

AkPIRG's Alaska Consumer Advocacy Corporation:

In Whose Public Interest?

By Paula Easley, RDC Executive Director

A private concern known as the Alaska Consumer Advocacy Corporation (ACAP) received \$150,000 from the Department of Community and Regional Affairs in March 1981 and is now seeking second-year funding from the Alaska Legislature. The original funding occurred despite overwhelming public opposition.

Background on state "public interest" funding

During the 1980 legislative session, the Resource Development Committee (RDC), monitored projects line itemed in HB 60, the supplemental budget, and urged the following items not be funded with tax dollars:

Alaska Public Advocacy Corporation \$453,000
Alaska Public Interest Research Group (AkPIRG) 75,000
Alaska Center for Policy Studies 317,500
Citizen Participation Project 48,300
Newspaper project 7,500

RDC believed the funding was for private groups, with narrow interests, and property should not be funded with tax dollars.

When informed of the nature of these projects, the Senate deleted them. They reappeared in the House version of the budget. The House had one day to review the 39-page document totaling \$286 million before the up or down floor vote on the bill. The bill then went to a long House-Senate Free Conference Committee (FCC) for in-depth scrutiny and the traditional trade-offs.

Many legislators and members of the public were concerned over the proposed funding. They pledged to press members of the FCC to delete the funds. The FREE Committee of the Anchorage Woman's Club and members of several trade associations joined the fight. After a long and costly effort by consumers all over the state, HB 60 was amended and passed, without the \$900,000 for the so-called public interest activities.

Interim Committee Takes Over

The victory was short lived. An interim committee, legislative Budget & Audit (B & A), was given \$375,000 in HB 60 for "research projects." To be designated by the leadership of the House of Representatives, assumed to be Speaker Terry Gardiner, RDC learned that, in spite of the legislature's denial of the controversial projects, contracts were being drafted for AkPIRG and the Alaska Center for Policy Studies. Also in draft form was a \$50,000 contract for long-time AkPIRG allies James Grandjean and attorney John Hedland for a "history of oil development."

Although AkPIRG denied association with the Alaska Center for Policy Studies (a private corporation needed by now Senator Vic Fischer (D Anchorage) and Anchorage Council member Joe Josephson), a memo telecopied to Rep. Terry Gardiner by AkPIRG read:

"The enclosed are work plans for research under Sec. 276 of HB 60. The contract for the Alaska Center for Policy Studies should replace the \$10,000 contract for the development of a workplan. The contract for AkPIRG is in addition to the contract for health care and the contract for Hedland and Grandjean is, of course, a separate proposal altogether. In summary these will total:

Alaska Center for Policy Studies \$270,000
AkPIRG Housing \$25,000; Health \$15,000
Total \$40,000

History of Oil Development \$360,000

This leaves \$15,000 in the account, Jamie Love, 7/17/80"

In whose account? Love was the executive director of AkPIRG.

Also an examination of prior legislative contracts revealed that AkPIRG had in 1979 received \$11,384 from the Alaska Center for Policy Studies for work on a study entitled "Energy Alternatives for the Railbelt."

RDC questioned why the Center for Policy Studies sub-

90 State Positions — \$4,000,000

opponents to the contracts under consideration, the crucial six votes for contract approval were never obtained. Once more the matter was laid to rest. Legislators also promised to pursue reform of contracting procedures.

December 1, 1980
A legal notice in the Anchorage Times read in part, "The State of Alaska, Department of Community and Regional Affairs requests proposals to provide a program of representation of Alaska consumer interests in front of Alaska State regulatory agencies and Alaska courts. \$150,000 is available to fund this program which is expected to last one year."

The Request for Proposal read: "\$225,000 was included in the FY81 budget for the

sumer representation."

"Needless to say, there is a great amount of opposition by certain industry groups to consumer advocacy efforts... The question of funding consumer representation is really a political question that pits the interest of certain industry groups against the broader interests of the consuming public."

"The people who are likely to oppose this are, of course, a highly influential and articulate group. It is this same group, moreover, that was so successful last year in getting the lion's share of the three billion dollars, through such things as tax repeal, which benefits the rich more than the poor, and the half-billion dollar loan program which provides subsidies to those in high income brackets."

He declared his personal intent as to how the funds would be used. RDC and others do not agree that McKinnon's letter constituted an official legislative "letter of intent." Apparently the Governor's Office and C&RA accepted it as such.

Because of RDC's objections to the \$150,000 contract, Tom Fink, then RDC president, was invited to sit in on the bidder selection committee. There was nothing to select. AkPIRG was the only applicant. In RDC's opinion, the RFP was written solely for AkPIRG, although this was denied by Connie Sipe of the Consumer Protection Division, Department of Law, who drafted the RFP.

A look at another government document, an "Authority to Enter Contract Negotiations" form, indicated C&RA intended to contract with "Alaska Public Interest Research Group, the Coalition for Economic Justice, and/or other groups that may respond to newspaper advertisements."

ACAP in Business
Because the ACAP project is housed in AkPIRG headquarters, Alaska tax dollars are now funding AkPIRG's rent (\$9,000), telephone (\$3,000), postage, copying and office supplies (\$4,500), travel (\$4,000) plus staff and fringe (19 percent) totaling \$95,200. Another \$34,300 goes to outside professional service agreements.

The AkPIRG Board of Directors will have responsibility "for approval of selected cases and intervention...." and "AkPIRG staff will augment the efforts of the Community Education/ Outreach Coordinator to reach the public."

But 25 Other States Do It!
Press stories and direct statements by AkPIRG representatives would have you believe that other states fund similar organizations. RDC has investigated this and can find no record of any state providing direct funding for a public interest research group (called PIRGS in other states).

What AkPIRG refers to is a list of states which provide consumer services, as Alaska does, within state government.

AkPIRG cited Ohio's CAP as one of those "similar consumer advocacy organizations" which last year saved the state's consumers \$40.8 million at a cost of only \$2 million. The Alaska public was not told that the agency referred to was a state agency called the "Office of Consumer Council" which has a budget of \$6 million and a staff of 75. It is the largest such agency in the U.S.

ACAP Goes Back to the Trough
Readers of this article are urged to read (copies from RDC) H. Peter Metzger's March 1980 paper, "Government-Funded Activism: Hiding Behind the Public Interest," and a recently updated (April 1, 1981) report entitled "Government Activists: How They Rip Off the Poor."

If you agree with Metzger's thoroughly-documented incidents of abuses of taxpayer funds for "consumerism" and "public interest" activities, then we urge you to contact your legislator and demand these abuses cease.

AkPIRG/ACAP is seeking \$225,000 from the Alaska Legislature this session for fund and expand its advocacy operation. These are not government

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Will the real consumer protector please stand up!!

contract legislative funded studies with a consumer advocacy group, instead of with persons having technical expertise in energy. And why two long-time foes of oil development (Hedland and Grandjean) should be selected to do a study of its history. Besides, the history of oil development in Alaska is well documented.

During the summer 1980 B&A committee meetings the FREE Committee produced a number of recent housing studies to support its position that another study was totally unjustified. The Alaska Support Industry Alliance, RDC and various trade associations were prepared to show why not one of the contracts was necessary, and Common Sense for Alaska offered to perform one of the studies for a dollar.

By now considerable focus was on the manner in which legislative contracts were granted. Both the FREE committee and Common Sense demanded reform and prepared recommended guidelines. As the practice stood, committee chairmen could give contracts in the hundreds of thousands of dollars to anyone they chose. Other legislative committee members had no say in the matter.

For the B&A committee at least this freedom was inhibited by an unexpected motion of Sen. George Hohns. He asked that a majority of the 10-member committee approve all contracts. The motion carried, which prompted a request by the committee chairman for a legal opinion. On July 3 the Division of Legal Services ruled that the committee had the right to review and approve contracts if it so decided.

Throughout the summer hearings, attended by state legislators, were needed, McKinnon addressed the subject of "the politics of con-

Office of the Governor, Division of Policy Development and Planning, for funding a consumer advocacy project. That amount was transferred to our department by a Reimbursable Service Agreement. \$150,000 is available to fund this project and the remaining \$75,000 will be divided into smaller consumer advocacy grants on specific issues."

Behind the Scenes
How did the funds for so-called consumer activities - rejected by legislators on numerous occasions - get to C&RA?

Enter Rep. Joe McKinnon, a then legislator and AkPIRG employee. On June 23, 1980 (at the very time all the public outcry was taking place), McKinnon wrote a six-page letter to Frances Ulmer, Director of the Division of Policy Development and Planning, in the office of Gov. Jay Hammond, which began:

"As requested, I am providing you with back-up information on the \$450,000 appropriation which I requested the Free Conference Committee to include in the budget to provide for consumer representation before state agencies. These funds were originally designed to the Alaska Public Advocacy Corporation for two years' funding. When Rod Pegues (Attorney General's office) sent down his letter setting out the Administration's objections to funding of non-profit corporations, I suggested changing the appropriation to a grant fund to be administered by a state agency with the money bid competitively to interested organizations."

Astonishing? Read on. After a lengthy explanation of why consumer advocacy efforts were needed, McKinnon addressed the subject of "the politics of con-

If McKinnon was referring to the RDC as one of those "industry groups," it is correct in expecting opposition, but his assumption that RDC is an industry group is incorrect. Approximately 90 percent of RDC's members are individuals who pay as little as \$5 for RDC to represent them. Many of its members belong to over a hundred organized labor locals in the state. RDC's members are also consumers. Even so, it is RDC's position that any consumer representation before public agencies - local, state, or federal - should be paid for by the consumer or groups representing that consumer's viewpoint, NOT by state appropriations for such purposes.

RDC has testified both before the Coastal Policy Council and the Alaska Public Utilities Commission, urging that public intervenors, including RDC, not be paid for their intervention with tax dollars.

RDC later learned that Governor Jay Hammond was uncomfortable with having the \$450,000 in his budget and issued instructions for it to be transferred to C&RA. However, only \$225,000 got there.

On August 18, 1980, Fran Ulmer of DPDP sent a Reimbursable Service Agreement to Lee McAnerny, Commissioner of C&RA, in the amount of \$225,000 "to provide for consumer advocacy before government agencies." Ulmer explained: "The attached memo from Rep. McKinnon provides documentation regarding the intent of this program."

It was clearly the intent of the legislature not to fund AkPIRG's consumer advocacy efforts; yet Rep. McKinnon sought an indirect means - not subject to public scrutiny - to divert the funds.

AkPIRG... (from Page 3A)

agencies, but private groups operating with public funds.

Is Consumer Advocacy Needed?

The State of Alaska funds a number of positions at a cost well into the millions for protection of consumer interests. It attempts to protect the interests of all consumers, individuals and businesses of all sizes. Consumers are represented on well over a hundred state boards and commissions, with their expenses reimbursed by government.

If AkPIRG wants its viewpoint to be considered in utility rate hearings, it should request funding from one of its largest supporters., Ralph Nader.

AkPIRG stated in its March/April 1981 newsletter, that "The staffs of the APUC, the ATC and the Consumer Protection Division of the Attorney General's Office feel that this representation is critical and endorse the ACAP concept."

RDC checked with each of those agencies and found the AkPIRG claim to be unsubstantiated.