

**ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672**

**5081 HSTA HB 267 - HB 276**

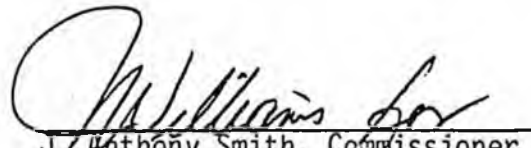
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HB 267 An Act placing development specialists in the Department of Commerce and Economic Development in the partially exempt service and providing for an effective date.

In this time of economic slowdown, the mandate of the Department of Commerce and Economic Development to be directly involved in the revitalization and expansion of the Alaska economy is particularly important. Until now that task has been defined around resource development issues including: fisheries, minerals, tourism and forest products, and, to a great degree, has been undertaken by development specialists. However, within the context of the Trade Alaska program, these same positions will also be providing more directed expertise to represent the state in company specific negotiations for such tasks as project siting and new business starts.

It is imperative that persons in these positions be top-level people intimately familiar from a hands-on perspective with the industries they are working. By designating these as Partial Exempt positions, the state will be able to attract and retain top people, who might otherwise be wooed away by the private sector.

As budgets get tighter and the importance of economic development planning and implementation grows, the financial base for providing these services is shrinking. To do more with less the department needs maximum flexibility in staffing. Creating these as PX positions will insure that the administration has maximum flexibility to staff in a manner that will provide the most capable persons for these key policy implementing positions.

  
J. Anthony Smith, Commissioner  
DATE: 4/19/87

The following positions within the Department of Commerce and Economic Development are directly effected by the proposed PX legislation:

<u>PCN</u>	<u>Position</u>	<u>Agency</u>	<u>R/S</u>	<u>Location</u>
08-2214	Dev. Spec. I	Tourism	18F	Juneau
08-2219	Dev. Spec. II	Tourism	20C	Juneau
08-2228	Dev. Spec. II	Tourism	20C	Anchorage
08-1228	Dev. Spec. II	Small Business	20D	Anchorage
08-1206	Dev. Spec. I	Com. Fisheries	18D	Anchorage
08-1207	Dev. Spec. II	Com. Fisheries	20L	Anchorage
08-1244	Dev. Spec. II	Com. Fisheries	20E	Juneau
08-1205	Dev. Spec. II	Min. & For. Prod.	20L	Juneau
08-1227	Dev. Spec. II	Min. & For. Prod.	20F	Anchorage
08-1245	Dev. Spec. II	Min. & For. Prod.	20D	Fairbanks
08-1260	Dev. Spec. II	Min. & For. Prod.	20C	Juneau

*become 3  
in house budget*

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THE CITY OF HAINES, ALASKA  
P.O. BOX 576  
HAINES, ALASKA 99827  
(907) 766-2231

In Reply  
Refer To:

May 8, 1987

Representative Fran Uhlmer  
P.O. Box V  
Juneau, AK 99811

Dear Representative Uhlmer:

RE: HB 267

In my position as Tourism Director for the City of Haines, I work closely with the Development Specialists in the Department of Commerce and Economic Development, Division of Tourism. I have found these people to be of the highest integrity and capability. They are true public servants, and they believe in the cause we all fight for: promoting our State to visitors, to create economic development and jobs for Alaskans.

It is a mistake to reclassify these positions to make them partially exempt. These are the people we rely upon year in and year out for information, advice and guidance. They should be kept apart from the usual political trade-offs of each administration. They are our resource at the State level. They have the experience and know first hand the problems and issues in our industry. Most of all, they will be there to serve our needs in the future.

Doesn't the State of Alaska have enough "top-level" decision makers already? We need more people who know the day to day work of developing our economy, not big-ego political appointees who got that job by helping elect a candidate.

Sincerely,

*Chip Waterbury*  
Chip Waterbury  
Tourism Director  
CITY OF HAINES

## Class Specification

DEVELOPMENT SPECIALIST I  
DEVELOPMENT SPECIALIST II

2287-18

2288-20

Option A

Option B

Definition:

Conducts studies, surveys, analyses and promotional activities to implement the development and expansion of business and industry in Alaska. Option A refers to those positions involving general or small business development and/or tourism. Option B refers to those positions developing industry related to the physical, natural resources or raw materials of the State.

Distinguishing Characteristics:

Development Specialist I, under direction, performs at the journey level. Incumbents may function in an advisory or liaison capacity and provide in-depth analysis, program support and promotional expertise; in such a capacity, may be responsible for specific, in-house programs, (e.g., industrial advisor on coastal zone management programs; analyst for mining and minerals development); or for those of a limited market impact or involving regional programs (i.e., agricultural marketing newsletter/information source, or regional tourism manager); or for those endeavors which do not have a significant impact on the State's major business environment.

Development Specialist II, under general direction, advocates and promotes business and/or industrial development involving a recognized major productive enterprise of substantial state-wide significance (e.g., mining and minerals, hydrocarbon, commercial fisheries); personal contacts with industrial and government representatives are for the purpose of advocacy and implementation of programs, negotiation or resolution of impediments or conflicts, such as concerning diverse interests; develops conceptual design and methods of implementing programs; may lead or advise lower level assistants in specialty area.

Examples of Duties:

Conducts feasibility studies, surveys, analyses and research to determine the current status, need for, potential of, and possibility to create or expand business or industry in the area of specialization. Based on findings, plans, develops and executes a promotional program to attract, expand or retain applicable business and industry in the State.

Attends conferences, business meetings, promotional exhibits, fairs and seminars to encourage the creation and expansion of new or existing business and resource industry in the State. May be responsible for assisting in, or the supervising of such activities.

Serves as a consultant to industrial groups and company management; serves as liaison between business and government interests.

Answers or generates inquiries concerning the specialty area; provides marketing information or research to encourage business participation.

Establishes and maintains close cooperative contacts with industry trade associations and industrial groups, and special interest groups.

Prepares speeches, articles, brochures, reports, trade and professional journal articles and other forms of written and verbal communication to attract or expand industries in the State.

Monitors the programs, budget management and evaluation of assigned program.

Knowledges, Skills and Abilities:

Broad knowledge of: Principles and techniques of business management, industrial development, advertising, promotion and salesmanship; verbal and written communication principles and practices; and the commercial and marketing aspects of specialty area to which assigned - fisheries, mining and minerals, transportation, small business assistance and development, hydrocarbon, forestry, agriculture, tourism.

Knowledge of: Basic economics, basic accounting principles and practices; federal aid to industry programs; scientific method; statistics; mathematics.

Skill in: Establishing and maintaining cooperative working relationships with members of industry, the professions, state and local government.

Ability to: Gather and analyze data, reason logically and accurately, and draw valid conclusions; convey information, orally or in writing, to a variety of individuals in simple, understandable, and precise terms; establish and maintain cooperative relationships with those contacted in the course of the work; analyze situations accurately and take effective action; speak and write clearly and effectively; prepare clear and concise reports; work cooperatively with others and gain their respect and confidence; apply principles and techniques of the work described; participate effectively in conferences and interviews; function with a high degree of independence; develop promotional programs.

Minimum Qualifications:

Option A  
Business Development and/or Tourism

Graduation from an accredited college with a degree in business administration, international trade, industrial or economic development, economics, geography, marketing or commerce.

AND

Development Specialist I:

Two years of progressively responsible promotional, analytical, supervisory, production, management or accounting experience at the professional level involving industrial or economic development.

Development Specialist II:

Three years of progressively responsible promotional, analytical, supervisory, production, research, management or accounting experience at the professional level involving industrial or economic development.

Substitution:

Additional qualifying experience in the area of industrial or economic development as specified above may substitute for the required education on a year-for-year basis.

Graduate study in the appropriate area as specified may be substituted for the required experience for a maximum of one year.

Option B

Physical, Natural Resources, Raw Material Industrial Development

Graduation from an accredited college with a degree in the physical or natural sciences or resource management.

AND

Development Specialist I:

Two years of progressively responsible promotional, analytical, supervisory, research, or management experience at the professional level in the physical or natural sciences or resource management areas. Experience in industrial or economic development is preferred.

Development Specialist II:

Three years of progressively responsible promotional, analytical, supervisory, research, or management experience at the professional level as specified above; however, one year must be in industrial or economic development.

DEVELOPMENT SPECIALIST I  
DEVELOPMENT SPECIALIST II  
Page Four

2287-18  
2288-20

Substitution:

Additional qualifying experience as specified above may substitute for the required education on a year-for-year basis. Graduate study in the appropriate area may be substituted for the required general experience up to a maximum of one year.

Note: Recruitment and selection may be based on the areas of needed expertise in the agency in which the vacancy exists.

Orig: 07/67	Rev: 09/70	Rev: 05/01/73
Rev: 01/68	Rev: 05/71	Rev: 08/16/73
Rev: 02/68	Rev: 03/16/72	Rev: 12/16/81 Series Changes

SPEC II/Y

STATEMENT OF E. JOHN PEARSON, TO THE HOUSE STATE AFFAIRS COMMITTEE  
REGARDING HB 267

- First I would like to thank you as a committee for allowing this opportunity to hear my concerns and opinion regarding HB 267.
- My name is E. John Pearson, an employee of the State of Alaska, working in the Division of Tourism, in the job classification of Development Specialist. My professional area of expertise is in the International Marketing of Alaska as a destination,
- My employment with the Division of Tourism in this area of specialty has been six years. Prior to that employment I was employed by the Economic Development Administration, of the U.S. Department of Commerce, living in rural Alaska charged with the implementation of economic development projects that would have a positive impact on rural native communities. Employment within both the State of Alaska, Division of Tourism, and the Economic Development Administration was built on a background of service abroad with one of the worlds largest corporations
- In providing the above information it should be clear that in my own case as a Development Specialist for the State of Alaska, and a public service employee, I hold a level of expertise and professionalism capable of meeting the challenge of building the economy of Alaska. This is based on an extensive hands-on perspective in economic development, international business, and travel industry experience.

HB267 should be viewed as having the realistic potential of destroying the willingness of major industries to join into joint and unique efforts with the State of Alaska because the PX system that is proposed by the bill does not provide for long term project planning, implementation and development periods. Basically the proposed legislation is aimed at meeting the very short term needs of a single governor or commissioner. If we are to look at projects such as Red Dog, Quartz Hill, or the issue of keeping aircraft arrivals at Anchorage International Airport from falling, we must have the capability of assuring potential partners with the State of Alaska, that there will be a long term commitment from the State of Alaska not just as a partner, but as a partner that can keep a project on track from one administration to another, without having to retrain, reeducate, and regroup every time there is a change in government leadership.

I would like to point to several good examples of projects that I have seen reach the reality stage during the past year which would not have happened had there been a change in personnel in the development specialist positions of the Division of Tourism. Last May, Swissair started service into Anchorage International based on one factor that sparked Swissair management to start thinking about the route. The reason was that a development specialist of high qualifications, and highly respected by Swissair management had been able to prove

over the course of two administrations and three commissioners in the Department of Commerce, that his own government (State of Alaska) was committed to work on the long term projects of bringing another international airline into Alaska. Swissair recognized a sincere effort, free from political pressures and change in Alaska, to see their project realized. Today, I work with great hope of bringing an Italian charter operation into Alaska over the next several years. This project stands free of political pressures of change in contacts and maintaining maximum continuity. This type of professionalism is essential to major projects, and a virtue that is expected in the international arena,

Another project that demanded four years of political free pressure for implementation in maintaining and exhibiting continuity has been the first entry of cruise ship arrivals in Anchorage. Working with the firm of Hapag-Lloyd, one of the world's largest ship operators a development specialist was able to sell the notion of including Alaska as a cruise destination and repositioning ships to Alaska waters. The end result was seen after two administrations, when the first ships arrived in Anchorage.

I cannot stress enough the damage that this legislation would do to the economic sectors of our economy. The development specialist function must maintain its unique relationship with private industry.

This last week I have discussed the HB267 issue with a large number

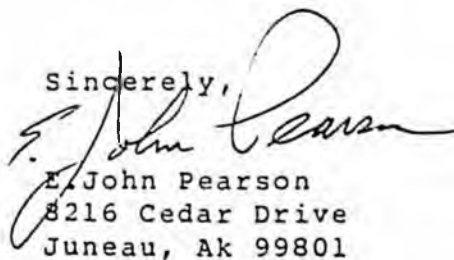
Of our industry partners within the Tourism sector. There will be assured outrage from this industry should the decision to make the development specialist functions within the Division of Tourism subject to the political system. In the event that this legislation were to be approved, the Division of Tourism small professional staff would then be 100% politically appointed.

As you consider this bill I urge you to consider the long term effect it will have on some of the industries such as tourism minerals, and fishing.

I should also point out that while I am covered under the agreements of collective bargaining between the State of Alaska and APEA, I seldom see less than a 60 hour work week, and a level of compensation that is far below what could be made in private industry. However, the dedication to the function, our state and my industry serves as the driver that has made this function a pleasure to work in.

I want to thank you for your time and wish you the best in your wisdom to deal with this unrealistic notion of effective program management.

Sincerely,

  
E. John Pearson  
8216 Cedar Drive  
Juneau, Ak 99801

May 7, 1987

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Official Business

# Alaska State Legislature

## House

P.O. BOX V  
State Capitol  
Juneau, Alaska 99811

HOUSE BILL 269

### FILE CONTENTS

1. HB 269: AN ACT RELATING TO ELIGIBILITY FOR VETERANS' INTEREST RATES FOR HOUSING MORTGAGE LOANS
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3. LETTER FROM ALASKA HOUSING FINANCE CORPORATION TO REPRESENTATIVE BARNES
4. "WHAT'S AVAILABLE TO THE VETERAN," BY THE ALASKA HOUSING FINANCE CORPORATION
5. "THE INTENT OF HB 269," FROM REPRESENTATIVE BARNES, AND ATTACHED INFORMATION

### FISCAL NOTE

1. DEPARTMENT OF REVENUE, ALASKA HOUSING FINANCE CORPORATION: -0-

# HOUSE COMMITTEE REPORT

(7)

Date referred: 4/13/87

FURTHER REFERRALS: HESS  
Finance

DATE: 5-16-87

The State Affairs Committee has considered HB 269

"An Act relating to eligibility for veterans' interest rates for housing mortgage loans."

**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  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING TO PASS:**

*E. A. Bunker*  
~~*[Signature]*~~  
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**SIGNING OTHER RECOMMENDATIONS:**

*Terry Martin - No Rec.*  
*[Signature] NO REC.*  
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*[Signature]*  
 Chairman's signature



Official Business

# Alaska State Legislature


House of Representatives

REPRESENTATIVE  
RAMONA L. BARNES  
DISTRICT 14

ANCHORAGE  
2230 PAXSON  
ANCHORAGE, ALASKA 99504  
(907) 337-7904  
BOX V  
JUNEAU, ALASKA 99811  
(907) 465-3438

## MEMORANDUM

TO: Representative Fran Ulmer, Chairperson House State  
Affairs Committee

FROM: Representative Ramona L. Barnes 

DATE: April 28, 1987

SUBJECT: HB 269

HB 269, " An Act relating to eligibility for veterans' interest rates for housing mortgage loans", would amend AS 18.56.101. by adding Public Health Service Officers to the current definition of veteran.

The addition of Public Health Service Officers to this definition would allow a large block of people to take advantage of the veterans interest rate offered by AHFC. It is my feeling that this may help many people refinance their homes at a favorable interest rate and avoid future housing problems.

Public Health Service officers are considered veterans under federal law and are eligible for federal Veterans Housing loans. Therefore, this amendment would bring the definition of veteran under AS.18.56.101 into line with the federal definition.

This bill is currently in your committee awaiting action. I would appreciate a scheduled hearing in the near future. If there are any questions I can answer for you please do not hesitate to contact me.

Thank you for your prompt consideration of this matter.

Alaska HOUSING FINANCE CORPORATION



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May 13, 1987

The Honorable Ramona Barnes  
Representative, State of Alaska  
Post Office Box V  
Juneau, Alaska 99811  
ATTENTION: PATTY SWENSON

SUBJECT: PROPOSED LEGISLATION HB 269

Dear Representative Barnes:

You have asked AHFC to provide information regarding the possible fiscal impact to the Corporation should HB 269 be enacted.

As HB 269 was introduced and currently reads, AHFC's State Veterans Interest Rate Preference would be expanded to include Public Health Service commissioned officers. All PHS officers regardless of the amount of time they served, would be eligible under this proposal.

It is difficult to determine how much this would cost AHFC since we have no historical data which tells us how many PHS borrowers we have. However, according to the Anchorage PHS office, there are currently 250 PHS commissioned officers living in Anchorage.

The number of PHS officers located in Alaska, outside of Anchorage, was not immediately available. However most PHS employees working in rural areas live in federal government-provided housing.

AHFC estimates that on an average loan of \$110,000, a one-percent interest rate subsidy costs AHFC approximately \$6,000. Therefore, if 250 PHS officers were qualified to buy homes and sought financing through AHFC, the one-percent subsidy would cost approximately \$1.5 million.

Also, AHFC has no way of predicting how much it would cost AHFC if HB 269 should be amended to allow active military with at least 5 years of service to participate in the State Veterans Interest Program. However, from 1982 to present, AHFC has loaned to 3,605 active duty military borrowers. About half, or 1,874, have loans made under the federal Veteran's Mortgage Program (tax-exempt).

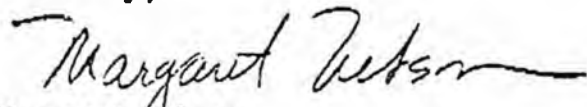
If we assume that the remaining borrowers would have been eligible for the State Veterans Interest Rate, which would have cost AHFC \$12 million.

The Honorable Ramona Barnes  
May 13, 1987  
Page 2

For your information, in FY 1987, through February 28, 1987, AHFC has made 1589 loans under the State Veterans Interest Rate Program and 356 loans under the federal Veterans Mortgage Program. The average loan was \$116,000.

If you need more information, don't hesitate to contact me.

Sincerely,



Margaret Nelson  
Special Assistant/Public Information Officer

MN:de

# What's Available To The Veteran



**There are three basic options available to the veteran through AHFC:**

- 1. An AHFC Loan combined with a Federal Veterans Administration Loan;**
- 2. The Veterans Mortgage Program; and**
- 3. The State Veterans Interest Rate Preference.**

## 1. AHFC/Federal VA

**Benefit:**

The major benefit of combining an AHFC loan with a Federal VA guaranteed loan is the lower down payment.

**Maximum Loan Amount:** \$135,000

**Minimum Down Payment:**

Up to \$110,000	Zero down
\$110,000-\$135,000	25% on the amount over \$110,000

**\*Qualification:**

Eligibility for the Veteran benefit is determined by the Federal Veterans Administration. This program may be combined with AHFC's Regular Program, the Veterans Mortgage Program, Tax-Exempt Program, HOF Program and Mobile Home Program.

## 2. Veteran's Mortgage Program (VMP)

**Benefit:**

A lower interest rate than under AHFC's other programs, on the entire loan amount.

**Maximum Loan Amount:**

Single Family Residence	\$199,850
Duplex	\$255,850
Triplex	\$308,900
Four-plex	\$394,000

If the residence is a multi-family dwelling (duplex - four-plex) then all units must have been occupied as such for at least 5 years.

**Minimum Down:**

Single-Family and Duplex	
Triplex and Four-plex	

**\*Qualification:**

Federal restrictions require that in-



dividuals applying under this program be "qualified veterans" as defined under Title 38, United States Code 101(2) and have been on active duty prior to January 1, 1977, and cannot have been out of the service for more than 30 years.

Documentation that is accepted by AHFC as evidence of meeting the code is the Veterans Certificate of Eligibility, or a letter from the Federal Veterans Administration and a DD-214, or, for Commissioned Officers, a letter from Personnel stating the entry date of service. Basically, an individual must have served in the Armed Forces and have been discharged other than dishonorably. In addition, active military who have completed their initial period of duty may qualify. The code also includes certain individuals in the Public Health Service but severely limits National Guard and Reservist. You may combine this program with Number 1 to receive the benefit of both the lower interest rate and the down payment.

## 3. State Veterans Interest Rate Preference

**Benefit:**

The State Veteran receives a 1 percent lower interest rate on the first \$90,000 of the loan. The important thing to remember is that this is not a program but an interest rate differential that must be applied to a program. It may be applied to all of the programs offered by AHFC but it may not be combined with Number 2, the Veterans Mortgage Program.

**\*Qualification:**

Determination for the State Veterans Interest Rate preference is made by AHFC. To qualify for the lower rate, the borrower may not currently be on active duty. An individual must have served in the Armed Forces for 90 days or more (unless discharged due to a service connected injury) and have been discharged other than dishonorably. Active duty for the purpose of training will not be counted toward the 90 day requirement. Members of

the Reserve (if the unit is a troop program unit) and Alaska National Guard with a minimum of 5 years service may also qualify. In addition, a widow or widower may qualify if the Veteran was inducted from Alaska.

**Type of Loan**

AHFC utilizes an Alaska Building Equity (ABE) mortgage which is assumable by a qualified buyer. Under this type of mortgage, the interest rate is fixed, however, there are moderate in-

creases to the monthly payments in years four through nine. These increases are applied directly to the outstanding principal balance on the loan. Therefore, the loan is repaid in approximately 18 years. A detailed description of the ABE mortgages is available in AHFC's pamphlet: "Buying a Home In the Future"

**Interest Rates**

Mortgage interest rates are based on the interest rate for AHFC bonds plus

the Corporation's operating costs and will vary from time to time. INTEREST RATES ARE SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. Consult your lender for the current AHFC rate.

*\*The qualifications given for the three options are not intended to be inclusive but to provide only the basic guidelines.*



Official Business

# Alaska State Legislature

House of Representatives

REPRESENTATIVE  
RAMONA L. BARNES  
DISTRICT 14

ANCHORAGE  
2230 PAXSON  
ANCHORAGE, ALASKA 99504  
(907) 337-7904  
BOX V  
JUNEAU, ALASKA 99811  
(907) 465-3438

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## THE INTENT OF HB 269

The intent of HB 269 is to allow Public Health Service Officers to become eligible as veterans for the purpose of the Alaska Housing Finance Corp. State Veterans Interest Rate Preference program.

Public Health Service Officers are eligible for federal VA housing loans, and Alaska's Veteran Mortgage Program (VMP). They are eligible for most VA benefits under federal law, therefore, to exclude these "Veterans" from this interest preference program offered by the state is inconsistent with other aspects of veterans benefits.

The AHFC/ Fed VA program can be combined with the State Veterans Interest Rate Preference program to produce an extremely attractive interest rate for those purchasing or refinancing a home. Under the current statute (AS.56.101), Public Health Service Officers are not eligible for this combination. It is the intent of this bill to add these "Veterans" to this statute.

The foreclosure rate of AHFC has increased significantly over the past year. It is the intent of this legislation that this group of veterans should be eligible for the benefit this preference provides. In Alaska's current poor economy, anything that will help people keep their homes or buy a home helps our state.

Public Health Service Officers currently number 250 in the Anchorage area. The number living outside of this area is not available at this time. It is difficult to say how many people will make use of this program, therefore, the cost is not known. (See fiscal note and letter).

Favorable consideration of this bill would be appreciated by its sponsors.

Thank you for your time.

38 USCS § 101

VETERANS' BENEFITS

GENERAL

1972, Act Oct. 24, 1972, P. L. 92-540, Title IV, § 409, 86 Stat. 1092, substituted new item 102 for one which read: "102. Dependent parents and husbands."

§ 101. Definitions

For the purposes of this title [38 USCS §§ 101 et seq.]—

(1) The term "Administrator" means the Administrator of Veterans' Affairs.

(2) The term "veteran" means a person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable.

(3) The term "surviving spouse" means (except for purposes of chapter 19 of this title [38 USCS §§ 701 et seq.]) a person of the opposite sex who was the spouse of a veteran at the time of the veteran's death, and who lived with the veteran continuously from the date of marriage to the date of the veteran's death (except where there was a separation which was due to the misconduct of, or procured by, the veteran without the fault of the spouse) and who has not remarried or (in cases not involving remarriage) has not since the death of the veteran, and after September 19, 1962, lived with another person and held himself or herself out openly to the public to be the spouse of such other person.

(4)(A) The term "child" means (except for purposes of chapter 19 of this title [38 USCS §§ 701 et seq.] and section 5202(b) of this title [38 USCS § 5202(b)]) a person who is unmarried and—

- (i) who is under the age of eighteen years;
- (ii) who, before attaining the age of eighteen years, became permanently incapable of self-support; or
- (iii) who, after attaining the age of eighteen years and until completion of education or training (but not after attaining the age of twenty-three years), is pursuing a course of instruction at an approved educational institution:

and who is a legitimate child, a legally adopted child, a stepchild who is a member of a veteran's household or was a member at the time of the veteran's death, or an illegitimate child but, as to the alleged father, only if acknowledged in writing signed by him, or if he has been judicially ordered to contribute to the child's support or has been, before his death, judicially decreed to be the father of such child, or if he is otherwise shown by evidence satisfactory to the Administrator to be the father of such child. A person shall be deemed, as of the date of death of a veteran, to be the legally adopted child of such veteran if such person was at the time of the veterans' death living in the veterans' household and was legally adopted by the veteran's surviving spouse within two years after the veteran's death or the date of enactment of

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spouse ter the t in the onstruc- is in service), ll be in-

creased by the amount set forth in 38 U.S.C. 411(b) for each child.

(4) If the surviving spouse is determined to be in need of regular aid and attendance under the criteria in § 3.352 or is a patient in a nursing home, the total amount payable shall be increased by the amount set forth in 38 U.S.C. 411(c). If the surviving spouse does not qualify for the regular aid and attendance allowance but is housebound under the criteria in § 3.351(f), the total amount payable shall be increased by the amount set forth in 38 U.S.C. 411(d).

[29 FR 10396, July 25, 1964, as amended at 35 FR 18661, Dec. 9, 1970; 37 FR 6676, Apr. 1, 1972; 39 FR 34529, Sept. 26, 1974; 44 FR 22717, Apr. 17, 1979]

### § 3.6 Duty periods.

(a) "Active military, naval, and air service". This includes active duty, and period of active duty for training during which the individual concerned was disabled or died from a disease or injury incurred or aggravated in line of duty, and any period of inactive duty training during which the individual concerned was disabled or died from an injury incurred or aggravated in line of duty.

(b) "Active duty". This means:

(1) Full-time duty in the Armed Forces, other than active duty for training;

(2) Full-time duty (other than for training purposes) as a commissioned officer of the Regular or Reserve Corps of the Public Health Service:

(i) On or after July 29, 1945, or

(ii) Before that date under circumstances affording entitlement to "full military benefits," or

(iii) At any time, for the purposes of dependency and indemnity compensation.

(3) Full-time duty as a commissioned officer of the Coast and Geodetic Survey or of its successor agencies, the Environmental Science Services Administration and the National Oceanic and Atmospheric Administration:

(i) On or after July 29, 1945, or

(ii) Before that date;

(a) While on transfer to one of the Armed Forces, or

(b) While, in time of war or national emergency declared by the President, assigned to duty on a project for one of the Armed Forces in an area determined by the Secretary of Defense to be of immediate military hazard, or

(c) In the Philippine Islands on December 7, 1941, and continuously in such islands thereafter, or

(iii) At any time, for the purposes of dependency and indemnity compensation.

(4) Service at any time as a cadet at the United States Military, Air Force, or Coast Guard Academy, or as a midshipman at the United States Naval Academy;

(5) Authorized travel to or from such duty or service; and

(6) A person discharged or released from a period of active duty, shall be deemed to have continued on active duty during the period of time immediately following the date of such discharge or release from such duty determined by the Secretary concerned to have been required for him or her to proceed to his or her home by the most direct route, and, in all instances, until midnight of the date of such discharge or release. (38 U.S.C. 106(e))

(i) January 1, 1957, for service-connected death benefits where the discharge or release occurred on or after that date.

(ii) January 1, 1959, for service-connected disability compensation where the discharge or release occurred on or after January 1, 1957.

(iii) July 21, 1961, for compensation or pension, where the discharge or release occurred prior to January 1, 1957.

(c) *Active duty for training.* (1) Full-time duty in the Armed Forces performed by Reserves for training purposes;

(2) Full-time duty for training purposes performed as a commissioned officer of the Reserve Corps of the Public Health Service:

(i) On or after July 29, 1945, or

(ii) Before that date under circumstances affording entitlement to "full military benefits," or

(iii) At any time, for the purposes of dependency and indemnity compensation;

(3) Full-time duty performed by members of the National Guard of any State, under 32 U.S.C. 316, 502, 503, 504, or 505, or the prior corresponding provisions of law or full-time duty by such members while participating in the reenactment of the Battle of First Manassas in July 1961;

(4) Duty performed by a member of a Senior Reserve Officers' Training Corps program when ordered to such duty for the purpose of field training or a practice cruise under chapter 103 of title 10, United States Code (this subparagraph is effective October 1, 1982, with respect to deaths and disabilities resulting from diseases or injuries incurred or aggravated after September 30, 1982, and it is effective October 1, 1983, with respect to deaths and disabilities resulting from diseases or injuries incurred or aggravated before October 1, 1982) (Pub. L. 97-306, as amended by sec. 210, Pub. L. 98-223); and

(5) Authorized travel to or from such duty.

The term does not include duty performed as a temporary member of the Coast Guard Reserve.

(d) *Inactive duty training.* This means: (1) Duty (other than full-time duty) prescribed for Reserves (including commissioned officers of the Reserve Corps of the Public Health Service) by the Secretary concerned under 37 U.S.C. 206 or any other provision of law;

(2) Special additional duties authorized for Reserves (including commissioned officers of the Reserve Corps of the Public Health Service) by an authority designated by the Secretary concerned and performed by them on a voluntary basis in connection with the prescribed training or maintenance activities of the units to which they are assigned; and

(3) Duty (other than full-time duty) performed by a member of the National Guard of any State, under 32 U.S.C. 316, 502, 503, 504, or 505, or the prior corresponding provisions of law. The term "inactive duty training" does not include:

(i) Work or study performed in connection with correspondence courses.

the death resulted from a disability incurred or aggravated, in line of duty in the active military, naval, or air service.

(17) The term "non-service-connected" means, with respect to disability or death, that such disability was not incurred or aggravated, or that the death did not result from a disability incurred or aggravated, in line of duty in the active military, naval, or air service.

(18) The term "discharge or release" includes (A) retirement from the active military, naval, or air service, and (B) the satisfactory completion of the period of active military, naval, or air service for which a person was obligated at the time of entry into such service in the case of a person who, due to enlistment or reenlistment, was not awarded a discharge or release from such period of service at the time of such completion thereof and who, at such time, would otherwise have been eligible for the award of a discharge or release under conditions other than dishonorable.

(19) The term "State home" means a home established by a State (other than a possession) for veterans disabled by age, disease, or otherwise who by reason of such disability are incapable of earning a living. Such term also includes such a home which furnishes nursing home care for veterans.

(20) The term "State" means each of the several States, Territories, and possessions of the United States, the District of Columbia, and the Commonwealth of Puerto Rico. For the purpose of section 903 and chapters 34 and 35 of this title, such term also includes the Canal Zone.

(21) The term "active duty" means—

(A) full-time duty in the Armed Forces, other than active duty for training;

(B) full-time duty (other than for training purposes) as a commissioned officer of the Regular or Reserve Corps of the Public Health Service (i) on or after July 29, 1945, or (ii) before that date under circumstances affording entitlement to "full military benefits" or (iii) at any time, for the purposes of chapter 13 of this title;

(C) full-time duty as a commissioned officer of the National Oceanic and Atmospheric Administration or its predecessor organization the Coast and Geodetic Survey (i) on or after July 29, 1945, or (ii) before that date (a) while on transfer to one of the Armed Forces, or (b) while, in time of war or national emergency declared by the President, assigned to duty on a project for one of the Armed Forces in an area determined by the Secretary of Defense to be of immediate military hazard, or (c) in the Philippine Islands on December 7, 1941, and continuously in such islands thereafter, or (iii) at any time, for the purposes of chapter 13 of this title;

(D) service as a cadet at the United States Military, Air Force, or Coast Guard Academy, or as a midshipman at the United States Naval Academy; and

(E) authorized travel to or from such duty or service.

(22) The term "active duty for training" means—

(A) full-time duty in the Armed Forces performed by Reserves for training purposes;

(B) full-time duty for training purposes performed as a commissioned officer of the Reserve Corps of the Public Health Service (i) on or after July 29, 1945, or (ii) before that date under circumstances affording entitlement to "full military benefits", or (iii) at any time, for the purposes of chapter 13 of this title;

(C) in the case of members of the National Guard or Air National Guard of any State, full-time duty under section 316, 502, 503, 504, or 505 of title 32, or the prior corresponding provisions of law; and

(D) authorized travel to or from such duty.

The term does not include duty performed as a temporary member of the Coast Guard Reserve.

(23) The term "inactive duty training" means—

(A) duty (other than full-time duty) prescribed for Reserves (including commissioned officers of the Reserve Corps of the Public Health Service) by the Secretary concerned under section 206 of title 37 or any other provision of law; and

(B) special additional duties authorized for Reserves (including commissioned officers of the Reserve Corps of the Public Health Service) by an authority designated by the Secretary concerned and performed by them on a voluntary basis in connection with the prescribed training or maintenance activities of the units to which they are assigned.

In the case of a member of the National Guard or Air National Guard of any State, such term means duty (other than full-time duty) under sections 316, 502, 503, 504, or 505 of title 32, or the prior corresponding provisions of law. Such term does not include (i) work or study performed in connection with correspondence courses, (ii) attendance at an educational institution in an inactive status, or (iii) duty performed as a temporary member of the Coast Guard Reserve.

(24) The term "active military, naval, or air service" includes active duty, any period of active duty for training during which the individual concerned was disabled or died from a disease or injury incurred or aggravated in line of duty, and any period of inactive duty training during which the individual concerned was disabled or died from an injury incurred or aggravated in line of duty.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE



Revision Date: \_\_\_\_\_

**REQUEST**  
Bill/Resolution No.: \_\_\_\_\_  
Title: HB 269

**FISCAL DETAIL**  
Agency Affected: Revenue  
Program Category Affected: \_\_\_\_\_

Sponsor: Reps. Barnes and Furnace  
Requestor: Barnes  
Date of Request: \_\_\_\_\_

BRU, Program or Subprogram(s) Affected:  
Alaska Housing Finance Corporation

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-					
<b>CAPITAL</b>	-0-					
<b>REVENUE</b>	-0-					

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:**

**ANALYSIS:** Attach a separate page for analysis - See attached

Prepared By: Margaret Nelson *M Nelson* Phone: 276-5599  
Division: Alaska Housing Finance Corporation Date: May 8, 1987

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

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

12/1/83

ALASKA HOUSING FINANCE CORPORATION  
Fiscal Note - HB 269

It is difficult to determine how much this measure would cost AHFC since it is difficult to estimate how many former and current Public Health Service (PHS) employees will take advantage of this program. Currently there are 250 PHS commissioned officers working in Anchorage. (Statewide figures were not immediately available.) If all took advantage of the program and qualified, at an average loan amount of \$110,000, a 1 percent subsidy would cost AHFC \$1.5 million.

If the bill was amended to extend the 1 percent preference interest rate to all active military with at least five years of service, again AHFC finds it difficult to determine just how much it would cost. However, the following is an estimate.

As of September 1986, there were 25,906 active military personnel -including Navy, Army, Air Force, Marines and Coast Guard - serving in Alaska. If one-third of those personnel, applied for, were qualified and received the subsidy, based on an average loan of \$116,000, the 1 percent subsidy would cost AHFC \$64 million.

It should be noted that the Fiscal Note columns all show zeros. The impact of this proposal would be on AHFC's Revolving Loan Fund.

Additional background and historical information is contained in the attached letter to the bill's sponsor, Representative Barnes.

H B

276

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**Sharon Macklin**

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Government Relations

315 Fifth Street #8  
Juneau, Alaska 99801  
907/586-9518

103 W. 22nd Avenue  
Anchorage, Alaska 99503  
907/276-6343

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May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

*House State Affairs:*

*May 4, 1987*



Official Business

# Alaska State Legislature

P.O. Box V  
State Capitol  
Juneau, Alaska 99811

STATE AFFAIRS COMMITTEE

HOUSE BILL 276

FILE CONTENTS

1. HB 276: AN ACT RELATING TO STATE PROCUREMENT PRACTICES AND PROCEDURES; AND PROVIDING FOR AN EFFECTIVE DATE
2. TRANSMITTAL LETTER FROM GOVERNOR COWPER
3. CS SC 260 (L&C): AN ACT RELATING TO STATE PROCUREMENT PRACTICES AND PROCEDURES; AND PROVIDING FOR AN EFFECTIVE DATE

## FISCAL NOTES

- A. DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, DESIGN AND CONSTRUCTION, ENGINEERING AND OPERATIONS STANDARDS: -0-
- B. COMMERCE AND ECONOMIC DEVELOPMENT, ADVOCATES: -0-
- C. DEPARTMENT OF ADMINISTRATION, GENERAL SERVICES AND SUPPLY: -0-

1 the contract. The list shall include the name and location of the  
2 place of business for each subcontractor and evidence of the subcon-  
3 tractor's valid Alaska business license. A bidder for a construction  
4 contract shall also submit evidence of each subcontractor's registra-  
5 tion under AS 08.18.

6 (b) A bidder may replace a listed subcontractor if the subcon-  
7 tractor

- 8 (1) fails to comply with AS 08.18;  
9 (2) files for bankruptcy or becomes insolvent;  
10 (3) fails to execute a contract with the bidder involving  
11 performance of the work for which the subcontractor was listed;  
12 (4) fails to obtain bonding;  
13 (5) fails to obtain insurance acceptable to the state;  
14 (6) fails to perform the contract with the bidder involving  
15 work for which the subcontractor was listed;  
16 (7) must be substituted in order for the prime contractor  
17 to satisfy required federal affirmative action requirements;  
18 (8), refuses to agree or abide with the bidder's labor  
19 agreement; or  
20 (9) is determined by the procurement officer not to be a  
21 responsible bidder.

22 (c) If a bidder fails to list a subcontractor or lists more than  
23 one subcontractor for the same portion of work and the value of that  
24 work is in excess of half of one percent of the total bid, the bidder  
25 shall be considered to have agreed to perform that portion of work  
26 without the use of a subcontractor and to have represented the bidder  
27 to be qualified to perform that work.

28 (d) A bidder who attempts to circumvent the requirements of this  
29 section by listing as a subcontractor another contractor who, in turn,

Chapter 106

1 sublets the majority of the work required under the contract violates  
2 this section.

3 (e) If a contract is awarded to a bidder who violates this  
4 section, the purchasing officer may

5 (1) cancel the contract; or

6 (2) after notice and a hearing, assess a penalty on the  
7 bidder in an amount that does not exceed 10 percent of the value of  
8 the subcontract at issue.

9 Sec. 36.30.120. BID SECURITY. (a) Bid security shall be re-  
10 quired for all competitive sealed bidding for construction contracts  
11 when the price is estimated by the procurement officer to exceed an  
12 amount established by regulation of the commissioner. Bid security on  
13 construction contracts under the amount set by the commissioner may be  
14 required when the circumstances warrant. Bid security may be required  
15 for competitive sealed bidding for contracts for supplies, services,  
16 or professional services in accordance with regulations of the commis-  
17 sioner when needed for the protection of the state.

18 (b) Bid security must be a bond provided by a surety company  
19 authorized to do business in the state or otherwise supplied in a form  
20 satisfactory to the commissioner. Bid security must be in an amount  
21 equal to at least

22 (1) 10 percent of the amount of the bid if the bid does not  
23 exceed \$100,000; or

24 (2) 10 percent of the first \$100,000 and five percent of  
25 the amount of the bid over \$100,000 if the bid exceeds \$100,000 up to  
26 a maximum of \$200,000 in security.

27 (c) When the invitation to bid requires security, the procure-  
28 ment officer shall reject a bid that does not comply with the bid  
29 security requirement unless, in accordance with regulations, the

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 2d CS FOR HOUSE BILL NO. 276 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state procurement practices and  
7 procedures; and providing for an effective date."

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

9 \* Section 1. AS 36.30.005(a) is amended to read:

10 (a) Except as otherwise provided, all rights, powers, duties,  
11 and authority relating to the procurement of supplies, services, and  
12 professional services, and the control over supplies, services, and  
13 professional services vested in or exercised by an agency on Janu-  
14 ary 1, 1988 [JULY 1, 1987], are transferred to the commissioner of  
15 administration and to the chief procurement officer. Authority gran-  
16 ted under this subsection shall be exercised in accordance with this  
17 chapter.

18 \* Sec. 2. AS 36.30.005(b) is amended to read:

19 (b) Except as otherwise provided, all rights, powers, duties,  
20 and authority relating to the procurement of construction and procure-  
21 ments of equipment or services for the state equipment fleet and the  
22 control over construction of state facilities and the state equipment  
23 fleet vested in or exercised by an agency on January 1, 1988 [JULY 1,  
24 1987], are transferred to the commissioner of transportation and  
25 public facilities, subject to regulations adopted by the commissioner  
26 of administration. Notwithstanding AS 44.71.010, authority relating  
27 to disposals from the state equipment fleet is vested in the commis-  
28 sioner of transportation and public facilities, subject to regulations  
29 adopted by the commissioner of administration. Authority granted

1 under this subsection shall be exercised in accordance with this  
2 chapter.

3 \* Sec. 3. AS 36.30.050(b) is amended to read:

4 (b) A person who desires to be on a list shall submit to the  
5 commissioner evidence of a valid Alaska business license. A [TOGETHER  
6 WITH A] biennial fee may be established by regulation in an amount  
7 reasonably calculated to pay the costs of administering this section.  
8 A construction contractor shall also submit a valid certificate of  
9 registration issued under AS 08.18. The commissioner, by regulation,  
10 may require submission of additional information.

11 \* Sec. 4. AS 36.30.115(a) is amended to read:

12 (a) Within 48 [24] hours after receiving notice of intent to  
13 award [OPENING OF BIDS], the [TWO] apparent low bidder [BIDDERS] shall  
14 submit a list of the subcontractors the bidder proposes [BIDDERS  
15 PROPOSE] to use in the performance of the contract. The list must  
16 [SHALL] include the name and location of the place of business for  
17 each subcontractor and evidence of the subcontractor's valid Alaska  
18 business license. A bidder for a construction contract shall also  
19 submit evidence of each subcontractor's registration under AS 08.18.

20 \* Sec. 5. AS 36.30.115(b) is amended to read:

21 (b) A bidder may replace a listed subcontractor if the subcon-  
22 tractor

23 (1) fails to comply with AS 08.18;

24 (2) files for bankruptcy or becomes insolvent;

25 (3) fails to execute a contract with the bidder involving  
26 performance of the work for which the subcontractor was listed and the  
27 bidder acted in good faith;

28 (4) fails to obtain bonding;

29 (5) fails to obtain insurance acceptable to the state;

1 (6) fails to perform the contract with the bidder involving  
2 work for which the subcontractor was listed;

3 (7) must be substituted in order for the prime contractor  
4 to satisfy required federal affirmative action requirements;

5 (8) refuses to agree or abide with the bidder's labor  
6 agreement; or

7 (9) is determined by the procurement officer not to be a  
8 responsible bidder.

9 \* Sec. 6. AS 36.30.140(a) is amended to read:

10 (a) The procurement officer shall open bids [PUBLICLY IN THE  
11 PRESENCE OF ONE OR MORE WITNESSES] at the time and place designated in  
12 the invitation to bid. All bid openings are open to the public. The  
13 amount of each bid and other relevant information that is specified by  
14 regulation of the commissioner, together with the name of each bidder,  
15 shall be recorded.

16 \* Sec. 7. AS 36.30.170(b) is amended to read:

17 (b) The procurement officer shall award a contract based on  
18 solicited bids to the lowest responsive and responsible bidder after  
19 an Alaska bidder preference of five percent and an Alaska products  
20 preference as described in AS 36.30.322 - 36.30.338 have been applied.  
21 [NOTWITHSTANDING AN ALASKA PRODUCT PREFERENCE UNDER AS 36.30.322 -  
22 36.30.338, THE PROCUREMENT OFFICER SHALL AWARD A CONTRACT BASED ON  
23 SOLICITED BIDS TO THE LOWEST RESPONSIBLE AND RESPONSIVE ALASKA BIDDER  
24 IF THE BID IS NOT MORE THAN FIVE PERCENT HIGHER THAN THE LOWEST NON-  
25 RESIDENT BIDDER'S.] In this subsection, "Alaska bidder" means a  
26 person who

27 (1) holds a current Alaska business license;

28 (2) submits a bid for goods, services, or construction  
29 under the name as appearing on the person's current Alaska business

1 license;

2 (3) has maintained a place of business within the state  
3 staffed by the bidder or an employee of the bidder for a period of six  
4 months immediately preceding the date of the bid;

5 (4) is incorporated or qualified to do business under the  
6 laws of the state, is a sole proprietorship, and the proprietor is a  
7 resident of the state or is a partnership, and all partners are resi-  
8 dents of the state; and

9 (5) if a joint venture, is composed entirely of ventures  
10 that qualify under (1) - (4) of this subsection.

11 \* Sec. 8. AS 36.30.210(a) is amended to read:

12 (a) A request for competitive sealed proposals must contain the  
13 date, time and place for delivering proposals, a specific description  
14 of the supplies, construction, services, or professional services to  
15 be provided under the contract, and the terms under which the sup-  
16 plies, construction, services, or professional services are to be  
17 provided. The request shall require the offeror to submit evidence of  
18 the offeror's valid Alaska business license and, no later than 72  
19 hours after receiving notice of intent to award [THE DATE BY WHICH  
20 PROPOSALS MUST BE RECEIVED], to list subcontractors the offeror pro-  
21 poses to use in the performance of the contract. The list shall  
22 include the name and location of the place of business for each sub-  
23 contractor and evidence of the subcontractor's valid Alaska business  
24 license. An offeror for a construction contract shall also submit  
25 evidence of the offeror's registration under AS 08.18 and evidence of  
26 registration for each listed subcontractor.

27 \* Sec. 9. AS 36.30 is amended by adding a new section to read:

28 Sec. 36.30.305. LIMITED COMPETITION PROCUREMENTS. (a) A con-  
29 tract for supplies, services, professional services, or a construction

1 contract under \$100,000, may be awarded without competitive sealed  
2 bidding or competitive sealed proposals, in accordance with regula-  
3 tions adopted by the commissioner of administration. A contract may  
4 be awarded under this section only when the commissioner of adminis-  
5 tration, or, for construction contracts under \$100,000 or procurements  
6 for the state equipment fleet, the commissioner of transportation and  
7 public facilities, determines in writing that a situation exists that  
8 makes competitive sealed bidding or competitive sealed proposals  
9 impractical or contrary to the public interest. Procurements under  
10 this section shall be made with competition that is practicable under  
11 the circumstance. The authority to make a determination required by  
12 this section may not be delegated.

13 (b) The using agency shall submit written evidence to support a  
14 determination under this section.

15 (c) Procurement requirements may not be artificially divided,  
16 fragmented, aggregated, or structured so as to constitute a purchase  
17 under this section or to circumvent the source selection procedures  
18 required by AS 36.30.100 - 36.30.270.

19 (d) Sole source procurements may not be made under this section.

20 (e) Architectural, engineering, and land survey contracts under  
21 AS 36.30.270 may not be made under this section.

22 \* Sec. 10. AS 36.30.320(e) is amended to read:

23 (e) The procurement officer shall give adequate public notice of  
24 intent to make a procurement under this section in accordance with  
25 regulations adopted by the commissioner. [NOTICES SHALL ALSO BE  
26 PROVIDED TO THOSE ALASKA BIDDERS DESIGNATED BY THE COMMISSIONER UNDER  
27 AS 36.30.050(d).]

28 \* Sec. 11. AS 36.30.322(a) is amended to read:

29 (a) Only timber, lumber, and manufactured lumber products

1 originating in this state from Alaska [LOCAL] forests may be procured  
2 by an agency or used in construction projects of an agency unless [THE  
3 COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT CERTIFIES THAT] the  
4 manufacturers and suppliers who have notified the commissioner of  
5 commerce and economic development of their willingness to manufacture  
6 or supply Alaska forest products

7 (1) have been given reasonable notice of the forest product  
8 needs of the procurement or project; and

9 (2) are unable to supply the products at a cost that is  
10 within seven percent of the price offered by a manufacturer or sup-  
11 plier of non-Alaska forest products.

12 \* Sec. 12. AS 36.30.322 is amended by adding a new subsection to read:

13 (c) During the period of performance of a state contract, the  
14 contractor shall maintain records showing efforts made in using Alaska  
15 forest products or evidence of Alaska forest products not being avail-  
16 able or reasonably competitive. The contractor shall provide the  
17 records to the procurement officer on a periodic basis, as required by  
18 regulations adopted by the commissioner of commerce and economic  
19 development.

20 \* Sec. 13. AS 36.30.332(b) is amended to read:

21 (b) Materials and supplies with value added in the state that  
22 are

23 (1) more than 25 percent and less than 50 percent produced  
24 or manufactured in the state are [OF THE MANUFACTURER'S QUOTED PRICE  
25 IS A] Class I products [PRODUCT];

26 (2) 50 percent or more and less than 75 percent produced or  
27 manufactured in the state are [OF THE MANUFACTURER'S QUOTED PRICE IS  
28 A] Class II products [PRODUCT]; and

29 (3) 75 percent or more produced or manufactured in the

1 state are [OF A MANUFACTURER'S QUOTED PRICE IS A] Class III products  
2 [PRODUCT].

3 \* Sec. 14. AS 36.30.338(1) is amended to read:

4 (1) "Alaska product" means a product of which not less than  
5 25 percent of the value, as determined in accordance with regulations  
6 adopted under AS 36.30.332(a), has been added by manufacturing or  
7 production in the state [PRODUCED OR MANUFACTURED IN THE STATE IF THE  
8 VALUE ADDED IN THE STATE IS NOT LESS THAN 25 PERCENT OF THE QUOTED  
9 PRICE OF THE MANUFACTURER];

10 \* Sec. 15. AS 36.30.365 is amended to read:

11 Sec. 36.30.365. NOTICE OF INTENT TO AWARD A CONTRACT. At least  
12 10 days before the formal award of a contract that is not for con-  
13 struction, and at least five days before the award of a construction  
14 contract, under this chapter, except for a contract awarded under  
15 AS 36.30.300 - 36.30.320, the procurement officer shall provide to  
16 each bidder or offeror notice of intent to award a contract. The  
17 notice shall conform to regulations adopted by the commissioner.

18 \* Sec. 16. AS 36.30.565 is amended to read:

19 Sec. 36.30.565. TIME FOR FILING A PROTEST. (a) A protest based  
20 upon alleged improprieties in an award of a contract or a proposed  
21 award of a contract must [A SOLICITATION INVOLVING COMPETITIVE SEALED  
22 BIDDING THAT ARE APPARENT BEFORE THE BID OPENING SHALL BE FILED BEFORE  
23 THE BID OPENING. A PROTEST BASED ON ALLEGED IMPROPRIETIES IN A SOLIC-  
24 ITATION INVOLVING COMPETITIVE SEALED PROPOSALS THAT ARE APPARENT

25 (1) BEFORE THE DUE DATE FOR RECEIPT OF INITIAL PROPOSALS  
26 SHALL BE FILED BEFORE THAT DUE DATE;

27 (2) AFTER THE DUE DATE FOR RECEIPT OF INITIAL PROPOSALS  
28 SHALL BE FILED BEFORE THE NEXT DUE DATE FOR RECEIPT OF ADJUSTED PRO-  
29 POSALS THAT OCCURS AFTER THE IMPROPRIETIES ARE APPARENT.

1 (b) IN SITUATIONS NOT COVERED UNDER (a) OF THIS SECTION, PRO-  
2 TESTS SHALL] be filed within 10 days after a notice of intent to award  
3 the contract is issued by the procurement officer.

4 (c) If the protester shows good cause, the procurement officer  
5 of the contracting agency may consider a filed protest that is not  
6 timely.

7 \* Sec. 17. AS 36.30.610 is amended by adding a new subsection to read:

8 (c) The commissioner of administration or the commissioner of  
9 transportation and public facilities, as appropriate, shall, within 15  
10 days after receipt of an appeal, notify the appellant of the accep-  
11 tance or rejection of the appeal and, if rejected, the reasons for the  
12 rejection.

13 \* Sec. 18. AS 36.30.850(a) is amended to read:

14 (a) This chapter applies only to contracts solicited or entered  
15 into after January 1, 1988 [JULY 1, 1987], unless the parties agree to  
16 its application to a contract solicited or entered into before that  
17 date.

18 \* Sec. 19. AS 36.30.900 is amended to read:

19 Sec. 36.30.900. PREFERENCE FOR ALASKA PRODUCTS. This chapter  
20 does not modify [, AMEND, OR ALTER] AS 36.15.010 and 36.15.020 regard-  
21 ing preference for Alaska forest products, [OR AS 36.20.010 REGARDING  
22 PREFERENCE TO PRODUCERS OR DEALERS IN ALASKA] except as provided in  
23 AS 36.30.170(b) and (c).

24 \* Sec. 20. AS 36.30.050(d) and 36.30.380 are repealed.

25 \* Sec. 21. Section 65, ch. 106, SLA 1986 is amended to read:

26 Sec. 65. REPORT. By December 1, 1989 [1988], the commissioner  
27 of administration and the commissioner of transportation and public  
28 facilities shall report to the legislature concerning procurements by  
29 state agencies during fiscal year 1988 [1987]. The report must

1 include

2 (1) the records prepared under AS 36.30.510(4);

3 (2) recommendations for changes in AS 36.30 or other laws  
4 based on implementation of AS 36.30 in those 12 months; and

5 (3) a description of any matters that involved litigation  
6 concerning AS 36.30 during those 12 months.

7 \* Sec. 22. Section 66, ch. 106, SLA 1986 is amended to read:

8 Sec. 66. REGULATIONS DEADLINE. The regulations required under  
9 AS 36.30 as added by sec. 2 of this Act, shall be adopted by Jan-  
10 uary 1, 1988, [JULY 1, 1987] and shall be effective on that date.  
11 Regulations adopted under laws repealed in sec. 67 of this Act become  
12 ineffective January 1, 1988 [JULY 1, 1987].

13 \* Sec. 23. Section 69, ch. 106, SLA 1986 is amended to read:

14 Sec. 69. Except as provided in sec. 68, this Act takes effect  
15 January 1, 1988 [JULY 1, 1987].

16 \* Sec. 24. Sections 1, 2, 18, and 21 - 23 of this Act take effect  
17 immediately under AS 01.10.070(c).

18 \* Sec. 25. Sections 3 - 17, 19, and 20 of this Act take effect January  
19 1, 1988.

# HOUSE AMENDMENT

#5③

TO: CSHB 276 (SA)

BY: HANLEY

Page 9 Line 17 + 18

Page 9, line 17 -

AFTER Sec 21 - delete ~~the~~ the.

Rest of the line

Page 9, Line 18

Delete line 18

Page 9, line 17

AFTER Sec. 21, INSERT

"AS 36.30.380 is repealed."

Submit original amendment to the Chief Clerk.  
It will then be numbered and duplicated.

# ~~31~~  
2

A M E N D M E N T

Offered in the HOUSE

By Alyce Hanley

TO: CSHB 276(SA)

Page 5, Line 5 following "contracts"

Insert "under <sup>6,000,000.00"</sup> ~~2,000,000.00~~"

# 4

A M E N D M E N T

Offered in the HOUSE

By ~~Alyce Hanley~~  
Furnace

TO: CSHB 276(SA)

Page 5, Line 22 following "give"

Delete [ Adequate public notice ]

Insert "public notice of intent to make a procurement under this section in accordance with regulations adopted by the commissioner. A written determination by the procurement officer waiving notice requirements contained in AS 36.30.050(d) shall be included in the contract file."

NOW  
# 5

A M E N D M E N T

Offered in the HOUSE

By Donley

TO: ~~CSRS-275~~ (SA)

Page 2, line 12:

Delete "72"

Insert "48"

*Additional information*

A M E N D M E N T # 5

Offered in the HOUSE

By Alyce Hanley

TO: CSHB 276(SA)

Page 9, Line 17 following "Sec. 21" ~~Sec. 21~~

Insert "AS 36.30.380 is repealed."

The only section that should be repealed here is the one on evaluating and approving a contractors's accounting system. The only time this usually happens is when a contractor receives a cost plus contract and it is necessary to see if the costs of the rest of the work of the firm is not allocated to the contract that the state might award to the firm.

AS 36.30.050 - Repeals the requirement for the procurement officer to utilize the State Bidder's Mailing List.

AS 36.30.362 - Repeals the requirement to for the procurment to make a written determination why firm outside the state received a contract award.

AS 30.540(4) - Repeals the requirement to provide a listing to the legislature on contract awards to out of state firms.

AS 30.540(5) - Repeals the requirement to provide a listing to the legislature of contract awards to instate firms.

A M E N D M E N T

#5

Offered in the HOUSE

By Donley

TO: CSHB 39(Fin)

Page 15, after line 1:

Insert a new bill section to read:

"\* Sec. 7. AS 14.43.120(j) is amended to read:

(j) A portion of a loan shall be paid on behalf of the borrower by the state if, upon completion of the course of study for which the loan was granted, the borrower is a resident of the state for at least two years. The portion of the loan that shall be paid by the state is the following percentages of the total loan received plus interest up to a total of 25 [50] percent of the total loan:

(1) two - three years residence in the state, 5 [10] percent;

(2) three - four years residence in the state, an additional 5 [10] percent;

(3) four - five years residence in the state, an additional 5 [10] percent;

(4) five - six years residence in the state, an additional 5 [10] percent;

(5) over six years residence in the state, an additional 5 [10] percent."

Renumber the following bill sections accordingly.

HOUSE JOURNAL HB 276  
HB 276

HOUSE BILL NO. 276 by the Rules Committee by request of the Governor, entitled:

"An Act relating to state procurement practices and procedures; and providing for an effective date."

was read the first time and referred to the State Affairs, Judiciary and Finance Committees.

Two zero fiscal notes and one zero fiscal note with analysis were published April 17, 1987.

The Governor's transmittal letter, dated April 15, 1987, appears below:

"Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill making necessary amendments to the state procurement code that was enacted last year (ch. 106, SLA 1986) with a July 1, 1987 effective date. HB 192, the bill deferring the effective date of the procurement code, proposed a two-year deferment; the House State Affairs Committee, in CSHB 192(SA), recommended a one-year deferment. The attached bill combines various substantive amendments with only a six-month deferment.

The legislature's conference committee on the budget last year reduced the procurement code's fiscal note to zero. However, several of its provisions, such as those pertaining to handling sole-source procurements, the extended and revised protest period, the appeals requirements, and the small procurement requirement are very "work intensive." The problem is exacerbated by the state's current fiscal crisis. There simply is no way to implement the provisions of the code right now. This bill's six-month postponement will give the state a chance to begin to regain its fiscal footing before taking on the new procedures set out in the procurement code. In addition, the amendments in this bill help tailor the code to conditions in Alaska. This bill is not, however, a general clean-up of the code.

To aid in your analysis of this bill, here is a section-by-section commentary on it:

Sections 1, 2, 15, 18, and 21 -- 23:

These are the deferment sections. Section 23, amending sec. 69, ch. 106, SLA 1986, is the most significant in that it changes the overall effective date of the procurement code.

The other sections in this group make corresponding amendments in other time-related provisions that were enacted in ch. 106, SLA 1986.

Section 3:

AS 36.30.050(b) is amended to delete the blanket requirement of a biennial fee for getting on a list of contractors. Charging contractors to be on a bidder's list is prohibited by federal regulations on federally assisted construction projects. Even though using a bidder's list is only an available option in advertising for construction projects, it is impractical to maintain separate lists or systems for state-funded versus federally assisted projects. This amendment's proposed discretionary language would allow construction bidders list fees to be optional or to be eliminated if that would be appropriate.

Section 4:

AS 36.30.115(a) is amended to change the 24-hour requirement to a 72-hour requirement for submitting a list of subcontractors and to change the triggering event from the opening of bids to the receipt of the notice of intent to award. These amendments are necessary to provide appropriate flexibility in the handling of bids and subcontractor lists, and are consistent with the amendment in sec. 7 of this bill. With these changes, it is also advisable to delete the requirement that the two lowest bidders submit the list of subcontractors, as sec. 4 does. These amendments will be more cost-effective for both the state and the contractors.

Section 5:

AS 36.30.140(a) is amended to delete the requirement of the presence of a witness during bid openings. Although bid openings are open to the public, many of them have no members of the public in attendance. When no member of the public attends, it is necessary to assign an employee to be a witness. The effectiveness of such a procedure is questionable, and the use of employee time for such a function is wasteful. With the current and impending cutbacks in staff, such a procedure would be especially troublesome. Therefore, this amendment is necessary.

Section 6:

AS 36.30.170(b) is amended so that the apparent low bidder at a bid opening can be quickly announced. The current statute can be awkward to put into practice.

Section 7:

AS 36.30.210(a) is amended to conform to the 72-hour amend-

ment of AS 26.30.115(a) (in sec. 4 of this bill). The requirements for listing subcontractors should be consistent among the various methods of procurement.

Section 8:

A proposed new section, AS 36.30.305, establishes a procedure in between the "sole source" procurements of AS 36.30.-300 and the "emergency" procurements of AS 36.30.310. It is thus a "semi" or "modified" sole source procurement provision. This new statute will serve the state's need for a method to procure which is broader than sole-source procurement but does not require all of the details of a competitive sealed process. This language provides broader purchasing capability. Failure to add this section would mean that the Department of Administration would have to write significantly more bids with a reduced staff.

Section 9:

AS 36.30.320(e) is amended to delete the requirement of sending notices to Alaska bidders designated by the commissioner under AS 36.30.050(d). The latter statute, which is being repealed in sec. 20 of this bill, pertains to small procurements. For every small procurement an agency might wish to make, it would be required by the current provision to contact the Department of Administration which would provide from the computerized list of contractors three names on a rotating basis. The requesting agency would have to contact those three contractors for quotes. We estimate that there are more than 70,000 small procurements made each year. The repeal of AS 36.30.050(d) is discussed below in connection with sec. 20 of the bill.

Section 10:

AS 36.30.322(a) is amended in two respects. First, "Alaska" is substituted for "local" to make clear that the requirement for use of timber and lumber products originating in this state means originating in an Alaska forest, not necessarily a southeastern forest or a southcentral forest, etc. The current language could produce an undesirable regionalism within the state, and I do not believe that that is what was intended with the original enactment. Secnd, an unnecessary step, certification by the commissioner of commerce and economic development, is removed so that the Department of Commerce and Economic Development does not have to check up on each contract to see that sufficient notice has been given and that Alaska manufacturers were in fact unable to provide the product within the seven percent margin. The requirements for reasonable notice, etc., are not being changed.

Section 11:

A new subsection is added to AS 36.30.322 to establish a record-keeping procedure that will serve in the case of a challenge to the bid practices. This will assure that proper records will exist to document the use of preferred products.

Section 12:

AS 36.30.332(b) is amended by deleting references to the "manufacturer's quoted price" to make the language consistent with subsec. (a) and to ensure that the certification process does not become excessively complex, burdensome, or time-consuming. As currently written, the references in subsec. (b) to "manufacturer's quoted price" could require a certified public accountant's audit and statement detailing incoming materials costs and providing a detailed cost analysis of the manufacturing process. The amendment would allow the broad categories and criteria established by regulations adopted under subsec. (a) to be the basis for the determination required by subsec. (b). It would thus make the whole certification process more efficient.

Technical, grammatical corrections are also being made in AS 36.30.332(b).

Section 13:

AS 36.30.338(1), the definition of "Alaska product," is amended to delete the reference to the "quoted price of the manufacturer," consistent with the changes made in sec. 12 of the bill. The re-wording of this definition also ties in the regulations that existing AS 36.30.332(a) requires, and thus makes the definition clearer.

Section 14:

AS 36.30.365 is amended so that construction contracts are not unduly delayed. For many years, the applicable statute allowed five rather than 10 days for construction contract award protests, and it is desirable to continue that fair and efficient practice. This statute is also amended to make clear that contracts awarded under the sole-source statute (AS 36.30.300), the limited competition procurements statute (AS 36.30.305, proposed in sec. 8 of the bill), the emergency procurement statute (AS 36.30.310), or the small procurements statute (AS 36.30.320) are not covered by the 10-day or five-day requirement for providing to each bidder or offeror notice of intent to award a contract. The 10-day, and even the five-day, requirement could cause unnecessary delay in the award of contracts that should not be delayed.

Sections 16 and 17:

The amendment, in secs. 16 and 17, of AS 36.30.565 and

AS 36.30.610, respectively, will make the appeal process more efficient by limiting appeals to those of the award or proposed award. Language relating to an appeal before a bid is opened is deleted. This will simplify the whole procedure while still assuring fair treatment of all parties.

Section 19:

AS 36.30.900 is amended in two ways. First, two redundant verbs are deleted, in order to simplify and streamline the language. Second, a reference to AS 36.20.010 is deleted because that statute was repealed by sec. 67, ch. 106, SLA 1986.

Section 20:

Several statutes are repealed, as follows:

AS 36.30.050(d), the requirement that lists of contractors be used in providing notice of intent to make a small procurement, is repealed because it would require the Department of Administration to revise its bid-list program to provide names on a rotating basis. The estimated cost of the computer software alone is \$20,000. Also, the current provision requires that all departments use the names provided, something that would be relatively simple if the purchaser were always in an office with access to a computer. However, numerous offices do not have that access. In addition, the requirement to contact vendors does not take into account the vendor's location or real interest in the specific procurement. For example, a Department of Fish and Game employee in Soldotna could be required to call the Anchorage office to get the names of three vendors who turn out to be located in Nome, Ketchikan, and Haines. The purchaser would then have to make

three long-distance calls to get quotations. Since the purchaser would be allowed to secure additional quotations, he or she could probably get a local quotation that turns out to be well below those obtained through this elaborate procedure. Thus, this statute is wasteful at a time when it is critical that the state government be more efficient.

AS 36.30.362, a provision requiring the state to provide a superfluous written statement (explaining the basis of an award to a person who does not reside or maintain a place of business in Alaska) is repealed. Bids are awarded to low responsive bidders even if they are located outside the state. A written statement explaining the award accomplishes nothing.

AS 36.30.380, which requires approval of proposed

contractors' accounting systems, would be repealed. This section appears to require the state to approve all accounting systems for contracts awarded by the sealed proposal method. Some bidders will be major corporations, and it would be foolish to waste state staff time reviewing, analyzing, and approving their accounting systems. This would be very costly, and, if it is not done properly, could expose the state to claims or overcharges.

AS 36.30.540(4) and (5), requiring the state to make listings of all procurements made within the state and outside the state, are being repealed. These lists are never consulted and provide no usable information.

Section 24:

The deferment sections of this bill have been given an immediate effective date so that everyone involved in dealing with the procurement code, both the public and the administrators, will be able to make appropriate plans. The other sections of this bill have been given a January 1, 1988 effective date to coincide with the proposed deferred effective date of all but one section of ch. 106, SLA 1986. (Section 66 of last year's Act was given an immediate effective date at that time to enable the regulations-adoption project to get started.)

Enactment of this bill will streamline procurement activities of the state and will result in an enormous cost-savings at this critical time. It is necessary to enact this bill this session. I strongly urge your prompt and favorable action on this measure.

Sincerely,

/s/

Steve Cowper  
Governor"

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

22

REQUEST: \_\_\_\_\_

Bill Version CSHB 276(SA)  
Publish Date: HOUSE 5/6/87

Revision Date: \_\_\_\_\_  
Title: Procurement Practices and  
Procedures; provide for effect. date  
Sponsor: Governor  
Requestor: House Finance

Agency Affected: DOT&PF  
BRU: Design & Construction,  
Engineering & Operations Standards  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
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						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) Minor reductions in costs are spread throughout the department; however, none are of significant magnitude that could be identified in specific operating budgets. No additional funds were provided when the procurement bill passed last session.

Prepared by: Loren Rasmussen Phone: 465-2960  
Division: Engineering & Operations Standards Date: 5-5-87

Approved by Commissioner: *M. L. H.* Date: 5-5-87  
Agency: Transportation & Public Facilities

- Distribution (by preparer):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

HOUSE JOURNAL MAY 5, 1987  
HB 276

The State Affairs Committee has considered:

HOUSE BILL NO. 276

"An Act relating to state procurement practices and procedures; and providing for an effective date."

and recommends it be replaced with:

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 276  
(State Affairs)  
(same title)

Recommending do pass (4): Ulmer (Chairman), Martin, Boucher, Davidson

No recommendation (2): Donley, Hoffman

HB 276 was referred to the Judiciary Committee.

HOUSE JOURNAL MAY 5, 1987  
HB 276

The Speaker waived the Judiciary Committee referral on the following bill at the request of the Chairman:

HOUSE BILL NO. 276

"An Act relating to state procurement practices and procedures; and providing for an effective date."

HB 276 was sent to the Finance Committee.

HOUSE JOURNAL MAY 5, 1987

The House Finance Committee considered:

HB 276 - "An Act relating to state procurement practices and procedures; and providing for an effective date."

AND RECOMMENDS: REPLACE WITH CSHB 276 (STATE AFFAIRS)/FISCAL NOTE SAME AS PREVIOUS ZERO FISCAL NOTE PUBLISHED 4/17/87 PLUS ATTACHED NEW ZERO FISCAL NOTE.

Recommending do pass: Pourchot, Swackhammer, Boyer, Goll, Wallis, Rieger, Frank, Davis

No Recommendation: Brown

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

**REQUEST:** 4/6/87

**Bill Version:** HB 276  
**Publish Date:** HOUSE 4/17/87

**Revision Date:** \_\_\_\_\_

**Agency Affected:** DOT&PF

**Title:** An Act Relating to State Procurement

**BRU:** Design & Construction

**& Procedures:** & Providing for an Effective Date

Engineering & Operations Standards

**Sponsor:** Governor

**Components:** \_\_\_\_\_

**Requestor:** \_\_\_\_\_

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
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
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

<b>CAPITAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
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<b>REVENUE</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
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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
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**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)

The fiscal impact of this bill is zero. Although the attached analysis shows a reduced expenditure of \$136,000, it does not represent a true reduction. The department had to absorb an estimated expenditure of \$200,000 when the original procurement legislation was passed last session with a zero fiscal note.

Prepared by: Loren Rasmussen  
Division: Engineering & Operations Standards

Phone: 465-2960  
Date: 4/8/87

Approved by Commissioner: M. L. S. H.  
Agency: Transportation & Public Facilities

Date: 4/9/87

- Distribution (by preparer):
- Legislative Finance
  - Legislative Sponsor
  - Requestor
  - Office of Management and Budget
  - Impacted Agency(ies)
  - Senate Secretary

ANALYSIS RE:

HB \_\_\_\_\_ An Act Relating to State Procurement Practices and Procedures; and Providing for an Effective Date

NOTE:

It must be noted that the original procurement bill was passed last year with a zero fiscal note when the estimated impact was \$200,000. Therefore the cost savings shown in this fiscal note are costs that are absorbed in DOT&PF operating and CIP budgets and no actual reduction would occur.

Section by Section review and analysis:

Given data (from DOT&PF records):

1. 200 construction contracts annually.
2. Estimate 300 contractors on bidders list.
3. Estimate 300 to 500 consultants on bidders list.
4. 175 consultant contracts annually.
5. 1700 quotes on small purchases annually.
6. \$35/hr cost of an Engineer.
7. \$20/hr cost of a clerk.

Section 1. Eliminates biennial fee for getting on the construction contractors bidder list.

Assume Bidders List is 300:

$$\frac{\$25 \times 300}{2} = \$3,750 \text{ savings to the contractors*}$$

Cost of maintaining the list:

$$(3/\text{hrs}/\text{wk}) (3 \text{ regions}) (52 \text{ wk}) (\$20/\text{hr}) = \$9,360$$

Say \$10,000 savings to DOT&PF

Section 2. Listing of subcontractors 72 hours after Letter of Intent to Award and only from apparent low bidder.

$$(200 \text{ projects annually}) (4 \text{ hrs to put list together}) (\$35) = (200) (4) (\$35) = \$28,000 \text{ savings to the contractors*}$$

½ hour savings to check subs listing

$$(200) (.5) (\$35/\text{hr}) = \$3,500$$

Say \$4,000 savings to DOT&PF

Section 3. Eliminates witness at bid opening.

\* does not show on fiscal note

$(.5/\text{hr}) (3 \text{ regions}) (52/\text{wk}) (\$20/\text{hr}) = \$1,560$

Say \$2,000 savings to DOT&PF

Section 4. Amends the code so that the apparent low bidder can be announced quickly - large savings or benefit may be in preventing bidder errors.

Assume:

$\frac{1}{2}$ /hour savings at each bid opening

$(.5/\text{hr}) (3 \text{ regions}) (52/\text{wks}) (\$35/\text{hr}) = \$2,730$

Say \$3,000

Section 5. 72 hour requirement for listing subcontracts on proposal type contracts.

These contracts are negotiated type consultant contracts and the actual savings would be in time and administrative costs.

Section 6. A procedure for contracts between sole source and emergencies.

No savings to DOT&PF - present law provides a similar system for construction contracts.

Section 7. Small purchases on a rotating basis.

$(1700 \text{ "quotes"}) (.5/\text{hr "required"}) (\$20/\text{hr}) = \$17,000$

Section 8. Changes "local" to "Alaska" forest products and certification on a statewide basis instead of project by project basis..

$(200 \text{ projects annually}) (2/\text{hrs to put certification together}) (\$35/\text{hr}) = \$14,000 \text{ to DOT\&PF}$

(The same type of savings to the contractors\*)

Section 9. Added record section for keeping requirements for Alaska products.

No cost savings to DOT&PF

Added cost to contractors:  $(200) (2/\text{hrs}) (\text{annually}) (\$35) = \$14,000^*$

Section 10. Deleting reference to "manufacturer's quoted price"

No cost savings to DOT&PF.

Section 11. Same as Section 10.

Section 12. Provides for awarding a construction contract in 5 days.

There would be a savings to DOT&PF mainly in time - the amendment would save 5 days in awarding contracts - but not all contracts can or would be actually awarded in 5 days. It is not practical to put a cost for this section.

Section 13  
and 14.

Eliminates bid protests during the advertising time of a project (before bid openings).

Although there could be substantial savings to the DOT&PF for this section (by allowing a critical project to proceed to the bid opening stage) it is not practical to compute an actual savings.

Section 15. Cleans up language for Alaska products (forest products).

No fiscal impact on DOT&PF.

Section 16. Repeals several sections.

AS 36.30.050(d) - small procurement using a contractor list (see section 7)

AS 36.30.362 - eliminates the written statements explaining awards for out-of-state contractors.

(200 projects annually) (10% out-of-state contractors) (1/hr for letter) (\$35/hr) = \$700  
Say \$1,000

AS 36.30.380 - Eliminates approval of contractors accounting system.

(175 consultant contracts) (1.4 contracts/consultants) = 125  
(125) (2 days) (7.5 hr/day) (\$35/hr) = \$65,625  
Travel (10% of 125) (1 trip) (\$1,500/trip) = \$18,750  
\$84,375

Say \$85,000

AS 36.30.540(4) & (5) - Eliminates making a list of in-and-out-of-state contractors.

(3 days) (7.5/hr) (\$20/hr) = \$450

Section 17. Effective date of July 1, 1987 but note HB 192 proposes a delay.

Summary:

Section 1.	10,000	
Section 2.	4,000	
Section 3.	2,000	
Section 4.	3,000	
Section 5.	-	(Time only)
Section 6.	-	(DOA)
Section 7.	17,000	
Section 8.	14,000	
Section 9.	-	(DC&ED)
Section 10.	-	(DC&ED)
Section 11.	-	(DC&ED)
Section 12.	-	(Time only)
Section 13.	-	(Impractical to estimate)
Section 14.	-	(Impractical to estimate)
Section 15.	0	
Section 16		
AS 36.30.050(d)	-	(See section 7)
AS 36.30 362	1,000	
AS 36.30.380	85,000	
Section 17.	-	(Effective date
	<u>\$136,000**</u>	

\*\* \$85,000 would be assumed to be in the Capital Budget the remaining \$51,000 would be in the Operating Budget.



Page 17, lines 4 - 15:

Delete all material

Renumber the following bill sections accordingly.

Page 21, line 23:

Delete all material

Renumber the following bill section accordingly.

*Draft  
Amended Pages  
11-22  
CSHB 39(Fin)am*

1           Sec. 14.42.260. NONLIABILITY ON BONDS. (a) The members of the  
2 board and individuals executing the bonds of the corporation are not  
3 liable personally on the bonds or subject to personal liability or  
4 accountability by reason of the issuance of the bonds.

5           (b) The bonds issued by the corporation do not constitute an  
6 indebtedness or other liability of the state or of a political sub-  
7 division of the state, except the corporation, but shall be payable  
8 solely from the income and receipts or other funds or property of the  
9 corporation. The corporation may not pledge the faith or credit of  
10 the state, or of a political subdivision of the state, except the  
11 corporation, to the payment of a bond. Issuance of a bond by the  
12 corporation does not directly, indirectly, or contingently obligate  
13 the state or a political subdivision of the state to apply money from,  
14 or levy or pledge any form of taxation whatever to the payment of the  
15 bond.

16           Sec. 14.42.265. UNDERWRITERS. The board may select one or more  
17 underwriters for its bonds in accordance with procedures

18           (1) for the award of a contract under AS 36.30.200 -  
19 36.30.260; or

20           (2) adopted by regulations of the board that are based on  
21 the competitive principles of AS 36.30.200 - 36.30.260 and are adapted  
22 to the special needs of the corporation in the selling of its bonds as  
23 determined by the board.

24           Sec. 14.42.270. PLEDGE AND AGREEMENT OF STATE. The state  
25 pledges to and agrees with holders of bonds issued by the corporation  
26 that the state will not limit or alter the rights and powers vested in  
27 the corporation under AS 14.42.100 - 14.42.330 to fulfill the terms of  
28 a contract made by the corporation with the bondholders or in any way  
29 impair the rights and remedies of the bondholders until the bonds,  
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1 together with the interest on them with interest on unpaid install-  
2 ments of interest, and all costs and expenses in connection with an  
3 action or proceeding by or on behalf of the bondholders, are fully met  
4 and discharged. The corporation may include this pledge and agreement  
5 of the state in a contract with bondholders.

6 Sec. 14.42.280. EXEMPTION FROM TAXATION. The real and personal  
7 property of the corporation and its assets, income, and receipts are  
8 declared to be the property of a political subdivision of the state  
9 and devoted to an essential public and governmental function and  
10 purpose, and the property, assets, income, receipts, and other in-  
11 terests of the corporation are exempt from all taxes and special  
12 assessments of the state or a political subdivision of the state,  
13 including municipalities, school districts, public utility districts,  
14 and other governmental units. Bonds of the corporation are declared  
15 to be issued by a political subdivision of the state and for an essen-  
16 tial public and governmental purpose, and the bonds, interest on them,  
17 income from them, and transfer of them, and all assets, income, and  
18 receipts pledged to pay or secure the payment of the bonds, or inter-  
19 est on them, are exempt from taxation by or under the authority of the  
20 state, except for inheritance and estate taxes and taxes on transfers  
21 by or in contemplation of death.

22 Sec. 14.42.290. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. The  
23 bonds of the corporation are securities in which public officers and  
24 bodies of the state, municipalities, insurance companies, insurance  
25 associations, other persons carrying on an insurance business, banks,  
26 bankers, trust companies, savings banks, savings associations, build-  
27 ing and loan associations, investment companies, other persons carry-  
28 ing on a banking business, administrators, guardians, executors,  
29 trustees, other fiduciaries, and other persons who are authorized to  
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1 invest in bonds or other obligations of the state, may properly and  
2 legally invest funds including capital in their control or belonging  
3 to them. Notwithstanding any other provisions of law, the bonds of  
4 the corporation are also securities that may be deposited with and may  
5 be received by public officers and bodies of the state and municipal-  
6 ities for any purpose for which the deposit of bonds or other obliga-  
7 tions of the state is now or may be authorized.

8 Sec. 14.42.300. OPERATION OF CERTAIN STATUTES EXCEPTED. (a)  
9 The corporation is not a municipality as the term is defined in  
10 AS 01.10.060. Except as provided in AS 14.42.190, the corporation is  
11 not subject to AS 37. For all other purposes the corporation is a  
12 political subdivision and an instrumentality of the state.

13 (b) The funds, income, and receipts of the corporation are not  
14 money of the state, nor may real property in which the corporation has  
15 an interest be considered land owned in fee by the state or to which  
16 the state may become entitled or in any way land belonging to the  
17 state, or state land referred to in art. VIII of the Alaska Constitu-  
18 tion.

19 Sec. 14.42.310. ANNUAL AUDIT. The financial records of the  
20 corporation shall be audited annually by the legislative auditor or by  
21 a certified public accountant approved by the legislative auditor.  
22 The legislative auditor may prescribe the form and content of the  
23 financial records of the corporation and shall have access to these  
24 records at any time.

25 Sec. 14.42.500. DEFINITIONS. In AS 14.42.100 - 14.42.500,

26 (1) "board" means the board of directors of the corpo-  
27 ration;

28 (2) "corporation" means the Alaska Student Loan Corpora-  
29 tion.  
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1 \* Sec. 3. AS 14.43.090(a) is amended to read:

2 (a) There is created a scholarship revolving loan fund. The  
3 fund shall be used to make scholarship loans to students selected  
4 under AS 14.43.090 - 14.43.160, [AND] to pay the costs of collecting  
5 scholarship [STUDENT] loans that are in default if those costs are not  
6 recovered from the student, and to pay the costs of administering the  
7 fund. Unless the instrument evidencing the scholarship loan has been  
8 sold or assigned to the Alaska Student Loan Corporation, [. ALL]  
9 repayments of principal and interest on a scholarship loan [LOANS]  
10 shall be paid into the scholarship revolving loan fund. If money  
11 estimated to be available [FROM SCHOLARSHIP LOAN REPAYMENTS] is inade-  
12 quate to fully fund estimated scholarship loans for any fiscal year,  
13 additional funding from the general fund may be requested and appro-  
14 priated for that year.

15 \* Sec. 4. AS 14.43.090 is amended by adding a new subsection to read:

16 (d) The student financial aid committee created under AS 14.43.-  
17 095 may sell or assign notes and other instruments evidencing scholar-  
18 ship loans to the Alaska Student Loan Corporation and enter into  
19 agreements with the corporation relating to loans, the administration  
20 of the student loan fund created under AS 14.42.210, and the payment  
21 of and security for bonds of the corporation. Proceeds from the sale  
22 or assignment of notes and other instruments shall be deposited in the  
23 scholarship revolving loan fund.

24 \* Sec. 5. AS 14.43.120(h) is amended to read:

25 (h) Security may not be required for a loan [THE LOANS]; how-  
26 ever, provision shall be made for payment of all [ATTORNEY] fees and  
27 costs [OF COURT IF EITHER OR BOTH ARE] incurred in collection of the  
28 amount owed on the loan if it becomes delinquent or in default.

29 \* Sec. 6. AS 14.43.120(i) is amended to read:  
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1 (i) If a loan is in default, the commission shall notify the  
2 borrower that repayment of the remaining balance is accelerated and  
3 due by sending the borrower a notice by registered or certified mail.  
4 The permanent fund dividend of a borrower may be taken under AS 43.-  
5 23.065(b)(4) to satisfy the balance due on the defaulted loan.

6 \* Sec. 7. AS 14.43.120(1) is amended to read:

7 (1) The state shall [WILL] pay the interest on that portion of a  
8 loan that is not federally insured during

9 (1) the period in which the borrower is a full-time student  
10 [BEFORE THE BEGINNING OF THE REPAYMENT PERIOD OF THE LOAN];

11 (2) deferments under (k) of this section; or

12 (3) the 12 months after the borrower ceases to be a  
13 full-time student if the borrower has paid an amount equal to 10  
14 percent of the total loan balance before the end of the 12-month  
15 period.

16 \* Sec. 8. AS 14.43.120 is amended by adding a new subsection to read:

17 (r) The rate of interest, time of payment of an installment of  
18 principal or interest, or other terms of a scholarship loan may be  
19 modified if required to establish or maintain tax-exempt status under  
20 26 U.S.C. 103 (Internal Revenue Code of 1986), as amended, for the  
21 interest on bonds issued by the Alaska Student Loan Corporation.

22 \* Sec. 9. AS 14.43.125 is amended by adding a new subsection to read:

23 (c) A person may not be awarded a scholarship loan under AS 14.-  
24 43.090 - 14.43.160 if a family education loan is made on behalf of  
25 that person under AS 14.43.710 - 14.43.790 or if that person receives  
26 a teacher scholarship loan under AS 14.43.600 - 14.43.700 for the same  
27 school year.

28 \* Sec. 10. AS 14.43.255(a) is amended to read:

29 (a) There is created a memorial scholarship revolving loan fund.  
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1 The fund shall be used to provide educational scholarship loans to  
2 students selected under AS 14.43.250 - 14.43.325. Unless the instru-  
3 ment evidencing the memorial scholarship loan has been sold or as-  
4 signed to the Alaska Student Loan Corporation, repayments [REPAYMENTS]  
5 of a loan [LOANS MADE UNDER AS 14.43.250(b)(1) - (4)] shall be de-  
6 posited into the memorial scholarship revolving loan fund and [REPAY-  
7 MENTS OF LOANS MADE UNDER AS 14.43.250(b)(5) SHALL BE DEPOSITED INTO  
8 THE SCHOLARSHIP REVOLVING LOAN FUND CREATED UNDER AS 14.43.090.  
9 REPAYMENTS] shall be used to make new loans.

10 \* Sec. 11. AS 14.43.255 is amended by adding a new subsection to read:

11 (c) The student financial aid committee created under AS 14.43.-  
12 095 may sell or assign notes and other instruments evidencing memorial  
13 scholarship loans to the Alaska Student Loan Corporation and enter  
14 into agreements with the corporation relating to loans, the adminis-  
15 tration of the student loan fund created under AS 14.42.210, and the  
16 payment of and security for bonds of the corporation. Proceeds from  
17 the sale or assignment of a note or other instrument shall be de-  
18 posited in the appropriate memorial scholarship loan fund account.

19 \* Sec. 12. AS 14.43.620 is amended to read:

20 Sec. 14.43.620. TEACHER SCHOLARSHIP REVOLVING LOAN FUND. There  
21 is created a teacher scholarship revolving loan fund. The fund shall  
22 be used to make scholarship loans to students selected under AS 14.-  
23 43.600 - 14.43.700. Unless the instrument evidencing the teacher  
24 scholarship loan has been sold or assigned to the Alaska Student Loan  
25 Corporation, [ALL] repayments of principal and interest on a teacher  
26 scholarship loan [LOANS] shall be paid into the teacher scholarship  
27 revolving loan fund and shall be used to make new teacher scholarship  
28 loans. If estimated funds available [FROM TEACHER SCHOLARSHIP LOAN  
29 REPAYMENTS] are inadequate to fully fund estimated teacher scholarship  
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1 loans for any fiscal year, additional funding from the general fund  
2 may be requested and appropriated for that year.

3 \* Sec. 13. AS 14.43.620 is amended by adding a new subsection to read:

4 (b) The student financial aid committee created under AS 14.43.-  
5 095 may sell or assign notes and other instruments evidencing teacher  
6 scholarship loans to the Alaska Student Loan Corporation and enter  
7 into agreements with the corporation relating to loans, the adminis-  
8 tration of the student loan fund created under AS 14.42.210 and the  
9 payment of and security for bonds of the corporation. Proceeds from  
10 the sale or assignment of the notes or other instruments shall be  
11 deposited in the teacher scholarship revolving loan fund.

12 \* Sec. 14. AS 14.43.640(b) is amended to read:

13 (b) If a borrower meets the conditions provided in (a) of this  
14 section and is employed as a teacher in a rural elementary or secon-  
15 dary school, the portion of the loan that shall be paid by the state  
16 [, NOTWITHSTANDING AS 14.43.120(j),] is the following percentages of  
17 the total loan received plus interest up to a total of 100 percent of  
18 the total loan:

- 19 (1) one year employment, 15 percent;  
20 (2) two years employment, an additional 15 percent;  
21 (3) three years employment, an additional 15 percent;  
22 (4) four years employment, an additional 25 percent;  
23 (5) over four years employment, an additional 30 percent.

24 \* Sec. 15. AS 14.43.650(c) is repealed and reenacted to read:

25 (c) A student may not be awarded a teacher scholarship loan  
26 under AS 14.43.600 - 14.43.700 if a family education loan is made on  
27 behalf of the student under AS 14.43.710 - 14.43.790 or if the student  
28 receives a scholarship loan under AS 14.43.090 - 14.43.160 for the  
29 same school year.  
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1 \* Sec. 16. AS 14.43 is amended by adding new sections to read:

2 ARTICLE 8. ALASKA FAMILY EDUCATION LOAN PROGRAM.

3 Sec. 14.43.710. PROGRAM ESTABLISHED. The Alaska family educa-  
4 tion loan program is established to provide low interest loans to  
5 families to assist in paying the costs of postsecondary education for  
6 family members.

7 Sec. 14.43.720. FAMILY EDUCATION LOAN ACCOUNT. (a) The family  
8 education loan account is created within the scholarship revolving  
9 loan fund (AS 14.43.090). The account shall be used to make family  
10 education loans to families selected under AS 14.43.710 - 14.43.790,  
11 to pay the costs of collecting family education loans that are in  
12 default if those costs are not recovered from the family, and to pay  
13 the costs of administering the account. Unless the instrument evi-  
14 dencing the family education loan has been sold or assigned to the  
15 Alaska Student Loan Corporation, repayments of principal and interest  
16 on family education loans shall be paid into the family education loan  
17 account. If estimated funds available from family education loan  
18 repayments are inadequate to fully fund estimated family education  
19 loans in a fiscal year, additional funding from the general fund may  
20 be requested and appropriated for that year.

21 (b) The student financial aid committee created under AS 14.43.-  
22 095 may sell or assign notes and other instruments evidencing family  
23 education loans to the Alaska Student Loan Corporation and enter into  
24 agreements with the corporation relating to loans, the administration  
25 of the student loan fund created under AS 14.42.210, and the payment  
26 of and security for bonds of the corporation. Proceeds from the sale  
27 or assignment of notes and other instruments shall be deposited in the  
28 family education loan account.

29 Sec. 14.43.730. ADMINISTRATION. The family education loan  
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1 program shall be administered by the student financial aid committee  
2 (AS 14.43.095) under regulations adopted by the committee.

3 Sec. 14.43.740. LOAN TERMS AND CONDITIONS. (a) The provisions  
4 of AS 14.43.100, 14.43.110, 14.43.115, 14.43.120(a) - (d), (i), (m),  
5 and (r), and 14.43.135, apply to a loan made under AS 14.43.710 -  
6 14.43.790.

7 (b) The provisions of AS 14.43.120(p) apply to a loan made under  
8 AS 14.43.710 - 14.43.790 with respect to the family member on whose  
9 behalf a loan is made.

10 (c) Interest on a loan made under AS 14.43.710 - 14.43.790 is at  
11 a rate of five percent a year unless the loan is in default. Interest  
12 on a loan that is in default is 10 percent a year.

13 (d) Repayment of the principal and interest on a loan made under  
14 AS 14.43.710 - 14.43.790 begins on the first of the month immediately  
15 following loan disbursement. The loan may be cancelled without preju-  
16 dice at any time before actual disbursement. The loan shall provide  
17 for repayment of the total amount owed in periodic installments in not  
18 more than 10 years from the commencement of repayment. If the commis-  
19 sion and the borrower agree to a different repayment schedule, the  
20 borrower shall repay the loan in accordance with the agreement.

21 (e) Provision shall be made for payment by the borrower of fees  
22 and costs incurred in collection of delinquent or defaulted loans.

23 Sec. 14.43.750. ELIGIBILITY. (a) A person may apply for and  
24 obtain a family education loan on behalf of a family member if

25 (1) the borrower is a resident of the state at the time of  
26 application for the loan; for purposes of this paragraph, a borrower  
27 qualifies as a resident of the state if the borrower has been phys-  
28 ically present in the state for at least two years immediately before  
29 the time of application for the loan;

1 (2) the family member has been claimed as a dependent for  
2 federal tax purposes by the borrower for the tax year immediately  
3 before the time of application and

4 (A) is enrolled as a full-time student in a career  
5 education, associate, baccalaureate, or graduate degree program;  
6 or

7 (B) is a graduate of a high school or the equivalent,  
8 or scheduled for graduation from a high school within six months,  
9 with sufficient credits to be admitted to a career education  
10 program or to an accredited college or university; and

11 (3) neither the borrower nor the family member is delin-  
12 quent or in default on a previously awarded student loan from the  
13 state.

14 (b) A family education loan may not be made on behalf of a  
15 family member if the family member receives a scholarship loan under  
16 AS 14.43.090 - 14.43.160 or a teacher scholarship loan under AS 14.-  
17 43.600 - 14.43.700 for the same school year.

18 Sec. 14.43.790. DEFINITIONS. (a) In AS 14.43.710 - 14.43.790

19 (1) "default" means a loan that is 120 days or more past  
20 due in repayment;

21 (2) "delinquent" means a loan that is 60 days or more past  
22 due in repayment.

23 (b) The definitions set out in AS 14.43.160 apply to AS 14.43.-  
24 710 - 14.43.790.

25 \* Sec. 17. AS 43.23 is amended by adding a new section to read:

26 Sec. 43.23.067. CLAIMS OF DEFAULTED SCHOLARSHIP LOANS. (a)  
27 AS 09.38 does not apply to permanent fund dividends taken under  
28 AS 14.43.120(i). Notwithstanding AS 09.35, execution on a claim under  
29 AS 14.43.120(i) is accomplished by delivering a certified claim to the  
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1 department containing the following information:

2 (1) the name and social security number of the individual  
3 whose dividend is being claimed;

4 (2) the amount the individual owes on the scholarship loan;  
5 and

6 (3) a statement that

7 (A) the debt has not been contested, or, if contested,  
8 that the issue has been resolved in favor of the Alaska Commis-  
9 sion on Postsecondary Education; and

10 (B) if the debt has been contested and resolved in  
11 favor of the Alaska Commission on Postsecondary Education, no  
12 appeal is pending, the time limit for filing an appeal has ex-  
13 pired, or the appeal has been resolved in favor of the commis-  
14 sion.

15 (b) Upon receipt of a claim under (a) of this section the de-  
16 partment shall notify the individual of the claim. The notice shall  
17 be sent to the address provided in the individual's permanent fund  
18 dividend application and must provide the following information:

19 (1) the amount of the claim; and

20 (2) notice that the amount of the permanent fund dividend  
21 that does not exceed the amount of the claim shall be paid to the  
22 Alaska Commission on Postsecondary Education unless the commission  
23 releases the claim or the individual requests a hearing within 30 days  
24 after the date the notice is sent by the department.

25 (c) AS 44.62.330 - 44.62.630 apply to a hearing requested by an  
26 individual under (b)(2) of this section. If a request for a hearing  
27 is not received by the department within the required time limit, the  
28 department shall pay to the Alaska Commission on Postsecondary Educa-  
29 tion the amount of the permanent fund dividend that does not exceed  
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the amount of the claim.

\* Sec. 18. AS 14.43.120(j) and 14.43.120(o) are repealed.

\* Sec. 19. This Act takes effect July 1, 1987.



Official Business

From: State Aff. Cmte. Committee House Rules  
For House Floor - 5/7/87

# Alaska State Legislature

## House

P.O. BOX V  
State Capitol  
Juneau, Alaska 99811

CS for HB 276 (State Affairs)

### Amendments

- 1) Sec. 5: Amends AS 36.30.115(b) (3)  
Adds language "and the bidder acted in good faith".

Concern that a contractor could list anyone as a subcontractor and then make up a reason not to execute the contract. The concern was "bid shopping" by the contractor.

- 2) Sec. 9: Amends AS 36.30.305 by adding subsection (e)

Same amendment added to SB 260 (L & C). Excludes architectural, engineering and land survey contracts from this section. The Alaska Chapter of the American Institute of Architects requested that the selection of architects, engineers and land surveyors remain with the DOT/PF and that they would be exempted.

Further discussion centered around question of 24 hours v. 72 hours (Sec. 4). Point: 72 hours allows more time for contractors to check on bonding, insurance etc. of subcontractors. The 24 hour limit did not give them enough time to make these checks.

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

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April 15, 1987

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 making necessary amendments to the state procurement code that was enacted last year (ch. 106, SLA 1986) with a July 1, 1987 effective date. HB 192, the bill deferring the effective date of the procurement code, proposed a two-year deferment; the House State Affairs Committee, in CSHB 192(SA), recommended a one-year deferment. The attached bill combines various substantive amendments with only a six-month deferment.

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The legislature's conference committee on the budget last year reduced the procurement code's fiscal note to zero. However, several of its provisions, such as those pertaining to handling sole-source procurements, the extended and revised protest period, the appeals requirements, and the small procurement requirement are very "work intensive." The problem is exacerbated by the state's current fiscal crisis. There simply is no way to implement the provisions of the code right now. This bill's six-month postponement will give the state a chance to begin to regain its fiscal footing before taking on the new procedures set out in the procurement code. In addition, the amendments in this bill help tailor the code to conditions in Alaska. This bill is not, however, a general clean-up of the code.

To aid in your analysis of this bill, here is a section-by-section commentary on it:

Sections 1, 2, 15, 18, and 21 -- 23:

These are the deferment sections. Section 23, amending sec. 69, ch. 106, SLA 1986, is the most significant in that it changes the overall effective date of the procurement code. The other sections in this group make corresponding amendments in other time-related provisions that were enacted in ch. 106, SLA 1986.

JAN 1, 1988

Section 3:

AS 36.30.050(b) is amended to delete the blanket requirement of a biennial fee for getting on a list of contractors. Charging contractors to be on a bidder's list is prohibited by federal regulations on federally assisted construction projects. Even though using a bidder's list is only an available option in advertising for construction projects, it is impractical to maintain separate lists or systems for state-funded versus federally assisted projects. This amendment's proposed discretionary language would allow construction bidders list fees to be optional or to be eliminated if that would be appropriate.

Section 4:

170 AS 36.30.115(a) is amended to change the 24-hour requirement to a 72-hour requirement for submitting a list of subcontractors and to change the triggering event from the opening of bids to the receipt of the notice of intent to award. These amendments are necessary to provide appropriate flexibility in the handling of bids and subcontractor lists, and are consistent with the amendment in sec. 7 of this bill. With these changes, it is also advisable to delete the requirement that the two lowest bidders submit the list of subcontractors, as sec. 4 does. These amendments will be more cost-effective for both the state and the contractors.

Section 5:

AS 36.30.140(a) is amended to delete the requirement of the presence of a witness during bid openings. Although bid openings are open to the public, many of them have no members of the public in attendance. When no member of the public attends, it is necessary to assign an employee to be a witness. The effectiveness of such a procedure is questionable, and the use of employee time for such a function is wasteful. With the current and impending cutbacks in staff, such a procedure would be especially troublesome. Therefore, this amendment is necessary.

Section 6:

AS 36.30.170(b) is amended so that the apparent low bidder at a bid opening can be quickly announced. The current statute can be awkward to put into practice.

Section 7:

AS 36.30.210(a) is amended to conform to the 72-hour amendment of AS 36.30.115(a) (in sec. 4 of this bill). The requirements for listing subcontractors should be consistent among the various methods of procurement.

Section 8:

A proposed new section, AS 36.30.305, establishes a procedure in between the "sole source" procurements of AS 36.30.-300 and the "emergency" procurements of AS 36.30.310. It is thus a "semi" or "modified" sole source procurement provision. This new statute will serve the state's need for a method to procure which is broader than sole-source procurement but does not require all of the details of a competitive sealed process. This language provides broader purchasing capability. Failure to add this section would mean that the Department of Administration would have to write significantly more bids with a reduced staff.

Section 9:

AS 36.30.320(e) is amended to delete the requirement of sending notices to Alaska bidders designated by the commissioner under AS 36.30.050(d). The latter statute, which is being repealed in sec. 20 of this bill, pertains to small procurements. For every small procurement an agency might wish to make, it would be required by the current provision to contact the Department of Administration which would provide from the computerized list of contractors three names on a rotating basis. The requesting agency would have to contact those three contractors for quotes. We estimate that there are more than 70,000 small procurements made each year. The repeal of AS 36.30.050(d) is discussed below in connection with sec. 20 of the bill.

Section 10:

AS 36.30.322(a) is amended in two respects. First, "Alaska" is substituted for "local" to make clear that the requirement for use of timber and lumber products originating in this state means originating in an Alaska forest, not necessarily a southeastern forest or a southcentral forest, etc. The current language could produce an undesirable regionalism within the state, and I do not believe that that is what was intended with the original enactment. Second, an unnecessary step, certification by the commissioner of commerce and economic development, is removed so that the Department

of Commerce and Economic Development does not have to check up on each contract to see that sufficient notice has been given and that Alaska manufacturers were in fact unable to provide the product within the seven percent margin. The requirements for reasonable notice, etc., are not being changed.

Section 11:

A new subsection is added to AS 36.30.322 to establish a record-keeping procedure that will serve in the case of a challenge to the bid practices. This will assure that proper records will exist to document the use of preferred products.

Section 12:

AS 36.30.332(b) is amended by deleting references to the "manufacturer's quoted price" to make the language consistent with subsec. (a) and to ensure that the certification process does not become excessively complex, burdensome, or time-consuming. As currently written, the references in subsec. (b) to "manufacturer's quoted price" could require a certified public accountant's audit and statement detailing incoming materials costs and providing a detailed cost analysis of the manufacturing process. The amendment would allow the broad categories and criteria established by regulations adopted under subsec. (a) to be the basis for the determination required by subsec. (b). It would thus make the whole certification process more efficient.

Technical, grammatical corrections are also being made in AS 36.30.332(b).

Section 13:

AS 36.30.338(1), the definition of "Alaska product," is amended to delete the reference to the "quoted price of the manufacturer," consistent with the changes made in sec. 12 of the bill. The re-wording of this definition also ties in the regulations that existing AS 36.30.332(a) requires, and thus makes the definition clearer.

Section 14:

AS 36.30.365 is amended so that construction contracts are not unduly delayed. For many years, the applicable statute allowed five rather than 10 days for construction contract award protests, and it is desirable to continue that fair

and efficient practice. This statute is also amended to make clear that contracts awarded under the sole-source statute (AS 36.30.300), the limited competition procurements statute (AS 36.30.305, proposed in sec. 8 of the bill), the emergency procurement statute (AS 36.30.310), or the small procurements statute (AS 36.30.320) are not covered by the 10-day or five-day requirement for providing to each bidder or offeror notice of intent to award a contract. The 10-day, and even the five-day, requirement could cause unnecessary delay in the award of contracts that should not be delayed.

Sections 16 and 17:

The amendment, in secs. 16 and 17, of AS 36.30.565 and AS 36.30.610, respectively, will make the appeal process more efficient by limiting appeals to those of the award or proposed award. Language relating to an appeal before a bid is opened is deleted. This will simplify the whole procedure while still assuring fair treatment of all parties.

Section 19:

AS 36.30.900 is amended in two ways. First, two redundant verbs are deleted, in order to simplify and streamline the language. Second, a reference to AS 36.20.010 is deleted because that statute was repealed by sec. 67, ch. 106, SLA 1986.

Section 20:

Several statutes are repealed, as follows:

AS 36.30.050(d), the requirement that lists of contractors be used in providing notice of intent to make a small procurement, is repealed because it would require the Department of Administration to revise its bid-list program to provide names on a rotating basis. The estimated cost of the computer software alone is \$20,000. Also, the current provision requires that all departments use the names provided, something that would be relatively simple if the purchaser were always in an office with access to a computer. However, numerous offices do not have that access. In addition, the requirement to contact vendors does not take into account the vendor's location or real interest in the specific procurement. For example, a Department of Fish and Game employee in Soldotna could be required to call the Anchorage office to get the names of three vendors who turn out to be located in Nome, Ketchikan,

and Haines. The purchaser would then have to make three long-distance calls to get quotations. Since the purchaser would be allowed to secure additional quotations, he or she could probably get a local quotation that turns out to be well below those obtained through this elaborate procedure. Thus, this statute is wasteful at a time when it is critical that the state government be more efficient.

AS 36.30.362, a provision requiring the state to provide a superfluous written statement (explaining the basis of an award to a person who does not reside or maintain a place of business in Alaska) is repealed. Bids are awarded to low responsive bidders even if they are located outside the state. A written statement explaining the award accomplishes nothing.

AS 36.30.380, which requires approval of proposed contractors' accounting systems, would be repealed. This section appears to require the state to approve all accounting systems for contracts awarded by the sealed proposal method. Some bidders will be major corporations, and it would be foolish to waste state staff time reviewing, analyzing, and approving their accounting systems. This would be very costly, and, if it is not done properly, could expose the state to claims or overcharges.

AS 36.30.540(4) and (5), requiring the state to make listings of all procurements made within the state and outside the state, are being repealed. These lists are never consulted and provide no usable information.

#### Section 24:

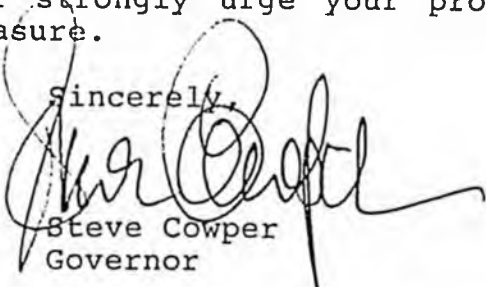
The deferment sections of this bill have been given an immediate effective date so that everyone involved in dealing with the procurement code, both the public and the administrators, will be able to make appropriate plans. The other sections of this bill have been given a January 1, 1988 effective date to coincide with the proposed deferred effective date of all but one section of ch. 106, SLA 1986. (Section 66 of last year's Act was given an immediate effective date at that time to enable the regulations-adoption project to get started.)

Hon. Ben Grussendorf

Page 7

Enactment of this bill will streamline procurement activities of the state and will result in an enormous cost-savings at this critical time. It is necessary to enact this bill this session. I strongly urge your prompt and favorable action on this measure.

Sincerely,



Steve Cowper  
Governor

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

REQUEST: \_\_\_\_\_

Bill Version: HB 276  
Publish Date: HOUSE 4/17/87

3

Revision Date: \_\_\_\_\_  
Title: An Act relating to state procurement practices  
Sponsor: Governor  
Requestor: \_\_\_\_\_

Agency Affected: Comm. & Econ. Dev.  
BRU: Advocates  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
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						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Becky Bear, Information Officer Phone: 465-2504  
Division: Administrative Services Date: April 14, 1987

Approved by Commissioner: Anthony Smith, Commissioner Date: April 14, 1987  
Agency: Department of Commerce and Economic Development

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)  
Senate Secretary

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

No. 3

C

Bill Version: HB 276  
Publish Date: HOUSE 4/17/87

REQUEST

Revision Date: \_\_\_\_\_  
Title: An Act Relating to State  
Procurement Practices and Procedures  
and Providing Effective Date.  
Sponsor: Rules Committee by Request  
of the Governor  
Requestor: \_\_\_\_\_

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
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

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

N/A

Prepared By: Robert J. Link  
Division: General Services & Supply  
Approved by Commissioner: Garrey Peska  
Agency: Department of Administration

Phone: 465-2250  
Date: April 6, 1987  
Date: 4/9/87

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)  
Senate Secretary

**STATE OF ALASKA 1987 LEGISLATIVE SESSION**  
**FISCAL NOTE**

**REQUEST:** 4/6/87

Bill Version: HB 276  
Publish Date: HOUSE 4/17/87

Revision Date: \_\_\_\_\_ Agency Affected: DOT&PF  
Title: An Act Relating to State Procurement BRU: Design & Construction  
& Procedures: & Providing for an Effective Date Engineering & Operations Standards  
Sponsor: Governor Components: \_\_\_\_\_  
Requestor: \_\_\_\_\_

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
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)

The fiscal impact of this bill is zero. Although the attached analysis shows a reduced expenditure of \$136,000, it does not represent a true reduction. The department had to absorb an estimated expenditure of \$200,000 when the original procurement legislation was passed last session with a zero fiscal note.

Prepared by: Loren Rasmussen *John Johnson, Director 4/9/87* Phone: 465-2960  
Division: Engineering & Operations Standards Date: 4/8/87

Approved by Commissioner: *M. L. S. H.* Date: 4/9/87  
Agency: Transportation & Public Facilities

**Distribution (by preparer):**

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

ANALYSIS RE:

HB \_\_\_\_\_ An Act Relating to State Procurement Practices  
and Procedures; and Providing for an Effective Date

NOTE:

It must be noted that the original procurement bill was passed last year with a zero fiscal note when the estimated impact was \$200,000. Therefore the cost savings shown in this fiscal note are costs that are absorbed in DOT&PF operating and CIP budgets and no actual reduction would occur.

Section by Section review and analysis:

Given data (from DOT&PF records):

1. 200 construction contracts annually.
2. Estimate 300 contractors on bidders list.
3. Estimate 300 to 500 consultants on bidders list.
4. 175 consultant contracts annually.
5. 1700 quotes on small purchases annually.
6. \$35/hr cost of an Engineer.
7. \$20/hr cost of a clerk.

Section 1. Eliminates biennial fee for getting on the construction contractors bidder list.

Assume Bidders List is 300:

$$\frac{\$25 \times 300}{2} = \$3,750 \text{ savings to the contractors*}$$

Cost of maintaining the list:

$$(3/\text{hrs/wk}) (3 \text{ regions}) (52 \text{ wk}) (\$20/\text{hr}) = \$9,360$$

Say \$10,000 savings to DOT&PF

Section 2. Listing of subcontractors 72 hours after Letter of Intent to Award and only from apparent low bidder.

$$(200 \text{ projects annually}) (4 \text{ hrs to put list together}) (\$35) =$$
$$(200) (4) (\$35) = \$28,000 \text{ savings to the contractors*}$$

1/2 hour savings to check subs listing

$$(200) (.5) (\$35/\text{hr}) = \$3,500$$

Say \$4,000 savings to DOT&PF

Section 3. Eliminates witness at bid opening.

\* does not show on fiscal note

$(.5/\text{hr})(3 \text{ regions})(52/\text{wk})(\$20/\text{hr}) = \$1,560$

Say \$2,000 savings to DOT&PF

Section 4. Amends the code so that the apparent low bidder can be announced quickly - large savings or benefit may be in preventing bidder errors.

Assume:

$\frac{1}{2}$ /hour savings at each bid opening

$(.5/\text{hr})(3 \text{ regions})(52/\text{wks})(\$35/\text{hr}) = \$2,730$

Say \$3,000

Section 5. 72 hour requirement for listing subcontracts on proposal type contracts.

These contracts are negotiated type consultant contracts and the actual savings would be in time and administrative costs.

Section 6. A procedure for contracts between sole source and emergencies.

No savings to DOT&PF - present law provides a similar system for construction contracts.

Section 7. Small purchases on a rotating basis.

$(1700 \text{ "quotes"})(.5/\text{hr "required"})(\$20/\text{hr}) = \$17,000$

Section 8. Changes "local" to "Alaska" forest products and certification on a statewide basis instead of project by project basis.

$(200 \text{ projects annually})(2/\text{hrs to put certification together})(\$35/\text{hr}) = \$14,000 \text{ to DOT\&PF}$

(The same type of savings to the contractors\*)

Section 9. Added record section for keeping requirements for Alaska products.

No cost savings to DOT&PF

Added cost to contractors:  $(200)(2/\text{hrs})(\text{annually})(\$35) = \$14,000^*$

Section 10. Deleting reference to "manufacturer's quoted price"

No cost savings to DOT&PF.

Section 11. Same as Section 10.

Section 12. Provides for awarding a construction contract in 5 days.

There would be a savings to DOT&PF mainly in time - the amendment would save 5 days in awarding contracts - but not all contracts can or would be actually awarded in 5 days. It is not practical to put a cost for this section.

Section 13  
and 14.

Eliminates bid protests during the advertising time of a project (before bid openings).

Although there could be substantial savings to the DOT&PF for this section (by allowing a critical project to proceed to the bid opening stage) it is not practical to compute an actual savings.

Section 15. Cleans up language for Alaska products (forest products).

No fiscal impact on DOT&PF.

Section 16. Repeals several sections.

AS 36.30.050(d) - small procurement using a contractor list (see section 7)

AS 36.30.362 - eliminates the written statements explaining awards for out-of-state contractors.

(200 projects annually) (10% out-of-state contractors) (1/hr for letter) (\$35/hr) = \$700

Say \$1,000

AS 36.30.380 - Eliminates approval of contractors accounting system.

(175 consultant contracts) (1.4 contracts/consultants) = 125

(125) (2 days) (7.5 hr/day) (\$35/hr) = \$65,625

Travel (10% of 125) (1 trip) (\$1,500/trip) = \$18,750

\$84,375

Say \$85,000

AS 36.30.540(4) & (5) - Eliminates making a list of in-and-out-of-state contractors.

(3 days) (7.5/hr) (\$20/hr) = \$450