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7HB 558

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

April 13, 1988

The Honorable Ben Grussendorf  
Speaker of the House  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to raise the \$100,000 threshold for required performance bonding on state and municipal public works projects to \$250,000, under AS 36.25.010(a). The bill does not affect the existing discretionary authority, under AS 36.25.010(b), to require bonding for projects the value of which is under the threshold. The three changes in the language of AS 36.25.010(a) make only one substantive change and thus affect the construction-value threshold for performance bonds (AS 36.25.010(a)(1)), but not payment bonds (AS 36.25.010(a)(2)).

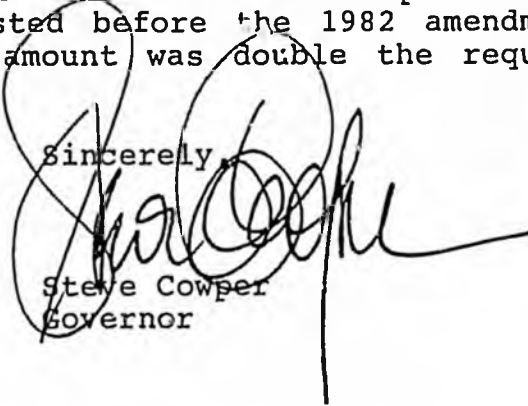
Based on Department of Transportation and Public Facilities (DOT/PF) fiscal year 1987 projects, this change will expand the dollar volume by almost 400 percent from the present level and could make available to the construction industry double the actual number of projects that would have no performance bonding requirement. The bonding requirements would still apply to 98 percent of DOT/PF's construction program.

Although it is possible that the proposed changes could result in some added costs or delays in completing a project, it is not certain that they will do so, and I do not believe that they will be substantial. From a policy perspective, these possible consequences are offset by the benefits of a more competitive and open market for the Alaska construction industry.

A corresponding amendment of AS 44.33.300, the statute referred to in AS 36.25.010(a), is included in the bill (sec. 2). (AS 44.33.300 allows "economic disaster area" waivers of certain requirements, including those in AS 36.25.010.)

Such an amendment was overlooked when AS 36.25.010(a) was amended in 1982 (changing "\$50,000" to read "\$100,000"). That oversight left AS 44.33.300 making no sense. The amendment in sec. 2 of this bill restores the pattern for performance bonds that existed before the 1982 amendment, when the maximum waivable amount was double the required threshold amount.

Sincerely,



Steve Cowper  
Governor

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: HB 558  
PUBLISH DATE: HOUSE 4/13/88

REQUEST: FISCAL NOTE

Revision Date:  
Title: An act relating to bonds for contractors for public buildings and works; and providing for an effective date.

Agency Affected: DOT&PF  
BRU: Engineering & Operations Standards

Sponsor: Governor  
Requestor: Governor

Components:

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
CONTRACTURAL	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
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REVENUE	0	0	0	0	0	0
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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: Based upon an analysis of contract lettings by ADOT&PF for FY 1987 this proposed change would result in a modest increase in the number of projects and aggregate project dollars for which performance bonding is not required. While it is possible that some costs may be occasioned, if there were a project failure, this is both speculative and inestimable. Such potential costs should be offset by a general lowering of bid prices due to the absence of certain bonding costs and increased competition. On balance, we believe these savings and liabilities are offsetting and we support this legislation for it should enhance the opportunity for smaller firms to enter the state construction market.

Prepared by: Jeffery C. Ottesen, Director  
Division: Engineering and Operations Standards  
Approved by Commissioner: *M. R. S. H.*  
Agency: Department of Transportation and Public Facilities

Phone: 465-2951  
Date: April 7, 1988  
Date: 4/7/88

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