

CSSB

4600

HOUSE COMMITTEE REPORT

(11)

Date referred: 4/18/88

FURTHER REFERRALS:

DATE: 4-28-88

The Finance Committee has considered CSSB 460(SA)

"An Act relating to the costs of administering state contracts."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) _____ a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note
- zero with analysis same as previous zero fiscal note published 3/15/88 SENATE

SIGNING DO PASS:

Adams [Signature]
 Pouchot [Signature]
 Wallis [Signature]
 Frank [Signature]
 Larson [Signature]
 Boyer [Signature]
 Davis [Signature]
 Rieger [Signature]

SIGNING OTHER RECOMMENDATIONS:

Gall [Signature]
 Brown [Signature]

[Signature]
 Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: SB 460 Agency Affected: Administration
 Title: An Act relating to costs of BRU: General Services & Supply
administering state contracts
 Sponsor: Faiks Components: Purchasing
 Requestor: Senate State Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

This zero fiscal note is based on the belief that the fiscal impact of the bill on bids issued by Department of Administration will be minimal.

Prepared By: Robert J. Link *Robert J. Link*
 Division: General Services & Supply

Phone: 465-2250

Date: 02/26/88

Approved by Commissioner: John M. Andrews *John M. Andrews*
 Agency: Department of Administration

Date: 2/29/88

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Original sponsor: Faiks

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR SENATE BILL NO. 460 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the costs of administering state
7 contracts."

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

9 * Section 1. FINDINGS. The legislature finds that different bids for a
10 contract that is primarily for supplies can require significantly different
11 state costs for the administration of the contract. The legislature also
12 finds that if significant administrative costs would be required due to the
13 nature of a particular bid, the costs should be added to or included in the
14 bid amount before the low bidder is determined.

15 * Sec. 2. AS 36.30 is amended by adding a new section to read:

16 Sec. 36.30.165. CONSIDERATION OF ADMINISTRATION COSTS. After
17 the opening of the bids for a contract that is primarily for supplies,
18 but before the determination of the successful bidder under
19 AS 36.30.170, the procurement officer shall consider the significant
20 administrative costs that would be incurred by the state to administer
21 the contract under the bid. In this section, "administrative costs"
22 means the additional costs that result from the geographical location
23 of the bidder or the bidder's source of supplies, including costs for
24 transportation, communications, per diem, and state employee wages.

POSITION PAPER
Bill CS SB 460 (SA)

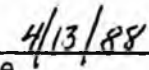
The bill requires the procurement officer to consider significant administrative costs before the award of a bid which is primarily for supplies. Administrative costs are defined as additional costs that result from the geographic location of the bidder or the bidders source of supply, and includes transportation, communications, per diem, and State wages.

The impact on the Department of Administration will be for procurement officers to consider significant administrative costs when preparing the Invitations to Bid or evaluating responses to an Invitation to Bid.

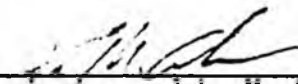
The Department of Administration is neutral on this bill.



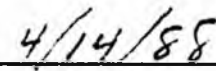
Robert J. Link, Director
Division of General Services & Supply



Date



Commissioner John M. Andrews
Department of Administration



Date



Alaska State Legislature

SENATE

Office of the President

P.O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-3755

MEMORANDUM

April 17, 1988

TO: Representative Al Adams, Chairman
House Finance Committee

FROM: Senator Jan Faiks
President of the Senate

SUBJECT: CSSB 460 (STA) "An Act relating to the costs of
administering state contracts."

CSSB 460 (STA) has been referred to the House Finance Committee for consideration. This bill amends the State Procurement Code to address a problem which has affected several resident businesses.

The state enters into many contracts for supplies. The problem is that there may be greater costs associated with administering a contract with a supplier who is located outside the state than with a supplier who is located inside the state. For example, in order to administer a recent out-of-state contract, a state employee had to travel to the supplier's factory five times, incurring costs for air fare and per diem which were not taken into account when the bid was accepted. If these costs had been anticipated and added to the bid amount, the bid would have gone to a local business.

This bill finds that different bids for a contract that is primarily for supplies can require significantly different administrative costs. It also finds that significant costs should be added to or included in the bid amount before a low bidder is determined.

To accomplish this, the bill amends AS 36.30 to instruct procurement officers to consider the significant administrative costs that would be incurred by the state to administer a contract under a particular bid. This could be done by including the anticipated administrative costs in the bid itself, or by adding them onto a bid once it is received

"Administrative costs" are the additional costs that result from the geographical location of the bidder or the bidder's

source of supplies, including costs for transportation, communications, per diem and state employee wages.

Please contact my office if you have any questions or comments.

Thank you.

1 IN THE SENATE

BY FAIKS

2

SENATE BILL NO. 460

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the costs of administering state
7 contracts."

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10 contract that is primarily for supplies can require significantly different
11 state costs for the administration of the contract. The legislature also
12 finds that if significant administrative costs would be required due to the
13 nature of a particular bid, the costs should be added to the bid amount
14 before the low bidder is determined.

15 * Sec. 2. AS 36.30 is amended by adding a new section to read:

16 Sec. 36.30.165. INCLUSION OF ADMINISTRATION COSTS. After the
17 opening of the bids for a contract that is primarily for supplies, but
18 before the determination of the successful bidder under AS 36.30.170,
19 the procurement officer shall add to the amount of each bid the sig-
20 nificant costs, including transportation and per diem costs, that
21 would be incurred by the state to administer the contract under the
22 bid. The resulting figure is the amount of the bid.