

SB

319

SFIN

FILE

4/23/96
(FIN)

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SB 319

Revision Date: _____ Dept. Affected: Revenue
Title: Lapse of Appropriations BRU: All
Component: All

Sponsor: S Finance
Requester: S Finance COMPONENT SERIAL NO. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See attachment.

Prepared by: Bob Baratko Phone: 465-2312
 Division: Administrative Services Division Date: 4/17/96
 Approved by: _____
 Commissioner: Deborah Voigt Date: 4/17/96
 Agency: Revenue

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SB 319

Although we are submitting a zero fiscal note, the Department of Revenue feels that there will be an adverse impact on the agency's procurement necessitated by the constraints imposed by SB319. In a given year, we would be losing 1/4 to 1/3 of our ordering "window", primarily at a time when most agencies are able to identify funding availability. Another of the side effects of this bill is the inability of the State to enter into contracts which cross fiscal years. This puts additional constraints on managers and forces them to spend more, faster and minimizes their flexibility to deal with situations which may arise later in the fiscal year. These situations do not translate to doing business more efficiently or with the public interest in mind.

SB319 penalizes managers for situations which are out of their control, such as the delivery date of items. Examples of possible "real life" situations follow:

1. Office furniture (desks and bookshelves) are ordered (delivery order faxed) from Correctional Industries on January 15. Agreed upon delivery date is May 15. In the middle of August, a letter is received from Correctional Industries stating that they received too many orders, and delivery would be delayed at least another two months. We would be unable to use prior year funds to pay the bill since the encumbrances would have lapsed under SB319, even though no funds were included in the current year budget for these items and the items were ordered well in advance.
2. A professional services contract for a feasibility study would HAVE to have delivery of final product and final invoicing before August 31. It is unreasonable for us to require that the contractor give his report to us with one hand and his invoice in the other. Even if he/she did so on August 31, it is probable that the agency could not acquire approvals and process the payment that quickly.

During these times of fiscal austerity, managers need to maintain flexibility in using available financial resources as well as in identifying and addressing needs within their agency. The constraints imposed by SB319 do not support good management practices.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SB 319

Revision Date: _____
 Title: "An Act relating to the lapse of unexpected balances of one-year appropriations; and providing for an effective date."
 Sponsor: Senate Finance Committee
 Requestor: (S) F: N

Department Affected: Administration
 BRU: General Services
 Component: Purchasing
 COMPONENT SERIAL NO. 60

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	354.6	354.6	354.6	354.6	354.6	354.6
TRAVEL						
CONTRACTUAL	3.5					
SUPPLIES	1.0					
EQUIPMENT	32.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	391.1	354.6	354.6	354.6	354.6	354.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	391.1	354.6	354.6	354.6	354.6	354.6
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER						
TOTAL	391.1	354.6	354.6	354.6	354.6	354.6

Estimate of any current year (FY 96) cost: \$ _____

POSITIONS:

FULL-TIME	6	6	6	6	6	6
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This bill would eliminate automatic reappropriation of certain encumbrances past June 30 for funds from one-year appropriations, requiring State agencies to pay for goods or services from funds appropriated the fiscal year in which they are received.

Current practice per Alaska Administrative Manual 25.160, is to allow agencies to encumber funds for Purchase Requisitions (generally for goods and non-professional services expected to exceed \$25,000) received by the Division of General Services on or before June 1. These encumbrances are then valid through the following fiscal year and the following fiscal year's reappropriation period, regardless of whether the goods or services are actually received during the fiscal year in which funds are encumbered.

(continued)

Prepared by: Duqan Petty
 Division: General Services

Phone: 465-2250
 Date: _____

Approved by Commissioner: _____
 Agency: _____

Date: 4/11/96

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FISCAL NOTE
STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SB 319

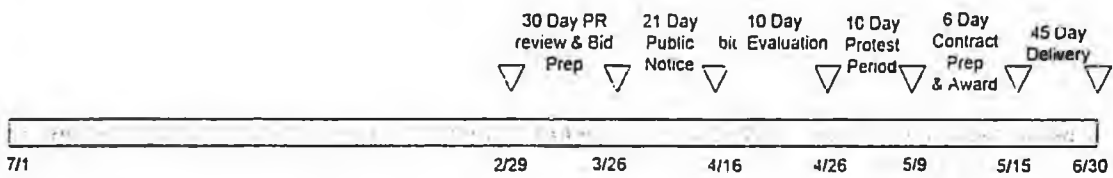
ANALYSIS: (continued)

The June 1 cutoff date was established in March, 1988. Prior to fiscal year 1988, General Services established a date each fiscal year by which Purchase Requisitions would have to be received in order to establish a valid encumbrance at year-end. The date established was based on an estimate of the division's ability to accomplish the procurement and have the goods delivered or services ordered for the agency by June 30. Estimates were established after considering existing and anticipated workloads and staffing levels. The last cutoff date established for fiscal year 1987 was in February. The division had 17 full-time Contracting Officers on staff in fiscal year 1987.

In January, 1988, the current State Procurement Code became effective. This major revision to procurement law resulted in an increased dollar threshold for formal procurements, as well as a more time consuming and complex process. The results of this revision for General Services was that the procurements retained and performed by the division were only higher value and more complex, requiring more time is spent per procurement transaction. The dollar threshold for formal procurements is now \$25,000.

The division's steady loss of professional procurement staff to budget reductions has further compounded this effect. Today, the Division of General Services employs 10 Contracting Officers, compared to 17 in FY 87. Another factor of significance is that General Services is now largely responsible for conducting highly technical and lengthy telecommunications procurements.

The following diagram shows the average minimum times necessary for completion of key tasks in the formal procurement cycle.



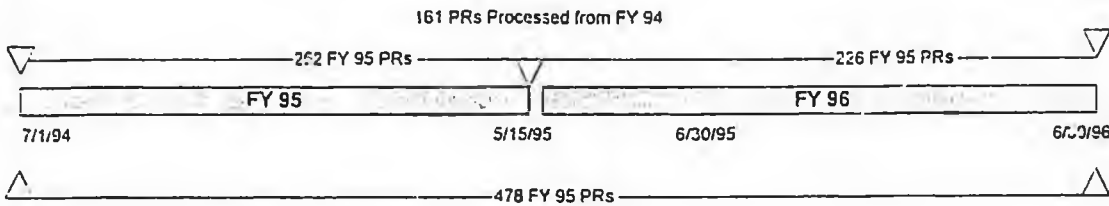
This diagram illustrates that, in order to complete the procurement cycle by May 15 (to allow adequate time for delivery to the requesting agency by June 30), a Purchase Requisition must be received by General Services by February 29. This estimate assumes a moderate amount of time spent on Purchase Requisition review/revision and ITB preparation, the minimum legal public notice period, a moderate bid evaluation period, a reasonable time for award and contract development, the minimum legal protest period (assuming no protests are received), and a 45-day delivery period. This is a very conservative estimate of the time necessary to complete the formal Invitation to Bid process given the high value, highly technical nature of many modern procurements, and the legal constraints in place. This chart shows that the average minimum time necessary from receipt of a Purchase Requisition by General Services to the delivery of the goods or services to the requesting agency is approximately 17 weeks, or 122 days. In order to have a reasonable expectation of delivery on or before June 30, a Purchase Requisition must be received by General Services by February 29. More complex procurements requiring longer lead times must be received even sooner.

This estimate does not take the potential for lengthy protests and appeals into account. Protests and appeals are a common occurrence in formal procurements, and can often take several weeks or months to resolve through a two-tiered administrative process. Should this bill pass, the potential exists for many procurements to be delayed because of protests and appeals, thereby causing the entire process to fail when delivery times are pushed past fiscal year end.

As shown in the following diagram, this bill would require General Services to compress procurement actions currently undertaken during a two-year period to a period of eight months.

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STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SB 319



If goods and services must be received by June 30 in order to prevent loss of operating funds, formal procurements must be completed and orders placed by May 15 to ensure timely delivery. The above diagram shows that 252 of the 478 Purchase Requisitions received by General Services in fiscal year 1995 were completed by May 15, 1995. The remaining 226 Purchase Requisitions received in fiscal year 1995 must be completed by June 30, 1996.

Compressing a year of procurements into an eight-month period (July 1 to February 29) effectively reduces procurement time by 33 percent. The Division of General Services employed 10 Contracting Officers in fiscal year 1995.

Therefore, if workloads were evenly distributed over the eight month period, statistics indicate that in order to accomplish all procurements resulting from the 478 fiscal year 1995 Purchase Requisitions the division received, the division would have needed an additional 3.3 Contracting Officers ($10 \times 33\% = 3.3$). Since the Governor's fiscal year 1997 budget anticipates a reduction in the division of one Contracting Officer, the division would need an additional 4.3 Contracting Officers in future years.

The timing of agency procurement requests, work flow issues, and the learning curve of new employees must be considered. Agencies typically do not identify and request procurement actions at the beginning of a fiscal year to satisfy all their needs for the entire year. A cutoff date in February will create an uneven distribution of work. As has been our experience in the past with end-of-year cutoff dates, the bulk of the Purchase Requisitions will be submitted at or near the cutoff deadline. In some cases, requisitions will be hastily prepared to meet the cutoff date, requiring additional division staff time to adequately specify needs.

Examples of agency needs that may not be met as a result of inadequate funding for this bill, which would result in harm to the citizens of the State, include vessel charters and forestry services. If we are unable to charter fishery vessels at the proper time, the Department of Fish and Game will be unable to monitor critical fisheries, which could require them to manage those fisheries in a more conservative way and possibly shorten openings.

The model in Figure One also assumes that the Contracting Officer assigned does not have a backlog of procurements on hand, an assumption that is rarely, if ever, true. After taking the statistical analysis and the factors caused by a February cutoff date into account, the division believes an accurate assessment of additional resources needed to comply with this bill and procure timely goods and services will take an additional 6 Contracting Officers.

The cost of one journey level Contracting Officer (range 18A) is \$59,100, including benefits. $6 \times \$59.1 = \354.6

The estimated cost of an average Contracting Officer workstation, including computer hardware and software requirements is \$3,700 ($\$3.7 \times 5^* = \18.5). The cost for all other equipment, furniture, supplies, and training is estimated at \$3,000 per Contracting Officer ($\$3.0 \times 6 = 18.0$).

The total estimated cost for the first year is \$391.1. Each subsequent year is estimated to cost \$354.6

* The division will use one computer on hand already.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SB 319

Revision Date: _____ Dept. Affected EDUCATION
 Title: An Act relating to the lapse of unexpended BRU: Administrative Services
balances of one-year appropriations; Component: _____

Sponsor: Senate Finance Committee
 Requestor: Senate Finance Committee COMPONENT SERIAL NO. 157

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES	42.0	42.0	42.0	42.0	42.0	42.0
TRAVEL						
CONTRACTUAL	2.0	2.0	2.0	2.0	2.0	2.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	44.0	44.0	44.0	44.0	44.0	44.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF	44.0	44.0	44.0	44.0	44.0	44.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other:						
TOTAL	44.0	44.0	44.0	44.0	44.0	44.0

POSITIONS:

FULL-TIME	1.0					
PART-TIME						
TEMPORARY						

Estimate of current year (FY96) impact: \$ 0.0

ANALYSIS: (Attach a separate page if necessary)

This legislation will require expedited handling of year end purchases to ensure that orders are placed, encumbered, received, invoiced, paid and liquidated during the most critical time period for finance offices. The department's main customers are Alaska's school districts that are generally closed during the summer. Invoicing and grant payments are delayed based on receipt of documentation from the districts. Often times, required reports regarding use of funds are not available until late fall. This legislation would severely impact the ability of the department to provide services to school districts. A full-time Accounting Technician I is requested to comply with the legislation.

Prepared by: Karen J. Rehfeld, Director *Karen Rehfeld*
 Division: Administrative Services

Phone: 465-8650
 Date: April 17, 1996

Approved by Commissioner: Shirley J. Holloway, Ph.D. Commissioner *Shirley Holloway*
 Agency: Department of Education

Date: April 17, 1996

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SB 319

Revision Date: _____ Dept. Affected: Revenue
 Title: Lapse of Appropriations BRU: All
 Component: All
 Sponsor: S Finance
 Requester: S Finance COMPONENT SERIAL NO. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See attachment.

Prepared by: Bob Baratko Phone: 465-2312
 Division: Administrative Services Division Date: 4/17/96
 Approved by: _____
 Commissioner: Deborah Vogt Date: 4/17/96
 Agency: Revenue

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SB 319

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During these times of fiscal austerity, managers need to maintain flexibility in using available financial resources as well as in identifying and addressing needs within their agency. The constraints imposed by SB319 do not support good management practices.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SB 319 | _____

Revision Date: _____ Dept. Affected: DOT&PF
 Title: Lapse of Appropriations BRU: Office of the Commissioner
 Component: various
 Sponsor: Finance
 Requester: Senate Finance COMPONENT SERIAL NO. 530

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ 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)

In the long term this bill would not change the cost of processing and providing state services. Unless the effective date is delayed from June 30, 1996 there will be an undeterminable administrative cost of dealing with confusion. This confusion could be avoided if the bill were applied to the next fiscal year. A change in the bill to allow the encumbrance of funds, instead of accounts payable, to meet the condition, "goods or services received by the state on or before June 30..." would also cause less confusion and effort and result in the same outcome.

Prepared by: Ron Lind *Ron Lind* Director Phone: 465-3911
 Division: Stwd Administrative Services Date: 4/1/96
 Approved by: *Ron Lind* Commissioner Date: 4/2/96
 Agency: Department of Transportation and Public Facilities

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