

SB

212

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/9/94

FURTHER:

DATE TURNED INTO OFFICE: 2-15-94

The Finance Committee considered **SENATE BILL NO. 212**

"An Act relating to publications produced by state agencies and to the procurement of property, property interests, and services by state agencies."

and recommends:

- replace with CS SB 212 (FINANCE)
- or adopt previous CS _____
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal
Admin	2-2-94	✓	
Admin-Statewide	2-2-94		\$256.1
DOT & PF	2-2-94		\$ 5.0

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS.

Tim Kelly
[Signature]
Barry [Signature]
George [Signature]

OTHER RECOMMENDATIONS:

[Signature]

1. [Signature] DO PASS
 Co-Chair: Signature/Recommendation

2. [Signature] 10/23/94
 Co-Chair: Signature/Recommendation

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

№ 1
Bill Bill Version: SB 212
(C) (S) Publish Date: 2-9-94

Revision Date: _____ Dept. Affected: Administration
Title: An Act relating to the giving of procurement BRU: General Services
notices: changing the content of the requirement procurement. Component: Purchasing
Sponsor: Senate Labor & Commerce
Requestor: Senate Labor & Commerce COMPONENT SERIAL NO. 60

Expenditures / Revenues: (Thousands of Dollars)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
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
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GEMatch	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	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
PART-TIME	0	0	0
TEMPORARY	0	0	0

Changes in CS SB 212 (KCC)
have no fiscal impact. This
fiscal note is appropriate.
2/8/94 [Signature]
date/ Comte Aide (initial)

Estimate of current year (FY94) impact: \$ 0

ANALYSIS: (attach a separate page if necessary.)

This bill will require one-time notices of the revised statute to all bidders on the contractors list maintained under AS 36.30.050. Thereafter notices will be mailed only to bidders with Alaska zip codes unless a bidder specifically requests a bid solicitation for a specific Invitation to Bid.

Fiscal impact to the Division will be minimal.

Prepared By: Dugan Petty, Director [Signature]
Division: General Services

Phone: 465-2250
Date: _____

Approved by Commissioner: Nancy Bear Usra [Signature]
Agency: Department of Administration

Date: 2/12/94

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FISCAL NOTE

No. 2
 Bill Number: SB 212
 (S) Publish Date: 2-9-94

STATE OF ALASKA
 1994 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Statewide* Admin
 Title: An Act relating to the giving of procurement BRU: _____
notices; changing the content of the required procurement... Component: _____
 Sponsor: Senate Labor & Commerce
 Requestor: Senate Labor & Commerce COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	256.1*	256.1*	256.1*	256.1*	256.1*	256.1*
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	256.1*	256.1*	256.1*	256.1*	256.1*	256.1*

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE FUND SOURCE:	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

FUNDING:

1002 Federal Receipts	*	*	*	*	*	*
1003 GF Match	*	*	*	*	*	*
1004 GF	*	*	*	*	*	*
1005 GF/Program Receipts	*	*	*	*	*	*
1006 GF/MHTIA	*	*	*	*	*	*
Other	*	*	*	*	*	*
TOTAL	256.1*	256.1*	256.1*	256.1*	256.1*	256.1*

POSITIONS

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

Estimate of current year (FY94) impact: \$ 0

Changes in CS SB 212 (L&C)
 reflect NO FISCAL CHANGE from the original
 fiscal note. This fiscal note is appropriate.
2/8/94 _____
 date Corde Aide (initial)

ANALYSIS: (attach a separate page if necessary.)

See attached.

*Bids are awarded by the Division on behalf of customer agencies that have a variety of funding sources. This analysis reflects potential cost impacts to all agencies as a result of potentially higher bid awards. These are not cost impacts to the Division of General Services.

Prepared By: Dugan Petty, Director
 Division: General Services

Phone: 465-2250
 Date: _____

Approved by Commissioner: Nancy Bear Usura
 Agency: Department of Administration

Date: 2/2/94

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STATE OF ALA A
1994 LEGISLATIVE SESSION

FISCAL NOTE

Bill Version: SB 212

(S) Publish Date: 2-9-94

Revision Date: 1/27/94
Title: State Procurements and Publications

Department Affected: DOT&PI
BRU: E&OS
Component: D&C
Component Serial Number: 547

Sponsor: Senate L&C Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	5.0	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:	5.0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE FUND SOURCE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	5.0	0	0	0	0	0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL FUNDING:	5.0	0	0	0	0	0

POSITIONS

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

Changes in CS SB 212 (L&C)
reflect NO FISCAL CHANGE from the original
fiscal note. This fiscal note is appropriate.
2/8/94 APT
date Compt Aide (initial)

Estimate of current year (FY94) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary) The \$5,000 will be used to develop regulations for the pilot program. Since this is a pilot program, it will not be applied to all state funded projects but on selected ones with the most opportunity for success. In FY94 about \$30 million in state funded projects were awarded. We anticipate it being used on approximately 10% of the projects. Although any bonuses should be off set by lower bids, it may be necessary to set aside project specific funds to pay for the bonuses.

Prepared by: Mal Linthwaite, Director

Phone: 465-2951

Division: E&OS

Date: February 1, 1994

Approved by Commissioner: [Signature]

Phone: 465-3901

B.A. Campbell

Agency: Department of Transportation and Public Facilities

Date: February 2, 1994

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AMENDMENT

S. Kelly MOVED
(no objections)

OFFERED IN THE SENATE
TO: CSSB 212(L&C)

BY SENATOR PEARCE

Page 5, line 10, following "\$1,500,":

Insert "or if the actual annual costs of a state agency publication that is a report required by law are paid from a source other than the general fund and exceed \$1,500,"

Page 5, line 24, following "use,":

Delete "or"

Insert "[OR]"

Page 5, line 25, following "agency":

Insert ", or to materials used by a state agency to develop a market for the agency's services or products"

SENATE FINANCE
COMMITTEE

Amendment Number: ①
Bill Number: SSB 212
Sponsor: PEARCE Date: 2/14/94
Logged In By: (RM)

Fin
CS FOR SENATE BILL NO. 212(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered: 2/9/94
Referred: Finance

Sponsor(s): SENATE LABOR AND COMMERCE COMMITTEE BY REQUEST OF THE SENATE ECONOMIC TASK FORCE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the giving of procurement notices; changing the content of
2 the required procurement reports to the legislature by the commissioner of
3 administration; relating to publications produced by state agencies; establishing an
4 innovative construction procurement methods pilot program; and establishing
5 legislative findings, a legislative purpose, and legislative intent for state
6 procurement; and providing for an effective date."

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

8 * Section 1. FINDINGS, PURPOSE, AND INTENT. (a) The legislature finds that
9 (1) the state needs to develop and maintain a strong, stable, and prosperous
10 economy based on private investment;
11 (2) the existence of a strong and healthy free enterprise system is directly
12 related to the well-being and competitive strength of Alaskan businesses and to the opportunity
13 for Alaskan businesses to have free entry into the business market and to grow and expand;

1 (3) the use of products manufactured, grown, or produced in Alaska
2 strengthens, stabilizes, and diversifies Alaska's economy;

3 (4) when governmental agencies purchase and use out-of-state products and
4 services, they reduce job-creating investments and limit the growth of the economy of Alaska;

5 (5) contracts are frequently awarded to out-of-state firms, even though Alaskan
6 suppliers, manufacturers, and providers of services are more accessible and responsive to the
7 needs of Alaska's business community than their out-of-state counterparts;

8 (6) there is a need for Alaska to examine its purchasing practices in order to
9 ensure that state agencies support Alaskan businesses by making every reasonable effort to
10 identify available Alaskan goods and services and to foster bidding by local and resident
11 businesses and labor forces;

12 (7) state agencies should look outside Alaska for goods and services only if
13 they have provided notice of the procurement in Alaska.

14 (b) The legislature declares that the purpose of this Act is to foster a procurement
15 process where Alaskan businesses obtain a fair proportion of Alaska's total procurement
16 contracts by providing Alaskan businesses with a fair, equitable, and competitive bid process.

17 (c) It is the intent of the legislature that

18 (1) except as prohibited under AS 36.30.320(d), a state agency shall, when
19 practicable and economically feasible, design procurements in a way that fosters participation
20 by Alaska bidders or offerors;

21 (2) except as prohibited under AS 36.30.320(d), and unless it is anticipated that
22 two or more Alaska bidders or offerors would be capable of performing the procurement, an
23 agency that is proposing a procurement shall, when practicable and economically feasible,
24 divide or otherwise structure the procurement so that it can be performed by Alaska bidders
25 or offerors, if the proposed procurement is too large to be performed by Alaska bidders or
26 offerors, and if the procurement officer determines that Alaska bidders or offerors generally
27 would be capable of performing the procurement if the procurement were reduced in size or
28 otherwise restructured; in this paragraph, "Alaska bidders or offerors" means persons who
29 qualify as Alaska bidders under AS 36.30.170(b).

30 * Sec. 2. AS 36.30.130(a) is amended to read:

31 (a) The procurement officer shall give adequate public notice of the invitation

1 to bid at least 21 days before the date for the opening of bids. If a determination is
2 made in writing that a shorter notice period is necessary for a particular bid, the
3 21-day period may be shortened. The determination shall be made by the chief
4 procurement officer for bids for supplies, services, or professional services. The
5 determination shall be made by the commissioner of transportation and public facilities
6 for bids for construction or acquisition of property for the state equipment fleet.
7 Notice shall be published in the Alaska Administrative Journal. The time and manner
8 of notice must be in accordance with regulations adopted by the commissioner of
9 administration. When practicable, notice may include

10 (1) publication in a newspaper calculated to reach prospective bidders
11 located in the state;

12 (2) notices posted in public places within the area where the work is
13 to be performed or the material furnished; and

14 (3) notices mailed to all active prospective contractors on the
15 appropriate list maintained under AS 36.30.050

16 (A) if the contractors are located in the state;

17 (B) upon request, if the contractors are not located in the
18 state.

19 * Sec. 3. AS 36.30.130(a) is repealed and reenacted to read:

20 (a) The procurement officer shall give adequate public notice of the invitation
21 to bid at least 21 days before the date for the opening of bids. If a determination is
22 made in writing that a shorter notice period is necessary for a particular bid, the
23 21-day period may be shortened. The determination shall be made by the chief
24 procurement officer for bids for supplies, services, or professional services. The
25 determination shall be made by the commissioner of transportation and public facilities
26 for bids for construction or acquisition of property for the state equipment fleet.
27 Notice shall be published in the Alaska Administrative Journal. The time and manner
28 of notice must be in accordance with regulations adopted by the commissioner of
29 administration. When practicable, notice may include

30 (1) publication in a newspaper calculated to reach prospective bidders;

31 (2) notices posted in public places within the area where the work is

1 to be performed or the material furnished; and

2 (3) notices mailed to all active prospective contractors on the
3 appropriate list maintained under AS 36.30.050.

4 * Sec. 4. AS 36.30.540 is amended to read:

5 Sec. 36.30.540. REPORT TO LEGISLATURE. The [BEGINNING WITH
6 DECEMBER 1, 1989, THE] commissioner shall biennially report to the legislature
7 concerning procurements by agencies. The report must include

8 (1) the records maintained by the commissioner under AS 36.30.510
9 and the records maintained under as 36.30.520(a) for the previous two fiscal years;

10 (2) recommendations for changes in this chapter or other laws based
11 on implementation of this chapter in the previous two fiscal years;

12 (3) a description of any matters that involved litigation concerning this
13 chapter in the previous two fiscal years;

14 (4) a list of procurements made under this chapter from out-of-state
15 sources during the previous two fiscal years together with the total number of
16 procurement contracts entered into during that period with out-of-state contractors and
17 the total value of these contracts; this paragraph does not apply to procurements made
18 under AS 36.30.320; and

19 (5) a list of procurements made under this chapter from state sources
20 during the previous two fiscal years together with the total number of procurement
21 contracts entered into during that period with state contractors and the tota. value of
22 these contracts; this paragraph does not apply to procurements made under
23 AS 36.30.320;

24 (6) the number of bidders and offerors that bid on or made
25 proposals for procurements under this chapter, the number of these bidders and
26 offerors that were located in the state, and the number of these bidders and
27 offerors that were located outside the state; this paragraph does not apply to
28 procurements made under AS 36.30.320.

29 * Sec. 5. AS 44.99.200 is repealed and reenacted to read:

30 Sec. 44.99.200. PRODUCTION OF PUBLICATIONS. The publications of a
31 state agency shall be produced at a private sector facility located in the state when

1 practicable. The Department of Administration shall establish standards for the
2 production of publications by state agencies, except that the Board of Regents of the
3 University of Alaska shall establish the standards for the university. The standards
4 shall be designed to promote simplicity, low cost, and consistency.

5 * Sec. 6. AS 44.99.210 is amended to read:

6 Sec. 44.99.210. DISCLOSURES ON PUBLICATION. If [A PUBLICATION
7 OF A STATE AGENCY IS EXEMPTED UNDER AS 44.99.200(a) FROM BEING
8 PRODUCED AT A STATE-OPERATED FACILITY AND IF] the actual annual costs
9 for a [THE] publication of a state agency that are paid from the general fund exceed
10 \$1,500, the publication must include a statement that gives the name of the agency
11 releasing the publication, the purpose of the publication, the cost for each copy of the
12 publication, and the city and state where the printing was done. The statement must
13 read: "This publication was released by . . . (name of state agency) . . ., produced at
14 a cost of \$ per copy to . . . (statement of purpose) . . ., and printed in
15 . (city and state where printed)." If the publication is required by law, the statement
16 must also include: "This publication is required by . . . (appropriate citation to Alaska
17 law)." The statement may include, if applicable, a declaration of the revenue raised
18 by the sale of the publication or from the purchase of advertising in the publication.
19 The statement shall be printed in one conspicuous place in the body of the publication
20 in a type size that is not smaller than eight points and shall be placed in a box
21 composed of at least one point rule. In this section, "cost for each copy" means the
22 figure that results after dividing the total contract cost of producing the publication by
23 the number of copies produced. This section does not apply to a publication that is
24 intended primarily for foreign or other out-of-state use, or to a program for a public
25 ceremony of a state agency.

26 * Sec. 7. AS 44.99.230 is repealed.

27 * Sec. 8. INNOVATIVE CONSTRUCTION PROCUREMENT METHODS PILOT
28 PROGRAM. (a) Within six months after the effective date of this section, the commissioner
29 of transportation and public facilities shall begin a two-year pilot program for the use of
30 innovative methods for the procurement of construction services by using bonuses to replace
31 the preferences required under AS 36.30.

1 (b) Notwithstanding the provisions of AS 36.30, if the commissioner determines in
2 writing that using innovative construction procurement methods for the procurement of
3 construction contracts would be in the best interests of the state, the commissioner may, by
4 regulation, adopt procedures different than those provided under AS 36.30 as necessary to use
5 bonuses instead of preferences in the procurement of construction contracts. The
6 determination must find that the innovative methods are not contrary to the intent and
7 purposes of AS 36.30, demonstrate that the innovative methods are in the best interests of the
8 state, and describe how the innovative methods modify the procurement methods and
9 procedures of AS 36.30.

10 (c) Within 15 months after the pilot program begins, the commissioner shall report
11 to the legislature on the construction contracts awarded during the first year of the pilot
12 program. Within 27 months after the pilot program begins, the commissioner shall report to
13 the legislature on the construction contracts awarded during the second year of the pilot
14 program. In a report under this subsection, the information must include for each contract
15 awarded during the period covered by the report

16 (1) the geographical region where the construction is to be performed; and

17 (2) whether the contractor is classified as a minority contractor.

18 (d) The legislature may review the pilot program at any time during the program and
19 may make the program permanent or broaden the scope of the innovative procurement
20 program.

21 (e) In this section,

22 (1) "best interests of the state" means that the proposed action would provide

23 (A) an economic benefit to the private businesses and citizens of the
24 state;

25 (B) an economic benefit to state government; and

26 (C) greater administrative efficiencies than existing procedures provide;

27 (2) "commissioner" means the commissioner of transportation and public
28 facilities.

29 * **Sec. 9. APPLICABILITY.** AS 36.30.540(6), enacted by sec. 4 of this Act, applies to
30 reports due after the effective date of sec. 4 of this Act.

31 * **Sec. 10.** Section 3 of this Act takes effect on the date that is four years after the effective

1 date of sec. 2 of this Act.

Rec'd
2-16-94

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSSB 212(L&C)

Revision Date: _____ Dept. Affected: Statewide*
 Title: An Act relating to the giving of procurement BRU: _____
notices: changing the content of the required procurement... Component: _____
 Sponsor: Senate Labor & Commerce
 Requestor: Senate Labor & Commerce COMPONENT SERIAL NO. _____

Expenditures / Revenues: (Thousands of Dollars)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	256.1*	256.1*	256.1*	256.1*	256.1*	256.1*
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	256.1*	256.1*	256.1*	256.1*	256.1*	256.1*

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	*	*	*	*	*	*
1003 GF Match	*	*	*	*	*	*
1004 GF	*	*	*	*	*	*
1005 GF/Program Receipts	*	*	*	*	*	*
1006 GF/MH/IA	*	*	*	*	*	*
Other	*	*	*	*	*	*
TOTAL	256.1*	256.1*	256.1*	256.1*	256.1*	256.1*

POSITIONS

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

Estimate of current year (FY94) impact: \$ -0-

ANALYSIS: (attach a separate page if necessary.)

See attached.

*Bids are awarded by the Division on behalf of customer agencies that have a variety of funding sources. This analysis reflects potential cost impacts to all agencies as a result of potentially higher bid awards. These are not cost impacts to the Division of General Services.

Prepared By: Dugan Petty, Director
 Division: General Services

Phone: 465-2250
 Date: _____

Approved by Commissioner: Nancy Bear Usara
 Agency: Department of Administration

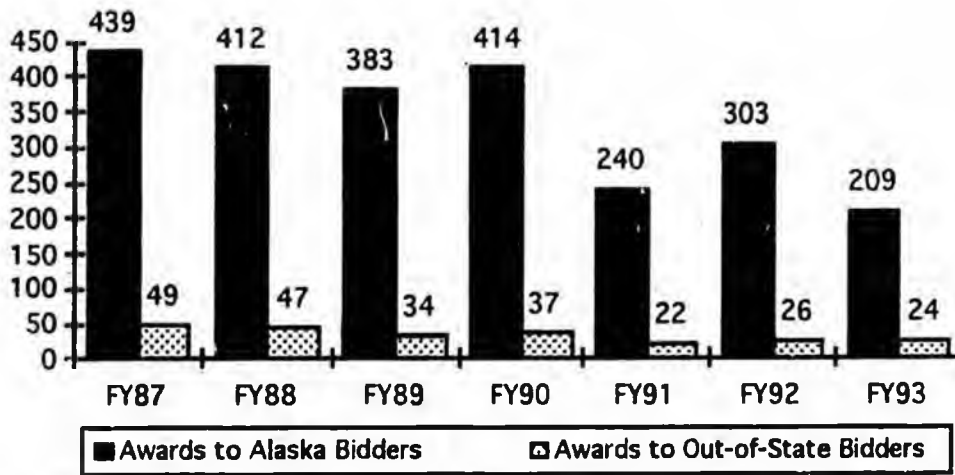
Date: 2/12/94

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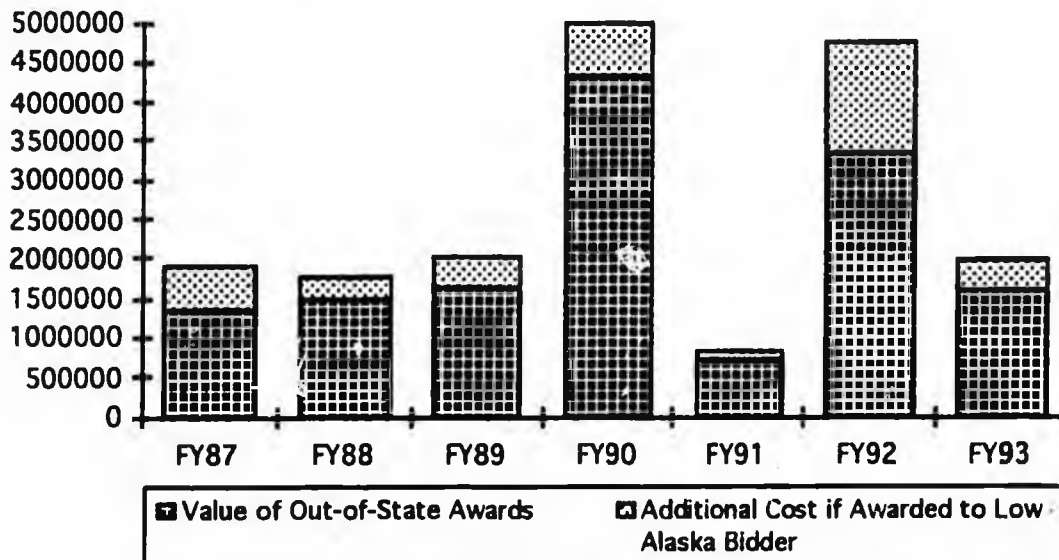
Section 2 of the bill requires notices of bids and proposals to be mailed only to in-state bidders on the contractors list when practicable. We estimate this bill will result in Alaska bidders receiving 66% more of the awards that currently go out-of-state. On average, over the past seven years 34 bids a year are awarded to out-of-state bidders. The graph below demonstrates the number of out-of-state awards in relationship to in-state bid awards over the past seven years.

Invitations to Bid Issued by Department of Administration



An analysis of out-of-state bids issued from FY87 through FY93 indicate that prior implementation of this bill, if 66% effective, would have kept an average of \$1.3 million per year worth of contracts issued by the Department of Administration in-state. The average annual addition costs to State agencies of not purchasing from the otherwise low bidder would be approximately \$356.0. (See graph and table below.)

Difference in Cost Between Alaska Bidders and Low Bidder When Award was Made to Out-of-State Bidder



Alaska State Legislature

Senator Tim Kelly, Chair
Senator Steve Rieger, Vice Chair
Senator Bert Sharp
Senator Judy Salo
Senator Georgianna Lincoln



STATE CAPITOL, SUITE 101
JUNEAU, ALASKA 99801-1182
PHONE: (907) 465-3822
FAX: (907) 465-3756

SENATE LABOR AND COMMERCE
COMMITTEE

716 W. 4TH, SUITE 400
ANCHORAGE, AK 99501-2133
PHONE: (907) 258-8180
FAX: (907) 258-4524

SPONSOR STATEMENT

SB 212: "BUY ALASKA" LEGISLATION

State government is one of the largest purchasers of goods and services in the Alaskan economy, purchasing everything from road design and construction services to copy machines and paper and pencils. The use of services and products provided by Alaskan businesses stabilizes and diversifies Alaska's economy.

SB 212 aims to help strengthen Alaska's economy by increasing the share of State government's contracts for goods and services going to Alaskan businesses.

Specifically, this legislation would establish an Innovative Construction Procurement Methods Pilot Program within the DOT/ PF for a period of two years to implement an Alaska Bonus Program to replace the current preferences.

Current incentives include the Alaskan Bidders Preference, Alaska Subcontracting, Disadvantage Business Enterprises/Equal Employment Opportunity programs, and Alaska Products Preference, and the Alaska Hire Program. The latter two are largely unworkable and consequently underutilized or not utilized at all. Allowing the DOT/PF to test on a trial basis a bonus system which provides bonuses at project completion and encourages the same policy goals would be more economically beneficial for vendors, reduce administrative costs and bid protests, and could likely be used in joint federal/state projects where State preferences are currently not allowed.

The commissioner would establish this program through regulation and report to the legislature on the program's progress 15 and 27 months after implementation. If successful, the legislature could expand and extend this program indefinitely, replacing the current preferences.

Lastly, this bill incorporates a number of provisions from the "Make-It-Alaskan" legislation from the 17th Legislature, House Bill 245, which would also increase the amount of State work going to Alaskans. This bill would:

- 1) Encourage procurement officers to restrict notice of contract solicitation to Alaskan suppliers and providers of services desiring to compete for state contract work. (This practice is already standard in DOT/PF);
- 2) Require the commissioner to include in his report to the legislature on State procurements the number of bidders located in-state and out-of-state that bid or made proposals on procurements;
- 3) Replace the statutory requirement that State publications be produced at State-operated facilities with a requirement that State publications be produced at a private sector facility located in the State when practicable. In addition, standards for the production of publications would be established by the Department of Administration, and a cost box would be required for all publication's exceeding \$1,500 in cost.

SB 212: "An Act relating to publication by state agencies and to the procurement of property, property interests, and services by state agencies."

The department supports passage of this bill.

1. **THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT IS INTERESTED IN ONE ASPECT OF THE BILL MORE THAN OTHERS, THAT OF COMMENCING AN INNOVATIVE CONSTRUCTION PROCUREMENT METHODS PILOT PROGRAM TO ADDRESS CURRENT SYSTEM SHORT-FALLS.**

The mission of the Department of Commerce and Economic Development is, in part, to promote a viable private sector in the State of Alaska. SB 212 is an effort to assist Alaskan businesses to better compete for state government purchases of goods and services vis-a-vis out-of-state suppliers.

Section 13 of SB 212 calls for the Commissioner of the Department of Transportation and Public Facilities to begin a two-year program for the use of innovative methods of the procurement of construction services by using bonuses to replace the preferences required under AS 36.30.

The bonus system is envisioned to offer the same type of preference to contractors who use it that currently exist under AS 36.30 with the process being changed, somewhat, for the bonus system. Under the new program, the process would be changed to one that simply accounts for the purchase of Alaskan products at the end of the contract and then makes the incentive adjustment to the final payment to the contractor.

Background:

AS 36.30.322-.338 establishes current preferences for Alaskan products. These statutes are administered on a regular basis by the Department of Transportation and Public Facilities and the Department of Commerce and Economic Development as well as other state departments.

The purpose of the existing statute is to provide a useful, working incentive to encourage Alaskan contractors to use Alaskan products in meeting state agency needs. The changes in SB 212 respond to the fact that there are problems in the current approach that limit its effectiveness in meeting the intent of the original 1986 legislation.

In 1986, the state created a statutory preference for Alaska that states:

(AS 36.30.328)

In the evaluation of a bid or proposal for a procurement for an agency, a bid or offer that designates the use of Alaska products identified in the contract specifications and designated as Class I, Class II or Class III state products under AS 36.30.332 is decreased by the percentage of the value of the designated Alaska products under AS 36.30.332.

(Class I is a 4% incentive, where more than 25% and less than 50% of the product is produced or manufactured in the state; Class II products offer a 5% preference, and are at least 50% but not more than 75% produced or manufactured in the state; and Class III products carry a 7% incentive, and are greater than 75% produced or manufactured in Alaska.)

The Department of Commerce and Economic Development regularly determines, in advance, the class of products submitted for use in the program.

The current preference program is restricted to evaluations of competitive bids for state procurements. This requires bidders to know and submit names of approved products and vendors at the time of the bid. It also locks the contractor or supplier into actually supplying the specified product that was stated in the bid whether or not it was wise to do so in the light of the current requirements of an ongoing project.

Under existing statute, there is a substantial penalty for not using a designated product noted on the original bid document. The statute (AS 36.30.330) requires the Commissioner of Commerce and Economic Development to declare a contractor "not a responsible bidder or offeror" if he/she has, twice in the preceding three years, failed to use a designated Alaska product "for reasons within the control of the bidder or offeror." The declaration of "not a responsible bidder" has potentially grave consequences for future contractors' participation on other state contracts. The penalty and the system requiring the product preference program to be a bid adjustment mechanism act as disincentives for the existing product preference program. The bonus system would eliminate penalty fear in that there would be no stated Alaskan product/services use at the outset, but rather a simple accounting of the degree of such usage at the conclusion of the contract. It would also allow the proper use of Alaskan services and products given the events occurring on the project at any given day.

2. DCED IS INTERESTED IN PROVIDING INCENTIVES TO USE ALASKAN SUBCONTRACTORS AND SUPPLIERS THROUGHOUT THE COURSE OF WORK, NOT JUST AN INCENTIVE AT THE TIME OF BID.

The system of requiring carefully specified products and suppliers to be identified in the beginning of the project severely limits a contractor's incentive to use the existing Alaska Product Preference incentives at latter stages of the period. The contractor is legally bound to his/her selection, arguments can and are raised as to when it either was or was not in the bidder's control to use the specified product, and there is no incentive for contractors to make decisions toward Alaskan suppliers

once the bids have been opened, since no benefit accrues to the contractor as a result of the purchase (or of a product substitution).

3. DCED IS INTERESTED IN ESTABLISHING A SIMPLER, LESS PROCEDURALLY COMPLEX PROCESS.

The existing statute requires extensive accounting efforts at the time of the bid as well as throughout the life of the purchase or procurement contract. When a bid is submitted in response to a solicitation by a state agency, it must be carefully evaluated along with the then-current product preference certification book published by the Department of Commerce and Economic Development. At times, objections are raised by unsuccessful bidders regarding the applicability of a particular product or vendor to its class designation. These objections must be addressed in a rigorous and formal manner prior to awarding the contract in order to avoid returning the bid process.

Other administrative tasks are burdensome as well:

1. monitoring the use of designated products throughout the life of each procurement contract - even where Alaska products are covered up as a result of construction;\
2. amending the contract when Alaska products cannot be used - beyond the control of the contractor;
3. deducting 4% to 7% on all future pay requests for individual Alaskan items originally specified in a bid and subsequently amended out of a contract;
4. handling contractor complaints arising from the application of the program at the time of bid;
5. handling contractor complaints that arise during the course of a contract;
6. finalizing the contract in light of the actual use of designated Alaskan products compared to the items proposed at time of bid; and
7. managing product preference complaints and/or arbitration.

4. **DCED IS INTERESTED IN PROVIDING AN ALASKAN PRODUCT PREFERENCE INCENTIVE FOR FEDERAL CONTRACTS MANAGED THROUGH ADOT&PF.**

Under the current system, the Alaska Product Preference program cannot be used when obligating federal pass through or grant funds such as Federal Highway trust fund receipts. These receipts account for a significant portion of all capital spending in Alaska and currently prohibit bid-based incentive programs. It is possible, but as yet untested, that an after-the-fact bonus system, which provides an incentive for the use of Alaskan suppliers, may be found consistent with federal procurement regulations.

5. **THE PROPOSED INNOVATIVE CONSTRUCTION PROCUREMENT METHODS PILOT PROGRAM HAS THE ABILITY TO MAKE THE INCENTIVE PROGRAM WORK BETTER THAN IT CURRENTLY DOES, AND TO BETTER ACCOMPLISH THE GOALS OF THE INCENTIVE PROGRAM.**

The bonus system could be designed to encourage the choice of Alaska products, subcontractors and services throughout the life of a construction project without adding to the administrative burdens of either the contractor or the state. The bonus would encourage contractors to use the incentive to the limit of its effect. The program would provide an economic incentive for an "outside" general contractor to choose an Alaskan subcontractor, perhaps over a more comfortable choice, in order to obtain the bonus payment at the end of the contract.

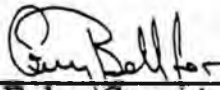
The program eliminates the need for continuous administrative monitoring of the project as the burden of proof for the inclusion of Alaskan products or services will be on the contractor to establish through paid invoices and/or photographs at the end of the construction. The program is more user friendly at the time of the bid in that all bids would be evaluated on the basis of the bottom line number submitted for the project, rather than on the complicated accounting of incentives that currently takes place. As the program matures, in-state contractors may wish to build in a percentage of the expected bonus amount into a lowering of the bid for a particular job as a competitive edge. This can be expected to lower the cost of the program over time as reduced construction costs are enjoyed by the state.

Project administration and close-out would also be easier in that one bonus amount is paid to the contractor, in addition to the final payment at the end of the job. There is a built-in incentive due to the presence of a significant bonus payment at the end of the job, to resolve disputes, and to finish marginally profitable contracts, as well as to avoid marginal litigation over claims.

In summary, the poor performance of the existing program due to:

1. the severe penalties associated with failures to use specified products;
2. the inability of the program to be used on federal grant monies;
3. the cumbersome administrative requirements; and
4. the inability to be paid for substitutions of Alaskan products after bid award . . .

is addressed by the establishment of an after-the-fact bonus system that is simpler to administer, provides ongoing incentives to use Alaskan products and services throughout the life of the contract, better assists Alaskan subcontractors to take advantage of the program, and which possibly allows expansion of the incentive program to federal construction contracts administered by the state. For these reasons, the Department of Commerce and Economic Development urges your support of the innovative construction procurement methods pilot program as contained in Section 13 of Sb 212.



Paul Fuhs, Commissioner

Date: 2-3-94

2/7/94
(S) L3C, THIEN
FIN



*Department of Transportation
and Public Facilities*

POSITION PAPER

BILL NO: CS SB 212

APPROVED: 

TITLE: State Procurements and
Publications

DATE: February 2, 1994

The Department of Transportation and Public Facilities is generally supportive of innovative ways of contracting which will reduce the bureaucratic process. Even with an innovative program of bonuses, it may be difficult to alternate the basic process of awarding, furnishing materials, etc. Nearly all successful contractors are Alaska based and only a very small percentage of material originates from out of state.

For Further Information contact J.K. Ginger Johnson at 465-3904.

Discussion Bullets for:

Procurement Code Modifications to Implement a State Bonus Program

Background:

For several years those agencies conducting public works contracts have been concerned over the effectiveness of incentive programs such as "Disadvantaged Business Enterprises/ Equal Employment Opportunity", "Alaskan Hire", and Alaska "preferences" within the State Procurement. And while a considerable effort in both manpower and money have gone into these areas, it remains their belief that the fullest, most positive results possible from these incentive programs have not been attained. Therefore it is suggested that the current preferences be replaced with a bonus program.

Benefits:

The following benefits will be achieved by incorporating a bonus program:

- The program will be more "economically" beneficial to vendors and hence more readily used.
- Administrative enforcement costs associated with bid protests, record keeping requirements and inspections will be reduced.
- "Game playing" on the part of vendors, for the sole purpose of obtaining the contract, would be decreased or eliminated.
- Federal and state mandated incentives could still be implemented, but at a time more conducive to the overall project and with reduced administration costs to all parties.
- Federal regulations which prohibit "localized bidding preferences" do not prohibit performance incentives – and in fact the federal agencies may even provide funding.
- Reciprocal trade statutes based on "preferences" would become inconsequential.
- Over time effectiveness of the incentive programs would improve, administrative costs would decrease, and bid prices would return to the competitive levels that were encountered prior to the bonus program.

Suggested Overview of the Bonus Program:

It is envisioned that the bonus program could pay up to 5% of the contract award amount in additional bonus money. By basing the value of the bonus on the contract award amount, contingency funds could be set aside at the time of award for payment of the bonus at a later date. Upon satisfactory performance, bonus payments in the following areas and in the suggested amounts, could be paid. The various levels of a bonus would be set in the specifications or regulations so they could be adjusted to the changing procurement needs.

(see table on following page)

Incentive Under Consideration	Suggested Bonus Value (maximum percent of contract)
<ul style="list-style-type: none"> • <i>Disadvantaged Business Enterprises/ Equal Employment Opportunity</i>, both state and federal mandates are address by the current program. (5% of the value of the qualifying DBE/EEO contracted services, up to the allowable maximum dollar amount, would be paid.) 	Recommended bonus . . . 2%
<ul style="list-style-type: none"> • <i>Alaska Hire Program</i>, currently a state program which mandates the use of the local work force on state funded construction projects. (5% of the salaries – as documented in the certified payroll - for all alaskan workers, up to the allowable maximum dollar amount, would be eligible for a bonus.) 	Recommended bonus . . . 2%
<ul style="list-style-type: none"> • <i>Alaska Bidder's Preference</i>, currently a state preference program within AS 36.30 which gives bidders residing in Alaska a bidding advantage over non-resident bidders. In its present form this is not an allowable incentive on federal aid contracts. 	Recommended bonus . . . 2%
<ul style="list-style-type: none"> • <i>Alaska Products Preference</i>, currently a state preference program within AS 36.30 which gives bidders a bidding advantage when using products made in Alaska. In its present form this is not an allowable incentive on federal aid contracts. (3, 5 or 7% of the invoice amount – as documented by the manufacturer - for all alaskan products, up to the allowable maximum dollar amount, would be eligible for a bonus.) 	Recommended bonus . . . 2%
<ul style="list-style-type: none"> • <i>Subcontracting</i>, currently the state requirements within AS 36.30 make it difficult, though not impossible, for non-resident subcontractors to work on state funded construction projects. An alternative to this approach is to reward prime contractors for using local subcontractors. (5% of the value of the qualifying alaskan subcontracted services, up to the allowable maximum dollar amount, would be paid.) 	Recommended bonus . . . 2%

Bonus Program Details:

The department has developed conceptual guidelines and parameters in each of the above incentive areas. We would be happy to share this information with lawmakers or assist them in whatever way possible.

Example:

A bridge project with an award amount of \$1,000,000 to resident bidder; locally manufactured materials valued at \$300,000; a local workforce payroll for the prime contractor of \$400,000; local subcontractor services valued at \$100,000; and DBE contracts valued at \$50,000 would produce the following bonus.

- Bidder's Preference for the prime yields a bonus of $\$1,000,000 \text{ times } .02 = \$20,000.00$
- Alaska Product preference for locally manufactured concrete components with a manufactured value of \$300,000 and a DCED Class III certification yields $\$300,000 \text{ times } .07 = \$21,000.00$, but by specification this amount is capped at $\$20,000.00$
- Alaska Hire based upon a certified payroll of \$400,000 yields $\$400,000 \text{ times } .05 = \$20,000.00$
- Subcontracting Bonus based on subcontracts valued at \$100,000 yields $\$100,000 \text{ times } .05 = \$5,000.00$
- DBE Subcontracting Bonus based on subcontracts valued at \$50,000 yields $\$100,000 \text{ times } .05 = \underline{\$2,500.00}$
Yields a subtotal Project bonus of $= \$67,500.00$

But, the OVERALL PROJECT bonus is capped at 5%. Thus the maximum amount payable to the contractor on a \$1 million award is

\$50,000.00

NFIB Alaska

National Federation of
Independent Business

POSITION PAPER

OF

NATIONAL FEDERATION OF INDEPENDENT BUSINESS
NFIB/ALASKA

IN
SUPPORT
OF

SB 212 - STATE AGENCY PUBLICATIONS

9159 Skywood Lane
Juneau, AK 99801



The Guardian of
Small Business

NFIB Position Paper

CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS RESA JERREL, AND I AM THE STATE DIRECTOR FOR THE NATIONAL FEDERATION OF INDEPENDENT BUSINESS - NFIB/ALASKA. I AM HAPPY TO BE HERE TODAY IN SUPPORT OF SB 212.

NFIB/ALASKA IS COMPRISED OF 4,400 SMALL AND INDEPENDENT BUSINESS OWNERS. THE LEGISLATIVE AGENDA OF NFIB/ALASKA IS DETERMINED BY OUR BALLOT. THE BALLOT IS OUR ANNUAL POLL OF OUR MEMBERS ON A SERIES OF ISSUES DEEMED CRITICAL TO SMALL BUSINESS. A MAJORITY VOTE, OF THE MEMBERS IN RESPONSE TO THE POLL, SETS OUR POLICY AND POSITION ON LEGISLATIVE ISSUES.

FOR THE RECORD THE FOLLOWING IS THE RESULT OF THE 1990 NFIB/ALASKA BALLOT QUESTION REGARDING GOVERNMENT COMPETITION:

Should legislation be passed that would restrict government agencies from competing with private business in Alaska?

Yes 83% No 6% Undecided 11%

CURRENT LAW REQUIRES PUBLICATIONS OF STATE AGENCIES TO BE PRODUCED AT A STATE OPERATED FACILITY WHENEVER POSSIBLE. THIS PUTS THE STATE IN DIRECT COMPETITION WITH SMALL BUSINESSES. IT ALSO, PUTS SMALL BUSINESSES AT A DISTINCT DISADVANTAGE IF THEY WANT TO DO BUSINESS WITH THE STATE.

SECTION 10 ON PAGE 5, LINE 12 SB 212 REPEALS THAT LAW AND SHIFTS THE PREFERENCE FROM STATE OPERATED PRINTING FACILITIES TO PRIVATELY OWNED BUSINESSES. NFIB/ALASKA BELIEVES THAT SB 212 WILL HELP LIMIT THE SIZE AND COST OF STATE GOVERNMENT AND FOSTER ECONOMIC GROWTH IN THE PRIVATE SECTOR.

ALTHOUGH IT DOES NOT ELIMINATE COMPETITION FROM OTHER STATE OR

LOCAL AGENCIES WHOSE COMMERCIAL ACTIVITIES RANGE FROM GIFT SHOPS TO DAY CARE AND VIDEO OUTLETS - IT IS CERTAINLY A BIG STEP IN THE RIGHT DIRECTION.

THANK YOU FOR THE OPPORTUNITY TO BE HERE TODAY AND TO SUPPORT THIS WORTHY LEGISLATION. I WOULD URGE YOU TO MOVE THE BILL OUT OF COMMITTEE SO WE CAN, HOPEFULLY, SEE IT BECOME LAW THIS YEAR. IF YOU HAVE ANY QUESTION, I WOULD BE HAPPY TO TRY AND ANSWER THEM.

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 5/7/93

FURTHER: FINANCE ^B

John
Date of 5-Day Notice: 5-1-20-94
(in accordance with Uniform Rule 20)

DATE TURNED INTO OFFICE: 2-8-94

L&C Committee considered SB 212

"An Act relating to publications produced by state agencies and to the procurement of property, property interests, and services by state agencies."

and recommends: **and recommends it be replaced with**

replace with _____ CS SB 212 (L&C)

- same title
- new title
- technical title change (HB only)

attaches amendment(s) **and report it back as follows**

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

*2 FN
OK*

FISCAL NOTE INFORMATION

Department	Date	Zero	Fiscal
Admin	2/2/94	✓	
Admin-Statewide	2/2/94		✓
DOTPE	2/2/94		✓

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

Governor's Bill with Previous Fiscal Notes (enter information above)

DO PASS:

OTHER RECOMMENDATIONS:

Bob Sharp

Steve King
Sen

Tr. Kelly - Do Pass
Chair: Signature and Recommendation

File notes.

Did not
travel w/ the
bill.

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. SB 212

Revision Date: _____ Dept. Affected: Administration
 Title: An Act relating to publications produced by BRU: General Services
State agencies and to the procurement of property. ... Component: Purchasing
 Sponsor: Senate Labor & Commerce
 Requestor: _____ COMPONENT SERIAL NO. 60

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	24	0	1.6	0	1.6	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	33	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	5.7	0	1.6	0	1.6	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	5.7	0	1.6	0	1.6	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	5.7	0	1.6	0	1.6	0

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	1 mo.*	0	1 mo.*	0	1 mo.*	0

Estimate of current year (FY94) impact: \$ 0

ANALYSIS: (attach a separate page if necessary.)

See attached.

* The additional work exceeds current staff capacity and would require minor addition of one staff month.

Prepared By: Dugan Petty, Director
 Division: General Services

Phone: 465-2250
 Date: _____

Approved by Commissioner: Nancy Bear Usara
 Agency: Department of Administration

Date: 1/24/94

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Section 2 - provides for mailing of notices of bids and proposals to prospective contractors located in the state.

To comply with this section the Division of General Services would purge the existing list, send out revised bidder applications and put bidders on the list with the understanding that only bids would be sent to bidders located in the state.

Total estimated one time cost to purge and send out applications, enter new applications and implement revised contractors list:

Personal Services	\$ 805.65
Contractual Services	<u>\$3,343.50</u>
Total	\$4,149.15

Section 3 - changes the frequency of procurement reporting to the legislature from biennial to yearly and requires the Department to capture and report data on the number of bidders/proposers that respond to solicitations and if they are located in-state or out-of-state.

Total added cost in personal services to produce the report every other year is estimated to be approximately \$1.6.

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. SB 212

Revision Date: _____ Dept. Affected: Statewide*
 Title: An Act relating to publications produced by BRU: _____
State agencies and to the procurement of property... Component: _____
 Sponsor: Senate Labor & Commerce
 Requestor: _____ COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	500.0*	500.0*	500.0*	500.0*	500.0*	500.0*
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	500.0*	500.0*	500.0*	500.0*	500.0*	500.0*

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	*	*	*	*	*	*
1003 GF Match	*	*	*	*	*	*
1004 GF	*	*	*	*	*	*
1005 GF/Program Receipts	*	*	*	*	*	*
1006 GF/MHTIA	*	*	*	*	*	*
Other	*	*	*	*	*	*
TOTAL	500.0*	500.0*	500.0*	500.0*	500.0*	500.0*

POSITIONS

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

Estimate of current year (FY94) impact: \$ 0

ANALYSIS: (attach a separate page if necessary.)

See attached.

*Bids are awarded by the Division on behalf of agency Purchase Requisitions that have a variety of funding sources. This cost impact reflects costs to all agencies as a result of potentially higher bid awards. These are not cost impacts to the Division of General Services.

Prepared By: Dugan Petty, Director
 Division: General Services

Phone: 465-2250
 Date: _____

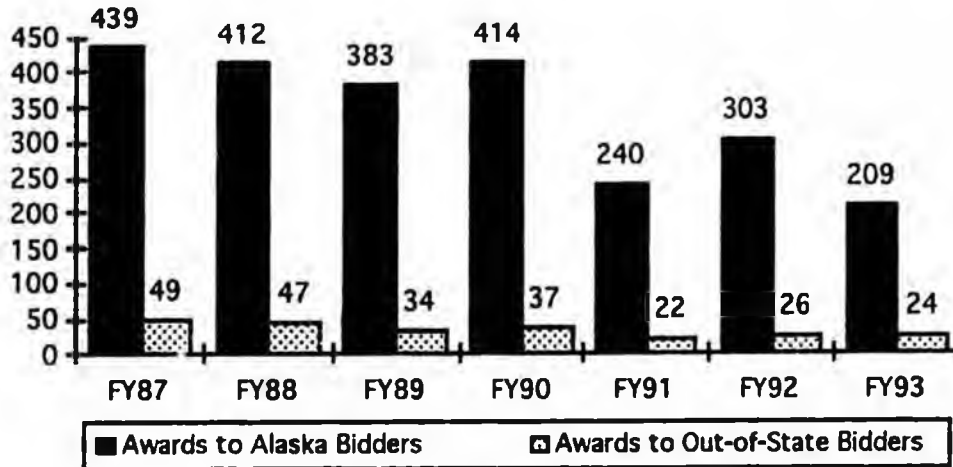
Approved by Commissioner: Nancy Bear Usura
 Agency: Department of Administration

Date: 1/24/94

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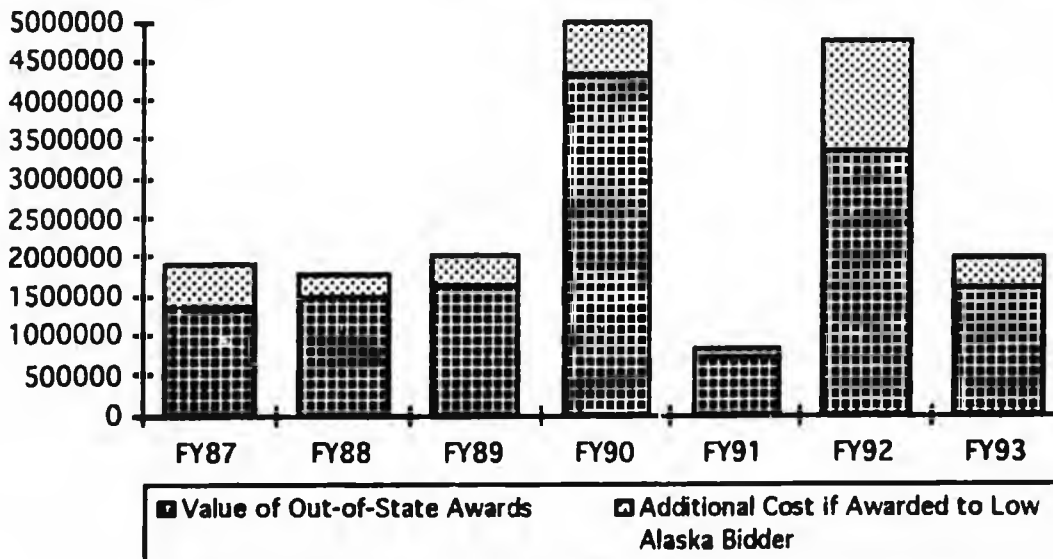
Section 2 of the bill requires notices of bids and proposals to be mailed only to in-state bidders on the contractors list. In practice, only Alaska bidders would receive Invitations to Bid or Competitive Sealed Proposals. On average, 34 bids a year are awarded to out-of-state bidders. The graph below demonstrates the number of out-of-state awards in relationship to in-state bid awards.

Invitations to Bid Issued by Department of Administration



An analysis of out-of-state bids issued from FY87 through FY93 indicate that prior implementation of this bill would have kept an average of \$2 million per year worth of contracts issued by the Department of Administration in-state. The average annual addition costs to State agencies of not purchasing from the otherwise low bidder would be approximately \$540.0. (See graph and table below.)

Difference in Cost Between Alaska Bidders and Low Bidder When Award was Made to Out-of-State Bidder



FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. SB 212
Page 3 of 3

	FY87	FY88	FY89	FY90	FY91	FY92	FY93
Value Out-of-State Awards	\$1,335.1	\$1,499.5	\$1,618.7	\$4,324.0	\$730.0	\$3,340.0	\$1,605.0
Value of Low AK Bidders	\$1,922.0	\$1,754.0	\$2,010.1	\$4,992.1	\$835.1	\$4,730.1	\$1,993.0
Cost if Awarded to Low AK Bidders	\$586.8	\$254.5	\$391.4	\$668.1	\$105.2	\$1,390.0	\$388.0

If no out-of-state bids were received, the State would have paid more to award to the lowest Alaska bidder.

For example, in FY93 the value of the 24 awards to the out-of-state low bidders totaled \$1,605.0. If no out-of-state bids were received, the value of awards that would have been made to the low Alaska bidder would have been \$1,993.0. The difference of \$388.0 would have been increased cost to the State.

Based on the average cost difference from FY87 to present, mailing notices to only prospective bidders with an Alaska address could have an annual fiscal impact of approximately \$500.0 to all agencies in the State.