

S B

460

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 2/24/88 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER:

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)

2/16/88
Mr. President:

DATE TURNED INTO OFFICE 3-15-88

State Affairs Committee considered SB 460
costs of administering state contracts

and recommended:

replace with CS SB 460 (SA) same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Van Tamm - No Rec
Joe DeWahl - No Rec
Paul Kelly (NO REC)

Ed [Signature]
Chairman signature and recommendation

Committee Backup Attached

STATE OF ALASKA
THE LEGISLATURE

POUCHY STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 14, 1988

SUBJECT: Areas of concern in proposed CSSB 460 (State
Affairs)

TO: Senator Mitch Abood
Chair, Senate State Affairs Committee

FROM: Theresa L. Bannister *TB*
Legislative Counsel

This memo accompanies the draft of the proposed
CSSB 460 (State Affairs) that you requested.

Please be aware that sections 1 and 2 of the bill appear to
be inconsistent. Section 1 indicates a purpose of "adding
to or including" certain costs to the bid. Section 2 allows
the agency to "consider" these costs, and does not address
the specific subject of adding to or including the costs in
the bid.

In addition, the use of the word "consider" leaves the
department up in the air as to what it is authorized to do
with these costs, and, perhaps more significantly, the
bidders. When the "lowest responsible and responsive
bidder" is determined, will it be based on the contractor's
bid augmented by the administrative costs or not?

If I may be of further assistance, please advise.

Enclosure

TLB:bb
b4/006

Offered by Sen. Fairs.

1 IN THE SENATE

BY FAIKS

2

CS 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."

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 ^{included in} ~~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 ^{consider} ~~to the amount of each bid~~ the sig-
20 nificant ^{administrative} ~~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.~~ ^{In this}

section, "administrative costs" means 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.

FISCAL NOTE

REQUEST:

Revision Date: SB 460
Title: An Act relating to costs of administering state contracts
Sponsor: Falks
Requestor: Senate State Affairs

Agency Affected: Administration
BRU: General Services & Supply
Components: Purchasing

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)



MAKE IT ALASKAN, INC.

3202 Spenard Road, Suite 200
P.O. Box 93001
Anchorage, Alaska 99509-3001
(907) 258-2878

STATEMENT OF SUPPORT

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SENATE BILL 460

Make It Alaskan, Inc., supports and encourages the passage into legislation of Senate Bill 460, an act relating to an Alaska bidder preference and to procurement involving state money.

Due to the state's noncontiguous geographic location and unique climate, business dealings with non-Alaskan firms may produce administrative expenses not commonly incurred in business dealings with resident businesses. To date, these added expenses have not been taken into consideration in the final awarding of the bid.

Specifically, administrative expenses incurred in the administration of a contract due to the geographic location of the bidder should be considered in the total amount of the bid in order that a fair and equitable comparison be made in the determining of the final bid award. The costs incurred as administrative expense in the administration of a contract can add many, many dollars to the cost of that contract.

As an example, a recent contract was awarded an out of state firm which necessitated additional administrative costs for five (5) trips to the bid awardee's location. These added costs would include air travel and per diem. Had these costs been taken into account prior to the awarding of the bid, the award (low bidder) would have then been an Alaskan firm and the state would not have had the additional costs to pay. The state would have saved money and the money would have stayed in Alaska.

Make It Alaskan, Inc., strongly believes that passage of Senate Bill 460 is a vital step in reducing state administrative costs, encouraging local industry, reducing unemployment and strengthening and stabilizing the state's economy. Therefore, Make It Alaskan, Inc., supports and encourages the passage of this Bill into legislation.

MAKE IT ALASKAN, INC
3202 Spenard Road, Suite 200
P.O. Box 93001
Anchorage, Alaska 99509-3001

STATEMENT OF SUPPORT
SENATE BILL (FAIKS)

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5-1914B
Bannister
3/14/88

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

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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.
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