased partnerships with private industry and a healthy competitive environment*

One of the largest opportunities for cost savings in the information/telecommunications environment has been brought about by increased competition in and with the private sector. The development of standards for interconnection increases this competition. The State is able to develop flexible bid documents which take full advantage of standards where they apply as well as innovation in the industry. The State strives to bid products and services where competition is healthy and partner with private industry in obtaining cost effective solutions when competition is not as healthy as it could be. The State also reserves the right to develop systems in-house when cost effective alternatives are not available, but continually strives to foster competitive environments.

A focus of the Administration through the TIC has been improving public access to government information and organizing the policy development process for the TIC.

Establishing the State on the World Wide Web was an important accomplishment last year. It was just one of several tangible goals that was identified and implemented by the TIC.

For instance, if you want to get schedules for the Alaska Marine Highway System, go to the Department of Transportation and Public Facilities homepage and click the ONLINE FERRY SCHEDULE.

Or if you want to check on commercial fishing openings, you can go to the Alaska Department of Fish and Game homepage where all sorts of information on the management of Alaska's wildlife resources are available.

Alaska's homepage has done wonders for ease of access to government. You can even send Governor Knowles E-mail messages.

If you don't have access to the Internet at home or at the office, you can go to most public libraries in the State, including the State Library, and use the SLED system.

Although sometimes it takes forever to move a new idea through a bureaucracy, I'm proud of how fast we got the State online. We unveiled our homepages in July; a mere 6 months after coming into office.

Statistics show a steady increase in usage. Just last week, the State of Alaska homepage received 96,000 hits from all over the world. Remember the old days when you'd call and get routed around until you got to the right agency? Or write and wait weeks for an answer to your question? Now there's a faster, more efficient way to access information from the State of Alaska. Here are a few more examples of changes we've made:

- We put State employees on a common E-mail system. This has drastically changed the way State Government communicates. Since State employees all over the State (and even some in Washington D.C.) are now connected by E-mail, it's a more efficient way to circulate draft documents and pass along news.
- Another accomplishment which improved access was the completion of video conferencing centers tying Juneau, Anchorage, and Fairbanks together. The Administration wanted to improve communications among State agency personnel and the public AND save travel costs by using this new technology. Five video conferencing units were purchased, three were placed in Juneau in the State Office Building, Governor's Conference Room, and the Goldbelt

Building. Two were placed in Anchorage at the Frontier Building and downtown Legislative Information Office. We hooked into the University of Alaska's teleconferencing network and now, more and more, meetings are being conducted via video conference. The \$150 per hour cost is much cheaper than airplane fares and hotel rooms, not to mention the savings in employee time.

- Another dramatic achievement was the marriage of public broadcasting and RATNet. Last session legislators announced their intention to drastically reduce RATNet and Public Broadcasting. We fought to save what we believed to be an important communications link in the State of Alaska by reinventing it at half the cost! An unprecedented partnership developed between public, private, State, and local government entities. The marriage of RATNet and Public Broadcasting was possible thanks to cutting-edge digital compression technology.
- Some breaking news. . . . One of the new M-PEG II digital compression units is up and running. It began to send three different signals on the same transponder—something that has never been done in Alaska before! Today, through the digitized system, Rural Alaska now represents itself on ARCS (Alaska Rural Communication Service) and there are great economies in the consolidation of public television to one service called Alaska One. We have a fourth channel which we hope in the future will be dedicated only to educational programming.
- Just a year later, Alaskans are watching their lawmakers in action by tuning into Alaska Two's "Gavel to Gavel." This daily broadcast is helping to make State Government more accountable and is being used as an important educational tool—I hear there are teaching guides being produced to go along with the daily assignment of watching Gavel to Gavel. I also hear that legislative staff members are happy that they can be in two places at one time—in their offices doing the much needed paper work, and watching committee hearings on TV. It took forward thinking, leadership, and lots of compromise to take these bold steps but Alaskans are much richer for it.

At the beginning of this Administration, a citizens group calling themselves the ALCAN—Alaska Citizen Access Network—helped to formulate some of the first goals that have now been implemented by the TIC. They were instrumental in helping to create an early plan. They gave us some concrete objectives: Put the State on the World Wide Web, support SLED, implement a common E-mail system.

Looking back on those early proposals reminds me that we can't create a plan if we don't know where we want to go. Probably our most important project this year will be assembling a State-wide telecommunications plan for the State of Alaska. The TIC started the process by drafting some broad goals for our administration. They are:

- Maximize service to the public through voice, video, and data systems
- Optimize government efficiencies that can be achieved through telecommunications
- Explore innovative and cost-effective services that meet Alaska's communication challenges
- Stimulate the development of private and public telecommunication services.

Thinking broadly about the way Alaska utilizes technology to serve its citizens is at the center of our interest this year. Designing the architecture for Alaska's next generation of information data management is our next focus. We have taken some important steps toward modernizing the way the State conducts its internal data processing business—by moving to more robust networking approaches, deploying client server technology and working to reduce the overhead of State data processing activities.

We will be establishing task forces to formulate recommendations for Alaska's information technology structure and we'll be asking many people to participate in our planning process. We don't want to reinvent the wheel so we'll also be asking experts from other States and Canada to tell us about their experiences.

#### *Financial Services*

In the arena of financial services (accounting, payroll, and financial reporting) increased use of technology has proven to be the best available solution to meeting these demands. By statute, financial services have been centralized since statehood. As electronic technology has evolved, no attempt has been made to decentralize these functions. To decentralize will lead to duplication and increased expenditures.

Early financial systems required central collection and preaudit of all financial transactions before payment could be made. With implementation of a new State-wide accounting system in 1985, the tools to decentralize many of the financial proc-

essing tasks were placed in the hands of remote users literally from Ketchikan to Barrow. An online system allowing remote user access for inquiry, bill payment and reporting was the Department's first big step into remote site electronic processing. The design strategy was to develop a system that would last into the 21st century, not a simple task at a time when the average life span of custom developed systems was 5 to 8 years. Incorporated into the initial design were data warehouse and event based reporting concepts which taxed the capabilities of the mainframe computers available at the time. Today's state-of-the-art system easily meets our financial services needs.

In 1990, the Department implemented a new centralized State-wide payroll system. This system also provided online access to authorized users from Ketchikan to Barrow. User agencies were empowered to make online changes to employee payroll and human resources information at the point of origin. The State's implementation strategy, however, was much different than with the accounting system. The payroll implementation was off-the-shelf packaged software purchased in the public market but with features that allowed for modification to meet those needs unique to the State's implementation. The reasoning, which we believe to be sound, is that good software packages with a large stable client base will evolve with technology as time passes thus eliminating or at least minimizing the need for future redevelopment of the payroll system. The returns in redevelopment costs avoided are substantial.

Large scale systems such as these would not have been possible had it not been for the availability of the State's centralized telecommunications backbone network connecting a large percentage of the State's far flung communities.

Since 1990, the department's emphasis on new technologies has broadened dramatically. Large local area networks (LANs) have sprung up in each division, increasing individual employee efficiency, promoting sharing of information, and improving an agency's ability to do more with less while still being able to maintain a link with the large mainframe applications. A first step into the arena of electronic commerce occurred when the State began offering electronic deposit of employee pay checks and retiree benefit checks beginning in 1993.

Other even more interesting opportunities for cost reduction and service improvement are just beginning to evolve. The most exciting of these in the near term is electronic payments to vendors, municipalities, and school districts. In time, electronic billing and even electronic purchasing will become commonplace. These technologies are not yet in place but the foundations are on the drawing board. The prospects for fewer warrants, less paper per purchase, elimination of paper invoices, and elimination of the many associated manual efforts are benefits too attractive not to command genuine interest.

From a financial systems and reporting perspective, the department's applications have evolved to the department's advantage with the technology. Foresight to develop applications taking maximum advantage of current technology of the day coupled with a strategy to ensure longevity of its software have served the department well over time. Given the likelihood of continuing flat budgets or even reduced budgets for critical core service functions, the utilization of new technologies to generate efficiencies and increased productivity to leverage our resources has become a way of life.

### *Procurement*

In the area of procurement, we are moving away from the traditional debate of centralization versus decentralization toward the continuum of value added.

In some circumstances, value may be added through centralization, as is the case with multiple-agency term contracts.

In cases where our customer agency can acquire the product or service more efficiently and there is no value to be added through centralized purchasing, the agency is permitted to "go it alone" in the most cost effective manner.

Taking a few tips from Congress and the Vice President, this summer we began an initiative to streamline our procurement process. A goal was to bring more common sense to State procurement while being more efficient and ultimately saving public resources. We formed a group of stakeholders from within and outside State Government to review our procurement practices. The group, called the Procurement Advisory Council, developed a 16-page bill aimed at streamlining our procurement, empowering procurement officials, and developing innovative approaches. The council will remain in place to review and revise regulations and policies.

Probably the most important aspect of their work will be to target nonresponsive practices and reengineer them to achieve efficiencies and cost savings.

Our centralized focus on procurement will be to provide leadership, consultation, and training in the procurement area, while providing timely, cost-effective purchases of supplies and services to meet multi-agency State-wide needs.

A major area of procurement for the State manifests through our leasing program. Our leasing program provides an example of cost savings and efficiencies through centralization. In 1982, office space leasing was centralized within our department.

Through consolidation, we are able to realize efficiencies that would be lost if individual agencies were able to acquire lease space in accordance with their ability to pay. In short, this would have rapidly created a situation of haves and have nots.

Because of centralization of our lease budget and lease space acquisition, our actual lease payments for office space have remained relatively constant with growth less than the rate of inflation since 1989.

The next iteration of this effort which we believe will result in savings and cost efficiencies is our initiative to bring about a consolidation of functions involving the management of State facilities.

Currently, we have a diverse approach to facilities management involving a combination of maintenance and construction efforts in our Department of Transportation and Public Facilities, but administered within three regions, maintenance and management delegated to several agencies, and leasing in our department.

This does not position us to take advantage of our cumulative resources. It encourages duplication and discourages planning and drives budgets beyond our ability to keep up.

While we have a public trust to be a good steward of our public facilities, over the past years of declining State revenues, our facilities have deteriorated and we have accumulated a backlog of deferred maintenance in the hundreds of millions of dollars.

As with our successful procurement initiative, our plan is to involve stakeholders from within and outside of State Government, to identify the best strategies to stop the accumulation of deferred maintenance, to share the resources that are now scattered throughout State Government, to maximize value and minimize cost, and to provide for long-range planning for the use of the State's considerable investment in facilities.

We envision an organization where our facilities' workforce has the benefit of the best innovative technology, where our facilities' occupants and the public can expect a safe and efficient workplace, where we minimize the life-cycle costs of property management and prepare a reasonable financial plan for our facilities into the next century.

Senator, State Government will need to do things smarter and more efficiently with less money. So will the Federal Government. This administration is eager to find new ways to improve the way we do business. It is clear that through a centralized approach, the Department of Administration has been able to save money and capitalize on economies of scale while also breaking from this approach where beneficial to do otherwise. It is also clear that technology has provided us with the ability to do more with less. I hope that you find this information helpful. I would be happy to answer questions.

Chairman STEVENS. You have been very gracious, and I am fascinated by this because of the problems we are trying to work out with our Federal agencies.

Have each one of the State departments still got a division of administration? Do you still have one out there? You have not centralized those into your department administration, right?

Mr. BOYER. They each have administrative functions that deal with personnel issues, payment issues—

Chairman STEVENS. Those have not been centralized because of the availability of digital communications and in terms of acquisition of that data and handling centralized payroll, for instance? You have not done that?

Mr. BOYER. Well, we do have centralized payroll and we do have a centralized accounting system that takes care of most of the business—

Chairman STEVENS. Do all checks for all State employees come out of a centralized function?

Mr. BOYER. Generally, yes. The answer is yes.

Chairman STEVENS. And what about—

Mr. BOYER. There are exceptions.

Chairman STEVENS [continuing]. Payment for services? You have a central pay facility?

Mr. BOYER. Yes. Again, each of those has exceptions where direct payroll checks can be written outside of that system; so can vendor payments outside of that system, but, by and large, I would say 98 percent of both of those kinds of businesses are centralized out of the Department of Administration.

Chairman STEVENS. And if you go back to the customer concept, are you getting centralized information into a data bank for what the customers are demanding, what they are seeking? Are you doing any of that?

Ms. MCCONNELL. We are moving toward that in some areas.

For instance, we have noticed that there are lots of different ways in which businesses have to get information into the State. So we have asked the departments of commerce and revenue, for instance, to start talking about how we could have a central data system that would serve all the needs of business in Alaska, whether it is business licenses, payment of taxes, vendor pay, all that sort of thing.

Much of the administrative offices within each department relate to the budgeting functions and are things which, I think, are not so effectively centralized. The numbers of programs and activities for the Department of Health and Social Services, so huge, that to try to do that through one central administration that is far removed from the programs, themselves, would probably be fairly difficult, but we are experimenting with combining.

We have two departments, now, that are starting to share administrative services functions because it is our belief that we can have some centralization or at least some consolidation of activities.

Chairman STEVENS. But the data, is the data coming into a central place? Do you have access in Office of Management and Budget for data on a daily basis, without going out to individual agencies to get what they have done?

I mean, can you look at it and say how much they have spent and how much they have left in the bank without going to them for that information?

Ms. MCCONNELL. On the financial accounting system, we do. The State's budgeting system is not yet centralized, and I am in the process now of automating the State's budget system so that we do have that.

Right now the State's budgets—the department budgets are prepared in each department and submitted to OMB, and in the past, actually, OMB folks sat down and reentered the data, which was totally crazy—as late as last year—so we are developing a central automated budget system so that we have that same kind of on-line capability.

Chairman STEVENS. We do that about five times in the Department of Defense. That is one thing we are trying to work on.

You still have the management as well as budget function? Is there really a management function in the Governor's office, as compared to budgeting?

Ms. MCCONNELL. Actually, we have—there are three types of services in OMB now. We have the regular budgeting services. The

division of audit and management does things like single-audit-requirement stuff, plus audits of particular activities throughout State Government that we think needs further investigation, and a lot of work relating to charge backs and rates for things like telecommunications, all that sort of thing, and then a policy—a group of folks who focus on policy, and those people have been principally dedicated to things relating to the long-range financial plan.

I am trying to beef up the management aspect of OMB because it has not been all that active in the last couple of—

Chairman STEVENS. I have not even told my staff yet, but my thinking lately has been that maybe we ought to try to see if we cannot wean management away from budget and really have a period of strict budget control and put management over with administration.

Mr. BOYER. As you may recall, historically in the State of Alaska, that was the structure of the Department of Administration. It was—that function was in administration. So was the budget function, and that migrated out, but clearly it is something I have thought about as we have thought about how you might consolidate some of what we do.

We have been exploring—or certainly revisiting some of that, as well, Senator.

Chairman STEVENS. Let me suggest—my staff is getting tired of me talking about it. I think they have read it and they were not as impressed, but I am impressed with a book that Arno Penzias wrote called “Harmony.” He talks about what happened to Wal-Mart and how they—and other things, but basically what is going to happen in the future with regard to the impact of this digital communications and computerization systems we have and how it is going to force us to go into centralization of data and stop punching out in every office what is done.

In terms of your acquisitions, how do you marry up the invoice of what has been received or what you are paying for with the check that pays for it?

Mr. BOYER. We have a division of finance that handles most of that. Most of it comes through and is centrally processed.

Chairman STEVENS. They pay it, but who approves the paying of it? Do any of you do that, or do you depend on your bureau and other department chiefs to sign off on it?

Mr. BOYER. Very decentralized.

In fact, the authority rests with the Department of Administration, but it is highly decentralized. We literally have delegated down to the project manager level most of the purchasing and acquisition, the professional services or actual commodities, and then we have a very, very small, very lean 13-member staff, here, in general services, that handles everything from leasing to major cross department—

Chairman STEVENS. We did that, too, but suddenly GAO told us there was a gap between being able to match the invoice with the payment.

I do not know if you read about all that, but the real problem is when you use the computerization, how do you get that—how do you marry up to make sure what you are paying is what you ordered and what you got?

Mr. BOYER. On commodities, I think the technology is there now. It is all scanning-related technology, but we are steps—moments, really—in long time, real time, I guess, away from a system where everything is scanned at the point of purchase and in real time your people—your checks and balances folks—are able to marry those two things up and make the—no paper transaction at all, no paper transfers between folks all, and we are virtually there. The technology is virtually there.

Chairman STEVENS. You are there? You are not shifting paper from department to department?

Mr. BOYER. The technology is there. We are not there yet.

Ms. MCCONNELL. But we are working on trying to get that.

Also, the whole imaging area—and there is just tons of ways that we could be using that more effectively: Corporate records on line, trying to get away from paper transmittal of a lot of stuff that businesses are currently sending in. We are filling up file cabinets full of it. It is not very effective, given the technology.

We are doing experiments now in the areas of electronic commerce and hope to expand those, but I would say, in general, of course, governments tend to lag far behind the private sector on most of those kinds of things. We are trying to catch up.

Chairman STEVENS. My last thing would be—and I know I have kept you too long—have you got any reorganization plans in mind, yourself?

And do not tell me if that is the Governor's plan, but is there a stated purpose of reorganizing the Alaska system, here? Like we are looking at a stated purpose of reorganizing the Federal system, are you looking to integration of systems?

Ms. MCCONNELL. In terms of number of departments, or more from an organizational standpoint or operational?

Chairman STEVENS. I am talking about functional realignment, and, as a result, changes in structure.

Ms. MCCONNELL. We have not gone at it from the standpoint of saying we should consolidate departments, you know, end up with 12 instead of 15 or whatever.

There are some areas where we are beginning to integrate much more closely the activities and some organizations may result. The biggest one, probably, in terms of numbers of activities, is the job training area, where we have consolidated the activities in seven different departments, now, under an umbrella Human Resources Investment Council.

That has not yet produced actual moving of programs into one place, but it may well lead to some of that, but it was Governor Knowles' feeling that, based on what he has seen in other areas, that many times the amount of energy that is expended in an effort that starts with the concept of reorganizing numbers of departments ends up absorbing a huge amount of energy and not producing the amount of savings.

So we have taken it from the other standpoint and say as there are programs that we are working on and we see that there is not either a good coordination with another program or there is duplicative activity, we are working on those more on a case-by-case basis, as opposed to starting with the overall structure.

It remains to be seen whether it produces the results as fast or faster than the other route, but that is the approach we have taken.

Mr. BOYER. As I have said, even moving a data function from Anchorage to Juneau cost us incredible amounts in the department, of political capital that—so to just move the boxes is not something we are interested in doing, but where we can really get savings that are beneficial and realign the way we do business, we are certainly looking at those kinds of things, but not just moving boxes.

Chairman STEVENS. Well, I think, from what I have heard, there is a high degree more of adaptability to new technology here than we have in the Federal level, would not you say so?

Mr. MARSHALL. Yes.

Chairman STEVENS. We have heard a lot in 3 days to indicate that there is, that that change has already taken place here, but I do thank you very much.

It is a great courtesy to us that you have come and told us. I do want to make certain that what we are doing is not going to repeat mistakes of the past. I appreciate what you have told us.

Mr. BOYER. Appreciate your being here.

Chairman STEVENS. Thank you very much.

Mr. BOYER. Thank you.

Ms. MCCONNELL. Thank you.

Chairman STEVENS. This will be the last of our hearings.

Thank you very much.

We will keep this record open for a slight period of time for people to have additional statements to make or want to supply any information.

We will be back in session on the 26th, so we will take all the information we have available at that time and try to collate it into some hearings and see if we can get them trimmed up quickly.

Thank you very much, and thanks to Gavel to Gavel.

[Whereupon, at 3:50 p.m., the Committee was adjourned.]

## A P P E N D I X

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### LETTERS FROM JOHN D. LYLE, FAIRBANKS, ALASKA

*February, 1996*

DEAR SENATOR STEVENS: This is another reason I feel you are not representing Alaskans (see enclosed article in the Fairbanks paper today).

Your current attempts to reorganize government has not let citizens testify—only big business, resource extracting big business.

It's as if this is the only thing that matters to you. I know it is.

I'd like to submit written testimony. Kindly advise me where to send my comments, for what its worth.

Sincerely,

JOHN D. LYLE

P.S. The other 2 letters to the editor may enlighten you as well. Thank you.

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*February 26, 1996*

Mr. John D. Lyle  
Fairbanks, Alaska

DEAR JOHN: Thanks for your letter expressing interest in submitting written testimony to the Committee on Governmental Affairs.

I regret that time limitations did not allow everyone interested in testifying to appear at the hearings. However, anyone who wants to comment on the subjects of the hearings may submit a written statement for the record. Since I value the common sense ideas of Alaskans, your comments are welcome and will be considered as fully as if you had presented them in person. Your statement should be sent to me in care of Ms. Mickey Prosser, Clerk of the Committee, by no later than Friday, March 23, 1996.

Thank you again for writing. I look forward to hearing from you.

With best wishes,

Cordially,

TED STEVENS

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*March 8, 1996*

Senator Ted Stevens  
Committee on Governmental Affairs  
Washington, DC.

MR. STEVENS, I was disappointed to see that you invited individuals to testify on reorganizing government who will uphold your agenda, which I fear will purposefully damage, dilute, weaken, even abolish much of the environmental protection legislation of the past 20 years.

Future generations will hold us, and most notably, politicians like yourself responsible for allowing public lands to be privatized and developed; wild and open spaces to be paved over with concrete; diverse and complex ecosystems to be destroyed, all for quick profit for a select few.

Of course you and I won't be around to answer for our haste to develop the planet. What a pity we won't be held accountable. I abhor your agenda of rapid resource extraction.

Sincerely,

JOHN D. LYLE

process to proceed, I would like to see all documents aired in a special hearing in the state Legislature this session.

To what extent is the HAARP an extreme, extreme, non-lethal, lethal weapon system capable of disrupting mental processes, disturbing migration species, and halting all communications? Do we need to be adding further to the abnormal energetic state of the Earth and atmosphere as seems to be apparent now in so many instances of weather extremes? The people have a right to know everything that has been said and done! Current web sites of interest: (<http://www.throne.com>); soon: (<http://www.igc.apc.org/earthpulse>). Continuously and increasingly alarmed, Nana Paldi, Fairbanks

Young has a viable challenger. Heck, I can't wait until 1998, when I get to vote against Frank Murkowski.

The three stooges have to go. For a change, Jake Ketscher, Fairbanks

## Energy concern

Feb. 9, 1996

To the editor:

State of the art electromagnetic manipulation is in the hands of the U.S. Air Force/U.S. Navy here in Alaska. The military's own documents reveal the true intentions of ionospheric heaters such as the HAARP. Slicing through the atmosphere and above the microwave knife, the electrical shield around the planet is to be deliberately perturbed in order to learn to exploit any effects from the instability created there. Indications from these documents are that it is unknown at what point re-stabilization would occur after a full-scale assault of up to 1.7 billion watts of effective radiated power. Runaway processes will be triggered. Power levels will be achieved by antenna gain and the harnessing of energy in the ionosphere. There is a plan for 5,000 acres of antennas at Gakona. Before we allow the lobotomizing

become one of our priorities just like education, save neighborhoods and streets.

I just don't understand that politics is stronger than common sense.

Sincerely,

Denise Akert, Ester

## Time for change

Feb. 9, 1996

To the editor:

Recently, I called the office of Rep. Don Young to voice my concerns over his willingness (and that of Sens. Stevens and Murkowski) to compromise 90-10 and the statehood compact. I got a staff member with a southern accent who had no idea what 90-10 was and wasn't familiar with the Arctic National Wildlife Refuge. Obviously, she wasn't from Alaska!

It seems that the entire Alaska congressional delegation has lost whatever roots they had to this state. Sure, many of us want to develop ANWR, but I don't know how many of us are willing to give up our statehood compact (again!).

Alaska, it's time for a change. This year, we get the chance to retire Young and Stevens. I'm supporting Dave Cuddy for U.S. Senate and I hope that Don

## Recycling priority

Feb. 9, 1996

To the editor:

With great interest, I read Heather Robertson's report on Eielson's recycling efforts. I called up Heather to find out if I could bring my paper and glass to Eielson to be recycled. To her regret, the answer was no. I then called up the landfill to find out if such a program was available in the near future. The answer was cautious.

At our house we currently separate the garbage by aluminum, paper, organic matter, and the rest goes to the landfill. The aluminum goes to the recycling station, the paper we burn in the stove, the organic matter is put on the compost. But the glass and plastic still has nowhere to go.

I know that we are always looking for a monetary profit, which is certainly OK to some point. But the profit in recycling lies in the quality of our lives, in our future. Why do we put children in this world if we don't care what happens to them down the road? I think recycling should

## PREPARED STATEMENT OF GINNY HILL WOOD, FAIRBANKS, ALASKA

My name is Ginny Hill Wood. I have resided in Fairbanks since 1947.

On February 13, 1996, I attended the hearing noted above, and I listened to all the testimony presented before Senator Ted Stevens, sole Member of the Senate Committee on Governmental Affairs in attendance at this hearing.

Only the Senator's handpicked Fairbanks residents were allowed to give their pre-written comments. Those of us in the audience were permitted to hear, but not to speak.

As a 49-year resident of Interior Alaska, a landowner, and taxpayer, who has made a living exclusively in the private sector, primarily in tourism and outdoor recreation, I hereby submit these personal impressions of this "hearing" along with my comments on the subject under discussion, and request that they be included in the official hearing record along with those of "the chosen".

Senator Steven's stated rationale for having personally selected only those he chose to hear from was that the subject under discussion—reforming the management of Federal public lands, over-restrictive regulations that inhibited private enterprise from the development of natural resources, and inefficiency and redundancy in Federal Government agencies "is not a matter of concern to environmentalists," according to an account in the Fairbanks Daily News Miner (2/15/96).

"You don't have a chance to have a dialogue with those people . . . they are there to protest the functions of government," he was quoted as telling his audience.

Actually, this was mainly what the "chosen" 17 witnesses proceeded to do. Some of the criticisms were constructive and pertinent. Much was vindictive, convoluted and obscure. Several exhibited an amazing eloquence in ecological illiteracy.

To those of us in the "muted" audience, the irony and travesty of this "nonpublic" hearing about the shortcomings of our Federal Government, supposedly "of the people, by the people, for the people," was well demonstrated—an example of taxation without representative.

Certainly, Senator Stevens is within his rights to have a conference for advice and consent from any select group of citizens he wishes to consult. But it is an insult to representative government for him to declare such selectively chosen remarks as demonstrating how all Alaskans feel about Federal public lands and regulations and restrictions on their use and abuse. To exclude a particular segment of his constituents who have extensive personal and professional knowledge from presenting public testimony because their viewpoints differ from his on the subject of how to make the Federal Government work better is hardly improving the democratic process.

I would like to point out that of the 68 people in the audience, over half were from the so-called "environmental community." There was no protest demonstrations, disruptive outcries, or other signs of their divergent opinions before, during, or after the "hearing".

Bashing environmentalists has become popular among the general public desirous of increased economic development projects and politicians searching for a scapegoat now that Communists have proved to be paper tigers. In defense of "greenies", just because they consider sustainability of healthy environments and natural systems of water, air, rich soils, and viable habitats for all creatures, including humans, as important as good government and a sound economy, does not make them enemies of the State. Environmentalists may have passion, but they don't stand to gain personal financial profits from their endeavors. Neither are they funded from the public purse, as is the Senator.

For 25 years I was co-founder, owner and operator of a wilderness vacation retreat, Camp Denali, in the Kantishna area of what is now the expanded Denali National Park. Our clientele ranged from the Laurence Rockefeller family to backpackers, visitors from all over the world, and retired schoolteachers who had saved all their lives for their dream—a trip to Alaska. All came for the same reason, not just to sightsee, but to vacation in true Alaskan wilderness. The untrammeled landscapes and wildlife, not artificial attractions, were the basis of our business. Nature was our resource and we learned to treat her with respect. She was neither for us or against us—just unforgiving of mistakes. And we learned a lot—extremes of weather, seasonality limits, permafrost, garbage and bears, road washout, etc.

We also learned there are limits to growth. Our second season's brochure stated: "We limit our capacity not to the number of people we can attract, but to the carrying capacity of the land we use. Protecting the environment comes first." We rejected the temptations to keep expanding because we didn't want to spoil the experience that our clients came to enjoy.

Ignoring all conventional wisdom of business economics—borrow and grow—we never spent more than we earned. Being turned down for a bank loan because "we had no collateral except Camp Denali" was the best thing that ever happened to

us. Neither did we ever seek a government subsidy for our business. Turning down lucrative offers of large tourism corporations, we sold Camp Denali to a young couple with no money down and 20 years to pay because they shared our vision of the camp and our environmental values. Twenty years later, Camp Denali still thrives and so does the environment that surrounds it.

But for how long? Not very long, if Big Tourism promoted by both State and Federal Government have their way about developing the Kantishna area to make it the "tourist capital of Alaska."

After selling Camp Denali, I guided backpacking and rafting trips in the Gates of the Arctic and Lake Clark National Parks, as well as the Arctic National Wildlife Refuge for 19 years.

From my experience and point of view, National Parks, National Forests, Wildlife Refuges, BLM Recreational areas, Wild and Scenic Rivers, and Wilderness Areas do not lock up land from public use. They preserve it for all citizens everywhere, not just locally. Yes, there are restrictions and regulations, human beings not having evolved yet to restrict and regulate themselves. This is not socialism—it's truly "by the people and for the people". But public access and use is forbidden when private ownership puts up "NO TRESPASSING" signs.

The present "Wise Use" movement (or 'dumb abuse', as I term it), wants rights without responsibility. We accept limitations on automobiles, child abuse, public nuisances, pollution, and other facets of our lives because they are for the public good. Unfettered right to do, act, or get what any individual wants results in lack of freedom for others.

Neither can Big Business be trusted to do the right thing environmentally if they are not required to do so by law, any more than individuals. And the same excesses of bureaucratic bumbling, inefficiency, procrastination, waste and hierarchical authority that frustrate and exasperate us all can be found in Big Business as well as in government. Any organization is only as effective as its weakest links—human frailties and failed technology. Fix what needs fixing, but don't throw the baby out with the bath under the banner of fixing what is wrong with the Federal Government. Shutting down the government by act of Congress proved that what needed fixing was the Congress itself.

Thank you for this opportunity to present my views on the Senator's topic.

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#### PREPARED STATEMENT OF BEVERLY REITZ, FAIRBANKS, ALASKA

On February 13, 1996 in Fairbanks, Alaska I attended Senator Ted Stevens Committee on Governmental Affairs hearings on Reforming and Restructuring the Federal Government. Although Sen. Stevens announced that he was in the State to hear from Alaskans, he strictly limited testimony to people that would support his view. He boasted he had made the decisions on who would testify and who got excluded from the hearing. I feel he should make a better effort to inviting a cross section of views rather than limiting testimony to his favorite few. The procedure in which our Alaska delegation has handled field hearings is an insult to the democratic process.

Some comments I would offer for reform or restructuring include:

I would oppose transferring Federal lands (like the Tongass National Forest) into less protective status or to the State.

I support stringent application to RS 2477 to avoid roads to Nome, McGrath, Bettles, Juneau, etc.

I support cutting Federal money for the expensive Stikine River Valley road to nowhere project.

I disagree with the Federal Government multimillion dollar clear-cut subsidies that are in contracts with Louisiana Pacific Corp. subsidies and the costly new "salvage logging law".

Alaskans want protection for the environment.

Please include my comments in the official hearing record. Thank you.

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#### PREPARED STATEMENT OF STUART PECHEK, FAIRBANKS, ALASKA

I agree with many of the witnesses that some Federal regulatory oversight needs to be more flexible and that overlapping regulations from different agencies can create undue problems.

An independent commission can help towards streamlining these problems and I think everyone agrees that the task at hand is complex and requires steadfast cooperation amongst our delegates in Washington.

However, I did detect a general witness bias towards national and Alaskan resource development with little environmental concern.

Granted, the State of Alaska deserves its 100 million acres of land entitled under Alaska's National Interest Lands Conservation Act. But I still want to see Federal oversight and protection of other Alaskan lands that belong to everyone in the U.S.A.

Case in point is the Tongass Forest. Contrary to Congressman Young's attitude of turning it over to the State of Alaska, the Tongass is a National Forest. The ever increasing tourism, recreation, sportfishing and other activities are as important as the logging industry. People from all over the world are major users here.

Sadly to say, the "wilderness quality" hunting, fishing, trapping, and recreation are gone in the Lower 48 as compared to Alaska. These still exist in Alaska mainly due to much of the land being in public domain.

In any government reorganization I believe it wise to keep the concept of the public's right to land usage a priority.

I know that Senator Stevens handpicked his witnesses and unfortunately it showed. He virtually eliminated any witnesses of Alaskans who see resource and environmental protection as very important to the scheme of good government for the people.

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#### PREPARED STATEMENT OF FREDERICK C. DEAN, FAIRBANKS, ALASKA

I would like to thank you for including Fairbanks as one site of the hearings. It seems that all too often major actions of our Congress are taken without local hearings, and in particular without inclusion of Fairbanks. As you know, most citizens are not able to travel to Anchorage or Southeast Alaska to participate in this aspect of the public process. I appreciate being able at least to listen to the testimony presented orally.

My comments are made from the perspective of a teaching and research career concerned with resource management, primarily in Alaska since 1954. My focus has been wildlife management, but I have given considerable attention to water and other related resources.

I have been closely involved with representatives of many agencies at all levels of government, and I have had many opportunities to discuss resource use and management with people from most of the U.S. as well as other countries. There are many excellent Federal agency programs and employees; there are clearly some that could benefit by change or even elimination.

A truly evenly bipartisan governmental restructuring commission could undoubtedly find ways to achieve significant cost savings and also simultaneously increase the "friendliness" of citizens' interactions with their Federal Government. Such a review is well-warranted, but I believe that a review of governmental structure and function will fail unless it:

- is based on a more specific set of guidelines and detailed sub-reviews;
- is given considerably more time than is suggested in the "Proposal . . .";
- and incorporates knowledge of the current system's successes as well as failures.

I will focus most of my comments that follow on the "Proposal to Create a Federal Government Restructuring Commission" (hereafter referred to as the Proposal) provided the hearing participants and specific comments made in oral testimony. I will also add what I hope may be some useful suggestions on possible Federal restructuring.

Some specific comments relating to the pre-hearing document follow.

1. *The goal of eliminating duplication of functions and activities within and among departments and agencies is commendable to the extent that the duplication is in fact true rather than apparent.* Any review of government should be very careful to avoid hasty action based on first impressions, superficial information, and/or strictly political or very short-term budgetary considerations. *One of the principal functions of government is to serve as a buffer: change in government should be increasingly slower (though definitely not impossible) at higher levels due to the incrementally greater complexity and wider effective range of State, national, international governmental systems.* It is absolutely necessary that real understanding of: (a) *long-term* public expectations of government, (b) the true spatial/temporal nature of the particular concern or problem (i.e. some are really inter-state or national

in scope), and (c) agency mandates and their real differences. Short-term budgetary or political considerations seldom are adequate justification for initiating thrashing in complex systems, either governmental or economic.

2. *The "current national priorities" referred to in the second goal must be set in a multi-generational context; otherwise consolidation and mission specification will only reflect short-term goals and inevitably lead to unpredictable, and perhaps uncontrollable system thrashing. I would like to re-emphasize the absolute necessity of avoiding "quick fixes" and attempts to satisfy short-term goals.*

3. *Streamlining organizational hierarchy is valid to the extent that the nature and quality of governmental services deemed necessary and/or highly desirable by the affected public are not significantly impacted.*

4. I am sure that a great deal can and should be done to modernize the functional interactions of government with its citizens. *There is a real opportunity for offering "one-stop" interaction points, either or both physical or functional in nature. Representatives of several related agencies could work in one physical location permitting easy shifting between and even communication among several agencies. The idea of "providing one-stop services" is, in itself, insufficient justification for organizational mergers that result in substantial societal costs as a result of program degradation. We have a local example of one sort of arrangement that seems to function well—the Alaska Public Lands Information Center. This particular office is principally directed at visitor information, but I can envision combinations of agencies whose jurisdictions and functions abut and complement each other. Some permit application processes that now require a multiplicity of forms could well be simpler for the applicant if there were interagency agreement on a core form to which any specifically required extra materials could be attached. (Alaska used to use the core of the Federal income tax form.) If the whole thing were transferred as a computer file, subsequently entered into a data base to which the several concerned agencies had appropriate access, applicants might well have an easier time and quicker response in relation to uncomplicated requests.*

5. *This or a similar commission should review the organization and function of Congress as well as the Executive Branch of government.*

6. *If the review process is to be adequately democratic and itself function in a citizen-friendly and accessible manner, one hearing per State will be patently inadequate in those States with large populations and/or land areas.*

7. *The establishment of pre-conditions or requirements such as a number of those listed on page 2 of the Proposal before the information derived from a review is available is an undemocratic and unacceptable procedure. The set of requirements essentially dictates the result, and comes very close to mirroring one of the structural arrangements attached to the Proposal (i.e. that of the 1995 Heritage Foundation Proposal). Given that the pre-established requirements are not the product of a truly bi-partisan group such pre-conditions are patently unfair to all who were not involved in their preparation and/or acceptance. Additionally, a pre-conditioned procedure necessarily would ignore the results of any honest and thoughtful review of the subject at hand.*

8. *I strongly protest limiting full departmental status to treasury, justice, foreign affairs, and national defense. There are numerous other concerns with sufficiently wide influence and/or national importance to necessitate Federal jurisdiction and warranting departmental status; many aspects of public health, societal welfare, environmental quality, natural resource management (in the broadest sense), etc. are fast becoming critical areas of concern that will increasingly require full cabinet-level attention at the Federal level. This is not because of some desire for an all-providing welfare State but rather because of the operating scales of many of the problems that must be dealt with; they are at least inter-state if not international.*

9. *I seriously doubt that any one person can adequately represent all Federal functions other than treasury, justice, foreign affairs, and defense at the cabinet level. It is not a question of trying to give all Federal functions equal departmental status but rather a matter of insuring departmental status for all really critical functions.*

10. *The proposed procedure for selection of and voting by the commission members seems reasonable.*

11. *A period of 2 years is far too short to permit a thorough study and truly productive review of the Federal Government.*

- *The commission should define the criteria which should be met by "Federal" concerns.*
- *There should be at least 1 year devoted to producing a set of intensive self-study reports from existing agencies to be made available to the commission. These should present the agencies' understanding of their mandates, respon-*

sibilities, budgeting, strengths, weaknesses, and recommendations for improvements in both structural and functional areas.

- While these reports should be made available to the commission, the commission should not be limited to them. The commission should have adequate staff to permit a *parallel development of an "outsider's view"* of our governmental structure and function. This would be derived from staff study and public hearings.
- *Both sets of reports should be considered* in developing the final recommendations.
- *Either a segment of the same commission or a similar and parallel one should examine and recommend revision of Congressional structure and procedure.*

12. There are some real advantages as well as some real dangers in a single "up-or-down" vote with limited debate on the final set of commission recommendations. If that develops into the final procedure, there should be firm protection to maintain the bipartisan approach being built into the commission's makeup and operation. I do not know just how to achieve this, but it would be a great shame to lose a genuinely thoughtful and fair set of recommendations to the pits of party politics. It is almost certain that one of the two dominant parties in our country will hold sway at the time of any such vote (as opposed to an absolutely evenly bipartisan Congress). There is no absolute guarantee as to which party it will be. *If the goal is to do what is genuinely best for our country as seen by a bipartisan group, the final decision must be insulated from party politics.* The only way of insuring the current party in power will have control of the reorganization is to restrict the commission work period to 2 years. That might insure which party would cast the effective vote; it would also insure a superficial job all too reminiscent of similar efforts in the past.

13. The information in the several organizational charts attached to the Proposal is inadequate to permit more than very general comment. I want to re-emphasize that there are many conditions and processes that are characterized by their "failure to be restrained by local political borders." In my mind, *conditions that involve cross-boundary causes or effects must be dealt with at appropriately scaled levels of government.* (There is no point in the Fairbanks North Star Borough trying to solve the Arctic Haze problem unilaterally.) In general, *I see many issues related to our natural resources and to mankind's quality of life (if not eventual survival) that must be accorded Federal departmental status.* Our Nation has run through the "freebee" resource boom, and Federal departmental attention to many issues in multi-generational sustainable resource use, control of and recovery from the effects of pollutants having high mobility, management of public lands, and long-term protection of species and habitats is absolutely required. Similarly, there are good justifications for giving departmental influence to certain human societal concerns; a department concerned with human services is not included in all of the organization charts provided (or reflected in the commission's "requirements").

14. Although addressed above, I wish to reiterate that *the 1995 Heritage Foundation Proposal does not insure adequate representation for natural resource and environmental (Read in large part as "human health and quality of life.") considerations. A great many of the economists of the world are working hard to convince nations of the necessity of using full economic accounting which includes the negative costs operating on mankind's condition in the long term. The rest of society needs to catch up with this paradigm shift.*

15. *Appendix II of the Proposal suggests areas of duplication, but does not provide adequate information to permit a valid assessment without additional data.* Consequently, it is of little use except to suggest that there might be some problems needing attention.

\* \* \*

It is clear that the Federal Government has evolved into a complex institution that is frequently difficult to perceive, understand, and/or deal with. In addition, the occasional application of criteria or regulations to very broad regions without consideration of true local variation in conditions or in ability to carry out the directives without modification has caused substantial disillusionment and reaction to Federal intervention. Some of the legitimate complaints made by invited testifiers emphasized this situation.

#### *Selected Comments on Specific Oral Testimony.*

Re: Comments of Mayor Sampson (Fairbanks North Star Borough)—I concur that we have seen too many "good" Federal programs leaving Fairbanks. In the name of budget cutting there has been an emigration of agency offices and services with-

out very much attempt to maintain citizen access to the agency involved. One situation did get partly resolved when the Geophysical Institute at the University of Alaska Fairbanks took over some of the map distribution function of USGS.

Note that Mayor Sampson specifically stated that the *residents of the Borough are, in general, definitely concerned about environmental quality! He emphasized that the end goal of higher environmental quality was not the problem, but that unfunded mandates and the imposition of criteria and regulations that are inappropriate in our local conditions were real problems.* The Borough has made good progress on air pollution control, and I would like to echo his remarks.

Re: Comments of Mayor Cunningham (City of North Pole)—Note that he stated that North Pole has no quarrel with the *goal* of discharging clean water. A regulation requiring that the BOD of the city's water treatment input is reduced by 85 percent does present a real problem if a large part of that input has already been cleaned before reaching the treatment plant. Again, apparent blanket application of a regulation; it would seem more realistic to set effluent standards in cases like this.

Re: Comments of Chancellor Wadlow—I concur that the commission's charge should include using existing background Federal structural studies and effective interagency communication should be re-established.

Re: Comments of William Wood—I disagree that the single over-riding concern is budgetary. Budgetary problems must be addressed and solved, but it would be a hollow victory if our society and the environment it exists in were destroyed in the process. Dr. Wood's suggestion favoring a 3-year moratorium on new regulations is totally unrealistic. If such a moratorium were imposed, it would be impossible to promulgate any absolutely required regulation, even in unanticipated situations, (or to replace a faulted regulation with a more workable substitute?).

Re: Comments of Dean Porter—I would like to concur emphatically with Porter's proposal that the first step in a program of Federal reorganization be the identification of 3-5 major trends to which our Nation and State[s] must respond over the next 20 years. He has clearly stated a major problem with the Proposal, i.e. the absence of clear and specific goals for the design of Federal structure and function.

Unfortunately, *his characterization of the "1002 area" in the Arctic National Wildlife Refuge as not being "high density habitat for wildlife" is clearly inaccurate and indicates poor or incomplete understanding of the ecological system within the "1002 area".* He clearly has not seen, or else has not fully understood, the available data on the effects of oil development on caribou west of ANWR and the high probability of significant negative impact on caribou if the "1002 area" is developed.

Many other good ideas are presented by Dean Porter, including a *shift from legal adversarialism to other procedures that are more productive and appropriate in complex resource management situations.* (Note that there is a current attempt to deal with the West Coast salmon management issues by international mediation.)

Re: Comments of Mr. Massey—I *fully concur with his two proposals; I have long felt that Congress should be required to restrict bills to single topics.* If legislation can not stand on its own, it probably should not be passed. There is no reason to exempt Congress from a good review of structure and function.

Re: Comments of Mr. Romans—Mr. Romans is the victim of attempts to clean up a soil and water pollution problem that to a considerable extent should have been handled by society at large, especially since much of the recognition and determination of pollution problems came after the fact and during an attempt at re-cycling. This situation has other aspects that *illustrate our very strong need to design effective but fair procedures for handling past pollution and the associated costs.* There are many unreasonable ramifications to this situation that serve to emphasize the need to figure out fair, flexible, and effective solutions to many sorts of citizen-government interactions. However, *situations such as Mr. Romans' are not in themselves justification to abandon attempts to solve these sorts of problems.*

Re: Comments of Ms. Nordale—Note that she speaks from a base of considerable personal experience associated with mining and government.

Note her specific comment, based on experience on a State commission with much narrower scope than that discussed in the Proposal, that *the charter needs to be clearer and more focused and that the life of the commission is too short.*

Note also that *she specifically praised the results of the environmental legislation but stated the need for better administration of its provisions.*

A major thread of Ms. Nordale's testimony emphasized *this need for smoother and more user-friendly administration of natural resource laws and regulations.*

Re: Comments from Doyon, Ltd.—I was glad to hear that Doyon, Ltd. has had some good working relationships with several Federal agencies. As stated, frequently the problems that surface on the agency-user interface result from budget limitations of the agency.

Re: Comments of Mr. Robertson—My own interaction with Federal employees has left an impression much closer to those stated by Dean Porter and the Doyon, Ltd. representative than that described by Mr. Robertson.

*Combining resource management agencies into one department may have some merit if the combination is done in a way that protects the resultant department's ability to conduct programs with very different perspectives and emphases, i.e. the range from consumptive use of resources to strict preservation of some resources and lands.*

\* \* \*

Senator Stevens, you started the hearing by accepting responsibility for the make-up of the group invited to give oral testimony at the hearing. You also made a statement that was easy to interpret (correctly or not) as meaning that you did not want any testimony from "environmentalists." Such a position presumes that there are not significant numbers of Alaskans who are both knowledgeable about and very concerned regarding the environment at all levels: global, national, State, and local. Perusal of the orally presented testimony makes it very clear that a wide range of Alaskans are strongly concerned about environmental quality. Describing those of your constituents who are concerned about environmental quality in any or all of its aspects as "environmentalists" (with some negative implication) is hard to understand given the range of people at this hearing who specifically stated a desire for high environmental quality.

I believe I heard you state that "environmentalists" were adequately represented by their national organizations. If such a decision is fair and reasonable, then similar logic should be applied to those represented by any national interest groups: miners, local governments, etc.

There were other topics covered in the hearing, but I will leave them to others. Thank you for the opportunity to have this material included in the official hearing record.

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PREPARED STATEMENT OF SYLVIA WARD, NORTHERN ALASKA  
ENVIRONMENTAL CENTER, FAIRBANKS, ALASKA

We submit these comments for inclusion in the official hearing record for the Committee on Governmental Affairs field hearing on Reforming and Restructuring the Federal Government held on February 13, 1996 in Fairbanks, Alaska.

We do so dubiously, however, because we were not allowed to testify after requesting an invitation both in writing and by phone, and were discounted as "... not players" and "unable to give us [the Committee] any guidance on the stuff we're talking about" (KATN, Channel 11, 2/13/96) before you even heard us out; and were finally dismissed as "paranoid" by your press secretary Mitch Rose (Fairbanks Daily News Miner, 2/13/96). Our input is as relevant as any received by your Committee in Fairbanks and submit that by refusing to allow us to testify to your Committee that it is you, rather than this organization, who is demonstrating the paranoid behavior.

Our comments now, therefore, will begin with your lack of consideration for views other than those you deem worthy. We think it is of central importance to establish that your hearing was outrageously one-sided.

We each know that we disagree completely when it comes to the Arctic National Wildlife Refuge. And for our articulation and defense of our philosophy, you dismiss us. We regret that your view of your constituents has ossified so horribly from 29 years of service in Washington, Senator. As a movement, environmentalism did not originate on Capitol Hill. It came from the mountains and from the fields, from the people living close to the land and experiencing its hurt. We environmentalists live here in Alaska. There are 22 home-grown organizations in Alaska and numerous affiliated activist groups running on little money and a lot of heart and soul. Our concerns and our intelligence embrace far more than the coastal plain of the Arctic Refuge. If your motives for the hearing were just and fair, then you had nothing to fear whatsoever from our participation as "players" at the field hearing.

You invited 18 individuals to testify, most of whom repeated one perspective on government reform and reorganization. This may be standard fare in Washington, but we expect better in this community. Mr. Massey and Mr. Noyes were two excep-

tions to the cookie-cutter approach of the other testifiers. Mr. Massey offered constructive, systemic changes to Congress to make government more accountable, and Mr. Noyes emphasized positive interactions with the Federal Government. With those exceptions, the remainder of the oral testimony seemed little more than enthusiastic swings at a soft-pitch topic so large it is hard to envision. In profile, the testimony was averse to environmental regulation, much of it not how to simplify, fix, or improve the way government works, but "woe is me." With the testimony touching heavily on environmental policy, and with Mary Nordale actually naming the Northern Alaska Environmental Center in her testimony, it is hard to figure how you could categorically exclude environmental organizations from testifying.

Making studied, constructive comments is a poor use of our time when you have made it clear that our voices are of no value to you. But we will do so anyway, touching on some easy points for the benefit of Committee members, knowing full well, though, that we allow you, Senator, the luxury—which you did not earn—of claiming that you have "heard" environmentalists in Alaska.

The Northern Alaska Environmental Center agrees that government needs reworking. There is nothing in the realm of human endeavor that at some time does not need reconsideration. However, now is not the only window of opportunity if the need for reform is real. Reasoned consideration as opposed to haste will ensure that the quality of government service to the public is not jeopardized.

*Two broad concepts to consider:*

*Areas where government has succeeded.* Drawing lessons from success stories is the strongest base from which to reform and reorganize government.

In the area of resource management, an excellent example of intergovernmental coordination to serve the people and the resource in question is the Fortymile Caribou Management Planning Team. At issue is the size and health of the Fortymile Caribou Herd and the ecosystem through which it ranges. Through a moderated public process, three Federal agencies, the Alaska Department of Fish and Game, representatives from the Yukon, Canada, and Native and non-Native Alaskans were able to find a solution to management problems that satisfied the different agencies' mandates, satisfied the public's needs, won public support, and was approved by the Alaska Board of Game in October 1995.

*Areas of dissonance between/among government priorities that leave voids.* One of government's greatest responsibilities is to safeguard people and the natural resources upon which all life depends.

Virtually every disaster akin to the *Exxon Valdez* has some element of government failure to oversee. Then there are incipient failures caused by "disconnects" between State and Federal priorities. At least two are in the offing in Alaska: The Institute of Northern Forestry, a federally-funded research agency, has been zeroed-out just as commercial interest in the interior's State forests is soaring, leaving a sizable vacuum with respect to baseline research and just what level of logging is safe in northern forests. Another is the proposed increase in board feet coming out of the Tongass National Forest while the State Legislature is slashing the budget for the monitoring and enforcement arm of the Alaska Department of Fish and Game.

We appreciate having these comments entered into the hearing record.

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PREPARED STATEMENT TERI S. CAMERY, FAIRBANKS, ALASKA

I attended the February 13, 1996 Committee on Governmental Affairs hearing on Reforming and Restructuring the Federal Government in Fairbanks. I would like my comments to be included in the official hearing record.

First of all, the hearing itself was unequivocally biased. There are many legitimate reasons for reorganizing government. Yet instead of choosing testimony from varied backgrounds and different points of view, Senator Stevens handpicked 18 witnesses all espousing strong anti-environmental stances. During the hour and a half in which I attended the hearing, virtually every testimony attacked Federal environmental agencies, including the Department of Interior and its many subdivisions, and the Environmental Protection Agency. To even maintain a balanced attack on government, Senator Stevens might have chosen corporate representatives attacking OSHA standards or labor policies. The Senator clearly chose testimony to support a backlash against environmental laws.

I am submitting comments because my voice has not been heard.

In regards to RS 2477, Federal regulations need to be much stronger rather than weakened. RS 2477, without clearly defined guidelines, poses a serious threat not only to national parks and wildlands but also to the private property owner, which

the current political establishment seeks to protect. Unnecessary rights-of-way and heedless road construction—based on an 1866 law designed for an entirely different purpose—pose a direct threat to the integrity of wilderness. Careless rights-of-way based on this statute also threaten the private property owner. What would you do if, based on obscure and vague historical precedent, someone filed an RS 2477 right-of-way across your front lawn, opening up your property to unrestrained public transit? Such a situation is entirely possibly under current regulations. Both wilderness values and property rights are threatened without clearly defined limits on this antiquated statute.

I encourage the Committee to seek a balanced record of the facts. I support reorganizing government. Clearly there are countless areas that need improvement. But such an effort requires analyzing both what works and what doesn't. This requires input from a broad diversity of people.

Thank you for this opportunity to comment.

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PREPARED STATEMENT OF ROXANE RONCA AND JACK HERRING,  
FAIRBANKS, ALASKA

We attended the Senate hearing on Governmental Affairs held in Fairbanks, on Feb. 13, 1996, and would like this to be included in the official hearing record.

While we agree with much of the testimony that in many instances environmental regulations may be cumbersome and not appear to "make common sense", they represent a fundamental duty of our government: The protection of our people. Market forces alone cannot ensure healthy air and clean water; environmental regulations and governmental oversight are required to ensure sustainable development and a healthy population.

Whatever governmental reorganizations are contemplated, they must not threaten the health and safety of Alaskans by weakening environmental protections. We considered the Senate hearing to be biased toward the business community that views environmental regulations as burdens. The general population that is protected by environmental regulations was not represented at this hearing.

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ARTICLE FROM THE FAIRBANKS DAILY NEWS-MINER, FEB. 22, 1996

BY CELIA HUNTER

IS IT REALLY A PUBLIC HEARING WHEN THE PUBLIC ISN'T HEARD?

Public hearings are fast becoming a farce here in Alaska. Supposedly, a "public" hearing is designed to give the public a chance to testify and offer their opinions and information for the benefit of policy makers. However, when the policy makers—in this case the Alaska Congressional delegation—are totally committed to their own strongly held views, any public hearing they sponsor seems to permit input only from those who will uphold their positions.

What about the democratic process? Forget it—we're in charge now, and we will do as we please. In various forms, this is the message Alaska citizens are getting from their elected representatives on a host of issues having to deal with the management and/or disposition of our public lands.

Look at the recent past. Back in August, Sen. Murkowski announced a Field Hearing in Washington, D.C., of the Senate Energy and Natural Resources Committee (which he now heads) on SB 1054, the "Southeast Alaska Jobs and Communities Protection Act," which Murkowski authored. Known in Southeast Alaska as the "Timber Baron Revival Bill," it was designed to wipe out the compromises achieved in the Tongass Timber Reform Act of 1990 by mandating the Forest Service to supply enough timber harvest to maintain 2,400 timber jobs at the expense of all other uses of the Tongass.

Sen. Murkowski read some of the testimony Alaskans were journeying to Washington, D.C., to present, discovered his bill was in trouble, then canceled the public hearing and held a "work-shop" which doesn't have a mandate to place testimony in the public record. Alaskans who had spent their own money to get to Washington, D.C., to testify were understandably outraged.

On another issue, that of opening the coastal plain of the Arctic National Wildlife Refuge to oil drilling, which Murkowski and Stevens slipped into the controversial budget bill, Murkowski used taxpayers money to set up a televised program featuring only those in favor of this move, including British Petroleum's Roger Herrera and representatives of the North Slope Borough, Arctic Slope Regional Corp. and

Kaktovik Native Corp. No qualified biologists or wildlife management experts, no one from the Gwich'in villages, no one from the environmental community—and he practically put words into the mouths of those speaking to make sure they kept to his script.

In December, Sens. Stevens and Murkowski put on another “dog and pony show” at a press conference in Washington, D.C., accompanied by State Legislature leadership, and the same corporate Natives from the North Slope, beating the drum for oil development in ANWR.

When a local Fairbanksan had the temerity to question Stevens and the State Senate President about their saying that all Alaskans support oil drilling on ANWR, mentioning that the refuge is Federal land belonging to all Americans, and that a CNN poll had resulted in two out of three people opposing drilling there, Stevens grabbed the microphone from Sen. Pearce and called the Fairbanksan “a liar!”

When the Fairbanksan commented quietly: “I am offended by that.” Stevens replied. “Good. Be offended,” and the press conference ended abruptly.

During the most recent series of hearings, carried out by Rep. Don Young in Southeast Alaska on his proposal to transfer ownership of the Tongass National Forest to the State of Alaska, testimony was limited by Don to two Southeast cities most supportive of increased timber harvesting—Wrangell and Ketchikan—with only bona fide residents of those two cities allowed to speak.

Ever so, Don got some negative feedback on his audacious scheme from folk representing development interests, who objected to the trashing of more than 100 years of Federal management of these public lands belonging to all the citizens of the United States.

Sen. Ted Stevens carried out an equivalent foray into Alaska to get support for his proposed reorganization of the Federal Government and all its agencies, departments and programs, strictly limiting testimony to a handpicked list of folk who had his blessing to present the most negative possible view of Federal activities and policies in Alaska.

He also failed to obtain 100 percent negative testimony. Doyon’s representative expressed the Native corporation’s appreciation of the excellent cooperation they have received from the National Park Service, Fish and Wildlife Service and the Bureau of Land Management in their various ventures. And one person actually pointed out that the Congressional seniority system is the culprit, particularly the way in which one person and one State can tie up powerful chairmanships over many years, thus downgrading the ability of other individuals and States to influence Legislative activities.

He also struck another blow at a favorite tactic of our Congressional delegation—that of tacking irrelevant amendments or riders that have no relation to the subject of the bill onto important legislation. If each bill had to be germane to its title, ordinary citizens could follow legislation more intelligently, and our elected representatives could not carry out underhanded campaigns to push their self-serving legislative goals.

Probably the most dangerous tactics being tried by the new Republican majority in the U.S. House and Senate is the coldly calculating campaign being waged by such as Rep. Istook (R-Oklahoma) to eliminate the public’s ability to present their opinions on legislative proposals. That’s downright scary. We’ve always said a dictatorship can’t happen in America, but such measures could lead the way.

*Celia Hunter has been active in the Alaska conservation movement since 1960.*

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#### PREPARED STATEMENT OF SHERRY LEWIS, FAIRBANKS, ALASKA

On February 13, 1996, I attended a hearing on Reforming and Restructuring the Federal Government in Fairbanks, Alaska. Some of the speakers, especially Dr. Wood had some good thoughts on important aspects of restructuring. Some speakers just talked about their projects and how the government wasn’t letting them do exactly as they wanted. Some speakers said they had a good working relationship with the government and did not want this destroyed by a lot of changes.

As an Alaskan and a United States citizen, I enjoy the freedom this country gives us and am in favor of a government that protects the quality of living in a health environment. I feel strongly that the Federal Government should own and control as least as much land as it now has. This provides an opportunity for many people to enjoy this land and for all Americans to have some say in how these land are used and protected.

In regards to Alaska, the U.S. was fortunate to have wildlands available for protection by the Federal Government, so future generations can experience wilderness. I oppose transferring Federal lands into less protective classifications or returning

them to the State. I also do not want to see roads cutting up the wilderness and want RS 2477 strictly followed.

I would like my comments to be included in the official hearing records. Thank you.

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PREPARED STATEMENT OF RICHARD MANDSAGER, M.D., ALASKA NATIVE  
MEDICAL CENTER, ANCHORAGE, ALASKA

SUBJECT: Alaska Native Medical Center Reinvention Laboratory

INTRODUCTION:

The Alaska Native Medical Center (ANMC) is a 147 bed acute care hospital in Anchorage, Alaska. It was constructed in 1953 as a 400 bed tuberculosis sanitarium. Over the years, ANMC's function has changed completely. The availability of tuberculosis drug treatment in the mid to late 1950's changed tuberculosis treatment from an inpatient to an outpatient regimen. The primary care mission developed as the Native population in Anchorage grew steadily. Finally, the referral mission also developed in response to the State-wide needs for surgical care and intensive care.

The mission of the ANMC is to raise the health status of Alaska Natives and American Indians to the highest possible level by providing:

- Comprehensive medical care, preventive health services and community health outreach within the Anchorage Service Unit.
- Referral secondary and tertiary health services.
- Collaborative professional consultation and support from all disciplines and services at the ANMC to regional Native hospitals and clinics.

The ANMC is a special gathering place that acknowledges the cultural heritage of Alaska Natives and American Indians to facilitate their healing and provide a sense of well being.

The ANMC developed the above Mission Statement, and an accompanying Vision and Values statement in 1993. These statements were endorsed internally by staff and improved in consultation with Alaska Native Health Boards around the State. The vision for the institution is as follows:

- The Alaska Native Medical Center will be recognized as the best place in Alaska to receive health care, to work, to refer patients and to provide community health services.

Clearly, this vision is a statement of purpose for the future. It also acknowledges that we will continually have to improve the services we offer our beneficiaries and customers.

The ANMC serves a "keystone" function for the health care delivery system for Alaska Natives and American Indians from the entire State of Alaska. As noted in the Mission Statement above, referral and consultation services are critical functions of the hospital. The only hospital in the Alaska Area Native Health Service system with general and subspecialty surgical services is the ANMC and it is also the only one with intensive care unit capability. With ANMC, the Alaska Area Native Health Service operates very much like a health maintenance organization. Primary care is provided in village clinics by community health aides. When necessary, patients are moved to regional hospitals and clinics and eventually, if needed, to the ANMC when they need more specialized types of care.

The ANMC began its journey of continuous quality improvement in late 1989. The ANMC has participated in the National Demonstration Project, lead by Dr. Don Berwick (President, Institute for Healthcare Improvement) since 1990. This group from 1990-92 spearheaded the initiative to bring Total Quality Management concepts and practices into the healthcare environment. Since 1992 this group has functioned as a leadership group within the Institute for Healthcare Improvement. The ANMC has created numerous teams to design, or redesign processes to solve problems and implement improvements. Continuous quality improvement principles and techniques are utilized in all these teams and have proven to be powerful means of change and improvement.

The ANMC, like most hospitals in the United States, is accredited by the Joint Commission on Accreditation of Healthcare Organizations. The outcome of the most recent accreditation survey (in October 1994), was Accreditation with Commendation. This is the highest accreditation status possible.

## ORGANIZATION:

The ANMC is an organization unit within the Alaska Area Native Health Service, which is one of 12 Area Offices within the Indian Health Service. The Indian Health Service is an agency of the Public Health Service within the Department of Health and Human Services.

The ANMC was designated as a Reinvention Laboratory in late May, 1993.

## PROPOSALS AS A NEW REINVENTION LABORATORY IN JUNE, 1993:

The proposals from the ANMC focused in two areas:

- administrative simplification
- development of tools to assist in improvement in customer satisfaction

The proposals were developed jointly with the Alaska Area Director and managers at the Area Office because most of the administrative support processes are managed jointly between ANMC and the Area Office. Examples of these joint processes are in procurement, contracting, personnel services, finance, and budgeting.

## RESULTS:

Some results of the first two and a half years as a Reinvention Lab are listed below:

- Sole source procurement authority to \$100,000 was delegated.
- Local pre-award review was raised to \$1,000,000.
- No pre-solicitation review needed. Procurement times are much shorter and have less confusion.
- Local computer procurement authority up to \$100,000. Procurement time for PC's is now down to 4-6 weeks, instead of 6 months.
- RIF authority delegated to Alaska. This hasn't yet been used, but all Area Directors now have this authority as a tool to use in downsizing.
- Local approval of recruitment, retention, and relocation bonuses. This has been used to recruit an ultrasound technician, for example.
- Local approval of purchase of systems furniture, only for the new hospital. This will be used to purchase \$500,000 worth of furniture. We no longer need to worry about a complicated approval process.
- Local authority for grants and cooperative agreements. Cooperative agreements are now used as needed.
- Local authority for implementation of Title 38 for clinical positions. (See below).
- Waiver of OMB approval for customer surveys; approval still at PHS level. (See below).
- ANMC to be used as a pilot site for the use of credit cards. After we piloted this, this authority has rapidly been expanded across the IHS.
- ANMC to be used as a pilot site for the agency for automated time and attendance software. This also is now used across the agency. Errors in time and attendance have dropped from 8-10% to less than 1%.
- No authority delegated for "Carry-over".
- No authority possible for imposing fees for training people outside the agency.
- No waiver to rules requiring use of the Government Printing Office.
- Only limited authority granted for the acquisition of space.
- Performance awards still mandated for individuals; not teams.
- Other changes have been made in local authorities as emphasis was placed on removing local rules.
- We have changed numerous local rules as we began asking ourselves what simplifications we could undertake. For example, we have increased departmental procurement authorities, and removed multiple approvals for training, etc.

## WHAT HAVE WE LEARNED:

Of most importance, have been the improvements which have been made. As noted above, there have been improvements in numerous administrative processes. For example, use of Title 38 for employment has been a very important tool in recruitment and retention of several of our clinical specialists. These are all young surgical specialists in various specialty disciplines. All of these individuals are now staying beyond their initial contract. We anticipate that they all will be long term IHS employees.

Simplification of procurement delegations and authorities has speeded up the procurement process. It has also improved the team work between the contract specialists and the program specialists. Very seldom now do I hear conversation such as, "We have to send that to Headquarters."

Several of our original proposals were not approved due to restriction in law. One legal restriction prevents local purchase of printing, without the involvement of the Government Printing Office. I continue to believe that the IHS in Alaska could procure printing services faster and cheaper, if allowed to contract locally and directly.

ANMC requested the authority to move small percentages of money between appropriated line items as needed. This too was not approved. The time of year when this is useful is at the end of the fiscal year. It would simplify year end financial "close-out" process to have this authority. It would also enhance our local ability to manage the highest priority needs of our program.

Some of the other things we have learned have been more subtle. One of those is the fact that resistance to change occurs at all levels of government. By this I mean that resistance to change occurs at the congressional level, at the department level, OMB, OPM, at the Indian Health Service agency level, in the Alaska Area Office and in our own facility (ANMC). It has been quite interesting to me to watch the multitude of ways in which resistance to change surfaces. Clearly, resistance to change is sometimes very appropriate when there are good reasons. Other times though, resistance to change is rooted more in self perpetuated bureaucratic processes or personal resistance to change. Out of our experience we learned the importance of having a champion in the agency Headquarters (or in our case, above the agency) with influence. This champion is important to help manage resistance to change issues.

Another thing that we have learned is that certain tools which we feel are important management tools are very difficult to use because of legal restrictions. For example, customer surveys are critically important to our ability to measure improvements in customer service. However, the control issues around customer surveys are rooted in the Paperwork Reduction Act. Even though the delegation for approval of customer surveys has now been moved down from the Office of Management and Budget to the Public Health Service, I feel quite strongly that customer surveys should be a routinely available tool for us as managers. We were able to gain approval for a prospective customer survey of our inpatient care because of our Reinvention Lab status. The approval process took 10 weeks. I feel that I as a manager should be held as accountable for quality customer service as I am for fiduciary and financial accountability. In order for customer surveys to become a routine and expected tool of managers will require change in the law. Federal managers should be expected to use commercially available, well-tested survey instruments when providing service to the public and to compare our services to the "best" organizations.

Most of the changes undertaken through the ANMC reinvention lab have been in administrative areas. Because of this they have been mostly invisible to patients. In Alaska, tribal leadership has been supportive of changes which result in simplification and more local authority and autonomy.

Most of the changes which we piloted and tested here at ANMC have now been adopted across the Indian Health Service. The Reinvention Laboratory has been an opportunity to test new delegations, authorities, and different ways of doing work. From my perspective, continued support of the Reinvention Labs allows opportunity for small scale tests of innovations.

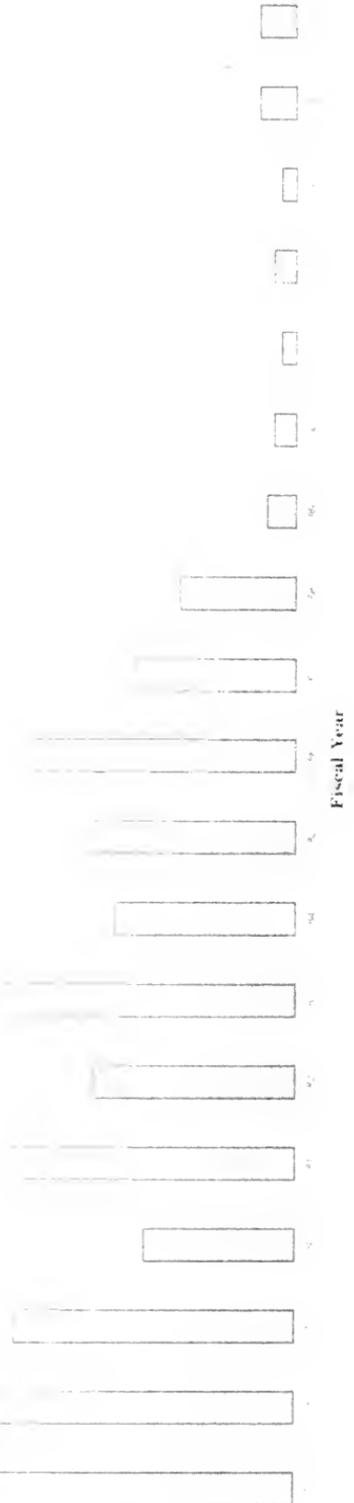
#### SUMMARY:

Most of our Reinvention Lab changes are invisible to our customers. The emphasis on improving customer satisfaction has a strong foothold throughout our program. Positive feedback is received regularly from tribal leaders. We used the Malcolm Baldrige Award criteria in the spring of 1995 to assess ourselves. This self-assessment showed us in detail how far we still have to go to consider ourselves an "excellent organization." The Reinvention Laboratory initiative has assisted our quality improvement efforts. We were selected as a laboratory because of our interest in quality improvement and we will continue this improvement journey after the laboratory ends.

Thank you for this opportunity to share our experiences. I wish I could have been present in person.

## Number of Violation

Trends in Ambient Carbon Monoxide in Fairbanks, Alaska, FY 1991 - 1995





# NORTHERN TESTING LABORATORIES, INC.

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AND ORANGE ALASKA 99503

907-456-1116 • FAX 456-3125  
907-277-8279 • FAX 273-1649

February 9, 1996

## City of North Pole

Lute Cunningham, Mayor

P.O. Box 55109

North Pole, Alaska 99705

Re: National Pollutant Discharge Elimination System (NPDES) Permit Issue: 85% BOD5 Removal Requirement.

Dear Mayor Cunningham:

Pursuant to our recent conversation, I am providing some information regarding the issue of the %BOD5 (20°C Biochemical Oxygen Demand, 5-Day) removal criteria in the NPDES permit for the City of North Pole's wastewater treatment lagoon. The facts relating to the City's permit are as follows:

- The City's NPDES permit (#AK-002139-3) has three criteria for effluent BOD5. The first is a concentration limit of 30 mg/L as a 30-day average and 45 mg/L as a 7-day average. The second criteria is a loading limit of 125 lbs/day as a 30-day average or 188 lbs/day as a 7-day average. The third criteria is a monthly average of not less than 85% removal of the influent BOD5 level.
- The City's effluent is consistently in compliance with the first two criteria. During the summer when the influent wastewater is lower in BOD5 concentration due to higher flows and lower BOD5 from the primary industrial discharge (MAPI refinery wastewater lagoon), the % BOD5 removal criteria is occasionally exceeded. TABLE 1 shows the data for 1995.
- Even though the 85% BOD5 average removal criteria was not met during May (83%) and June (81%) of 1995, at no time does the water quality actually exceed any of the concentration or loading criteria. In fact there is no impact on the environment. At the time the less than 85% BOD5 removals occur, the Tanana river is at high summer flow and is full of glacial silt.

Mayor Lute Cunningham, City of North Pole  
February 9, 1996  
Page 2

- The aerated lagoon system is operating successfully within a wide range of influent BOD5 loadings, providing secondary treatment for a significant industrial flow component (~30% of total flow), and producing an effluent which meets stringent effluent quality limits including a 10 µg/L (parts per billion) aromatic hydrocarbon standard. This treatment facility is, however, being penalized for excellent performance under low influent loading conditions.

The problem in North Pole is analogous to the widely publicized situation in Anchorage where the Municipality allowed the discharge of fish processing wastes into the collection system which increased the influent concentrations, and thus helping them meet a previously difficult to attain % removal criteria. During the House of Representatives floor debate on HR961 (1995 Clean Water Act Reauthorization Bill) Congressman Don Young obtained an exclusion for the City of Anchorage which was only applicable to their permit to rectify that situation.

In fact, the removal criteria affects many treatment systems throughout the US including the City of North Pole. There is no substantial technical merit to such performance criteria as long as the final effluent quality permit limits are being met and there is no adverse impact on the receiving water quality. A possible solution would be to have the exclusion obtained by Congressman Young apply to all treatment facilities during Senate reauthorization of the Clean Water Act. Alternatively, Congress could simply direct EPA to remove unnecessary performance criteria from the NPDES program. Any difference between HR961 and a Senate bill will then have to be reconciled during conference committee deliberations.

In summary, this is a useless requirement which achieves no practical environmental benefit, but that can impart a significant cost and liability burden to utilities. It should be repealed. If you have any questions about this information, please contact me at my laboratory in Fairbanks.

Sincerely,

**Northern Testing Laboratories, Inc.**



Michael R. Pollen, President

enclosure

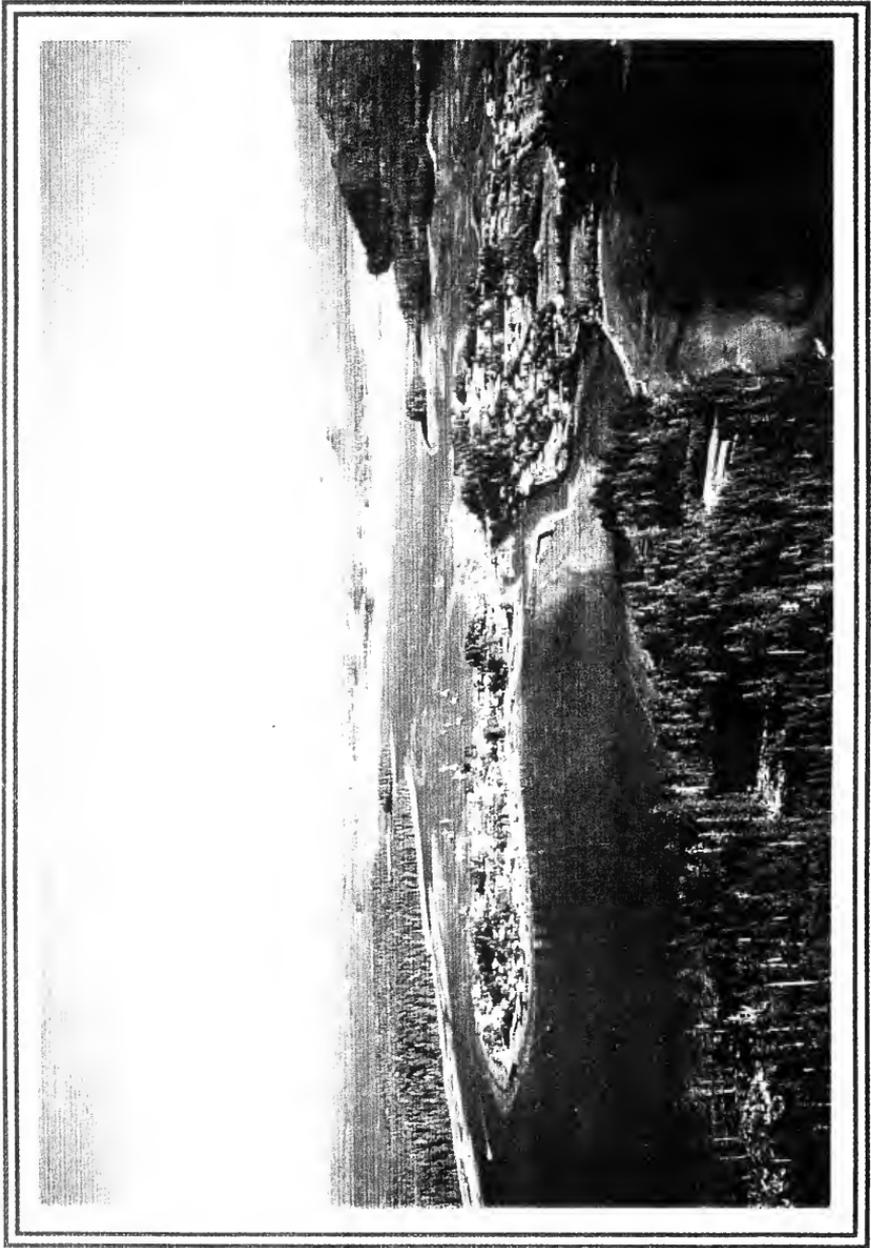
**TABLE 1**  
**City of North Pole Wastewater Treatment Facility Effluent BOD5 Data**

Month	30-Day Average mg/L	30-Day Average Lbs/Day	7-Day Average mg/L	7-Day Average Lbs/Day	30-Day Average % Removal
Jan-95	3.6	6.9	6.2	12	98
Feb-95	4.3	8.7	8.0	18	97
Mar-95	6.8	16	12.0	30	96
Apr-95	10.7	33	11.0	37	93
May-95	21.6	54	36.0	83	<b>83</b>
Jun-95	18.5	41	33.0	65	<b>81</b>
Jul-95	11.8	26	18.0	36	88
Aug-95	4.4	12	7.0	21	95
Sep-95	8.4	23	15.0	42	93
Oct-95	7.8	14	12.0	20	93
Nov-95	3.0	6.6	6.0	6.9	98
Dec-95	6.2	13	8.5	20	96
<b>Average:</b>	8.9	21.2	14.4	32.6	93
<b>Permit Limit:</b>	<b>30</b>	<b>125</b>	<b>45</b>	<b>188</b>	<b>Minimum: 85</b>

Notes: 1. Exceptions to permit limits are shown in shaded background

2. Other permit exceptions since 1991

Month-Yr	30-Day % BOD Rem
Jun-94	<b>84</b>
Aug-94	<b>81</b>
Jul-93	<b>82</b>
May-92	<b>77</b>
Jun-92	<b>69</b>
Jul-91	<b>82</b>



*Craig, Alaska*



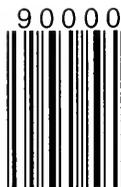
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