

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7254 HOUSE STATE AFFAIRS

Alaska State Legislature
House of Representatives

INTERIM

3111 C Street
Anchorage, Alaska 99503
(907) 561-2032



SESSION

P.O. Box V
Juneau, Alaska 99811
(907) 465-2995

Representative Dabe Choquette



#1

Amendment to Blank CS for SSHB 245

Offered by Representative Choquette

page 5; line 21; following position:
insert text from SSHB 245, page 6 lines 2-7; beginning w/ "in this"
REINSERT
at line 24 of CS;
lines 12-14, of page 6, of the SS.
Page 5, lines 26

delete "means"

insert "includes"

and following "SERVICE" insert

and
"position includes a position in the exempt or partially exempt service, except a position identified in AS 39.25.110(1) - (2); (4); and other appointments made by the governor for members of boards, commissions, or authorities:"



A M E N D M E N T

OFFERED IN THE HOUSE
TO: SSHB 245

BY REPRESENTATIVE CHOQUETTE

Page 3, lines 11 - 13:

#2
Delete "In addition, the procurement officer shall provide the notice to every contractor located in the state who is on the list established under AS 36.30.050(a) and who provides the supplies, services, or professional services that the agency is procuring."

Page 4, line 22, through page 5, line 5:

Delete all material and insert:

"Sec. 36.30.875. NOTICE OF CONTRACTS. (a) An agency shall provide notice of a contract solicitation to every contractor located in the state who is on a contractor list established under AS 36.30.050(a) and who provides the supplies, services, or professional services that the agency is procuring.

(b) An agency may not provide notice of a contract outside the state until the agency has provided notice inside the state, except the agency may provide notice to a person who has requested the notice. In this section, being on a contractor list maintained under AS 36.30.050(a) does not constitute a request for the notice.

Amendment Number Four

#3

to SSB 245

page 6, line 6, after "senate"

insert "the ombudsman for the Office of the Ombudsman,"

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

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Deliveries to: 240 Main Street
Court Plaza, Room 500
Mail Stop 3101

MEMORANDUM

March 15, 1991

SUBJECT: Constitutionality of responsiveness criteria (W.O. 7LS0819/G)

TO: Representative Dave Choquette
Attn: Joan

FROM: Theresa L. Bannister ^{TB}
Legislative Counsel

This memo accompanies the most recent draft of your bill addressing the state's procurement of goods and services.

Please be aware that the responsiveness criteria in sec. 12 of the bill raises a constitutional issue. Section 12 could be challenged as violating the privileges and immunities clause of the U.S. Constitution to the extent that the section discriminates against natural persons who are nonresidents.

The section attempts to ~~motivate~~ bidders and offerors to use residents over nonresidents by ~~tying~~ reasonable efforts to use state residents to the basic bidding qualification of responsiveness. ~~This is significant because if a bidder or offeror is not responsive, the bidder or offeror cannot obtain the contract. The amount of the bid or offer would not be considered.~~

While the state is given certain leeway in preferring its own residents in its own contracts, this leeway is not unlimited. The issue boils down to whether requiring "reasonable" efforts falls within this leeway. On the one hand, it does not establish a specific preference. On the other hand, it could have a very broad application based on how the procurement officer applies it. ~~The potential for broad, discretionary application may outweigh the state's proprietary interest.~~

In conclusion, sec. 12 is subject to challenge based on the privileges and immunities clause of the U.S. Constitution, but the outcome of the challenge is unclear. If you would like further research done on this issue, please advise.

Regarding secs. 4 and 7, since the term "subcontractor" now includes a "manufacturer", do you want the manufacturer to have an Alaska business license even if the goods are produced out of state? That is required by this draft.

If I may be of further assistance, please advise.

TLB:lmb
91-079.lmb

Enclosure

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MEMORANDUM

April 23, 1991

SUBJECT: Constitutional issues in proposed CSSB 245 (L&C)

TO: Representative David Finkelstein, Chair
House Labor and Commerce Committee
Attn: Catherine

FROM: Theresa L. Bannister *TB*
Legislative Counsel

This memo accompanies the draft that you requested for ~~CS~~ ~~SB~~ 245 (L&C), a bill relating to state procurement. Please be aware that two of the provisions in the draft raise constitutional issues.

1. **FIRST PROVISION.** The first is the change made by this CS to sec. 4 of the bill. The change is the addition of "out-of-state" before "geographical" in the definition of "administrative costs".¹ The change requires different treatment for in-state bidders and out-of-state bidders to the extent it limits consideration of administrative costs to an out-of-state geographical location.

¹The section reads as follows:

• Sec. 4. AS 36.30.150(a) is amended to read:

(a) Bids shall be unconditionally accepted without alteration or correction, except as authorized in AS 36.30.160. The procurement officer shall evaluate bids based on the requirements set out in the invitation to bid, which may include criteria to determine acceptability such as inspection, testing, quality, delivery, and suitability for a particular purpose, and which must include consideration of administrative costs. The criteria that will affect the bid price and be considered in evaluation for award must be objectively measurable, such as discounts, transportation costs, and total or life cycle costs. The invitation to bid must set out the evaluation criteria to be used. Criteria may not be used in bid evaluation if they are not set out in the invitation to bid. In this subsection, "administrative costs" includes the additional costs that result from the out-of-state geographical location of the bidder or the bidder's source of supplies, including costs for transportation, communications, and per diem.

This provision could be challenged as violating the privileges and immunities clause of the U.S. Constitution^{2/} to the extent that the section discriminates against natural persons who are nonresidents. Although the state is given certain leeway in preferring its own, this leeway is not unlimited. The question boils down to whether this provision falls within this leeway. This provision may significantly affect out-of-state bidders because it may significantly increase their bids. This change would result in an increased preference for residents. There does not appear to be a reason other than economic protectionism for only considering these costs when the bidder or the bidder's supplier is located outside the state. A bid from an in-state bidder or the use of an in-state supplier may also have significant administrative costs if the bidder or supplier is located in a remote part of the state. The outcome of a challenge on this point is unclear.

2. SECOND PROVISION. The second problem is contained in sec. 9. This section in the proposed CS also raises a constitutional privileges and immunities issue.^{3/} Section 9 raises the issue to the extent that the section tends to discriminate against natural persons who are nonresidents.

The section attempts to motivate bidders and offerors to use resident supplies and services by requiring bidders and offerors to explain how they propose to use resident supplies and services in the contract. The bidders and offerors must also explain why they are not using resident supplies and services.

As stated earlier, while the state is given certain leeway in preferring its own residents in its own contracts, this leeway is not unlimited. The issue boils down to whether requiring these explanations falls within this leeway. On the one hand, the requirement does not establish a specific preference or a penalty for not using resident supplies and services. On the other hand, it applies to every contract and may establish a preference for residents, depending on the circumstances of the situation. The section does not indicate how the results of this requirement are to be applied and could have a very broad application, particularly when considering proposals, since the evaluation of proposals leaves more discretion to the agency. The potential for a broad, discretionary application that would screen out reasons who don't use state products and service (or have a good reason for not doing so)

^{2/}U.S. Constitution art. IV, sec. 2, cl.1.

^{3/}For your information, the version of sec. 9 in SSHB 245 also raises a privileges and immunities issue. The problem with the version in the proposed CS is much less severe than that in SSHB 245.

Representative David Finkelstein

April 23, 1991

Page 3

may outweigh the state's proprietary interest. The outcome of a challenge on this point is unclear.

If I can be of further assistance, please advise.

TLB:pl:gc
91-291.plm

Enclosure

DIFFERENCES BETWEEN HB 245 AND SS FOR HB 245

The Sponsor Substitute reflects attempts to make the bill more effective. The changes are a result of my conversations with various government agencies and businesses affected by the provisions of the bill. The changes are as follows:

1. It removes the requirement that each state agency devise a master list of Alaskan businesses, manufacturers, providers of services, and in turn leaves this requirement in the hands of the Department of Administration.
2. It deletes Section 9 of the original bill which required contracts over \$25,000 to be awarded through the competitive bidding process. After discussion with government agencies, it was determined best to leave bids between \$25,000 and \$100,000 subject to the limited procurement bidding process, because Alaskan firms are generally awarded these bids anyway.
3. It removes the definition of subcontractor and leaves it for agency determination.
4. It removes the requirement that all state publications be published in facilities located in the state and adds the exception that this be done only when practicable. This change responds to the needs of government agencies whose publications generally cannot be produced in-state. Such publications include those written in foreign languages, and the production of large-scale Alaska maps.

7-LS0819S ✓
Bannister
4/24/91

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 245 (L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered:

Referred:

Sponsors): REPRESENTATIVES CHOQUETTE, Gruenberg, Baker, Barnes, Carney, B.Davis, C.Davis, Donley, Ellis, Finkelstein, Foster, Gonzales, Grussendorf, Hanley, Hudson, Ivan, Jacko, Kubina, Larson, Leman, Lincoln, Mackie, MacLean, Martin, M.A.Miller, M.W.Miller, Moyer, Parnell, G.Phillips, R.Phillips, Sharp, Taylor

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to publications produced by state agencies and to the procurement of
2 property, property interests, and services, including the services of employees, by certain
3 public entities."

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

5 * Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that

6 (1) the state needs to develop and maintain a strong, stable, and prosperous economy
7 based on private investment;

8 (2) the existence of a strong and healthy free enterprise system is directly related to the
9 well-being and competitive strength of Alaskan businesses and to the opportunity for Alaskan businesses
10 to have free entry into the business market and to grow and expand.

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

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

1 (5) when bid documents for public contracts do not specify the use of available Alaskan
2 products, comparable out-of-state goods are usually purchased instead, and these purchases result in a
3 loss of revenue in the state and weaken Alaska's economic base;

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

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

10 (8) state agencies should consider the administrative costs of contract awards in the
11 evaluation of bids;

12 (9) before advertising outside Alaska for goods and services and employees, state
13 agencies should conduct a search in Alaska for persons and organizations that can provide needed goods
14 and services;

15 (10) state agencies should only look outside Alaska for goods and services if they have
16 provided notice of the procurement in Alaska.

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

20 * Sec. 2. AS 36.30.115(a) is amended to read:

21 (a) Within three [FIVE] working days after the identification of the apparent low bidder,
22 the apparent low bidder shall submit a list of the subcontractors the bidder proposes to use in the
23 performance of the contract. The list must include the name and location of the place of business
24 for each subcontractor and evidence of the subcontractor's valid Alaska business license. A
25 bidder for a construction contract shall also submit evidence of [EACH SUBCONTRACTOR'S]
26 registration under AS 08.18 for each subcontractor that is required to be registered under
27 AS 08.18. If a subcontractor on the list did not have a valid Alaska business license and, if
28 required by AS 08.18, a valid certificate of registration under AS 08.18 at the time the bid was
29 opened, the bidder may not use the subcontractor in the performance of the contract [,] and shall
30 replace the subcontractor with a subcontractor who had a valid Alaska business license and, if
31 required by AS 08.18, a valid certificate of registration under AS 08.18 at the time the bid was

1 opened.

2 * Sec. 3. AS 36.30.130(a) is amended to read:

3 (a) The procurement officer shall give adequate public notice of the invitation to bid at
4 least 21 days before the date for the opening of bids. If a determination is made in writing that
5 a shorter notice period is necessary for a particular bid, the 21-day period may be shortened. The
6 determination shall be made by the chief procurement officer for bids for supplies, services, or
7 professional services. The determination shall be made by the commissioner of transportation
8 and public facilities for bids for construction or acquisition of property for the state equipment
9 fleet. Notice shall be published in the Alaska Administrative Journal. The time and manner of
10 notice must be in accordance with regulations adopted by the commissioner of administration.
11 When practicable, except as prohibited by AS 36.30.875, notice may include

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

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

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

18 * Sec. 4. AS 36.30.150(a) is amended to read:

19 (a) Bids shall be unconditionally accepted without alteration or correction, except as
20 authorized in AS 36.30.160. The procurement officer shall evaluate bids based on the
21 requirements set out in the invitation to bid, which may include criteria to determine acceptability
22 such as inspection, testing, quality, delivery, and suitability for a particular purpose, and which
23 must include consideration of administrative costs. The criteria that will affect the bid price
24 and be considered in evaluation for award must be objectively measurable, such as discounts,
25 transportation costs, administrative costs, and total or life cycle costs. The invitation to bid
26 must set out the evaluation criteria to be used. Criteria may not be used in bid evaluation if they
27 are not set out in the invitation to bid. In this subsection, "administrative costs" includes the
28 additional costs that result from the out-of-state geographical location of the bidder or the
29 bidder's source of supplies, including costs for transportation, communications, and per
30 diem.

31 * Sec. 5. AS 36.30.210(a) is amended to read:

1 (a) A request for competitive sealed proposals must contain the date, time, and place for
2 delivering proposals, a specific description of the supplies, construction, services, or professional
3 services to be provided under the contract, and the terms under which the supplies, construction,
4 services, or professional services are to be provided. The request must require the offeror, no
5 later than five working days after the proposal that is the most advantageous to the state is
6 identified, to list subcontractors the offeror proposes to use in the performance of the contract.
7 The list must include the name and location of the place of business for each subcontractor, the
8 work to be subcontracted to each subcontractor, and evidence of the subcontractor's valid Alaska
9 business license. If a subcontractor on the list did not have a valid Alaska business license
10 at the time the proposal was opened, the offeror may not use the subcontractor in the
11 performance of the contract and shall replace the subcontractor with a subcontractor who
12 had a valid Alaska business license at the time the proposal was opened. An offeror for a
13 construction contract shall also submit evidence of the offeror's registration under AS 08.18 and
14 evidence of registration for each listed subcontractor who is required to be registered under
15 AS 08.18.

16 * Sec. 6. AS 36.30.850(b) is amended by adding a new paragraph to read:

17 (23) contracts to be performed in an area outside of the country and requiring
18 knowledge of the customs, procedures, rules, or laws of the area.

19 * Sec. 7. AS 36.30 is amended by adding a new section to read:

20 Sec. 36.30.875. NOTICE OF CONTRACTS. (a) An agency shall provide notice of a
21 contract solicitation to every contractor located in the state who is on a contractor list established
22 under AS 36.30.050(a) and who provides the supplies, services, or professional services that the
23 agency is procuring.

24 (b) An agency may not provide notice of a contract outside the state until the agency has
25 provided notice inside the state, except the agency may provide notice to a person who has
26 requested the notice. In this section, being on a contractor list maintained under AS 36.30.050(a)
27 does not constitute a request for the notice.

28 * Sec. 8. AS 36.30 is amended by adding a new section to read:

29 Sec. 36.30.905. DESIGN OF PROCUREMENTS. (a) To the fullest extent practicable,
30 a state agency shall design procurements in a way that fosters participation by Alaska bidders or
31 offerors.

1 (b) If a proposed procurement is too large to be performed by Alaska bidders or offerors,
2 and if the procurement officer determines that Alaska bidders or offerors generally would be
3 capable of performing the procurement if the procurement were reduced in size or otherwise
4 restructured, the agency that is proposing the procurement shall divide or otherwise structure the
5 procurement so that it can be performed by Alaska bidders or offerors.

6 (c) In this section, "Alaska bidders or offerors" means persons who qualify as Alaska
7 bidders under AS 36.30.170(b).

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

9 Sec. 36.30.960. USE OF LOCAL GOODS AND SERVICES. A bidder or offeror shall
10 provide the procurement officer with an explanation of how the bidder or offeror proposes to use
11 supplies and services from businesses located in the state, including a description of the
12 components of the contract and the address of each subcontractor the bidder or offeror will use.
13 If a bidder or offeror is not using supplies and services from the state for a part of the contract,
14 the bidder or offeror shall provide the procurement officer with an explanation why they are not
15 being used.

16 * Sec. 10. AS 39.25 is amended by adding a new section to read:

17 Sec. 39.25 165. OUT-OF-STATE SOLICITATION OF EMPLOYEES. (a) Except as
18 provided in (b) of this section, a state agency, including the division of personnel, may not solicit
19 outside the state for individuals to fill a position as a state employee unless the personnel officer
20 determines in writing that the agency has actively solicited in good faith in the state during the
21 four-week period that followed the date when the agency began soliciting for the position and
22 has been unable to find sufficient individuals qualified for the position. In this subsection,
23 "personnel officer" means the commissioner of administration for a state agency of the executive
24 branch, the speaker of the house of representatives for the members, committees, and leadership
25 of the house of representatives, the president of the senate for the members, committees, and
26 leadership of the senate, the ombudsman for the office of the ombudsman, and the executive
27 director of the Legislative Affairs Agency for the other entities of the legislative branch.

28 (b) The prohibition in (a) of this section does not apply if the state agency is

29 (1) in the executive branch and the governor makes a written finding that the state
30 agency is not likely to be able to find an individual who is qualified for the position by soliciting
31 in the state;

1 (2) in the legislative branch and the legislative budget and audit committee makes
2 a written finding that the state agency is not likely to be able to find an individual who is
3 qualified for the position by soliciting in the state.

4 (c) In this section,

5 (1) "position" includes a position in the classified, exempt, or partially exempt
6 service, except a position identified in AS 39.25.110(1), (2), or (4), and except appointments
7 made by the governor for members of boards, commissions, and authorities;

8 (2) "solicit" includes advertising, initiating contact with an individual, and sending
9 a copy of an employment vacancy notice to an individual who has not requested the notice;

10 (3) "state agency" means

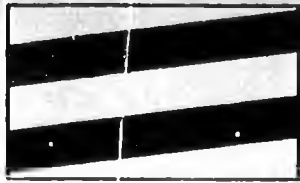
11 (A) a department, institution, board, commission, division, authority,
12 public corporation, or other administrative unit of the executive branch;

13 (B) a committee, commission, or other administrative or organizational
14 unit of the legislative branch, including the leadership of each house and the office of the
15 ombudsman.

16 * Sec. 11. AS 44.99.200 is repealed and reenacted to read:

17 Sec. 44.99.200. PRODUCTION OF PUBLICATIONS. The publications of a state
18 agency, including the University of Alaska, shall be produced at a facility located in the state
19 when practicable. The publications shall be designed to promote simplicity, low cost, and
20 maximum use of printing facilities located in the state.

21 * Sec. 12. AS 44.99.210 and 44.99.230 are repealed.



LOCAL HIRE



Staunch supporters still strive to mandate and enforce an Alaskan hiring preference.



Laborers Local 341's Andrew Piekarski calls the problem of non-resident workers competing for Alaska jobs "pretty frustrating."

SEE PAGE 4 (*) FOR
DISC. OF PROBLEMS

By Jeffrey Richardson

What makes good political fodder, behaves like a legal quagmire and confounds simple analysis? Local hire in Alaska. It's an issue that in many guises persists in haunting public policy forums.

Local hire, also known as resident hire, or Alaska hire, is kind of a coat of many colors, a patchwork of interrelated concerns, intentions and frustrations predating statehood. Alaska's sometimes ill-fated efforts to create a resident hiring preference, with the anticipated effect of increasing wage retention and prosperity, can be traced to the broader struggle for economic self-determination and independence from federal and absentee commercial interests that has long characterized the state's history.

Getting a statistical grip on the nature and magnitude of the local hire problem is easier than it used to be, but that isn't saying much. It's a many-faceted issue; research on some aspects is good, but in other areas, it is limited or non-existent.

The state's Department of Labor reports that in 1988, 17.3 percent

of Alaska workers - 50,719 individuals - were non-residents, an increase of 5,500 workers over the 1987 level. Labor analysts also know that in 1988 Alaska's rate of interstate unemployment insurance benefits mailed to out-of-state recipients was four times the national average. At 23.5 percent, Alaska's payment of unemployment to non-residents was the highest in the nation.

By any measure, the seafood industry is the most prominent employer of non-resident Alaskans. More than 15,000 non-resident workers - nearly half the non-residents in the state's labor force - exported about \$78.7 million from the Alaskan economy in 1988. Non-resident workers in the oil and gas and the heavy construction sectors took home \$84.3 million in wages that year.

Measuring the state's local hire enforcement efforts should give some idea if state policies are making headway against the intrusion of non-resident workers. But because existing state enforcement of hiring preferences has been so circumscribed by the courts, and because many of the offending companies are based outside the state and don't operate here

during the kind of slump from which the state is just now recovering, enforcement statistics don't shed much light on the story.

Anecdotal data about the local hire issue is statistically suspect but is sometimes easier to come by and does convey some of the deep-seated feelings of Alaskans who have long endured high unemployment rates and a seasonally fluctuating economy.

Andrew Piekarski, president of Laborers Local 341, says of non-resident workers, "It's pretty frustrating. They come, they work, they leave. It's real easy for a contractor in the Lower 48 to pick up workers on substandard wages, \$10 to \$12 an hour. That's a lot of money in right-to-work states like Idaho, Montana. But up here, that doesn't cut it."

Piekarski says non-resident workers aren't paying the high mortgages and other living expenses incurred by resident workers. "We make a good scale, but we haven't had a raise in six years," Piekarski says.

Historically, local hire policy-making and litigation in Alaska traces a long and winding road. A major milestone came in the late 1970s when the U.S. Supreme Court

throw out Alaska's mandate for resident hire in the private sector. That defeat was sufficiently resounding to discourage another try in the private arena, and to this day such an effort likely would be doomed.

"That's a pretty widely held belief," says Randy Carr, deputy director of the state's Division of Labor Standards and Safety. The division has responsibility for enforcing what local hire provisions there are on the books - and there aren't many.

In 1984 a resident preference for publicly funded projects was nixed by the Alaska Supreme Court. The legislature read the opinion carefully and tried again in 1986, enacting a comprehensive statute that carefully followed constitutional parameters.

That law attempted to address a long-standing dilemma of definition in local hire policy-making. One aspect of the issue involves Alaskans and the rest of the world. The other, often overlooked aspect is the hiring disparity between different groups of Alaskans, especially in the Bush. Rural residents have longed complained they have to compete with two kinds of outsiders for jobs in their own communities: those from the Lower 48 and those from Anchorage and Fairbanks.

The 1986 law created hiring preferences for Alaskans in general, as well as for women, minorities and rural residents, and created reporting requirements that allow state analysts to assess when hiring preferences would be triggered. It was baptized by legal fire when the state tried to enforce its provisions at the Red Dog Mine. Enserch Alaska, a development contractor for the mine owner, resisted. In a 3-to-2 decision, the Alaska Supreme Court effectively threw out the rural, minority and female hiring preferences.

"We're darn close," says a determined Dave Donley, an Anchorage legislator who has long monitored local hire issues. His optimism stems from the closeness of the vote, suggesting that lawmakers are getting within range of a constitutionally viable hiring-preference mechanism.

"It's getting immensely better. For the first time we've got the backup data. We're establishing a record," says Donley.

From the standpoint of actual enforcement, what remains of the 1986 law is the statewide hiring preference for Alaskans on projects funded by public monies. Currently, such projects must employ 90 percent



BRUCE E. DAVISON, J.D., P.E.

SHELBY L. NUENKE-DAVISON, J.D.

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Go fish.



Photo by Mary Shannon

The salmon are waiting in Valdez.

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Alaskans. The actual ratio is re-evaluated every two years according to statutory criteria.

While that provision, too, is under fire in the courts, Carr says, "It's kind of at a standstill." The Labor standards and safety deputy director adds, "We have no tools except public pressure and what we hope would be good common business sense."

Carr says many companies based outside Alaska have established good local hire records when the work is available, realizing they are saving substantial sums by not having to import a qualified work force. Alaska-based companies generally comply with the local hire intention and always have, he adds.

Alaska has not always had a trained work force, but the pipeline era marked the beginning of substantial state investment in training and retraining. Donley says that contractors still claim Alaskans lack credentials, but that "it is just a 'bogey man argument' to justify hiring familiar faces.

"We've spent tens of millions of dollars doing that (training) since the pipeline. We've got plenty of qualified people," Donley says.

Changing Focus. Some concerns have been voiced about diminished funding to track the local hire problem in Alaska. Federal constitutional guidelines mandate that research and analysis supporting a finding of economic disadvantage (which typically triggers a hiring preference) be held to a high standard.

The Department of Labor's Eileen

Plate explains that funds for analysis have been cut in the wake of the Enserch decision, but information is still being collected, chiefly because it's useful for other department programs. "We're still maintaining the database," Plate says.

One area not covered by the state's monitoring efforts is local hire preference on federal projects. Alaska Sen. Frank Murkowski secured a congressional measure in 1986 mandating Alaska hire on federal military construction projects in the state. According to a spokesman for Murkowski's office, complaints about violations of the requirement have tapered off and none have been heard recently, at least in Washington, D.C.

But back in Alaska, the story is a little different. Says Donley, "The Murkowski amendment is a great idea that's been dismally enforced."

For several years, the requirement went completely unenforced. Now, one part-time staff person monitors compliance in a venue that includes massive construction projects, recent or ongoing, from Galena to the Aleutian Islands, from Fort Richardson to Fort Wainwright, and the backscatter radar development in the Interior.

"I would expect a part-time person to be insufficient," says Carr, one of the state's local hire enforcers.

Laborers Union President Piekurski agrees with the Carr and Donley assessments. "The big problem on the local hire is that the Murkowski amendment is not working. It's turned out to be a hiring hall for Washington and Oregon. It's gotten worse than it's ever been," he

Industries Ranked by Percentage of Earnings Paid to Non-residents in Alaska, 1988¹

Rank	Industry	Resident	Non-resident	Percent of Total
		Earnings, millions of \$	Earnings, millions of \$	
1	Food Processing	\$ 84.0	\$78.7	48.4
2	Fishing, Hunting, Trapping ²	7.9	3.9	33.4
3	Logging	47.4	18.4	28.0
4	Metal Mining ²	25.4	7.2	22.0
5	Water Transportation	31.7	6.6	17.3
6	Transportation Equipment	4.9	1.0	17.2
7	Heavy Construction	114.5	23.2	16.8
8	Lumber and Wood Products	14.9	3.0	16.7
9	Services, Automotive Repair	35.0	6.1	14.8
10	Engineering, Accounting, Mgmt.	\$134.0	\$19.3	12.6

Source: Alaska Department of Labor, Research and Analysis

¹ Only industries with more than \$1 million in total earnings are included in this ranking. ² Includes only non-agricultural wage and salary workers covered by unemployment insurance. Consequently, data provided for this industry may not be representative of the industry as a whole.

says. Piekarski calls the provision a "showpiece with no teeth."

Murkowski replies, "If we are aware of a problem, we'll see that enforcement gets done. We'd push to the limits to see that enforcement gets done."

Capital Projects Push. Use of non-residents on state projects could become more prevalent in the near future. The administration of Gov. Walter Hickel is pushing a capital projects budget that is significantly larger than those of recent years. The Hickel administration also has high hopes for major resource developments, such as the gas pipeline and opening the Arctic National Wildlife Refuge to oil drilling.

Such major-scale projects historically have drawn the Outside companies with their cadre of non-resident workers in tow. Is the state ready for this?

Nancy Usera, commissioner of the Alaska Department of Labor, says yes. "What we're looking at here is the creation of stable, permanent jobs in the private sector," she adds. "That's the thrust of the projects the governor is working on. We have to be sure the work force is compatible with jobs

when they become available."

Responding to concerns that a large capital projects agenda will cause some form of economic dislocation - exacerbating employment disparity between male and female members of the work force or between urban and rural workers - Usera says such fears are based on exaggerated assumptions of sudden or abrupt shifts in the labor market.

"It's important to realize this is not going to happen overnight. We do have time to methodically and systematically adjust," Usera says. Rather than disruption, she sees continued economic health and recovery. "Gov. Hickel was elected on a plank of creating jobs for Alaskans, not just snapshot jobs that come and go, but adding stable components to the state's economy."

In terms of strategies, Usera advocates a two-pronged approach to accomplish local hire: persuasion and focused training. She feels it is premature to discuss new legislative mechanisms.

"I think there are other alternatives to mandating good business practices in local hire. It's important to educate employers that hiring locally is beneficial to them. It's a mar-

keting function. You need to establish good will in the community where the project is located. By fostering that kind of cooperation, it's good for everybody, including the company," Usera says.

She acknowledges that skill levels of the work force in some rural areas are a problem, but notes that programs already exist to address deficiencies. "We at the Department of Labor are working to target communities in need of that kind of training," Usera says.

In the meantime, the new commissioner intends to enforce existing local rules to the extent that the state still has the ability to do so. "We're going ahead enforcing the 90 percent rule until we hear differently," Usera concludes.

Grass-Roots Efforts. Another person in the business of local hire persuasion is Dave Thompson, the new executive director of Make It Alaskan Inc. The statewide non-profit organization focuses on encouraging state and local governments and private companies to purchase products, supplies and services that are Alaskan in origin.

According to Thompson, in the av-



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average state in the union a dollar circulates in its economy 7.8 times. In Alaska, a dollar only turns over 2.1 times before "leaking" away.

"Once the money's gone, needless to say, it doesn't come back. People are in the habit of buying things Outside they can get in Alaska. We try to convince people that goods and services are competitively available in Alaska and that buying locally supports your neighbors. That is the obvious answer to local hire," Thompson says. "2.1 is not good enough; if we could just double that number."

While the Alaska Department of

Commerce and Economic Development certifies Alaskan-made products, Make It Alaskan Inc. also certifies services provided by Alaskans. The state and private certification programs work together.

Thompson says a key goal of his organization's program is to tighten up the definition of what is "Alaskan" and to ensure that the state government's own procurement procedures fully reflect the local purchase intention. "It's just too easy for Outside firms right now to get that preference," says Thompson. He advocates that companies seeking the

Alaskan-made certification demonstrate they have a state business license, a local inventory and local overhead, including employees qualified to draw Alaska Permanent Fund dividend checks.

State procurement often violates the spirit of local purchasing because of inconsistent regulations and bad judgment. Thompson cites the example of an Anchorage firm that bid on a state contract but lost because a Seattle company was able to bid "lower" by excluding the cost of shipping. Further, civil servants made several trips to Seattle to monitor progress in manufacturing the requisitioned equipment, which cost a lot more than driving across town.

Thompson says, "The Anchorage guy was definitely the low bid. That's why we say there's a lot of room for improvement there. The state has a contradictory standard for its own procurement."

The whole thrust of the Make It Alaskan program is that buying from local companies pays the salaries of local workers, Thompson explains. Although Alaskans may have to pay 10 percent more to buy Alaskan, they should understand that the money comes back to them through their community, he adds.

But some local hire advocates haven't given up on even stronger measures than those contemplated by Make It Alaskan. For his part, Laborers Local 341's Pickarski feels "local hire will be better with a capital budget." But he also thinks more could be done: for example, extending tax breaks to companies that hire Alaskan. At the moment, "there's no incentive out there," Pickarski says.

Perhaps the most ambitious strategy on the table is a bill introduced by Sen. Pat Rodey of Anchorage that would authorize state agencies involved in capital projects to enter into collective bargaining agreements with construction trade unions. According to Mano Frey, business manager of the Laborers union, collective bargaining agreements are one place where the courts have tolerated local hire preference clauses.

"We've been talking about this for a long time," says Frey. Resistance in the past has come from some who see such a proposal as politically self-serving to unions. But Frey thinks with so many other remedies exhausted and greater awareness of the importance of wage retention to overall economic prosperity, the bill stands a chance. ♦

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Phone: (907) 586-9696

April 23, 1991

TESTIMONY RE: SSHB245 BEFORE THE HOUSE LABOR & COMMERCE COMMITTEE

My name is Bob Pavitt, and I'm President of CAPITAL COPY, LTD., an Alaskan corporation engaged in the quick-printing business in Juneau for over eleven years.

In a former life, I served Gov. Bill Egan as Director of State Planning and Research, so I am familiar with and supportive of efforts over many years to guide state agencies toward the goal of enhancing the state's economy by doing business wherever possible with Alaskan firms.

While we, along with the 1990 legislature, believe that the state should get the best value for expenditures, and that unnecessary publications should not be permitted, we submit that Chapter 100 SLA 90, the law that attempted to achieve those worthy objectives, in fact, does not!

In January, we pointed out in a letter to our local state legislators that the prices we have charged to public agencies for 10 these 11 years have been identical to those charged by the state's Central Duplicating quick-printing facility.

Many state agencies have been frustrated by the constraints placed on printing by the new law. They wait longer for important publications, and when serious errors are made, encounter additional delays while the publication is being corrected. An example of this frustration is the experience of one supply officer who came into our shop to purchase a particular type of recycled paper. Despite the fact that Central Duplicating was unable to meet the specifications for that report, they refused to allow the job to be taken to a private firm for printing, and suggested that if he supplied the paper for them, they could "come close" to the quality report previously produced at our shop. The ironic thing is that our normal public agency price, including the requested paper, was

substantially less than he was quoted by Central Duplicating.

We sincerely believe that Chapter 100 SLA 90 does not accomplish what its sponsors intended, and has created an untenable and unworkable situation which benefits neither the state nor the private sector. Our reading of the Sponsor substitute for HB 245 convinces us that it not only corrects the flaws we see in Chapter 100, but goes a long way in assuring that Alaskan firms will have a fair chance of competing for the provision of goods and services to our state government. We respectfully request that this Committee pass the subject bill on with a favorable recommendation...and thank the Committee for this opportunity to testify.

★ ★

Bob Pavitt
Juneau, Alaska
April 23, 1991

Sectional Analysis of SS for HB 245

Section 1 lays out the proposed findings and purposes of this Act. The legislation is in response to the damage done to the state's economy when state agencies go outside for services and goods they are readily available in state. The aim of this legislation is to foster an environment where the state government, as a market participant, has improved access and ability to contract with Alaska businesses.

Section 2 amends the existent subcontractor paragraph of the procurement code. In addition to the requirement that the apparent low bidder submit a list of the subcontractors they propose to use in the performance of the contract and that the subcontractor to have a valid Alaskan business license, the bill requires the subcontractor to be registered with the state if so required by AS 08.18, a statutory section which relates to construction contractors. Section 2 also reduces the number of working days the apparent low bidder has to submit this information from five to three working days.

Section 3 cross references the notice provisions addressing invitations to bid to a general prohibition of its terms laid out in Section 7 of the bill.

Section 4 requires a procurement officer evaluating a bid to consider all administrative costs that may be incurred by the state for performance of the contract if the contract was awarded to that bidder. Administrative costs are defined as additional costs resulting from the out of state geographical location of the bidder or bidder's source of supplies.

Section 5 is an attempt to address the action of Alaska offerors in the competitive sealed proposal process (Generally, the competitive sealed proposal section of the code applies to the procurement of professional services). It requires the apparent low offeror to submit a list of the subcontractors they propose to use in the performance of the contract and requires the subcontractors to have a valid Alaskan business license, and to be registered with the state if so required by AS 08.18. If a subcontractor does not have a valid Alaskan business license, the offeror is required to replace the subcontractor with one who had a valid Alaskan license at the time the proposal was opened.

Section 6 provides that state solicitation of professional services may be exempt from the procurement code if the service is to be performed in an area outside the country, and if it requires knowledge of the customs, procedures, and rules of the area.

Section 7 addresses the in-state solicitation of contracts. It applies to invitations to bid, requests for proposals, limited procurements, and small procurements. This section requires an agency to provide notice of a contract to every Alaskan contractor registered with the state who provides the supplies, services, or professional services the agency is procuring. After notice is provided in the state, the agency may provide notice out of the state.

Section 8 provides leverage to state agencies to design procurements in a way that fosters participation by bidders or offerors in Alaska. The agency may accomplish this end by reducing in size or otherwise restructuring the request so it can be handled by Alaskan firms.

Section 9 provides that a bidder or offeror shall provide the procurement officer with an explanation of how they propose to use local goods and services in the completion of the contract. If the bidder or offeror does not intend to use local goods and services, they, in turn, shall provide an explanation of why they are not being used.

Section 10 requires an agency to first solicit in-state for employees unless the personnel officer determines in writing that they have solicited in state for four weeks and have been unable to find sufficient individuals qualified for the job. The prohibition does not apply to the executive or legislative branch if the governor or legislative budget and audit committee respectively determines in writing that it is unlikely they will find a qualified individual in the state. This section applies to classified, exempt, and partially exempt positions, with the exception of persons elected or appointed to public office, the judicial branch, heads of state departments, and members of boards, commissions, and authorities.

Section 11 requires that state publications, including those of the University of Alaska, be produced at a facility located in the state when practicable. The publications are to be designed in a way that promotes simplicity, low cost, and maximum use of printing facilities in the state.

Section 12 repeals two section of the printing provisions of the code to reflect the changes made in Section 11.

SPONSOR SUBSTITUTE FOR HOUSE BILL 245

Fiscal Note Attachment

Section 7 will have a fiscal impact on agencies. The 1989 procurement report indicated that 138 bids and Requests for Proposal were lost to non-Alaska vendors. The losses can be divided into two basic categories. In some cases, Alaska bidders responded but their prices were high enough that the 5% Alaska bidders preference had no effect. In the other cases there were no Alaska bidders. We do not have the information to determine the numbers of each case. If one assumed that Alaska bidders bid but had high prices, the fiscal impact to agencies during the period 1/88 to 7/89 would have been at least \$475,000 (5% of the price of bids). If one assumed that there were no Alaska bidders, the fiscal impact would have been the cost of reissuing 138 bids and Requests for Proposal, approximately \$28,000. This does not include any costs due to delays. The actual fiscal impact would have been somewhere in between. There is no way to accurately calculate the amount of any future fiscal impact or the agency it would impact.

Alaska State Legislature
House of Representatives



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SESSION

P.O. Box V
Juneau, Alaska 99811
(907) 465-2095

Representative Dave Choquette

May 6, 1991

To: Representative Gene Kubina
Chair, State Affairs

From: Representative Dave Choquette

Re: CS (Labor and Commerce) for SSHB 245, an act relating to publications produced by state agencies and to the state procurement of property and services

It is with great pleasure that I introduce to your committee CS HB 245, an act relating to publications produced by state agencies and to the state procurement of goods and services.

I have titled this bill the Make-it-in-Alaska bill because it is aimed at changing state procurement practice to enable Alaskans to have a fair and equitable chance at competing for state work.

CSHB 245 is one arm of my attempt to get Alaskans to do business with other Alaskans. The average for the number of times money changes hands in the state of Alaska is 2.5. The national average for the number of times money changes hands before leaving a state is 7.8. Alaska's economic condition is directly affected by the level to which Alaskans look in state for the services and goods they require. Included in that formula is the level to which the state government also looks in state for the goods and services they require and does business with Alaskan firms. CSHB 245 addresses this end.

The legislation has seven key components. It aims at increasing the share of work going to Alaskans by:



- a. obliging procurement officers in each government agency to provide Alaskan suppliers and providers of service desiring to compete for state contract work with sufficient notice when the agency is procuring a service or good they are capable of providing;
- b. requiring procurement officers to add to the amount of each bid the administrative costs that would be incurred by the state; including the additional costs that result from the geographical location of the bidder;
- c. providing that state agencies must first provide notice inside the state for construction contracts, procurement orders, and employees;
- d. allowing procurement officers to structure a purchase order so that Alaskan bidders are capable of competing for the work;
- e. requiring that all state publications be printed within the state when practicable;
- f. providing that a bidder shall inform state agencies on how they intend to utilize local goods and services for performance of the contract; and
- g. amending the subcontractor section of the procurement code to require apparent low bidders and offerors to identify the subcontractors they plan on utilizing for the contract; and requiring these subcontractors to have a valid Alaskan registration if applicable.

Thank you for your prompt attention to this bill.

Alaska State Legislature
House of Representatives

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SESSION

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Juneau, Alaska 99811
(907) 465-2995

Representative Dabe Choquette



Amendment Number Two to CSHB245 (L & C)

Offered by Representative Choquette

page 4, line 27

Insert (c) This section does not apply to procurements made under 36.30.300, 36.30.305, 36.30.310, and 36.30.320.



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Representative Dave Choquette



Amendment Number One to CSHB 245 (L & C)

Offered by Representative Choquette

page five, line five, following "offerors."

Insert "If it is anticipated that two or more Alaska bidders would be capable of performing the procurement this section does not apply."





House State Affairs Committee

Representative Gene Kubina, Chair

DATE: May 8, 1991

PLACE: Capitol, Room 102

SUBJECT OF MEETING:
 *HB 288 - Relating to Giving of Cash by Public Officials
 *HB 245 - Relating to State Procurements
 *HB 300 - Relating to Approp: Study Privatizing State Services

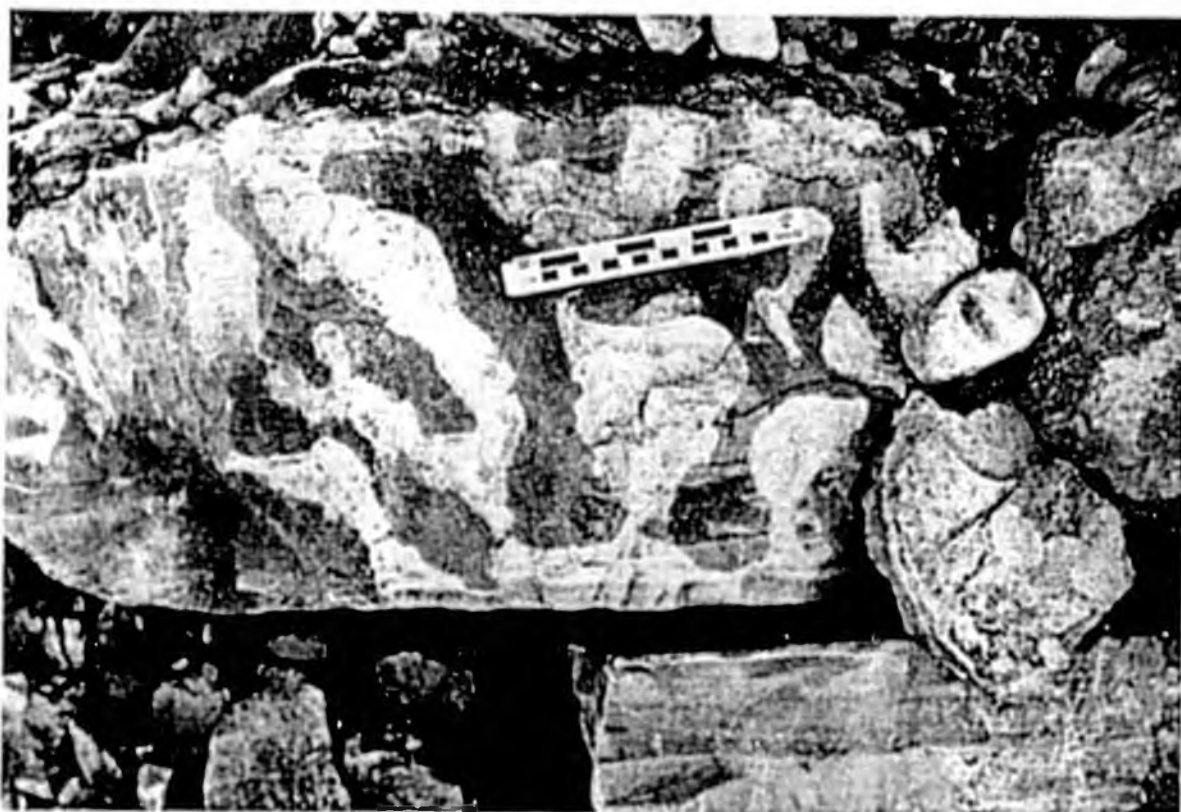
NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
Bob Link	DCA				2250	<input checked="" type="radio"/> Y	<input type="radio"/> N	HB 245
Joan Nockels	Staff Rep. Ory				2995	<input checked="" type="radio"/> Y	<input type="radio"/> N	HB 245
Terry Bannister	LAA Legal Serv's				2450	<input type="radio"/> Y	<input checked="" type="radio"/> N	HB 288
						<input type="radio"/> Y	<input type="radio"/> N	
						<input type="radio"/> Y	<input type="radio"/> N	
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						<input type="radio"/> Y	<input type="radio"/> N	
						<input type="radio"/> Y	<input type="radio"/> N	

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By Mark S. Robinson, John Decker, James G. Clough, Rocky R. Relfenstuhl,
John T. Dillon, Rodney A. Combellick, and Stuart E. Rawlinson



PROFESSIONAL REPORT 100

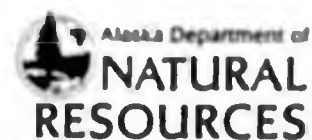
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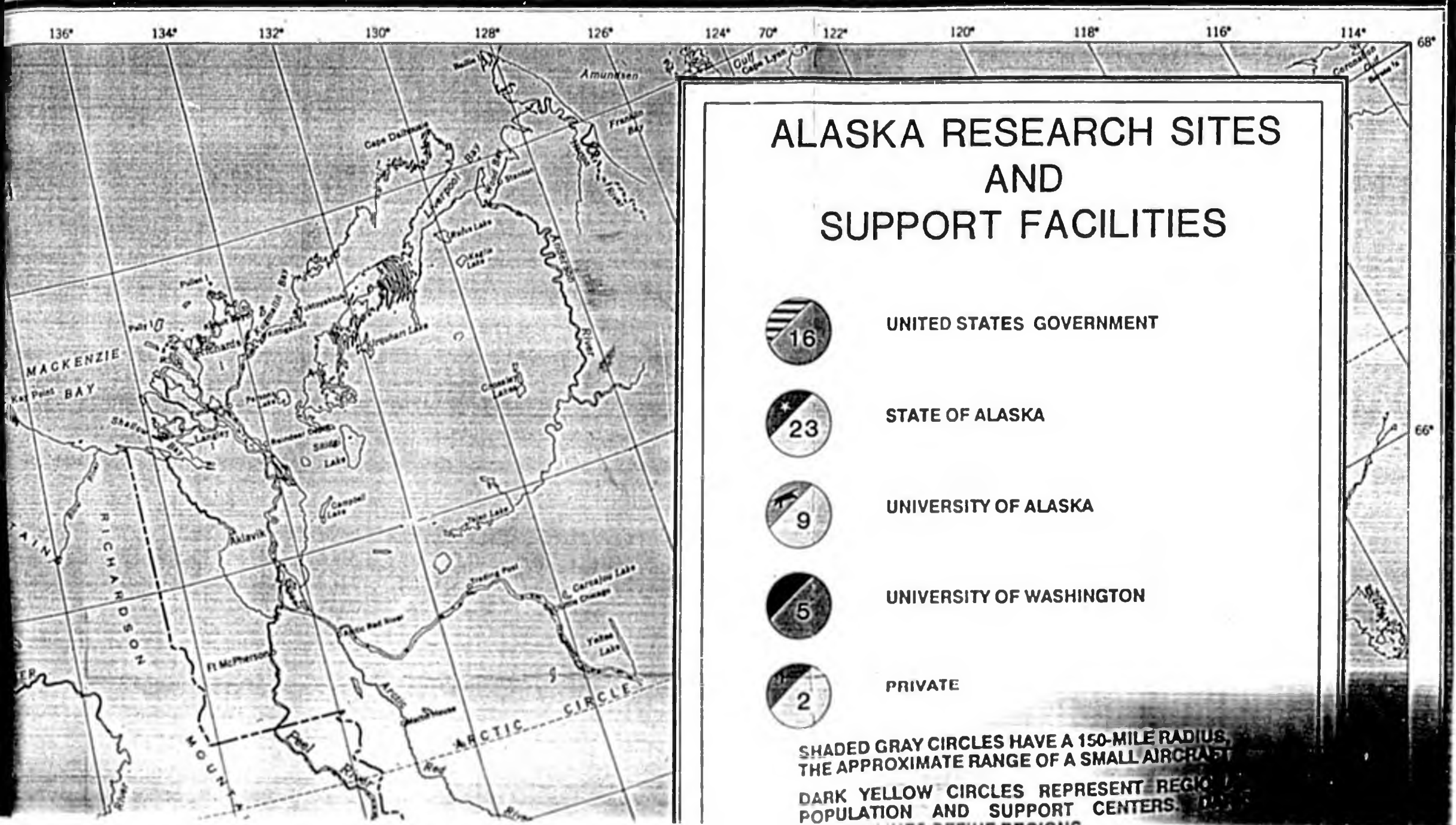
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ALASKA RESEARCH SITES AND SUPPORT FACILITIES



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SHADED GRAY CIRCLES HAVE A 150-MILE RADIUS, THE APPROXIMATE RANGE OF A SMALL AIRCRAFT

DARK YELLOW CIRCLES REPRESENT REGIONAL POPULATION AND SUPPORT CENTERS.



F10	Togiak NWR	Dillingham, AK	67°25' N, 151°03' W
F11	Becharof NWR	King Salmon, AK	60°02' N, 156°27' W
F12	Kasilno Bay Laboratory	Kasilno Bay, AK	66°41' N, 156°30' W
F13	Kodiak NWR	Kodiak, AK	60°29' N, 151°32' W
F14	Izembek NWR	Cold Bay, AK	67°47' N, 152°24' W
F15	Little Port Walter Research Station	Cold Bay, AK	65°12' N, 162°42' W
F16	Alaska Maritime NWR	Adak, AK	56°23' N, 134°38' W
		Adak, AK	51°52' N, 176°30' W

ALASKA STATE SITES
Alaska Department of Fish & Game: Hatcheries & Administrative Stations

AK1	Sikusuaq Hatchery	N. of Kotzebue, AK	67°10' N, 162°30' W
AK2	Unalakleet Airport Station	Unalakleet, AK	63°52' N, 160°47' W
AK3	Emmonak Field Office	Emmonak, AK	62°40' N, 164°35' W
AK4	Fish and Game Bunkhouse	Bethel, AK	60°47' N, 161°45' W
AK5	Toksook Bay Field Station	Toksook Bay, AK	60°31' N, 165°08' W
AK6	Platinum Field Station	Platinum, AK	60°00' N, 161°47' W
AK7	Igloodig Airport Field Bunkhouse	Igloodig, AK	59°20' N, 155°55' W
AK8	King Salmon Admin. Station	King Salmon, AK	66°41' N, 156°30' W
AK9	Cold Bay Station	Cold Bay, AK	65°12' N, 162°42' W
AK10	Dutch Harbor Admin. Station	Dutch Harbor, AK	63°34' N, 166°31' W
AK11	Sand Point Admin. Station	Sand Point, AK	55°20' N, 160°30' W
AK12	Kiloi Bay Hatchery	Mognak Island, AK	56°11' N, 152°21' W
AK13	Tudik Lagoon Hatchery	Kachemak Bay, AK	60°35' N, 151°32' W
AK14	Big Lake Hatchery	N. of Anchorage, AK	61°45' N, 150°00' W
AK15	Clear Hatchery	S. of Nenana, AK	64°15' N, 147°10' W
AK16	Delta River Admin. Station	Delta Junction, AK	64°02' N, 145°44' W
AK17	Chitina Field Station	Chitina, AK	61°31' N, 144°28' W
AK18	Cordova Admin. & Bunkhouse	Cordova, AK	60°33' N, 145°45' W
AK19	Main Bay Hatchery	Kanal Peninsula, AK	60°33' N, 148°02' W
AK20	Yakutat Admin. Station	Yakutat, AK	59°23' N, 139°44' W
AK21	Haines Admin. Station	Haines, AK	59°14' N, 135°38' W
AK22	Sretisham Hatchery	Sretisham Port, AK	57°57' N, 133°32' W
AK23	Hidden Falls Hatchery	Kasimka Bay, AK	57°13' N, 154°52' W

University of Alaska Research Stations

UA1	Todik Lake Field Station	Todik Lake, AK	67°13' N, 154°08' W
UA2	Pt. Yukon Geophys. Observ.	Pt. Yukon, AK	66°33' N, 145°15' W
UA3	Poker Flat Research Range	Chetana, AK	65°00' N, 147°28' W
UA4	Minto Field Station	Minto Lakes, AK	64°53' N, 148°49' W
UA5	Nome Reindeer Res. Station	Nome, AK	64°37' N, 165°25' W
UA6	Cortaul Reindeer Res. Station	Cortaul, AK	63°23' N, 148°56' W
UA7	Seward Marine Center	Seward, AK	60°08' N, 148°28' W
UA8	Halibut Cove Field Station	Kachemak Bay, AK	60°35' N, 151°52' W
UA9	Fishery Industrial Tech. Ctr.	Kodiak, AK	67°54' N, 152°24' W

University of Washington Fisheries Research Stations

UW1	Cabin Bay Research Station	Lake Merka, AK	59°32' N, 159°00' W
UW2	Mosquito Point Research Site	Aktavagik, AK	59°17' N, 158°38' W
UW3	Iliamna Research Station	Iliamna, AK	60°45' N, 154°55' W
UW4	Porcupine Island Res. Station	E. Lake Iliamna, AK	60°30' N, 155°00' W
UW5	Chignik Lake Station	Chignik Lake, AK	66°14' N, 156°47' W



See Book U.S. Geological Survey, 1973
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DARK YELLOW CIRCLES REPRESENT REGIONAL POPULATION AND SUPPORT CENTERS. DARK YELLOW LINES DEFINE REGIONS

FEDERAL SITE LOCATIONS

MAP CODE	SITE NAME	LOCATION	LATITUDE / LONGITUDE
F1	Arctic NWR	Katlovik, AK	70°08' N, 143°38' W
F2	Selkirk NWR	Kotzebue, AK	66°34' N, 163°35' W
F3	Kanai NWR	Bethel, AK	64°34' N, 151°41' W
F4	Koyukuk NWR	Galena, AK	64°46' N, 156°56' W
F5	Inupuk NWR	McGrath, AK	62°57' N, 156°35' W
F6	Tellin NWR	Tok, AK	63°20' N, 157°35' W
F7	Yukon Delta NWR	Bethel, AK	60°47' N, 151°45' W
F8	Broad-Area Research Station	Portage Glacier, AK	60°20' N, 148°49' W
F9	Kanal NWR	Soldotna, AK	60°29' N, 151°03' W
F10	Togiak NWR	Dillingham, AK	59°02' N, 156°27' W
F11	Becharof NWR	King Salmon, AK	58°41' N, 156°38' W
F12	Kaktovik Bay Laboratory	Westerly Bay, AK	57°29' N, 151°22' W
F13	Kodiak NWR	Kodiak, AK	57°47' N, 152°24' W
F14	Umanak NWR	Cold Bay, AK	55°17' N, 163°47' W
F15	Little Port Water Research Station		56°22' N, 134°28' W
F16	Alaska Maritime NWR	Adak, AK	51°37' N, 173°39' W

ALASKA STATE SITES

Alaska Department of Fish & Game: Hatcheries & Administrative Stations

AK1	Sturtevant Hatchery	N. of Kotzebue, AK	67°10' N, 162°30' W
AK2	Unalakleet Airport Station	Unalakleet, AK	63°52' N, 160°47' W
AK3	Emmonak Field Office	Emmonak, AK	62°40' N, 154°35' W
AK4	Fish and Game Bunkhouse	Bethel, AK	60°47' N, 151°45' W
AK5	Toksook Bay Field Station	Toksook Bay, AK	60°21' N, 165°00' W
AK6	Platinum Field Station	Platinum, AK	59°00' N, 161°49' W
AK7	Iglood Airport Field Bunkhouse	Iglood, AK	59°20' N, 155°55' W
AK8	King Salmon Admin. Station	King Salmon, AK	58°41' N, 156°38' W
AK9	Cold Bay Admin. Station	Cold Bay, AK	55°12' N, 162°42' W
AK10	Dutch Harbor Admin. Station	Dutch Harbor, AK	53°54' N, 166°31' W
AK11	Sand Point Admin. Station	Sand Point, AK	55°20' N, 160°20' W
AK12	Khol Bay Hatchery	Alagnak Island, AK	58°11' N, 152°21' W
AK13	Tulka Lagoon Hatchery	Kachemak Bay, AK	59°25' N, 151°52' W
AK14	Big Lake Hatchery	N. of Anchorage, AK	61°45' N, 150°00' W
AK15	Clear Hatchery	S. of Nenana, AK	64°15' N, 149°10' W
AK16	Delta River Admin. Station	Delta Junction, AK	64°02' N, 149°44' W
AK17	Chitina Field Station	Chitina, AK	61°21' N, 144°20' W
AK18	Cordova Admin. & Bunkhouse	Cordova, AK	60°32' N, 149°45' W
AK19	Mah Bay Hatchery	Kanal Peninsula, AK	60°32' N, 149°02' W
AK20	Yakutat Admin. Station	Yakutat, AK	59°33' N, 139°44' W
AK21	Haines Admin. Station	Haines, AK	59°14' N, 135°28' W
AK22	Snellisham Hatchery	Snellisham Port, AK	57°57' N, 133°52' W
AK23	Hidden Falls Hatchery	Kasayka Bay, AK	57°13' N, 154°52' W

University of Alaska Research Stations

UA1	Tooth Lake Field Station	Tooth Lake, AK	67°13' N, 154°08' W
UA2	Fl. Yukon Geophy. Observ.	Fl. Yukon, AK	60°20' N, 145°15' W
UA3	Chitina Research Camp	Chitina, AK	65°00' N, 147°28' W
UA4	Minto Lake, AK	Minto Lake, AK	64°02' N, 146°49' W
UA5	Nome, AK	Nome, AK	64°02' N, 146°00' W

HB

251

Proposed Amendments to HB 251
House State Affairs Committee

Amend page 1, line 9, to read:

general fund debt obligations of the state and its political subdivisions, to fund lease-purchases, and to

Amend page 2, lines 4-5, to read:

(2) to reimburse municipalities for obligations authorized under AS 14.11.100; [AND] (3) to finance the acquisition of state facilities through lease-purchase agreements; and (4) if an unobligated balance remains, to finance the design and construction of capital projects.

Amend page 3, lines 28-29, to read:

(2) to reimburse municipalities for obligations authorized under AS 14.11.100; [AND] (3) to finance the acquisition of state facilities through lease-purchase agreements; and (4) if an unobligated balance remains, to finance the design and construction of capital projects.

The purpose of the amendments is to clarify that money in the debt retirement fund can be appropriated for lease-purchase payments for state facilities.

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 3, 1991

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

Dear Speaker Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill establishing the Alaska debt retirement fund. This bill is one of three measures that make up my Alaska debt retirement fund proposal; the others, which accompany this bill, are a proposed constitutional amendment and an appropriation bill.

The Alaska debt retirement fund has two major objectives: first, to set aside part of fiscal year 1991 surplus revenue to help pay Alaska's future general obligation debt service and municipal school debt reimbursement; and second, to establish a long-term source of revenue to pay for debt service and to finance capital projects that will broaden Alaska's economic base.

I hope that every member of the legislature will agree with me that, as stewards of Alaska's resource wealth, we must consider investing, rather than spending, most of the revenue surplus that the state receives this year. Of course, I expect there to be a wide range of opinions on the best way to invest the surplus, but if we can concur that this unexpected revenue should be invested soundly, we will have reached an important point of agreement. I am willing to give all proposals for investing the revenue surplus fair consideration, and I hope that the legislature will accord the Alaska debt retirement fund the same fair hearing.

The first goal of the Alaska debt retirement fund is to help retire state and municipal debt. The State of Alaska will spend nearly \$250,000,000 over the next nine years to repay our general obligation debt. In addition, the legislature authorized the reimbursement of Alaska's municipal governments in an amount exceeding \$735,000,000 in school debt service over the next 23 years. These two budget items total nearly \$1,000,000,000.

The Honorable Ben Grussendorf -2-

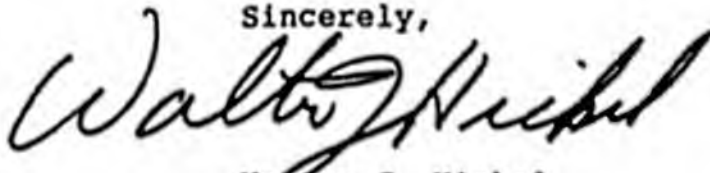
The Alaska debt retirement fund would allow us to save part of our surplus revenue to help pay off our general obligation debt and reimburse Alaska's municipal governments for their school debt payments. By doing so, we would substantially improve Alaska's ability to maintain a balanced budget as petroleum revenue declines over the next 20 years.

The second goal of the Alaska debt retirement fund is to establish a long-term source of revenue to pay for debt service, and to use the remaining balance of the fund to finance capital projects that will diversify and strengthen Alaska's economy. The companion joint resolution to this bill proposes a constitutional amendment that would dedicate a portion of our ownership revenue -- mineral lease rentals, royalties, royalty sale proceeds, and other resource revenues -- to the fund.

Alaska's economic infrastructure -- its port, transportation and energy systems -- are inadequate to support the broad economic foundation on which the future of the state depends. The Alaska debt retirement fund would provide the means to finance responsible expansion of the state's infrastructure, enhancing the viability and competitiveness of Alaska's industries.

The time for the Alaska debt retirement fund is now. This year's surplus revenue gives Alaska the opportunity to establish a fund with a statewide purpose. This revenue surplus is expected to be a one time event. With the declining production at Prudhoe Bay, we must commit to retiring our debt and building a broader, value-added economy. The Alaska debt retirement fund will serve that purpose. I urge your support for the fund.

Sincerely,

A handwritten signature in cursive script, reading "Walter J. Hickel".

Walter J. Hickel
Governor

FISCAL NOTE

No. 1
 Bill Version: HB 251
 (H) Publish Date: 4/3/91

STATE OF ALASKA
 1991 LEGISLATIVE SESSION

Revision Date: March 27, 1991
 Title: Alaska Debt Retirement Fund

Department Affected: Revenue
 BRU: Revenue Operations
 Component: Treasury Management

Sponsor: Rules request of Governor
 Requestor: Office of the Governor

Component Serial No.

	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE	(63,240)	(132,350)	(207,130)	(263,040)	(306,740)	(389,330)
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FUNDING: (Thousands of Dollars)

GENERAL FUND	(63,240)	(132,350)	(207,130)	(263,040)	(306,740)	(389,330)
FEDERAL FUNDS						
OTHER						
TOTAL	(63,240)	(132,350)	(207,130)	(263,040)	(306,740)	(389,330)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact:

ANALYSIS: Treasury's operations would not experience a fiscal impact. If bill passes and the constitutional amendment is not adopted there would not be a revenue impact. If the constitutional amendment is adopted general fund revenues will be reduced by the above numbers. This assumes interest earnings on unspent residual amounts. See attached spread sheet analysis for details.

Prepared by: Brian C. Andrews Phone: 465-2350
 Division: TREASURY Date: _____
 Approved by Commissioner: [Signature]
 Agency: _____
 Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

(13)	(14)	(15)	(16)	(17)	(18)	(19)
TOTAL REVS W/PREM FUND DEDICATION	PUB SCH FUND	NR-A FUND	OTHER FUNDS	FEDM FUND DEDICATION	BUDGET RESERVE FUND	NET GEN FUND UNRESTRICTED REVENUES
4110.80	7.50	0.00	74.30	385.10	0.00	3718.20
4516.90	8.00	0.00	0.00	400.50	0.00	4108.40
4061.40	9.40	0.00	0.00	421.00	0.00	3631.00
3765.30	9.00	0.00	0.00	366.20	0.00	3390.10
3640.50	7.10	5.40	0.00	368.00	0.00	3260.00
3446.40	6.50	41.00	0.00	323.40	0.00	3075.50
1983.20	3.30	9.90	0.00	170.60	0.00	1799.40
2747.10	6.60	1.00	15.80	417.90	0.00	2305.80
2419.70	4.30	0.80	0.00	228.40	0.00	2186.20
2780.06	5.13	0.60	0.00	267.10	0.00	2507.23
3532.97	6.55	0.60	0.00	414.97	284.65	2826.00
2375.84	4.65	0.60	3.00	242.86	0.00	2124.73
2709.21	5.44	0.50	7.00	283.56	0.00	2412.71
2827.36	5.84	0.50	7.00	304.60	0.00	2509.42
2943.28	6.16	0.30	7.00	321.12	0.00	2608.70
2961.47	6.28	0.10	7.00	327.30	0.00	2620.79
3113.95	6.79	0.00	7.00	353.85	0.00	2746.31
3035.90	6.69	0.00	10.00	348.67	0.00	2670.54
2827.79	6.31	0.00	10.00	328.76	0.00	2482.73
2624.88	5.91	0.00	10.00	307.92	0.00	2301.05
2461.49	5.56	0.00	10.00	289.71	0.00	2156.22
2348.23	5.35	0.00	10.00	278.72	0.00	2054.17
2239.17	5.13	0.00	0.00	267.34	0.00	1966.70
2175.43	5.00	0.00	0.00	260.39	0.00	1910.05
2090.83	4.85	0.00	0.00	252.52	0.00	1833.46
1960.78	4.58	0.00	0.00	238.76	0.00	1717.44
1820.89	4.31	0.00	0.00	224.47	0.00	1592.11
1728.61	4.15	0.00	0.00	216.21	0.00	1508.25
1630.89	3.94	0.00	0.00	205.47	0.00	1421.48
1531.81	3.72	0.00	0.00	193.76	0.00	1334.34

COMMITTEE CO.

TABLE 3.2

State of Alaska
Debt Service on State-Supported Debt
(\$ Millions)

Fiscal Year	(1) State GO	(2) UA	(3) ASHA	(4) Lease-Purchase Obligations (Lease)	(5) School Debt (Muni)	Total Debt Service
79	\$60.0	\$1.7	\$10.1	\$0	\$22.3	\$94.1
80	75.1	1.8	10.1	0	24.1	111.1
81	97.6	2.2	10.0	0	38.4	148.2
82	97.5	2.3	10.0	0	38.3	148.1
83	143.6	2.3	9.9	0	36.2	192.0
84	166.3	2.0	9.9	0	90.6	268.0
85	169.5	2.0	9.9	.8	93.2	275.4
86	163.2	1.8	9.9	.5	106.3	281.7
87	154.9	1.8	6.5	4.7	115.8	283.7
88	147.9	1.5	6.5	.7	109.5	266.1
89	135.5	2.2	6.5	5.2	109.5	258.8
90	120.3	2.2	6.5	5.5	107.8	242.3
91	95.5	2.2	6.5	5.5	120.2	229.9
92	68.2	2.1	6.5	5.5	116.1	198.4
93	59.7	2.1	5.9	5.5	106.0	179.2
94	33.9	1.9	3.1	5.5	93.4	137.8
95	23.1	2.0	1.5	5.5	84.3	116.4
96	21.5	1.9	0	5.5	71.1	100.0
97	16.7	1.9	0	5.5	48.7	72.8
98	14.4	1.9	0	5.5	45.7	67.5
99	9.0	1.9	0	5.5	43.2	59.6
00	2.6	1.9	0	4.7	34.8	44.0
01	0	1.8	0	4.7	21.2	27.7
02	0	1.2	0	4.7	9.1	15.0
03	0	1.0	0	4.7	5.4	11.1
04	0	1.1	0	4.7	5.4	11.2
05	\$0	\$1.0	\$0	\$4.7	\$5.3	\$11.0

(1) State of Alaska general obligation bonds

(2) University of Alaska bonds

(3) Alaska State Housing Authority lease revenue bonds

(4) Debt issued to finance Seward Student Service Center, Spring Creek Correctional Center, and Palmer Court-house

(5) State reimbursement of municipal general obligation debt issued to finance school construction for debt issued through December 31, 1989

FISCAL NOTE

No. 2

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Bill Version: HB 251
(H) Publish Date: 4/3/91

Revision Date: _____ Department Affected: Administration
Title: A Bill establishing a Debt Retirement Fund. BRU: Central Services
Component: Finance

Sponsor: Governor Hickel
Requestor: Governor Hickel COMPONENT SERIAL NO.

59			
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

This Act will not have a fiscal impact on the Division of Finance or the Department of Administration. Accounting procedures are in place to establish the Debt Retirement Fund and deposit revenue to the fund.

Prepared By: Weldon L. Blackwell *WLB* 3/27/91 Phone: 465-2240
Division: Finance Date: 03/27/91

Approved by Commissioner: Willard Keller *Willard Keller* Date: 03/27/91
Agency: Administration

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____

Department Affected: Education

Title: Establishing the Alaska Debt Retirement Fund

BRU: School Construction Debt Retirement

Sponsor: Rules

Component: School Construction Debt Retirement

Requestor: Governor

COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS. CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

This fiscal note assumes that the responsibility for disbursement of school construction debt retirement funds remain within the Department of Education.

Prepared By: Mary Hakala Phone: 465-2800

Division: Commissioner's Office Date: 3/27/91

Approved by Commissioner: Steve Hole, Acting Commissioner

Agency: Education Date: 3/27/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

ALASKA MUNICIPAL MANAGEMENT ASSOCIATION

217 Second Street, Suite 200, Juneau, Alaska 99801, (907) 586-1325

April 30, 1991

The Honorable Walter J. Hickel
Governor
State of Alaska
P.O. Box A
Juneau, Alaska 99811

The Honorable Dick Eliason, President
Alaska State Senate
P.O. Box V
Juneau, Alaska 99811

The Honorable Ben Grussendorf, Speaker
Alaska House of Representatives
P.O. Box V
Juneau, Alaska 99811

Re: CS for Senate Bill No. 141 (An Act establishing a capital project matching grant program for municipalities and unincorporated communities)

Gentlemen:

Although the conventional wisdom indicates that SB 141 is not expected to pass through the legislature this year, the Alaska Municipal Management Association (AMMA), an organization of Alaska city and borough managers and administrators, urges timely consideration of this bill.

In expressing our support, however, it is important to note that the AMMA views this bill as an equitable means of distributing certain capital project funds, not all capital project funds. The funds appropriated under this bill should supplement other state capital funds used for large state projects and regional capital programs.

We support the concepts included in this legislation because it would

- Eliminate "free rides" and establish some economic criteria to segregate "wants" from "needs" in the formulation of local capital improvement plans;
- Enable locally elected officials to establish the priorities for capital projects;
- Provide another tool for local governments to help attract federal and private financing for capital projects;
- Implement more equality in the distribution of state grants; and
- Enable our senators and representatives to concentrate on more important public policy issues, rather than consuming so much time in listening to every interest group that wants a grant and defending decisions made in allocating the limited grant dollars available.

Governor Walter J. Hickel
Senator Dick Eliason
Representative Ben Grussendorf
April 30, 1991
page 2

We support the revisions made in this bill by the Senate Community and Regional Affairs Committee to lower the local matching requirements for two years.

We offer the following suggestions for additional revisions to the bill for consideration as it moves through the various committees of the legislature.

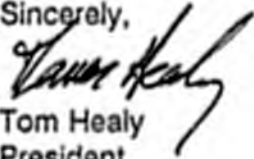
1. Allocation Formula. Although the allocation formula gives consideration to population and local wealth, it is not truly fair in its state-wide application because it does not consider local tax effort. Consider taking local wealth and tax effort into account. Compute local tax effort based on the conversion of all "locally generated revenues" (property taxes, sales taxes, user fees, special assessment charges, etc.) into a mill rate equivalent (MRE) as is done under the State Revenue Sharing Program. We suggest lowering the matching requirement for local governments which have a higher local tax effort.
2. Sources of Revenue for Local Match. The bill should give explicit authority to enable use of state revenue sharing, municipal assistance, raw fish tax, and other non-categorical state shared revenues for the local match. In the alternative, define which state grant programs may not be used for the local match.
3. Audit Standards. In order to eliminate potential audit problems these explicit standards should be incorporated in the bill:
 - a. Charges for indirect general and administrative overhead expenses should not exceed 10 percent.
 - b. The value of donated land should not exceed the most recent assessed value for tax purposes or a value established by an qualified independent appraiser if there is no assessed value for tax purposes.
 - c. The value of voluntary labor should not exceed the Davis Bacon Wage Rates established by Title 36 of Alaska Statutes.
 - d. The value of equipment donations should not exceed the "Blue Book" values used by the Department of Transportation and Public Facilities.
4. Special Assessment Financing for the Local Share. We think special assessment financing offers a good means for generating the local match because there are less exemptions as compared to property tax financing. Consider providing authority in the bill to enable local governments to recapture 100 percent of the grant investments by special assessments to establish capital project revolving funds.

Governor Walter J. Hickel
Senator Dick Eliason
Representative Ben Grussendorf
April 30, 1991
page 3

5. Large Project Financing. Prohibit use of these grant funds for financing large and expensive projects such as those for schools and hospitals. These projects should be financed by separate state categorical grant programs.

We thank you for your consideration.

Sincerely,



Tom Healy
President

cc: Shelby J. Stastny
✓ Scott A. Burgess



217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907) 586-1325, Fax (907) 463-5480

May 16, 1991

The Honorable Walter J. Hickel
Governor
State of Alaska
P.O. Box A
Juneau, Alaska 99811

Dear Governor Hickel:

The Alaska Municipal League has reviewed your community matching capital grants and debt retirement fund legislation - SB 140, SB 141, HB 251, HB 252, and HJR 38. The legislation would directly affect municipalities and the AML supports some of the concepts contained in the legislation. However, the AML will need additional time to review the proposals, to provide comments or suggest amendments, or to take a formal position. The AML Board of Directors also voted to make the review of the concepts embodied in these legislative proposals a priority of the Task Force on Governmental Roles assuming HCR 17 passes and is adequately funded.

For your information, I have enclosed a copy of some initial comments given to the AML Board by the AML Legislative Committee on the matching grant and debt fund proposals. I have also enclosed a copy of a letter from the Alaska Municipal Management Association (AMMA) regarding SB 141.

The matching grant and debt fund proposals address several AML policies outlined in our 1991 Policy Statement. The community matching capital grant program coincides with AML's support of block grants for a portion of state funding of local capital projects (*1991 Alaska Municipal League Policy Statement*, I.A.4). To the extent that it would enable decisions regarding local capital project priorities to be made at the local level and thus allow better coordination and increased efficiency in the use of these funds, AML supports the general concept.

AML is quite concerned, however, that this program not be considered, either now or in the future, as a replacement for existing programs that fund major capital projects, among them schools, water and sewer systems, hospitals, harbors and ports, airports, and roads. Because of their magnitude, these types of needs cannot, and should not, be addressed by the matching grant program your administration has proposed. Nor should such a program be the sole source of funds for vital projects in Alaska's small cities, which would be unable to accumulate enough funds for such projects under the terms of this program. There are other concerns and questions raised by the proposals.

AML supports the debt retirement fund proposal to the extent it addresses the state's obligation to fund outstanding school debt. As you and your administration are aware, the state's share of debt incurred by municipal governments for the construction of schools under the debt reimbursement program in effect until the passage of HB 37 during 1990 amounts to over \$800 million from FY 1991 through FY 2005. The Alaska Debt Retirement Fund,

Governor Walter J. Hickel
May 16, 1991
page 2

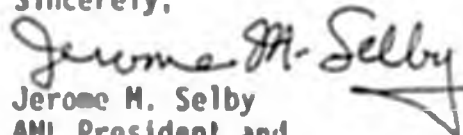
as it has been explained to us, would provide a source of revenue for this obligation of the state, as well as for state general obligation debt and future capital projects. However, municipal school debt obligations can be funded out of the general fund or from a statewide general obligation bond. The Alaska Constitution already requires the state to meet its debt obligations first. Capital grant funds should probably always have to compete with operating funds.

The AML has a full legislative agenda this year based on policies and legislation which have been debated by the membership for a number of years. We hope you will support these measures, which we have discussed. Among our legislative priorities, AML has proposed a Task Force on Governmental Roles in HCR 17. The concepts embodied in your legislative proposals and their proper place in an improved state and local partnership could be studied as a part of this study. HCR 17 should be approved and funded adequately (\$300,000).

Too often in Alaska, as in almost every state, there is insufficient communication between levels of government and understanding of relative responsibilities and resources. Programs such as those you have proposed in SB 141 and HB 251 are developed unilaterally, and services, programs, and enforcement requirements are imposed on lower levels without an adequate understanding of their cumulative effects. The effort proposed in HCR 17 if done well could save the state and municipalities time and money by improving communication among those of us elected to serve the people of Alaska.

Again, SB 141, HB 251, and the related legislation have merit and deserve further consideration. The AML supports many of the concepts within the legislation and is committed to working with you, your administration, and legislators on these bills during the interim and the 1992 session. We also suggest that the concepts in the legislation and other ideas for delivering public services in Alaska more effectively, efficiently, and equitably be reviewed as a part of the Task Force on Governmental Roles (HCR 17).

Sincerely,


Jerome M. Selby
AML President and
Mayor, Kodiak Island Borough

Enclosures

cc: Shelby Stastny, Director, OMB
Bill Overstreet, Local Government Liaison
Senator Dick Eliason
Representative Ben Grussendorf
Senate Finance Committee
House State Affairs Committee
Jack Fagnoli, OMB
Jack Kreinheder, OMB
AML Board of Directors

TAXATION AND FINANCE SUBCOMMITTEE REPORT
APRIL 10-11, 1991

REPORT ON PENDING LEGISLATION

Members in attendance: Raymond Stoney, Assembly Member, Northwest Arctic Borough
Kevin Walker, Council Member, City of Kenai
Craig Duncan, Treasurer, City and Borough of Juneau
Brian Porter, Assembly Member, Municipality of Anchorage
Nathan Kotch, Council Member, City of Kotzebue
Alvin Hall, Director of Accounting, Ketchikan Gateway Borough
Judi Slajer, Chief Financial Officer, Fairbanks North Star Borough

Senate Bills 141 & 142: Capital Projects Matching Grants

The Subcommittee reviewed the data presented by Shelby Stastny, Director of Management and Budget, and the comments/reactions of members of the Legislative Committee. The Subcommittee supports the concept of sharing the cost of construction for certain capital projects with the State of Alaska. The premise that the community which contributes will be more responsible, in both setting community-wide priorities and providing on-going operations, is a concept that is generally accepted as "good". It is noted, however, that these funds should not be expected to be a replacement funding source with which to construct state facilities -- those facilities for which there is clear responsibility for the state to construct and maintain.

In keeping with the AML policy to support a block grant approach to capital project funding, it is the opinion of the Subcommittee that the AML should work with the Legislature to shape these bills so that the program meets the concerns raised by local government. The following is a list of "pros" and "cons" which need to be considered in shaping this legislation to be useful.

PROS: Provides an opportunity for local government to leverage local and federal dollars

Provides local control on how capital funds are spent

Local communities can decide priorities

Takes the establishment of priorities out of the hands of the Legislature, which occasionally responds to special interest pressures

Distributes to all communities, not just those with the most "clout" in Juneau

Doesn't have a lot of strings attached, so dollars can be spent on development projects

Allowing funds to build up for five years may allow for accumulation of sufficient funds to build meaningful, but costly projects

CONS: No guaranteed revenue stream

Poor communities may not be able to fully fund needed projects, e.g., street lights, laundry facilities, sewer, water system, with limited amount of funding. One example is a "wash-a-teria", which is the focal point of the small village community. This type of facility provides washing machines and in some instances the community water supply equipment and gathering place for local residents (in lieu of a community hall). A very rural community in Northwest Alaska, for instance, will not be able to build a "wash-a-teria" with the \$125,000 it would accumulate over a five-year period, assuming the community could meet the 10 % (\$12,500) match requirement.

Distribution formula does not take into consideration the differentials in cost-of-living in various communities of the state.

Population aspects of the formula need to be refined. The needs of a community of 250 are different than the needs of a community of 450, but they are both eligible for the same level of funding.

State has not been funding the 50/50 municipal water and sewer matching and the Village Safe Water programs, which are basic facilities programs, so why start another new program? Perhaps the existing matching program should be looked at for expansion, as well as funding.

The formula lacks an incentive to look at regional solutions, where they are appropriate. Formula should be looked at to see if this is possible.

The issue of "equity" and "needs" must be addressed to the agreement of all. In some cases a community of 150 may not have many capital needs. The question is asked, Should this community use the money anyway? The formula is based on a per capita distribution with some weighting

for capacity to pay the local match. No recognition is given to "need", either on a regional or statewide basis.

The formula will allow cities within boroughs to receive the dollars, as well as the borough receiving the dollars. The borough's population excludes the cities. In the real world, the population of the borough does not exclude the cities as the boroughs have areawide responsibilities, even within the cities. Therefore, the distribution of funds within a borough may not be equitable. This inequitable distribution may be a factor in discouraging cooperation among these governments in arriving at community-wide project allocations (community-wide priorities)

The limitation on powers of a second class borough may need to be addressed so that the borough can sub-grant dollars for a project which is not within the legal authority structure of the borough. An example may be a nursing home that needs to be constructed, and the borough does not have nursing home or elderly care facilities powers. How can the borough pass on these capital dollars to the correct agency to build the new nursing home? Who is responsible for the accounting to the state if the money can be passed through?

The larger communities, under the formula, are entitled to considerable dollars. Will this capital projects funding program increase the local government's likelihood of constructing unneeded facilities?

Program administration will be a nightmare. The state will need to track on each community receiving funds, each project which is approved by the community, the timing and type of the match, etc. The fiscal note on these bills may be considerably light.

Regulations under designated grants have been resisted in the past to avoid past problems of unnecessary red tape, project delay, and project funding diluted by state administrative costs. Section 2 allows for the promulgation of regulations with little restriction.

Clarification is needed to allow municipalities to use general pass-through dollars (municipal assistance and revenue sharing) for local match.



House State Affairs Committee

Representative Gene Kubina, Chair

DATE: May 3, 1991

PLACE: Capitol, Room 102

SUBJECT OF MEETING:
 HB 251-Relating to Debt Retirement Fund
 HB 252-Relating to Approp: Debt Retirement
 HJR 38-Relating to Constitutional Debt Retirement Fund

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
JACK KREINHEDER	GOV.	BOX 1771			3588	(Y) N	HB 251, HB 252 HJR 38
SHELBY STASTNY	GOV.	BOX 1771			3568	(Y) N	"
Scott Burgess	AML	Juneau			G-1325	(Y) Y N	"
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	



House State Affairs Committee

Representative Gene Kubina, Chair

DATE: May 17, 1991

PLACE: Capitol, Room 102

SUBJECT OF MEETING:

HB 251 - Relating to Debt Retirement Fund

HB 252 - Relating to Approp: Debt Retirement Fund

SB 44 - Relating to Construction and Operation of Vets' Home

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Jeff Morrison	DMVA	P.O. Box L Juneau 99811			465-4600	Y (N)	SB 44
Paula Scavens	Leg Research	P.O. Box 1			465-3991	Y (N)	SB 44
Harlan Knudson	Hospitl Nursing	House 319 Juneau			5-1790	(Y) N	SB 44
SHELBY STASTNY	OMB	Box AM			5-3568	(Y) N	HB 251/252
JACK KREINHEDER	OMB	" "			"	(Y) N	HB 251/252
MILTON KOLLE	DoAd.	Box C				(Y) N	HB 251
T.C. CARROLL	DMVA	P.O. Box L Juneau 99811			465-4600	(Y) N	SB 44 / SJR 1
JEFF BUSH	Dept of Law	P.O. Box K, Juneau	99811		465-3600	(Y) N	HB 308
						Y N	
						Y N	
						Y N	

HB

252



KENAI PENINSULA BOROUGH

144 N. BINKLEY • SOLDOTNA, ALASKA 99669
PHONE (907) 262-4441

DON GILMAN
MAYOR

ALASKA DEBT RETIREMENT FUND POSITION PAPER HB 251, 252 & HJR 38

The Kenai Peninsula Borough supports the Governor's proposal for a Debt Retirement Fund.

Full funding of the state's obligation for school construction debt reimbursement has been the borough's number one legislative priority for the past four years, and will most likely to continue to be until the debt is paid off.

The economic boom in the early 1980's had a major impact on the boroughs and school districts in Alaska. Many areas experienced severe overcrowding in their school systems and, as a result, new schools were built through the sale of bonds eligible for reimbursement per AS 14.11.100. These bonds were sold with the expectation that they would be reimbursed at the level of entitlement prescribed in statute at the time of the sales.

For KPB, the school construction debt payment for FY '92 is \$26,999,010. This represents approximately 49% of the borough funds for education and 39% of the total borough general fund budget. The borough's entitlement from the state for this year is \$24,529,190. With such a large percentage of potential revenue subject to an annual appropriation by the legislature, the borough and all municipalities are forced to develop their budgets without knowing what their revenues are until the last minute.

In FY '92, Governor Cowper did not make his veto of this program until after the June 15 deadline for establishing the mill levy. The borough was forced to use the bulk of the remaining "fund balance" to make up for the lost revenue. Passage of a debt retirement fund would make known ahead of time the amount of state reimbursement of entitlement.

Debt Retirement Program
KPB Position Paper
Page Two

The Kenai Peninsula Borough, along with many other municipalities, worked diligently for the past three years with the legislature and the Governor to pass legislation which eliminated the former school construction funding program, and implemented a single grant program. The impetus for this change was to cap the state's liability for future debt, and create a single equitable funding program. One of the motivations for participation by the municipalities was the assurance that the remaining entitlement for school construction debt would be fully funded. This legislation would fulfill that promise.

Proposed Technical Amendment to HB 252
House State Affairs Committee

On line 4, delete the words "available for appropriation."

The purpose of the amendment is to make the wording of the bill consistent with the terminology now used by the Department of Administration to refer to the general fund balance.

209 million



House State Affairs Committee

Representative Gene Kubina, Chair

DATE: May 3, 1991

PLACE: Capitol, Room 102

SUBJECT OF MEETING:
 HB 251-Relating to Debt Retirement Fund
 HB 252-Relating to Approp: Debt Retirement
 HJR 38-Relating to Constitutional Debt Retirement Fund

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
JACK KREINHEDER	GLV.	BOX 177			3588	(Y) N	HB 251, HB 252 HJR 38
SHELBY SPASTNY	GLV.	BOX 177			3568	(Y) N	"
Scott Burgess	AML	Tuneau			G-1325	(Y) N	"
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	



House State Affairs Committee

Representative Gene Kubina, Chair

DATE: May 17, 1991

PLACE: Capitol, Room 102

SUBJECT OF MEETING:
 HB 251 - Relating to Debt Retirement Fund
 HB 252 - Relating to Approp: Debt Retirement Fund
 SB 44 - Relating to Construction and Operation of Water Works

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Jeff Morrison	DMVA	P.O. Box L Juneau 99811			465-4600	Y (N)	SB 44
Paula Scavers	Leg Research	P.O. Box V			465-3991	Y (N)	SB 44
Harlan Knudson	Hospital Nurses	House 319 Juneau			5-1790	(Y) N	SB 44
SHELBY STASTNY	OMB	Box AM			5-3568	(Y) N	AB 251/252
JACK KREINHEDER	OMB	" "			"	(Y) N	HB 251/252
William Koller	D=Ad.	Box C				(Y) N	HB 251
T.C. CARROLL	DMVA	P.O. Box L Juneau 99811			465-4600	(Y) N	SB 44 / SJR 1
JEFF BUSH	Dept of Law	P.O. Box K, Juneau	99811		465-3600	(Y) N	HB 308
						Y N	
						Y N	
						Y N	

HH BB

257

State of Alaska

Committees

CO-CHAIR, HOUSE JUDICIARY
VICE-CHAIR, HOUSE LABOR AND COMMERCE
HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES



P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4712
465-4968/4986
(SESSION)
914 CLAY COURT
ANCHORAGE, ALASKA 99501
(907) 276-6041

Representative Max F. Gruenberg, Jr.
District 11
Spenard, Upper Midtown Anchorage

TO: Rep. Gene Kubina
FROM: Rep. Max Gruenberg
DATE: April 5, 1991
RE: The scheduling of HB257, Alaskan-Canada Highway
commemorative medallion.

I would very much appreciate it if you would schedule HB257 as soon as possible.

This bill is an act relating to a medallion commemorating the 50th anniversary of the construction of the Alaska-Canada Highway.

1. The Dept. of Military and Veteran affairs shall negotiate an agreement with Yukon Territory to arrange for the minting and sale of medallions.
2. The Dept. will administer a contest among Alaskan residents to chose an appropriate design and may award the winning artist up to \$1,000.
3. The other side will be determined by the government of the Yukon Territory.
4. The medallions shall be minted all or in part from .999 fine gold and silver form Alaskan and the Yukon Territory.
5. Royalties from the medallion sales will be split equally between the governments, regardless of where and by whom the medallions are sold.

If you have any questions, please call me or Michael Plunkett of my staff, at ext. 4968.

Thank you very much.

DIVISION OF LEGAL SERVICES

**LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

P.O. Box Y, Juneau, Alaska 99811
(907) 465-3867 or 465-2450
FAX (907) 465-2029

Deliveries to: 240 Main Street
Court Plaza, Room 500
Mail Stop 3101

MEMORANDUM

March 26, 1991

SUBJECT: Sectional Analysis (Work Order No. 7LS-1030A) H3257
TO: Representative Max Gruenberg
FROM: Terri Lauterbach *TML*
Legislative Counsel

The following is a sectional analysis for Work Order No. 7LS-1030A:

Section 1. Directs the Department of Military and Veterans' Affairs to negotiate a cooperative arrangement with the Yukon Territory for production and sale of medallions commemorating the 50th anniversary of the construction of the Alaska-Canada Highway.

Sec. 2. Gives the bill an immediate effective date.

TML:pl
91-207.plm

Enclosure

Great Alaska *Highways* Society

P.O. Box 74250
Fairbanks, Alaska 99707
(907) 462-9086 FAX: (907) 464-1942

April 16, 1991

Representative Gruenberg
Pouch V
Juneau, Alaska 99811

Dear Representative Gruenberg:

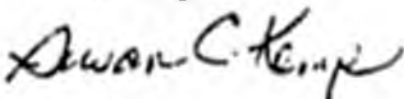
The Great Alaska Highways Society wishes to go on record in support of your sponsored legislation, HB257 relating to a medallion commemorating the 50th Anniversary of the construction of the Alaska Highway.

We would like to suggest that the medallion project include British Columbia in addition to the Yukon. We are joint partners in this celebration with both of our Canadian neighbors.

We would also support the proposed amendment that would allow profits from the sale of the medallion to be made available to the Great Alaska Highways Society. If this medallion is jointly funded by Alaska, Yukon and British Columbia, it may be necessary to equally divide any profits. We certainly support this concept.

Your idea of a commemorative medallion is terrific. We appreciate your interest and support of Alaska Highway Rendezvous '92. Thank you also, for any help you can provide in making legislators aware of the need to fund our FY92 request for \$300,000.

Sincerely,



Susan C. Kemp
Executive Director



Alaska Highway Rendezvous '92

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. HB 257

Revision Date: _____

Department Affected: Military & Veterans Affairs

Title: Medallions commemorating 50th anniversary of Alaska-Canada Highway

BRU: Alaska National Guard

Component: Office of the Adjutant General

Sponsor: Rep. Gruenberg

Requestor: Rep. Gruenberg

COMPONENT SERIAL NO.

4	1	4
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	26.0					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	26.0					

CAPITAL						
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REVENUE	26.0					
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER GF/PR	26.0					
TOTAL	26.0					

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)
See attached

Prepared By: Jeff Morrison Director Phone: 465-4600

Division: Administrative Support & Services Date: 16 April 91

Approved by Commissioner: J Morrison for Hugh L. Cox III

Agency: Military & Veterans Affairs Date: 16 April 91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE TO HB 257
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

This fiscal note is based on the following assumptions:

- 1) That the agreement with the Canadian governments involved will state that production costs for the medallions will be borne by the State of Alaska;
- 2) That the medallion to be produced will be a one ounce silver medallion (based on advice as to marketability obtained from several Alaskan vendors);
- 3) That the medallions to be produced will be offered for sale and sold as a lot to the highest bidder in its final produced form, and that the bidders will arrange for the marketing and sale of the medallions to the consumers through normal retail outlets. It is also assumed that the bid price for the bulk sale of the medallions will at least cover the production costs of the medallions.
- 4) Any additional revenue over and above production costs shown in this fiscal note will be deposited into the state general fund unless directed otherwise by law.

Medallion production costs:	23.5
Fiscal note assumes the production of 2000 each 1 ounce silver medallions. Die casting is \$1500. Unit costs of medallions includes: \$3.00 striking cost; \$2.00 packaging and shipping; and \$6.00 silver (1oz. @ \$6.00/oz).	
Other costs:	2.5
Design contest award, \$1,000. Printing, telephone, postage, and other administrative costs of running design contest, \$1,500.	
Total costs	26.0



House State Affairs Committee

Representative Gene Kubina, Chair

DATE: April 26, 1991

PLACE: Capitol, Room 102

SUBJECT OF MEETING:

HB 257 - Relating to Alaska Highway Commemorative Medallion
 *HB 271 - Relating to Vet Status of AK Territorial Guard Vets

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
✓ Dorothy G. Jones	Mat-Su	Mat-Su Borough Box 1608, Palmer	99645	745-9682		<input checked="" type="radio"/> Y <input type="radio"/> N	198
Juanita Hensley	DBS/DMV	Box N Juneau	99811	465-4335		<input type="radio"/> Y <input type="radio"/> N	if Quarters
✓ Tom Wright	Mil. Vet Affairs Comm.	PO Box V Juneau	99811	7527		<input checked="" type="radio"/> Y <input type="radio"/> N	HB 271
✓ MIKE WURLEY	DCRA	PO B JUNU	99811		4787	<input type="radio"/> Y <input type="radio"/> N	HB 271
✓ Crystal Smith	AML	217 2nd, Suite 200 Juneau	99801		586-1325	<input checked="" type="radio"/> Y <input type="radio"/> N	HB 271
✓ Jeff Morrison	DMVA	PO Box L Juneau	99811		465-9600	<input type="radio"/> Y <input type="radio"/> N	HB 271 HB 257
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	



House State Affairs Committee

Representative Gene Kubina, Chair

DATE: April 26, 1991

PLACE: Capitol, Room 102

SUBJECT OF MEETING:

- HB 122 - Relating to Qualifications for Longevity Bonuses
- *HB 198 - Relating to Legislative Sessions to be in Mat-Su
- HB 237 - Relating to State Leasing of New Buildings

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
✓ Michael J. Krink	everybody	P.O. Box # 0844	99802	907 386 4318	same	(Y) N	# HB 122
✓ Dan C. Stein	Wash	290 E. HERNING-WASILLA	99637	373 9055	—	(Y) N	HB 198
Clark Greening	Good Government	217 Second Street Supt	99801	576-8400		(Y) N	→ maybe HB 188
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	

HB

261

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

o. 2
Bill Version: HB 261
(H) Publish Date: 4/5/91

Revision Date: _____
Title: An act relating to geographic pay differentials

Department Affected: Administration
BRU: General Government
Component: Labor Relations

Sponsor: Rules
Requestor: Governor

COMPONENT SERIAL NO.

0	0	5	8
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	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

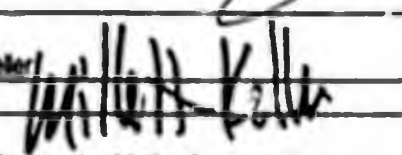
Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)

This bill would standardize geographic pay differentials in statute and provide for modification at 5-year intervals. Geographic differentials would be excluded from bargaining; therefore, there is not cost to this division.

Prepared by: Bruce Cummings 
Division: Labor Relations

Phone: 465-4104
Date: March 12, 1991

Approved by Commissioner: Millet Keller 
Agency: Administration

Date: 3/21/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

No. 1
 Bill Version: HB 261
 (H) Publish Date: 4/5/91

STATE OF ALASKA
 1991 LEGISLATIVE SESSION

Revisor: Date: _____
 Title: Geographic pay differentials, salary surveys,
pay plan, item not subject to collective bargaining.
 Sponsor: Rules by Request of Governor
 Requestor: Governor

Department Affected: AI
 BRU: AI
 Component: AI

COMPONENT SERIAL NO. A I I

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	16.2	(86.8)	(165.0)	(224.3)	(269.3)	(303.5)
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	16.2	(86.8)	(165.0)	(224.3)	(269.3)	(303.5)

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

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	16.2	(86.8)	(165.0)	(224.3)	(269.3)	(303.5)

POSITIONS:

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

Estimate of current year impact: \$0

ANALYSIS: (Attach a separate page if necessary.)

See Attached

Prepared by: David K. F. Otto *DKFO*
 Division: Personnel

Phone: 465-4430
 Date: 3/17/91

Approved by Commissioner: Millet Keller *Millet Keller*
 Agency: Administration

Date: 3/27/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. _____
Law Log 81-0059

ANALYSIS: (continued)

SUMMARY/EXPLANATION OF INTENT:

Section 2 of this bill amends the geographic pay differentials paid to State employees under AS 39.27 to match those in effect for members of the general government and supervisory bargaining units which are closely matched by the confidential and public safety bargaining units. Only employees in the partially exempt service and employees in the classified service not covered by a collective bargaining agreement are subject to the proposed changes.

The proposed change in geographic pay differentials does not affect employees in Ketchikan, Juneau or Anchorage (1961 Election Districts 1, 4 and 8). There is no geographic pay differential currently provided to these employees, and none will be provided under this bill. There are 482 employees in this group.

There are currently 98 filled positions in the balance of the State which are affected by this bill. The geographic pay differential for 22 of these positions will increase. The geographic pay differential for the remaining 76 will decrease.

Section 4 of the bill provides that the pay rate of current employees will not be reduced by enactment of the new differentials. Savings are realized upon turnover. The salary of current employees is frozen until other personnel actions would cause an employee's salary to exceed the frozen level (increases in the pay table, merit increases, promotions, etc.).

This analysis assumes:

- No general pay increases during the period covered by this fiscal note.
- The overall turnover rate of 24.1 percent applies equally to this group. (If turnover is higher, the savings will be realized sooner.)
- Average added benefits are 25 percent (to avoid effect of health insurance at a constant rate.)

ESTIMATED FISCAL IMPACT:

The current annual Personal Services cost for the 98 positions is \$7,560.7 thousand. The added first year (FY 92) cost of the 27 employees whose differential will be increased is \$74.8 thousand. When all employees are on the new differential schedule, the annual Personal Services cost will be \$7,149.5 thousand. Each year, beginning with FY 92, the cost of these positions will be reduced by 24.1 percent of the remaining difference between the first year cost and the long-term costs. However, the first year will only realize half a year's savings based on the assumption that turnover is spread evenly throughout the year. First year savings are \$58.6 thousand. Second year savings are an additional \$103.0 thousand. Third year savings are an additional \$78.2 thousand, etc. These costs and savings are summarized below:

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. _____
Law Log 91-0059

Current Annual Personal Services Costs	\$7,560.7
Added Costs FY 92	<u>74.8</u>
	7,635.5
Less Ultimate Long-Range Annual Personal Services Costs	<u>(7,149.5)</u>
Ultimate Annual Savings	<u>\$ (486.0)</u>

	Additional Savings (24.1% of Remaining Annual Savings)	Cost	Net Annual Savings
FY 92 (First Year—Half Year)	\$58.6	74.8	\$ (16.2)
FY 93 (Second Year)	103.0		86.8
FY 94 (Third Year)	78.2		165.0
FY 95 (Fourth Year)	59.3		224.3
FY 96 (Fifth Year)	45.0		269.3
FY 97 (Sixth Year)	39.2		303.5
(Last Year)			486.0

To the extent that the appointing authorities of the exempt service not covered by a collective bargaining agreement follow the geographic pay differentials in AS 39.27.020, there will be additional savings.

Sections 1, 2, and 6 of this bill make the geographic pay differentials in AS 39.27.020 apply to future collective bargaining agreements. Any changes in personal services costs associated with new agreements will be reported under the Public Employment Relations Act procedures.

A small but unknown portion of the Personal Services will be other than General Fund.

Section 3 of the bill provides for the Director of Personnel to conduct surveys of geographic pay differentials at five-year intervals, subject to funding. The last survey was conducted in FY 85. This fiscal note makes no assumptions as to when the next survey will be conducted, nor its cost.

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 5, 1991

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

Dear Speaker Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating principally to geographic pay differentials.

Specifically, the bill would amend the geographic differentials applied to the state pay plan; remove the issue of geographic differentials from the bargaining table for state workers; alter the scope and frequency of the salary survey required to be conducted by the Department of Administration by AS 39.27.030; and, in conjunction with changes to the salary survey, repeal two statutes requiring preparation of an annual pay schedule and an annual university system salary survey.

The bill is based on the recommendations of the Office of Management and Budget's Report 01-75, "Improving State Use of Geographic Differentials to Adjust Program Costs" (January 1991). Among the reasons for the report's recommendation for the legislation is the lack of uniformity in geographic cost of living allowances among state employees in the same locale.

I believe the bill will contribute to a fairer and more rational system for compensating the state's employees for the differences in the cost of living among the state's communities, and I urge your prompt action on the measure.

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel".

Walter J. Hickel
Governor

MEMORANDUM

STATE OF ALASKA Department of Administration

To: Rep. Gene Kubina
Chair
House State Affairs Committee

Date: April 16, 1991

From: Millett Keller *Millett Keller*
Commissioner
Department of Administration

Phone: 465-2200

Subject: HB261 Geographic Pay Differentials

I would like to request HB261 to be placed on the committee calender for a hearing the week of April 22.

Thank you.

PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE KUBINA

NAME: RUTH PARTLOW
TITLE:
ADDRESS: PHS HOSPITAL, BOX 3029
CITY: BETHEL, ALASKA
PHONE: 543-5957
ZIP: 99559
BILL NO: HB 261
SUBJECT: GEOGRAPHIC PAY DIFFERENTIALS
MESSAGE: I AM OPPOSED TO THE GOVERNOR WANTING TO REMOVE THE DIFFERENTIALS FROM THE BARGAINING TABLE. WE WOULD NOT BE ABLE TO AFFORD TO LIVE OUT HERE IN LETHE DUE TO THE HIGH COST OF LIVING IF THAT WAS THE CASE. THE COST OF GAS IS OVER \$2 A GALLON, EGGS ARE ALMOST \$2 A DOZ., MILK IS \$4.99 GALLON AND JUST TRAVELING R/T TO ANCHORAGE IS \$422. I DO NOT FEEL IT IS VERY REALISTIC TO EVEN CONSIDER REMOVING THE DIFFERENTIAL FROM THE PAY OUT HERE.

POHID: 05142452
DATE: 91/04/17
TIME: 14:24:52
LIONAME: BETHEL LIO

COPIES: REPRESENTATIVES SENATOR

IVAN
MOTER
CHOGUETTE
BRUCKMAN
BAKER
M.W.MILLER
GRUENBERG
HOFFMAN