

ALASKA  
7278

LEGISLATURE  
HOUSE STATE

COMMITTEE  
AFFAIRS

FILES

1991-1992

8672

## Liability to Collections

The projected time pattern generated from 1970 - 1979 accounting data can be used to translate the projected tax year collections presented in the tables below into gross receipts (col. 2), refunds (col. 3), and net receipts (col. 4) by quarter and fiscal year. The U. S. Consumer Price Index (col. 5) is used to deflate or inflate the net receipts in nominal dollars to real 1986 dollars (col. 6) so we can compare estimated 1988 through 1992 projected fiscal year collections to actual collections from 1975 through 1979.

TABLE 37  
(PFD TAXABLE)  
LIABILITY TO COLLECTIONS  
TAX ALTERNATIVE THREE  
LOW ECONOMIC SCENARIO

-----USING HISTORICAL DATA-----											
FY/Q	GROSS RECEIPTS (\$m nom)	NET REFUNDS (\$m nom)	NET RECEIPTS (\$m nom)	CPI	NET REC \$86 (\$m real)	FY/Q	GROSS RECEIPTS (\$m nom)	NET REFUNDS (\$m nom)	NET RECEIPTS (\$m nom)	CPI	NET REC \$86 (\$m real)
86				325.98		86				325.98	
75/1	\$18	\$1	\$17			88/1	\$0	\$1	(\$1)		
/2	\$25	\$0	\$25			/2	\$0	\$0	(\$0)		
/3	\$27	\$2	\$25			/3	\$1	\$3	(\$1)		
/4	\$34	\$14	\$21			/4	\$80	\$6	\$74		
TOTAL	\$104	\$16	\$87	105.16	\$184	TOTAL	\$81	\$9	\$72	338.66	\$69
76/1	\$36	\$2	\$34			89/1	\$106	\$5	\$101		
/2	\$46	\$1	\$45			/2	\$140	\$2	\$138		
/3	\$47	\$13	\$34			/3	\$136	\$16	\$120		
/4	\$50	\$16	\$34			/4	\$113	\$36	\$76		
TOTAL	\$178	\$31	\$147	166.17	\$288	TOTAL	\$495	\$60	\$435	354.17	\$401
77/1	\$53	\$3	\$50			90/1	\$110	\$6	\$103		
/2	\$62	\$1	\$61			/2	\$145	\$2	\$143		
/3	\$77	\$15	\$63			/3	\$141	\$20	\$121		
/4	\$60	\$22	\$38			/4	\$116	\$44	\$72		
TOTAL	\$252	\$41	\$211	175.80	\$390	TOTAL	\$511	\$72	\$439	370.39	\$386
78/1	\$46	\$3	\$43			91/1	\$113	\$5	\$108		
/2	\$43	\$1	\$42			/2	\$149	\$2	\$147		
/3	\$42	\$6	\$36			/3	\$145	\$16	\$129		
/4	\$50	\$25	\$25			/4	\$119	\$35	\$84		
TOTAL	\$181	\$36	\$146	187.62	\$253	TOTAL	\$525	\$57	\$468	387.35	\$394
79/1	\$43	\$10	\$33			92/1	\$115	\$5	\$110		
/2	\$42	\$1	\$41			/2	\$152	\$2	\$150		
/3	\$42	\$15	\$27			/3	\$148	\$15	\$132		
/4	\$47	\$31	\$16			/4	\$119	\$34	\$86		
TOTAL	\$174	\$57	\$117	205.22	\$186	TOTAL	\$534	\$55	\$478	405.09	\$385

TABLE 38  
1988 TAX ALTERNATIVE THREE  
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	3100	1.17	28281141.00	-61444490.96	13050612.80	8295.00	24885000.00	802867.07	192509.44
\$0 TO \$10000	59403	22.42	270128023.00	338555016.00	112263277.23	85667.00	257001000.00	8426346.28	156500.08
\$10001 TO \$20000	54784	20.68	728576580.00	851035482.08	513731088.97	98951.00	296853000.00	33682409.78	1117048.92
\$20001 TO \$30000	39411	14.88	891007933.00	1030107863.38	725125986.45	88043.00	264129000.00	46011697.89	3284640.59
\$30001 TO \$40000	31031	11.71	1030650179.00	1150799371.58	868683323.79	81746.00	245238000.00	54352999.43	7342828.55
\$40001 TO \$50000	23956	9.04	1037909499.00	1142649829.99	903678937.79	69458.00	208374000.00	56073826.01	11329421.42
\$50001 TO \$60000	17163	6.48	882968616.00	998647869.19	820618869.19	51769.00	155307000.00	50611612.15	12440614.93
\$60001 TO \$70000	12208	4.61	742422172.00	844152753.33	712851753.33	38244.00	114732000.00	43774065.20	11356004.34
\$70001 TO \$80000	8524	3.22	588115204.00	688799061.32	595524561.32	27190.00	81570000.00	36442563.68	953284.13
\$80001 TO \$90000	5672	2.14	432324512.00	528886838.01	467107838.01	17968.00	53904000.00	28503290.28	8394351.80
\$90001 TO \$100000	3549	1.34	282732742.00	381335884.95	342742384.95	11218.00	33654000.00	20861993.10	6307408.58
\$100001 TO \$150000	5427	2.05	473620536.00	748821667.34	689442667.34	17285.00	51855000.00	41819080.04	12371937.27
\$150001 TO \$200000	470	0.18	47369847.00	101944043.67	97122293.67	1404.00	4212000.00	5863922.62	1574844.83
\$200001 TO \$300000	49	0.02	4666366.00	18125990.20	17725490.20	116.00	348000.00	1066679.41	263407.07
\$300001 TO \$400000	95	0.04	15666462.00	46314279.44	45156279.44	339.00	1017000.00	2717836.77	753060.43
OVER \$400000	83	0.03	17633031.00	85186874.61	84301374.61	256.00	768000.00	5065012.48	1353182.02
TOTAL	264921	100	7469072843.00	8893916334.10	7009126739.06	597949.00	1793847000.00	436076202.17	88691044.41

AG. GROUP	TAX LIABILITY IFD NON- TAXABLE
	SUM
LOSS	783036.77
\$0 TO \$10000	6735796.63
\$10001 TO \$20000	30823865.34
\$20001 TO \$30000	43507559.19
\$30001 TO \$40000	52120999.43
\$40001 TO \$50000	54220736.27
\$50001 TO \$60000	49237132.15
\$60001 TO \$70000	42771105.20
\$70001 TO \$80000	35731473.68
\$80001 TO \$90000	28026470.28
\$90001 TO \$100000	20564543.10
\$100001 TO \$150000	41366560.04
\$150001 TO \$200000	5827337.62
\$200001 TO \$300000	1063529.41
\$300001 TO \$400000	2709376.77
OVER \$400000	5058082.48
TOTAL	420547604.34

AGI GROUP	N	PCTN	WAGE & SALARY MEAN	ADJ GROSS INCOME MEAN	TAXABLE INCOME MEAN	NUMBER OF EXEMPTIONS MEAN	VALUE OF EXEMPTIONS MEAN	TAX LIABILITY PFD TAXABLE MEAN	PAID FROM FEDRL TAX MEAN
LOSS	3160	1.17	9122.95	-19878.52	4209.88	2.68	8027.42	258.99	62.10
\$0 TO \$10000	59403	22.42	4547.38	5726.77	1889.86	1.44	4326.40	141.85	2.63
\$10001 TO \$20000	54784	20.68	13299.08	15570.76	9377.39	1.81	5418.61	614.82	20.39
\$20001 TO \$30000	39411	14.88	22608.10	26192.07	18399.08	2.23	6701.91	1167.48	93.57
\$30001 TO \$40000	31031	11.71	33213.57	37138.13	27994.05	2.63	7903.00	1751.57	236.63
\$40001 TO \$50000	23954	9.04	43120.54	47765.65	37725.60	2.90	8398.92	2340.90	472.97
\$50001 TO \$60000	17163	6.48	51446.05	58264.17	47813.25	3.02	9048.94	2948.88	724.85
\$60001 TO \$70000	12206	4.61	60824.36	69255.29	58401.75	3.13	9399.64	3586.27	930.36
\$70001 TO \$80000	8524	3.22	68995.21	80939.96	69864.45	3.15	9569.45	4275.29	1155.95
\$80001 TO \$90000	5672	2.14	76220.82	93376.91	82353.29	3.17	9503.53	5025.26	1479.96
\$90001 TO \$100000	3549	1.34	79665.47	107539.73	96514.35	3.16	9482.67	5378.27	1777.24
\$100001 TO \$150000	5427	2.05	87271.15	138031.64	127039.37	3.19	9555.00	7705.75	2279.70
\$150001 TO \$200000	470	0.18	100786.91	216902.22	206643.18	2.99	8961.70	12476.43	3350.73
\$200001 TO \$300000	49	0.02	95231.96	369918.17	361744.70	2.37	7102.04	21768.97	5375.65
\$300001 TO \$400000	95	0.04	164910.13	487518.73	475329.25	3.57	10705.26	28608.81	7926.95
OVER \$400000	83	0.03	212446.16	1026323.79	1015679.21	3.08	9253.01	61024.25	16303.40
TOTAL	264921	100	28193.59	33654.15	26457.42	2.26	6771.25	1646.06	334.78

AGI GROUP	TAX LIABILITY PFD NON- TAXABLE
	MEAN
LOSS	252.59
\$0 TO \$10000	113.39
\$10001 TO \$20000	562.64
\$20001 TO \$30000	1103.94
\$30001 TO \$40000	1679.64
\$40001 TO \$50000	2263.54
\$50001 TO \$60000	2868.80
\$60001 TO \$70000	3504.10
\$70001 TO \$80000	4191.87
\$80001 TO \$90000	4941.20
\$90001 TO \$100000	5794.46
\$100001 TO \$150000	7622.36
\$150001 TO \$200000	12398.59
\$200001 TO \$300000	21704.68
\$300001 TO \$400000	28519.76
OVER \$400000	60940.75
TOTAL	1587.45

TABLE 39  
1989 TAX ALTERNATIVE THREE  
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	3006	1.12	28070529.00	-64487886.75	14005505.36	8114.00	25456863.60	860878.06	214771.75
\$0 TO \$10000	56662	21.11	257635640.00	324767512.55	101609692.50	82012.00	257304448.80	7761324.73	149267.74
\$10001 TO \$20000	54308	20.24	720811102.00	844326250.27	497945908.19	97269.00	305171760.60	32849617.72	1059389.00
\$20001 TO \$30000	39735	14.81	897217379.00	1038269296.78	722179079.67	87008.00	272978399.20	45930920.39	3394861.32
\$30001 TO \$40000	31588	11.77	1055289336.00	1174989186.46	879729725.79	81557.00	255876931.80	55169643.99	7535060.00
\$40001 TO \$50000	24634	9.18	1062496637.00	1175937775.50	921387941.12	70535.00	221296509.00	57297692.47	11523910.16
\$50001 TO \$60000	17785	6.63	913542735.00	1035260965.56	842592591.76	53447.00	167684617.80	52065875.51	12790933.05
\$60001 TO \$70000	13042	4.86	791237713.00	903171006.17	757484094.97	40429.00	126841944.60	46587461.70	12095129.78
\$70001 TO \$80000	9356	3.49	643333916.00	757004148.90	649899883.50	29782.00	93433046.80	39325449.01	10752217.5
\$80001 TO \$90000	6388	2.38	486846827.00	595002856.86	522019467.06	20259.00	63560586.60	31892560.02	9347484.76
\$90001 TO \$100000	4223	1.57	333768399.00	456522662.61	407971046.41	13467.00	42251365.80	24857030.78	7481700.80
\$100001 TO \$150000	6717	2.50	592160693.00	933514844.65	856114317.05	21486.00	67410176.40	51963539.02	15358197.96
\$150001 TO \$200000	658	0.25	67581334.00	143041504.29	135868603.49	1992.00	6249700.80	8207508.21	2212744.60
\$200001 TO \$300000	78	0.03	6477017.00	32033015.94	31378083.94	180.00	564732.00	1883397.04	494919.05
\$300001 TO \$400000	90	0.03	13946040.00	45523451.78	44406919.88	311.00	975731.40	2672863.19	735332.89
OVER \$400000	80	0.03	15339488.00	76761347.92	75314674.32	264.00	828273.60	4555984.46	1262938.77
TOTAL	268350	100	7885752785.00	9471642938.98	7660407534.96	608112.00	1907890588.79	464441766.29	96908859.12

AGI GROUP	TAX LIABILITY PFD NON- TAXABLE
	SUM
LOSS	840330.32
\$0 TO \$10000	6096581.55
\$10001 TO \$20000	29876754.49
\$20001 TO \$30000	43330744.78
\$30001 TO \$40000	52783783.55
\$40001 TO \$50000	55283276.47
\$50001 TO \$60000	50555555.51
\$60001 TO \$70000	45449045.70
\$70001 TO \$80000	38993993.01
\$80001 TO \$90000	31321168.02
\$90001 TO \$100000	24478262.78
\$100001 TO \$150000	51366859.02
\$150001 TO \$200000	8152116.21
\$200001 TO \$300000	1882685.04
\$300001 TO \$400000	2664415.19
OVER \$400000	4548880.46
TOTAL	447624452.10

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	3006	1.12	9338.17	-21510.30	4659.18	2.70	8468.68	286.39	71.45
\$0 TO \$10000	56662	21.11	4546.89	5759.00	1793.26	1.45	4541.04	136.98	2.63
\$10001 TO \$20000	54308	20.24	13272.65	15582.86	9168.92	1.79	5619.28	604.88	19.51
\$20001 TO \$30000	39735	14.81	22580.03	26186.52	18174.89	2.19	6869.99	1157.19	98.02
\$30001 TO \$40000	31588	11.77	33407.92	37257.48	27850.12	2.58	8100.45	1746.54	233.54
\$40001 TO \$50000	24634	9.18	43131.23	47798.46	37403.10	2.86	8983.38	2325.96	467.81
\$50001 TO \$60000	17785	6.63	51365.91	58281.88	47376.59	3.01	9428.43	2927.52	719.20
\$60001 TO \$70000	13042	4.86	60668.43	69330.70	58080.36	3.10	9725.65	3572.11	927.60
\$70001 TO \$80000	9356	3.49	68761.64	81058.37	69463.43	3.18	9936.97	4256.67	1149.23
\$80001 TO \$90000	6388	2.38	76212.72	93304.51	81718.76	3.17	9950.00	4992.57	1463.29
\$90001 TO \$100000	4223	1.57	79035.85	108155.10	96606.93	3.19	10005.06	5886.11	1771.66
\$100001 TO \$150000	6717	2.50	88158.51	139060.75	127454.86	3.20	10035.76	7736.87	2286.47
\$150001 TO \$200000	658	0.25	102707.19	217388.30	206487.24	3.03	9498.03	12473.42	3362.83
\$200001 TO \$300000	78	0.03	03038.68	410743.79	402283.13	2.31	7240.15	24210.22	6345.12
\$300001 TO \$400000	90	0.03	154956.00	505816.13	493410.22	3.46	10841.46	29698.48	8170.37
OVER \$400000	80	0.03	191743.60	959516.85	947683.43	3.30	10353.42	56949.81	15786.73
TOTAL	268350	100	29386.07	35380.50	27801.03	2.27	7109.71	1730.73	361.13

AGI GROUP	TAX LIABILITY
	PFD NON-TAXABLE MEAN
LOSS	279.55
\$0 TO \$10000	107.60
\$10001 TO \$20000	550.14
\$20001 TO \$30000	1090.49
\$30001 TO \$40000	1671.01
\$40001 TO \$50000	2244.19
\$50001 TO \$60000	2842.60
\$60001 TO \$70000	3484.82
\$70001 TO \$80000	4167.81
\$80001 TO \$90000	4903.13
\$90001 TO \$100000	5796.42
\$100001 TO \$150000	7647.29
\$150001 TO \$200000	12389.23
\$200001 TO \$300000	24136.99
\$300001 TO \$400000	29604.61
OVER \$400000	56861.01
TOTAL	1668.06

TABLE 40  
1990 TAX ALTERNATIVE THREE  
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDERAL TAX
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2925	1.09	26365568.00	-59283482.17	12785719.14	7950.00	26084745.00	787526.79	192237.23
\$0 TO \$10000	53944	20.14	244905721.00	308713792.33	92333065.77	77609.00	254642889.90	7075103.24	133716.20
\$10001 TO \$20000	52742	19.70	703208749.00	821126187.45	478190844.15	93055.00	305322760.50	31520753.19	1022498.69
\$20001 TO \$30000	39408	14.72	893115999.00	1028639440.14	710315166.03	84237.00	276390020.70	45200539.41	3848250.88
\$30001 TO \$40000	31554	11.78	1062534280.00	1173442339.22	871851394.21	80088.00	262776736.80	54660124.73	7491232.92
\$40001 TO \$50000	24721	9.23	1067862265.00	1177443432.09	915177720.65	69872.00	229257019.20	56909383.24	11317667.49
\$50001 TO \$60000	18138	6.77	932249695.00	1056722125.05	854613776.65	53910.00	176884101.00	52803274.60	12963983.69
\$60001 TO \$70000	13563	5.06	822511897.00	939857603.90	783153088.70	41827.00	137238569.70	43166001.32	12439144.91
\$70001 TO \$80000	10073	3.76	695422872.00	814731935.87	695239337.97	31954.00	104844269.40	42606056.28	11493425.54
\$80001 TO \$90000	6963	2.60	532100419.00	649054524.68	566389491.68	22062.00	72387628.20	34606313.50	10117572.39
\$90001 TO \$100000	4660	1.74	370013362.00	504648932.17	449283663.87	14755.00	48412630.50	27374571.83	8244947.66
\$100001 TO \$150000	7947	2.97	701929743.00	1102871983.44	1006764962.94	25661.00	84196307.10	61121721.78	18150384.29
\$150001 TO \$200000	853	0.32	89488808.00	126064265.47	176168480.37	2641.00	8665385.10	10643932.32	2872000.80
\$200001 TO \$300000	109	0.04	9900570.00	42186195.84	41153574.44	274.00	899021.60	2477230.47	627972.21
\$300001 TO \$400000	108	0.04	15989348.00	53490334.51	52147781.81	357.00	1171352.70	3139138.91	844963.32
OVER \$400000	74	0.03	14865466.00	74469794.72	73576011.52	240.00	787464.00	4421136.69	1725183.64
TOTAL	267782	100	18182464762.00	9874179409.39	7779144079.85	606492.00	1989960901.19	483512308.79	103035387.44

	TAX LIABILITY PFD NON- TAXABLE
	SUM
AGI GROUP	
LOSS	767143.15
\$0 TO \$10000	5539983.95
\$10001 TO \$20000	28691450.65
\$20001 TO \$30000	42618909.96
\$30001 TO \$40000	52311083.65
\$40001 TO \$50000	54910663.24
\$50001 TO \$60000	51276826.60
\$60001 TO \$70000	46939185.32
\$70001 TO \$80000	41714360.28
\$80001 TO \$90000	33983369.50
\$90001 TO \$100000	26957019.83
\$100001 TO \$150000	60405897.78
\$150001 TO \$200000	10570108.82
\$200001 TO \$300000	2469214.47
\$300001 TO \$400000	3128366.91
OVER \$400000	4414960.69
TOTAL	466748644.79

AGI GROUP	H	PCTH	WAGE & SALARY MEAN	ADJ GROSS INCOME MEAN	TAXABLE INCOME MEAN	NUMBER OF EXEMPTIONS MEAN	VALUE OF EXEMPTIONS MEAN	TAX LIABILITY PFD TAXABLE MEAN	PAID FROM FEDERAL TAX MEAN
L055	2925	1.09	9013.87	-20309.52	4371.19	2.72	8917.86	269.24	65.72
50 TO 510000	53964	20.14	4540.00	5749.72	1711.65	1.46	4720.50	131.16	2.48
510001 TO 520000	52742	19.70	13332.99	15603.35	9066.60	1.76	5788.99	597.64	19.39
520001 TO 530000	39408	14.72	22663.32	26149.41	18024.64	2.14	7013.55	1146.99	97.65
530001 TO 540000	31554	11.78	33673.52	37239.13	27630.46	2.54	8327.84	1732.27	237.41
540001 TO 550000	24721	9.23	43196.56	47687.15	37020.25	2.83	9273.78	2302.07	457.82
550001 TO 560000	18138	6.77	51397.60	58337.32	47117.31	2.97	9752.13	2911.20	714.74
560001 TO 570000	13563	5.06	60643.80	69377.55	57741.88	3.08	10118.60	3551.28	920.87
570001 TO 580000	10073	3.76	69038.31	81043.66	69020.09	3.17	10408.45	4229.73	1141.01
580001 TO 590000	6963	2.60	76418.27	93375.70	81342.74	3.17	10396.04	4970.03	1453.05
590001 TO 5100000	4660	1.74	79402.01	108317.01	96412.80	3.17	10385.98	5874.37	1769.30
5100001 TO 5150000	7947	2.97	88326.38	138813.34	126684.91	3.23	10594.73	7691.17	2283.93
5150001 TO 5200000	853	0.32	104910.68	218129.27	206528.11	3.10	10158.72	12478.23	3366.94
5200001 TO 5300000	1091	0.04	90830.92	387029.32	377555.73	2.51	8247.90	22726.89	5761.21
5300001 TO 5400000	108	0.04	148049.52	492280.88	432849.83	3.31	10345.86	29066.10	7823.73
OVER 5400000	74	0.03	200884.68	1020134.17	994270.43	3.24	10641.41	59745.09	16556.60
TOTAL	1267782	100	30556.44	36956.06	29050.29	2.26	7431.27	1805.62	384.77

AGI GROUP	TAX LIABILITY FID NON- TAXABLE
	MEAN
LOSS	262.27
\$0 TO \$10000	102.70
\$10001 TO \$20000	544.00
\$20001 TO \$30000	1081.48
\$30001 TO \$40000	1657.83
\$40001 TO \$50000	2221.22
\$50001 TO \$60000	2827.64
\$60001 TO \$70000	3464.51
\$70001 TO \$80000	4141.21
\$80001 TO \$90000	4880.56
\$90001 TO \$100000	5784.77
\$100001 TO \$150000	7601.09
\$150001 TO \$200000	12391.69
\$200001 TO \$300000	22653.34
\$300001 TO \$400000	28970.99
OVER \$400000	59656.23
TOTAL	1743.02

TABLE 41  
1991 TAX ALTERNATIVE THREE  
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTH	WAGE & SALARY SUM	ADJ GROSS INCOME SUM	TAXABLE INCOME SUM	NUMBER OF EXEMPTIONS SUM	VALUE OF EXEMPTIONS SUM	TAX LIABILITY PFD TAXABLE SUM	PAID FROM FEDERAL TAX SUM
LOSS	2826	1.05	26151717.00	-58930891.94	13232457.15	7702.00	26428642.80	812253.74	206797.43
\$0 TO \$10000	51193	19.07	233394604.00	292786918.06	82582252.75	74429.00	255395670.60	6357076.19	122147.60
\$10001 TO \$20000	51365	19.14	686318284.00	799113086.17	456133304.79	90083.00	309110806.20	30075759.46	960092.44
\$20001 TO \$30000	39219	14.61	889736838.00	1022530539.62	697377972.92	82853.00	284301784.20	44376178.30	3799309.46
\$30001 TO \$40000	31792	11.85	107121089.00	1181316606.58	870469704.91	79365.00	272333061.00	54562460.60	7476603.34
\$40001 TO \$50000	25107	9.35	1086818833.00	1197238525.45	924169008.81	89920.00	239923488.00	57457212.53	11392342.50
\$50001 TO \$60000	18680	6.96	959615727.00	1087936586.28	873345010.88	55022.00	188802490.80	53960604.65	13257555.05
\$60001 TO \$70000	14172	5.28	862239297.00	983541884.84	813410134.24	43674.00	149862963.60	50030000.05	12930124.62
\$70001 TO \$80000	10701	3.99	734716610.00	866083961.40	734339276.20	33882.00	116262694.80	45002452.57	12033321.85
\$80001 TO \$90000	7572	2.82	576125158.00	705032371.02	611844727.42	23906.00	82031048.40	37386667.65	10876714.54
\$90001 TO \$100000	5223	1.95	412975522.00	565674142.95	501083315.95	16559.00	56820552.60	30532038.96	9204619.46
\$100001 TO \$150000	9204	3.43	813480190.00	1285842525.18	1170104913.78	29707.00	101926599.80	71035590.83	20994394.11
\$150001 TO \$200000	1073	0.40	113744305.00	231801267.08	21868417.68	3371.00	11567249.40	13214041.06	3616277.24
\$200001 TO \$300000	143	0.05	15670147.00	52588873.08	51206514.48	349.00	1197558.60	3083478.87	804547.83
\$300001 TO \$400000	44	0.02	7005312.00	22124906.06	21571247.26	142.00	487258.80	1298258.84	332590.66
OVER \$400000	79	0.03	15733671.00	86653603.57	85677122.17	251.00	861281.40	5147539.33	1478488.94
TOTAL	268393	100	8505137113.00	10321334905	8125220381.34	611215.00	2097323150.99	504331613.67	109547377.07

AGI GROUP	TAX LIABILITY PFD NON- TAXABLE SUM
LOSS	793947.43
50 TO \$10000	4954935.17
\$10001 TO \$20000	27368298.29
\$20001 TO \$30000	41862676.38
\$30001 TO \$40000	52228182.29
\$40001 TO \$50000	55450140.53
\$50001 TO \$60000	52400700.65
\$60001 TO \$70000	4880608.05
\$70001 TO \$80000	44080356.57
\$80001 TO \$90000	36710683.65
\$90001 TO \$100000	30064998.96
\$100001 TO \$150000	70206294.83
\$150001 TO \$200000	13120105.06
\$200001 TO \$300000	3072390.87
\$300001 TO \$400000	1294274.84
OVER \$400000	5140627.33
TOTAL	48751322.88

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2826	1.05	9253.97	-20904.89	4682.40	2.73	9351.96	287.42	73.18
\$0 TO \$10000	51193	19.07	4559.11	5746.33	1613.16	1.45	4988.88	124.18	2.39
\$10001 TO \$20000	51365	19.14	13361.59	15592.75	6880.33	1.75	6017.93	585.53	18.69
\$20001 TO \$30000	39219	14.61	22686.37	26124.95	17781.64	2.11	7249.08	1131.50	96.87
\$30001 TO \$40000	31792	11.85	33694.35	37213.85	27380.15	2.50	8566.09	1716.23	235.17
\$40001 TO \$50000	25107	9.35	43287.48	47742.49	36809.22	2.78	9556.04	2288.49	453.77
\$50001 TO \$60000	18680	6.96	51371.29	58309.39	46752.94	2.95	10107.20	2888.68	709.72
\$60001 TO \$70000	14172	5.28	60841.05	69473.89	57395.58	3.08	10574.58	3530.20	915.90
\$70001 TO \$80000	10701	3.99	68658.69	81094.00	68623.43	3.17	10864.66	4205.44	1129.69
\$80001 TO \$90000	7572	2.82	76086.26	93245.92	80803.58	3.16	10833.47	4937.49	1436.44
\$90001 TO \$100000	5223	1.95	79068.64	108345.94	95937.84	3.17	10878.91	5845.69	1762.32
\$100001 TO \$150000	9204	3.43	88383.33	139735.11	127130.04	3.23	11075.25	7717.90	2281.01
\$150001 TO \$200000	1073	0.40	106192.27	216031.00	203791.63	3.14	10780.29	12315.04	3370.24
\$200001 TO \$300000	143	0.05	109581.45	367754.36	358087.51	2.44	8374.54	21562.79	5623.34
\$300001 TO \$400000	44	0.02	159211.64	502838.77	490255.62	3.23	11074.06	29505.88	7558.88
OVER \$400000	79	0.03	199160.39	1096881.06	1084520.53	3.18	10902.30	65158.73	18083.40
TOTAL	268393	100	31689.12	38541.35	30273.59	2.28	7814.37	1379.03	405.14

AGI GROUP	TAX LIABILITY PFD NON- TAXABLE
	MEAN
LOSS	280.94
\$0 TO \$10000	96.79
\$10001 TO \$20000	532.82
\$20001 TO \$30000	1066.90
\$30001 TO \$40000	1642.81
\$40001 TO \$50000	2208.55
\$50001 TO \$60000	2805.18
\$60001 TO \$70000	3443.73
\$70001 TO \$80000	4117.41
\$80001 TO \$90000	4848.21
\$90001 TO \$100000	5756.27
\$100001 TO \$150000	7627.90
\$150001 TO \$200000	12227.50
\$200001 TO \$300000	21485.25
\$300001 TO \$400000	29415.34
OVER \$400000	65071.23
TOTAL	1816.42

TABLE 42  
1992 TAX ALTERNATIVE THREE  
MODERATE ECONOMIC SCENARIO

AGI GROUP	H	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAYD FROM FEDRL TAX
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2782	1.03	25603313.00	-59702639.05	11455782.37	7712.00	27670656.00	705750.06	173310.50
\$0 TO \$10000	48792	18.13	223074635.00	278533905.75	74264960.12	71311.00	255863868.00	5737763.75	120369.43
\$10001 TO \$20000	50190	18.65	676856501.00	781699606.62	437070798.72	87589.00	314269332.00	28825677.70	925686.31
\$20001 TO \$30000	38976	14.48	888895439.00	1015967845.12	685925171.17	80948.00	290441424.00	43635169.17	3766836.16
\$30001 TO \$40000	32175	11.96	1106841949.00	1198468641.04	876834833.99	78924.00	283179312.00	54942236.59	7650592.62
\$40001 TO \$50000	25484	9.47	1115540797.00	1217226964.02	932556988.44	70076.00	251432688.00	57968586.39	11463229.55
\$50001 TO \$60000	18998	7.03	972929669.00	1100596817.88	877852717.88	54889.00	196941732.00	54233083.07	13325054.77
\$60001 TO \$70000	14503	5.39	880193746.00	1006003243.51	827274559.51	44089.00	158191332.00	50878617.57	13233723.88
\$70001 TO \$80000	11144	4.14	765860468.00	901551955.07	759264427.07	35168.00	126182784.00	46535497.62	12522147.69
\$80001 TO \$90000	8039	2.99	611409955.00	749701168.29	647265140.29	25269.00	90665172.00	39550340.42	11447838.10
\$90001 TO \$100000	5768	2.14	455260282.00	625050219.33	550579703.33	18361.00	65879268.00	33551118.20	10111182.61
\$100001 TO \$150000	10728	3.99	956129483.00	1494754712.25	1354509524.25	34613.00	124191444.00	82236379.45	24404431.93
\$150001 TO \$200000	1357	0.50	144745472.00	297047438.64	279447590.64	4346.00	15593448.00	16887239.44	4572845.90
\$200001 TO \$300000	170	0.06	16224039.00	62192474.87	60351062.87	449.00	1611012.00	3634887.77	947453.93
\$300001 TO \$400000	28	0.01	4277365.00	13337617.96	12937605.96	99.00	355212.00	778944.36	210569.82
OVER \$400000	85	0.03	18159817.00	82022574.16	80793058.16	307.00	1101516.00	4855263.49	1346759.61
TOTAL	269129	100	8862002930.00	10764452545	8468383924.77	614150.00	2203570199.99	524956755.05	116222039.81

	TAX LIABILITY PTD NON- TAXABLE
	SUM
ACI GROUP	
1055	687346.94
\$0 TO \$10000	4455897.61
\$10001 TO \$20000	26224247.92
\$20001 TO \$30000	41155510.27
\$30001 TO \$40000	52610090.04
\$40001 TO \$50000	55953419.31
\$50001 TO \$60000	52671163.07
\$60001 TO \$70000	49636473.57
\$70001 TO \$80000	45555865.62
\$80001 TO \$90000	38835908.42
\$90001 TO \$100000	33034782.20
\$100001 TO \$150000	81270571.45
\$150001 TO \$200000	16766855.44
\$200001 TO \$300000	3621063.77
\$300001 TO \$400000	776256.36
OVER \$400000	4847583.49
TOTAL	508103035.48

AGI GROUP	N	PCIN	WAGE & SALARY		ADJ GROSS INCOME		TAXABLE INCOME		NUMBER OF EXEMPTIONS		VALUE OF EXEMPTIONS		TAX LIABILITY PFD TAXABLE		PAID FROM FEDRL TAX	
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	MEAN
LO55	2782	1.03	9203.20	-21514.66	4117.82	2.77	9946.32	253.76	62.30							
50 TO 510000	48792	18.13	4371.95	5735.32	1522.07	1.46	5243.97	117.60	2.47							
510001 TO 520000	50190	18.65	13485.88	15611.82	8708.32	1.75	6261.59	574.33	18.44							
520001 TO 530000	38976	14.48	22806.23	26120.78	17598.65	2.08	7451.80	1119.54	96.65							
530001 TO 540000	32175	11.96	34400.68	37302.93	2722.05	2.45	8801.22	1707.61	237.78							
540001 TO 550000	25484	9.47	43774.16	47822.53	36593.82	2.75	9866.30	2274.71	449.82							
550001 TO 560000	18908	7.03	51455.98	58278.89	46427.58	2.90	10415.79	2868.26	704.73							
560001 TO 570000	14503	5.39	60690.46	69451.38	57041.62	3.04	10907.49	3508.14	912.48							
570001 TO 580000	11144	4.14	68724.02	81038.38	68132.13	3.16	13322.93	4175.83	1123.67							
580001 TO 590000	8039	2.99	76055.47	93409.07	80515.63	3.14	11278.17	4919.81	1424.04							
590001 TO 5100000	5768	2.14	78928.62	108402.74	95494.18	3.18	11421.51	5816.77	1752.98							
5100001 TO 5150000	10728	3.99	89124.67	139384.06	126259.28	3.23	11576.38	7665.58	2274.84							
5150001 TO 5200000	1357	0.50	106665.79	218900.10	205930.43	3.20	11491.12	12444.54	3369.82							
5200001 TO 5300000	1701	0.06	95435.52	365038.09	355006.25	2.64	9476.54	21381.69	5573.29							
5300001 TO 5400000	281	0.01	152763.04	476343.50	462057.36	3.54	12686.14	27819.44	7520.35							
OVER 5400000	85	0.03	213644.91	964971.46	950506.57	3.61	12959.01	57120.75	15844.23							
TOTAL	269129	100	32928.46	40885.70	31465.89	2.28	8187.78	1950.58	431.85							

AGI GROUP	TAX LIABILITY PFD NON- TAXABLE
	MEAN
LOSS	247.07
\$0 TO \$10000	91.32
\$10001 TO \$20000	522.50
\$20001 TO \$30000	1055.92
\$30001 TO \$40000	1635.12
\$40001 TO \$50000	2195.63
\$50001 TO \$60000	2785.65
\$60001 TO \$70000	3422.50
\$70001 TO \$80000	4087.93
\$80001 TO \$90000	4830.94
\$90001 TO \$100000	5727.25
\$100001 TO \$150000	7575.56
\$150001 TO \$200000	12355.83
\$200001 TO \$300000	21300.38
\$300001 TO \$400000	27723.44
OVER \$400000	57030.39
TOTAL	1887.95

## Liability to Collections

The projected time pattern generated from 1970 - 1979 accounting data can be used to translate the projected tax year collections presented in the tables below into gross receipts (col. 2), refunds (col. 3), and net receipts (col. 4) by quarter and fiscal year. The U. S. Consumer Price Index (col. 5) is used to deflate or inflate the net receipts in nominal dollars to real 1986 dollars (col. 6) so we can compare estimated 1988 through 1992 projected fiscal year collections to actual collections from 1975 through 1979.

TABLE 43  
(PFD TAXABLE)  
LIABILITY TO COLLECTIONS  
TAX ALTERNATIVE THREE  
MODERATE ECONOMIC SCENARIO

FY/Q	GROSS RECEIPTS (\$m nom)	REFUNDS (\$m nom)	NET RECEIPTS (\$m nom)	CPI	NET REC \$86 (\$m real)
86				325.98	
88/1	\$0	\$1	(\$1)		
/2	\$0	\$0	(\$0)		
/3	\$1	\$3	(\$1)		
/4	\$87	\$6	\$82		
TOTAL	\$89	\$9	\$79	338.66	\$76
89/1	\$116	\$5	\$111		
/2	\$153	\$2	\$151		
/3	\$149	\$16	\$132		
/4	\$126	\$36	\$89		
TOTAL	\$543	\$60	\$483	354.17	\$445
90/1	\$123	\$6	\$117		
/2	\$163	\$2	\$161		
/3	\$158	\$20	\$138		
/4	\$132	\$44	\$88		
TOTAL	\$576	\$72	\$504	370.39	\$443
91/1	\$128	\$5	\$123		
/2	\$169	\$2	\$168		
/3	\$165	\$16	\$149		
/4	\$137	\$35	\$103		
TOTAL	\$600	\$57	\$543	387.35	\$457
92/1	\$134	\$5	\$129		
/2	\$177	\$2	\$175		
/3	\$172	\$15	\$157		
/4	\$139	\$34	\$105		
TOTAL	\$621	\$55	\$566	405.09	\$455

## METHOD

### General Description of the Modelling Process

Alaska repealed its individual income tax beginning with tax year 1979. Because no data on state tax collections is available after that time the first task of this analysis was the development of a data base. These data sources were examined:

1. Statistics of Income data for years 1964-81.
2. Federal tape data for years 77, 78 and 81 to 85.
3. State income tax tapes for years 76 - 79.

The second step in the analysis was to conveniently and accurately summarize the information in these data bases. Tax analysis needs to consider both the aggregate level of income and the distribution across income classes of that income. Income distributions are frequently analyzed with some variant of lognormal or Pareto frequency distributions. This analysis used the lognormal distribution to analyze and summarize the information in the various available data bases.

The third step in this study was to examine how the parameters describing these income distributions varied over time as economic conditions changed. These historical relationships were then used to forecast how the income distribution might look in future years given a forecast of key economic variables. In addition to the distribution a forecast of the number of joint and non-joint returns was developed, again based on historical relationships to key economic variables.

At this point the analysis can predict the number of returns likely to be received in future years and the distribution of these returns across income classes. In the next step we sampled returns from the most recent federal tape in proportion to the estimated frequencies with adjustments made to reflect probable relationships between state and federal filings. Each return selected in the sample has information on income, exemptions and deductions.

The predicted distribution and the sampled returns provides a characterization of the state income tax base in future years. Tax structures can be varied by changing rates, exemption amounts and deductions. Revenue impacts are determined by running different tax structures against this base of tax returns.

The inflation rates used to index tax structure elements were those in the Petroleum Revenue forecast produced in December 1986.(20)

## Data Description, Limitations and Use

### Statistics of Income Data

Source: Statistics of Income Individual Income Tax Returns Department of  
the Treasury Internal Revenue Services

Period of Availability: 1964-81

Type of Information: For all returns and joint returns by adjusted gross  
income class:

- Number of returns
- Adjusted Gross Income less deficit
- Salaries and wages - number of return and amount
- Total number of exemptions
- Total income tax - number of returns and amount

Description: This series of reports presents information based on a stratified sample of unaudited individual income tax returns filed by U.S. citizens and residents. Estimates in a given year's report are primarily based on returns for that income year but may reflect a small number of late filings from prior years. Data at the state level is based on the state address reported on the tax return.

### Limitations:

The sample used to generate the reports is quite small and estimates are subject to some sampling error. While the sampling design insures that a minimum number of returns are selected from a small state like Alaska the presence of variation among possible samples needs to be recognized.

A second problem involves the level of detail presented in the reports. For instance about 80 percent of Federal Income tax paid by Alaskan residents in 1981 came from returns in two income classes \$30,000 to 50,000 and \$50,000 to 100,000. Given such broad groupings it is difficult to develop summary measures such as means or percentiles to characterize the returns in the income group. For tax estimating purposes it is important to know how returns are distributed within an income class and as a consequence this distribution needs to be estimated.

A final problem is that the data provides no information on persons earning income in Alaska but paying federal tax as a resident of another state.

## Alaska Individual Income Tax Data

Source: Alaska Individual Income Tax Computer Tapes Department of Revenue, State of Alaska

Period of Availability: 1976-81, previous years lack complete information

Type of Information: For all returns:

Adjusted Gross Income Federal  
Adjusted Gross Income Alaska  
Taxable income  
Total number of exemptions  
Total income tax

Description: The Alaska individual income tax data was collected to help administer the individual income tax program. These tapes include returns from persons owing income tax to the State, regardless of residence. The tapes have information on individual income tax returns submitted during the transaction year, regardless of the tax year of the return.

We combined the records from the same tax year into data sets, assuming that late filers tended to resemble the other records. This assumption was made with all the return data bases and is discussed above in the section on the Federal Income Tax Tapes.

Limitations: The short time span of this data limited its usefulness. The data was collected primarily to account for refunds and payments; and therefore, the accuracy of the basic income information was never verified.

Use: This data was used in a 1977 match with the 1977 Federal data base, as described above. It was also used to develop an out-of-state filer data base. This was used in addition to records from the Statistics of Income and Federal Income Tax analysis as both these are limited to returns filed from Alaskan addresses.

The out-of-state filers are migrants (in or out), non-resident workers, Alaska residents temporarily out of state (such as students or patients), and Alaskans at military stations or with delegations representing the State in various locations (such as Washington D. C.). Non-residents and part-year residents apportion their income, deductions and exemptions based on either percentage of income earned in this state compared to elsewhere, the source of deduction expenditures, or site of property which is the basis for deductions. These records do not resemble the in-state filers and have to be modelled separately.

## Federal Income Tax Tapes

Source: Federal Individual Income Tax Computer Tapes, Department of Treasury, Internal Revenue Service

Period of Availability: 1977-84, (1979 and 1980 non-available)

Type of Information: For all returns:  
Most fields on the Form 1040 and attached schedules

Description: The Federal individual income tax data was collected to help administer the individual income tax program. The state receives these tapes under the federal information exchange program. These tapes include returns from persons submitting their returns from Alaskan addresses. The tapes have information on individual income tax returns submitted during the transaction year and the previous tax year. Before the data is used, all identifying information such as name, social security number, address and character codes was removed from the data set.

Use: The tape data was then used as a benchmark for testing the accuracy of the SOI sample data (see description above). This data was used in a 1977 match with the 1977 Alaska data base, described above.

This was done to identify characteristics of the two groups of taxpayers whose status on the federal tape is inaccurate for state tax purposes: (1) filers who would owe state income tax but do not appear on the federal tax tape, and (2) filers who appear on the federal tape but file no state tax return.

The first group is composed mostly on nonresidents who earn part (or all) of their income in Alaska but file their federal income tax return from an address in another state. This group can also contain both in-migrants and out-migrants, as well as residents temporarily living out of the state (such as students, elected federal officials and their staffs, and Alaskans serving in the military). This group has been significant enough that it was estimated and included in the study data.

The second group is composed mostly of nonresident military living in the state whose income is taxed by the federal government but was not taxed by the state under old law. It also includes people whose only source of income is interest on federal government obligations. This group is small and has relatively small average adjusted gross income, thus no adjustment was made for them.

The latest year of the federal data (1984) was used to estimate the income tax liability generated by different income tax structures. The method for this is described above (see the first page of the METHOD section of this report).

Limitations: The short time span of this data limited its usefulness. The data is compiled on the assumption that late filers from the previous year adequately represent late filers for the current year. This same assumption is made when the IRS compiles its Statistics of Income publications. Since the SOI data was used to estimate the income distribution used in this study, the assumption was maintained.

This assumption has two primary disadvantages. First, it only allows for one year of late filers, while state income tax data prior to 1979 shows that multiple year late and amended filing are plentiful. Second, this assumption implies that one year late filers have roughly the same characteristics year to year. Analysis of the data suggests that this has been a fairly reasonable approximation of the past; however, whether this will remain true in an economic downturn or with a change in tax law is not known.

### Cash Flow Data

Source: Cash Flow Computer Tapes Department of Revenue, State of Alaska

Period of Availability: 1970-86, (1980 is missing)

Type of Information: For all receipts:  
Tax type  
Tax amount received  
Tax submitter  
Date received

Description: The Department of Revenue Cash Flow data is an accounting system used to keep track of all monies that flow through the department.

Use: This data was used to determine the time pattern of payment for each tax year. From this pattern, we can translate the liability information in quarterly gross collections.

### PBA Reports

Source: Monthly Revenue Journal, Department of Administration, State of Alaska

Period of Availability: 1969-86

Type of Information: For each month:  
Tax type  
Tax total received  
Tax total refunded

Description: The PBA system was the State's automated accounting system until very recently (1986).

Use: We were unable to use the data tapes but used summary reports on receipts and refunds of individual income taxes to estimate the time pattern of collections. No information on the individual, individual amounts or tax year was available from these summary reports. The total receipts were used to compare and verify Cash Flow System totals. The refund information was the only good information we had on outflows, and as noted before was not identifiable by tax year. It was used to estimate a relationship between refunds and prior tax year receipts and to develop a quarterly refund pattern.

#### FOOTNOTES

- (1) Petroleum Revenue, Alaska Department of Revenue, December 1986
- (2) Ibid.
- (3) 1982 Tax Capacity of the Fifty States, Advisory Commission on Intergovernmental Relations, May 1985.
- (4) Ibid.
- (5) Guide to the New Tax Reform Law, Price Waterhouse, October 1986.
- (6) Ibid. p. vii.
- (7) Ibid. p. ix.
- (8) Ibid.
- (9) See data description in the METHOD section of this report.
- (10) The Book of the States (1986-87 edition), The Council of State Governments, 1986.
- (11) "The Impact of Collapse of the World Oil Market on the Alaska Economy", Scott Goldsmith, Institute for Social and Economic Research, University of Alaska, March 1986.
- (12) Revenue Sourcebook, Alaska Department of Revenue, (January 1987).
- (13) Fuel, Conservation, & Individual Credits Relative to the Individual Income Tax, Alaska Department of Revenue, (January 1980 and July 1981).
- (14) Guide to the New Tax Reform Law, Price Waterhouse, October 1986.
- (15) Revenue Sourcebook, Alaska Department of Revenue, (January 1987).
- (16) Fuel, Conservation, & Individual Credits Relative to the Individual Income Tax, Alaska Department of Revenue, (January 1980 and July 1981).
- (17) Public Finance, Rosen, 1985.
- (18) Revenue Sourcebook, Alaska Department of Revenue, (January 1987).
- (19) Fuel, Conservation, & Individual Credits Relative to the Individual Income Tax, Alaska Department of Revenue, (January 1980 and July 1981).
- (20) Petroleum Revenue, Alaska Department of Revenue, December 1986

HB

526

# ALASKA STATE LEGISLATURE

*Representative Georgianna Lincoln*



HESS Committee, Co-Chair  
Resources Committee, Vice-Chair

Budget Subcommittees  
Health and Social Services  
Revenue

P.O. Box V  
Juneau, Alaska 99811

Phone: (907) 465-3732  
FAX: (907) 465-2652

Alatna  
Allakaket  
Aniak  
Anvik  
Arctic Village  
Beaver  
Bettles  
Birch Creek  
Chalkyitsik  
Chuathbaluk  
Crooked Creek  
Evansville  
Fort Yukon  
Galena  
Grayling  
Holy Cross  
Hughes  
Huslia  
Kalskag  
Kaltag  
Koyukuk  
Lake Minchumina  
Lime Village  
Lower Kalskag  
Manley Hot Springs  
Marshall  
McGrath  
Minto  
Mountain Village  
Nikolai  
Nulato  
Pilot Station  
Pitkas Point  
Rampart  
Red Devil  
Ruby  
Russian Mission  
Shageluk  
Sleetmute  
St. Mary's  
Stevens Village  
Stony River  
Taketna  
Tanana  
Telida  
Tuluksat  
Tyonek  
Venetie  
Wiseman

## SPONSOR SUMMARY FOR CS HB 526 (CRA)

An Act relating to construction, contractors and to certain public construction contracts

### Background

Compared with other states, the construction industry in Alaska is virtually unregulated. The contractor licensing process has few requirements, and license renewal is almost guaranteed. For projects administered by state agencies, residents of the community where the construction is to take place have little say in how the contractor does business within their boundaries.

Administration of large-scale public projects for the State of Alaska is generally handled by the Department of Transportation and Public Facilities. While the department has made a creditable attempt to deal with its responsibilities as the contracting agency, there have been problems. Concern has been expressed that contractors do their work with little sensitivity to local concerns, and no accountability to the local government. The only binding relationship that exists is between the state contracting agency and the contractor.

REAA's and incorporated municipalities have limited authority to take on all or part of the administration of large publicly funded capital projects, but this provision excludes unincorporated communities. Further, the request to assume all or part of the project administration may be unilaterally denied by the commissioner.

### CONTRACTOR LICENSING

At present, all a contractor has to do to get an Alaskan contractor's license is pay the \$210 fee, post a surety bond (\$10,000 for general contractors and \$5,000 for mechanical contractors) and take a 16 hour course or demonstrate

experience in, arctic construction. Public projects do not require a performance bond on any contract of less than \$100,000. If a contractor does not perform according to the terms of these small contracts, the only recourse is through the courts.

Other states require business, legal and/or professional certification in order to obtain a contractor's license. These requirements are administered and enforced by multiple boards and commissions, some of which have subpoena and injunctive powers.

House Bill 526 proposes a simpler and more effective approach through a process involving the contractor's renewal of registration. When the Commissioner of the Department of Commerce and Economic Development determines whether to renew a certificate of registration of a contractor who has worked on a public construction project in a particular community, the commissioner shall base his decision on the recommendations of the local commission. The formation of these commissions by local government is optional. It is up to the community to determine if they wish to participate in this process. Additionally, it is not up to the commissioner to solicit the input of the commissions; it is up to the local commissions to provide their evaluation to the commissioner.

The recommendation by the local commission against renewal of a contractor's registration must be supported by a preponderance of evidence in order for the decision to stand. The contractor has the right to appeal the action taken by the commissioner and take this into a hearing. If after a hearing it is determined there is not a preponderance of evidence supporting the recommendation, the commissioner may renew the certificate.

Title 8 would be amended so the commissioner would suspend a contractor's registration if the local commission recommends revocation. The commission's recommendation must be based on serious misconduct or failure of performance by the contractor supported by the evidence.

#### PUBLIC PARTICIPATION IN CONTRACT ADMINISTRATION

HB 526 would give unincorporated communities the same opportunity to participate in the administration of state agency construction projects that is already enjoyed by municipal governments throughout the state under AS 35.15.080.

The local governments in incorporated or unincorporated communities may request assumption of all or part of the department's administrative responsibilities relating to the

public works project funded by the state, and located within the local government jurisdiction. Upon receipt of the request, the department shall provide for transfer to, and assumption by, the local government of the department's responsibilities relating to that project. The bill also provides for the option of cooperative administration of projects between the department and local government or between local governments.

When a community requests the assumption of these administrative duties, it must have demonstrated technical and financial capabilities to administer portions or all of the project.

#### SUMMARY

House Bill 526 provides for increased local control in the administration and evaluation of large publicly funded capital projects. The bill would give unincorporated communities the same opportunity to participate in contract administration that is already enjoyed by municipal governments throughout the state. It expands the powers of both urban and rural local communities to protect their interests.

Those contractors who have not performed satisfactorily as determined in the provisions of this bill, would not have their certificate renewed. Project inspection would be done by both the state and by the local inspection commission. Contractor evaluation would be done by the local inspection commission, whose members would be able to observe contractor performance on a daily basis and who will live with the final product.

In days of declining revenues, we need to look at creative ways to make sure our dollars are spent wisely and will bring the highest benefits to the state's residents. We can no longer afford to have contractors whose poor performance has resulted in shoddy construction continue to do business in the State of Alaska. We can no longer afford to have projects constructed in our communities that won't work and that create more problems than they solve due to a lack of involving those individuals with the most knowledge of what will or will not work in their communities. House Bill 526 is a beginning in trying to reform how construction is done in our communities by involving our local governments.

## Sectional Analysis CS HB 526 (CRA)

### Section #1 - AS 08.18.031 - Amended, new subsection (c)

--The Commissioner of DC&ED shall consider the evaluations of contractor performance provided by local commissions. If the local entity recommends revocation of registration, the commissioner may not renew it unless the recommendation is not supported by a preponderance of evidence.

### Section #2 - AS 08.18.121 - Amended, new subsection (i)

--If local commission recommends revocation, commissioner shall consider the evidence and may suspend a contractor's registration. If, after a hearing, the commissioner determines that serious misconduct or failure to perform occurred, commissioner shall revoke the contractor's registration.

### Section #3 - As 35.15.080(a) - Amended

--Gives unincorporated communities powers to assume all or part of the department's responsibilities for administration of capital projects which are equivalent to those already granted to municipalities in this statute. Mandates that the commissioner must surrender authority requested by local government if that local government is capable of assuming those responsibilities.

### Section #4 - AS 35.15.080(b) - Amended

-- Provides local government with a process to appeal the commissioner's decision.

### Section #5 - AS 35.15.080(c) - Amended

--Includes unincorporated villages in existing law regarding public project administration. Gives the commissioner the power to resolve jurisdictional disputes between local governments. Provides for cooperative administration of project between the department and local government.

### Section #6 - As 35.15.080(d) - Amended

--Includes unincorporated villages in existing statute. Statute's provisions supercede conflicting local ordinances.

**Section #7 - As 35.15.090 - Amended**

--Includes unincorporated villages in existing law providing an escrow account for local government to draw on for expenses incurred while administering the contract.

**Section #8 - AS 35.15.100 - Amended**

--Includes unincorporated villages in existing statute which relieves the department of responsibility to the extent that local government assumes it. The department may provide technical assistance to the extent requested by local government and will be reimbursed for services from the escrow account.

**Section #9 -AS 35.15.110 - Amended**

--Includes unincorporated communities in existing statute regarding site approval and final inspection. Reflects the provisions added by HB 526, that local commissions are optional.

**Section #10 - AS 35.15.110 - Amended**

--Establishes authority of local government to form a local commission to inspect projects for compliance with state and local statutes and contract terms. Establishes authority for local commissions to make recommendations regarding contractor license renewal.

**Section #11 - AS 35.15.120(2) - Amended**

--Expands definition of governing body to include, a "village, its village council or other appropriate entity."

**Section #12 - AS 35.15.120 - Amended**

--Defines "village" as an incorporated or unincorporated contiguous rural community of 25 or more residents.

## How HB 526 Works

### What it does:

--HB 526 would give unincorporated villages the same opportunity to participate in contract administration that is already enjoyed by municipal governments throughout the state under AS 35.15.080.

--HB 526 allows both urban and rural communities the opportunity to participate in the capital projects process as equal partners with the state agencies and contractors.

--It would give the both urban and rural Alaskans a better chance to participate directly in capital projects by allowing them to form local citizen's commissions that would monitor contracts in progress and evaluate contractor performance.

--Under present law, the public's only recourse for redress of grievances against contractors is by law suit. Regulation of an industry by law suit is not good business.

--The bill gives local government the option to form local inspection commissions to protect state and local interests as stated by existing laws, regulations and the terms of the contract.

### What HB 526 Doesn't Do

--HB 526 does not mandate the formation of local inspection and evaluation commissions. It gives local government the option to form local inspection and evaluation commissions if they feel it useful to do so.

--HB 526 does not leave contractors at the mercy of recommendations made by local commissions. The contractor may appeal the local evaluation to the commissioner of DC&ED. If the commissioner determines that the evidence does not support the allegations of misconduct, he may renew the registration. Contractors who perform in good faith are unlikely to ever have a problem getting reregistered.

--It will not perpetuate a system that allows contractors who are incompetent or don't perform in good faith, to continue to work in Alaska.

--It will not create more bureaucracy. Unpaid local commissions will be based on the model of borough service area commissions, a concept that has served the public well. The local commissions will be responsible for providing evidence of their allegations to DC&ED.

--In the long run, HB 526 will save contractors from the proliferation of legislation, boards, commissions and police powers that have grown up in other states to regulate their activities.

(7)

Date Referred: February 18, 1992

FURTHER REFERRALS:

State Affairs  
Finance

Date of Committee Action: 4/1/92

The COMMUNITY AND REGIONAL AFFAIRS Committee considered:

HB 526

HOUSE BILL NO. 526

CONTRACTORS AND LOCAL PUBLIC WORKS

"An Act relating to certain public construction contracts and contractors and to certain procurements."

RECOMMENDATIONS:

be replaced with CS HB 526 (C&RA)  the same title  
[ ] a new title

[ ] have attached amendments(s)

[ ] do pass

[ ] do not pass

no recommendations

[ ] individual recommendations

[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact C&ED 4/1/92

[ ] fiscal note(s) \_\_\_\_\_

[ ] zero fiscal note \_\_\_\_\_

[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING <u>DO PASS</u>	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
		<i>[Signature]</i>		<input checked="" type="checkbox"/>	
		<i>Cheri Davis</i>		<input checked="" type="checkbox"/>	
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>[Signature]</i>		<input checked="" type="checkbox"/>	
<i>Beth Davis</i>	<input checked="" type="checkbox"/>	<i>Mail Phillips</i>		<input checked="" type="checkbox"/>	
<i>Richard [Signature]</i>	*				

*[Signature]*

COMMITTEE SIGNATURE

## 1992 LEGISLATIVE SESSION

Revision Date: 04/01/92 Department Affected: Commerce & Economic Development  
 Title: Relating to certain public construction contracts and contractors and to certain procurements. BRU: Occupational Licensing  
 Component: Administration  
 Sponsor: Rep. Lincoln  
 Requestor: House C&RA COMPONENT SERIAL NO. 

0	3	5	6
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## Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	38.3	38.3	38.3	38.3	38.3	38.3
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	5.0	5.0	5.0	5.0	5.0	5.0
SUPPLIES	2.0	2.0	2.0	2.0	2.0	2.0
EQUIPMENT	11.6	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	56.9	45.3	45.3	45.3	45.3	45.3

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE	0.0	0.0	0.0	0.0	0.0	0.0
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## FUNDING: (Thousands of Dollars)

GENERAL FUND	56.9	45.3	45.3	45.3	45.3	45.3
FEDERAL FUNDS	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	56.9	45.3	45.3	45.3	45.3	45.3

## POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME	2.0	2.0	2.0	2.0	2.0	2.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year impact: None

## ANALYSIS: (Attach a separate page if necessary)

HB 526 places new conditions on the renewal or issuance of a construction contractor's certificate of registration. Only Sections 1 and 2 directly affect the construction contractor registration program. (Continued on the attached)

Prepared By: Jennifer Strickler Phone: 465-2144  
 Division: Occupational Licensing Date: 04/01/92  
 Approved by Commissioner: Glenn A. Olds for [Signature] Cost. Comm.  
 Agency: Commerce & Economic Development Date: 4-1-92

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

## Continuation of Fiscal Note Analysis - HB 526

The bill creates an additional requirement upon the issuance or renewal of a construction contractor's certificate of registration by requiring that consideration be given to recommendations of local commissions from municipalities and villages in which the work was performed. The bill also states that a registration **may not be** renewed if recommendations are against the renewal unless, after a hearing, evidence determines otherwise.

Presently there are over 3,349 construction contractors registered with the State. Although the expiration date of the certificate of registration is slightly different for the individual categories of construction contractor registrations (General, Specialty, Residential, and Mechanical), the new requirement in the bill will require additional staff to process and evaluate the recommendations and to coordinate the need for any hearings when needed. Since hearings must be conducted in accordance with the Administrative Procedure Act which provide for due process, the hearings must be held before a license can be issued or renewed. The additional staff will be necessary to administer the provisions of the bill in a timely manner. This fiscal note is therefore based on the following:

**Personal Services:** **\$ 38.3**

- 1 - Licensing Examiner I, Range 12A  
GGU, 3 months (\$10.0)
- 1 - Hearing Examiner, Range 24A  
XE, 4 months (\$28.3)

**Contractual Services:** **\$ 5.0**

This funding will provide for public notices of the new requirement, printing costs, and communication costs involved with providing notices to all contractors.

**Supplies:** **\$ 2.0**

This funding provides for daily operating supplies (paper, desk supplies, etc.).

**Equipment:** (One-time costs) **\$ 11.6**

This funding will provide equipment for the new positions requested, including furniture.

**TOTAL:** **\$ 56.9**

## Continuation of Fiscal Note Analysis - HB 526

### Revenue:

The provisions of the bill are additional requirements for issuance or renewal of a certificate of registration and is not anticipated to generate revenue. Therefore, the costs associated with this bill must be supported with general funds.



# City of Galena

Antoski Hall • P.O. Box 149 • Galena, Alaska 99741 • Telephone (907) 656-1301

3/12/92

Rep. Georgianna Lincoln  
Rm. 112 Capitol Building  
P.O. Box V  
Juneau, AK 99811

Dear Rep. Lincoln,

This letter is written in support of House Bill 526 which would give local governments more control over State funded capital projects in their communities. This Bill would hold contractors accountable for the work that they perform on a local level, which is in keeping with the Governors goals of increased local control.

The amount of State monies that have been squandered through poor performance by contractors, in the State of Alaska on capital projects, is sinful. Presently when a community witnesses such atrocities their options to act upon the situation are limited to letter writing to state and congressional officials. By the end of the construction season the contractor is off to another project leaving the community "holding the bag" as it were. It appears that this bill could give some teeth to local control where it needs it most; within the words that keep rising as of late, accountability and responsibility. These words go hand in hand with the "do more with less" message that is being sent out from Juneau at present.

I am also in agreement with relieving the community from the competitive bid process for small projects. It is very costly, in the Bush, to fly in three prospective bidders on a project under \$100,000K. In some cases it would cost more to get the bids than to do the project; with the increased costs in travel as of late, the deletion of this requirement will surely save the State money.

Required contractor liscencing can only help to ensure that State funds are spent by competent buisness firms and disenchant the fly by night operators. I encourage that this Bill be passed by the Legislature this session.

Sincerely,

Chris Hiadick  
City Manager

\*\*\*END\*\*\*

P.O. BOX 55109  
NORTH POLE, ALASKA  
99705



APR -2 REC'D

TOP OF THE WORLD  
PHONE: 907-488-2281  
AT YOUR SERVICE

March 31, 1992

Representative Georgianna Lincoln  
Alaska House of Representatives  
State Capital  
Juneau, Alaska 99801-1182


Re: HB 526

Dear Representative Lincoln:

This correspondence is in support of HB 526. I believe this Bill would allow the smaller local governments a better ability to control contracts within its' boundaries. This would also put much more of the planning and designing of projects in the hands of the people who have a better understanding of the effects on the local citizens. It is my opinion that the more control that is returned to the local community, the better control the citizens will have on various projects that may effect them.

Please feel free to contact me if I can be of further assistance.

Sincerely,

  
Lute Cunningham  
Mayor, City of North Pole

LC/kl

# City of Soldotna

• 177 North Birch • Soldotna, Alaska 99669 • Phone: 262-9107

**Soldotna**



March 29, 1992

Jon Holland  
Office of Representative Georgianna Lincoln  
PO Box V  
Juneau, Alaska 99811

APR -2 REC'D

Re: HB 526, Local Control of Public Contracts

Dear Mr. Holland:

Thank you for sending another copy of this bill (as it has been revised by a work draft dated March 26) to me for review and comment.

I can now personally support this bill as it has been revised.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Underkofler".

Richard Underkofler  
City Manager



# TANANA CHIEFS CONFERENCE, INC.

122 FIRST AVENUE  
FAIRBANKS, ALASKA 99701-4897  
PHONE (907) 452-8251 FAX (907) 451-8936

MAR 20 REC'D

Representative Georgianna Lincoln  
P.O. Box V  
State Capital  
Juneau, Alaska 99801

March 13, 1992

Subject; HB 526, Local Control of Public Contracts

Dear Representative Lincoln,

On behalf of the Tanana Chiefs Conference, Inc., I would like to extend my support for House Bill 526, relating to the local control of public contracts.

Providing small communities or unincorporated villages an opportunity to choose the participation level they would like to play in contract administration up to an equal basis with other municipal governments, is only fair.

Choosing, as compared to mandating, the participation level is appropriate wording for this particular legislation. Reason being, that some communities or villages may not have the desire or capabilities to be as involved as other state agencies who currently administer capital project funding and/or handle contract licensing. Then again, other villages may have wanted to partake in this process previously, but up to now have not had any alternatives.

Without question, the residents of a small community or village should have specific decision making powers over a contractor's progress and evaluation of their own local projects. After all, they are the ones who will have to live with the results, not the contractor.

Currently, any significant grievance filed against a contractor by the public would end up in court to be resolved. Law suits to resolve grievances between these parties can be costly, unproductive, time consuming and can result in tarnished business reputations for both parties. A local commission's oversight during a project's construction may be able to catch certain problems before they escalate to costly situations, thereby avoiding possible litigation.

Another favorable portion of this bill, includes relieving a small community or village<sup>1</sup> from the bidding process of small projects<sup>2</sup>. This will create business opportunities for those rural businesses who were underbid for these same type of projects previously by larger urban businesses.

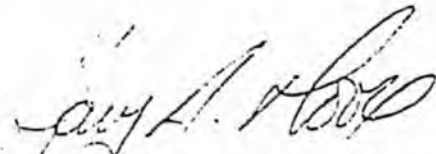
This would appear to be damaging or taking away from urban based businesses. However, there is more which should be considered first. The boosting or creating of businesses in rural Alaska will result in a better economy for our most economically deprived people, whom reside in the bush areas and of which make up roughly half the population in the state. Financial growth for rural residents will directly benefit urban businesses by providing additional customers who prefer purchasing goods from urban distributors.

As each year passes, it becomes more difficult to live a truly subsistence lifestyle in rural Alaska. This economic hardship has created a vacuum, whereby rural residents are now flocking to urban areas to compete for fewer jobs against long term urban dwellers.

Economic development in our small communities and villages has been slow and repressed at best. This legislation would open a new door by assisting those communities with additional chances for self-sufficiency and less dependance on state funding.

I urge your continued pursuit for passage of House Bill 526.

Sincerely,



Gary A. Moore  
Economic Development Specialist

Subregional Directors  
Ed Rutledge, Planning & Development  
Robert Silas, Subregional Liaison Officer

---

1 Small communities or villages with a population under 2000

2 Projects under \$100,000



ASSOCIATED GENERAL CONTRACTORS of A

4011 D STREET • ANCHORAGE, ALASKA 99503  
P.O. BOX 249421 • ANCHORAGE, ALASKA 99524-0421  
TELEPHONE (907) 561-5354 • FAX (907) 562-6118

Post-It™ brand fax transmittal memo 7671		# of pages
To	Bob Ward	From
Co.	AGC	Co.
Dept.		Phone #
Fax #	586-1649	Fax #

31. March 1992

To  
House of Representatives  
Committee on Community and Regional Affairs  
Juneau, Ak.

Subject: House Bill No. 526  
"An Act relating to certain construction contracts and contractors and to certain procurements".

This letter will formalize some of the testimony given by our representative Mr. Robert Ward to your subcommittee last week.

Although we recognize the good intentions by the prime sponsor to solve some problems in rural Alaska, we think that the aim of this bill is in the wrong direction, that it will solve few problem cases, and that it adds unnecessary regulations, procedures and costs to the process. I have been involved for over 30 years in construction projects in rural Alaska and am familiar with about all the aspects of construction contracting and the desire and necessity of local residents to have a major say in these matters. I am supportive of efforts to resolve some of the experienced problems.

I am unable to support the bill in its present form. Some of the points of concern are as follows:

1) "VILLAGES" as defined in the bill have been a legal problem in the State, because of the legal relationship between the State of Alaska and local Government as it is recognized by the State. I think some progress has been made, however, no clear legal determination has been made and some of the issues of "None-municipalities" is still in the courts. Regardless, the bill freely intermixes municipalities, villages and REAAs and clarification is needed who has the leadrole in cases where two or three such bodies exist at a given location (Sect. 10)

2) "LOCAL COMMISSION": It is very doubtful that in any given village or small community commission members could be found who possess the knowledge and ability to provide the functions as detailed in Sect. 9 (AS 35.15.110) of the bill. Construction contracts in their present form are very complex and dispute resolve processes are very involved, expensive and controversial as experienced at the present in public works contracting. DoT/PF and the Attorney Generals office who have extensive expertise in these matters will concur with my statement. It is inconceivable to me that such a body would "conduct inspections,

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assure contract compliance, approve documents and recommends renewal of contracting licenses". A review of the State job descriptions for project personnel and their qualifications in use, would show that only in rarest of circumstances are such people available at local levels. It is unrealistic to think that such involved and complex work could be done through unpaid members.

3) SECTION 9 states, that the commission shall

"consider the quality and timeliness of the contractor's performance under the contract, the responsiveness of the contractor to matters of public concern in the municipality or village that affect or are affected by the performance of the contract, and the contractor's ability to assist in the informal, peaceful, fair resolution of disputes that relate to the public construction project or to the presence in the municipality or village of persons engaged in the project."

Most of these items are impossible to formulate in legally binding terms as part of a construction contract. It goes way beyond the mandate of good public policy to safeguard the interests of the State and local residents to such an extent. Such matters need to be incorporated in the planning- and design-stage. Only tasks and activities which are reasonable and which can be clearly legally defined can be incorporated in specification type contracts, which are based on competitive bidding procedures in accordance with the State procurement code.

4) COMMISSIONER OF COMMERCE; his vital role is stated in Sections 1, 2, 4 etc.

Revocation or non-renewal of a license is a serious matter, since it effects the livelihood of an individual or group. Although the Division of Occupational Licensing in the Dept. of Commerce controls the licensing of contractors, this Department is ill equipped to deal with the administrative and legal aspects of contract compliance. This needs to involve the Attorney General's office and would be better handled by the DoT/PF or DoAdmin. since they are in that business already. We should not think for one minute that the described processes are simple, fast or cheap.

5) SECTIONS 3, 4 and 5 let the local entity (ies) assume responsibility for planning, design and construction. "CAPABILITY" as outlined in Sec. 3 is an interesting but troublesome criteria. Judging from the track-record of the State's pass-through grants programs real problems can be expected, because local- and State politics are usually involved to a high degree and the lack of qualified local residents is rarely acknowledged. Phases of work are mostly contracted to professional consultants groups and here again often with problematic results considering the cost/benefit ratios. State agencies are better equipped to work through the professional services contracts procedures. We support use of private sector work to the highest degree possible.

6) LIMITATION; there needs to be some limitation as to project types, size and complexity, if local people assume control.

7) In most cases the villages have access to the processes through the prescribed public hearing processes, EIS review, Coastal Management compliance, Division Governmental Coordination permitting etc. These procedures are mandatory under Federal and State laws. In addition the State procurement code allows debarment of contractors with a bad record by the administering agency.

8) The process as envisioned, lends itself to misuse of authority and harassment of any contractor who does not do whatever the "commission" deems warranted. If such is the case, and the contractor ultimately wins the case, there is no way to recover costs or collect a liability assignment, because many of the communities have no tangible assets. Appropriate bonding or liability insurance for such local entities would have to be part of the bill.

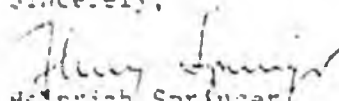
9) If a license would get revoked, it is very easy for a contractor to create a new business with a new name, or form a joint venture (often with a minority enterprize partner), or form a minority enterprize. The present law has no mechanism to prevent this; as a matter of fact it is the preferred method of businesses with shady methods and poor financial record.

10) Under present law and regulations, contractors can be required to PRE-QUALIFY in the pre-construction period of a construction contract. There are also State BONDING - and INSURANCE requirements to obtain a license. There are requirements for BID BONDING AND PERFORMANCE BONDING. There are safeguards in the State procurement code. There are innumerable references in the standard contracts for involvement by various enforcement agencies to assure contract compliance (Safety, Labor, Environmental etc) by contractors. The Local Service Roads and Trails (LSRT) statutes provide for an effective process for State- and local project execution. In addition anyone has access to the legal system through civil court procedures. These are existing and effective safeguards to prevent abuse and assure compliance and performance if they are used correctly.

I realize that in some cases contractors may not have performed as expected. In most such cases it appears that either the contract provisions were insufficient, or that the State's project administration did poorly. The bonding requirements assure that a project is build in compliance with plans and specifications and that the requirements are fulfilled, even in cases of failure by a contractor.

I would be glad to work with you on some other ways to assure sufficient local participation in rural areas, such as State qualifications for contractors, more binding formal pre-construction processes etc.

Sincerely,

  
Heinrich Springer  
Exec. Director

# HOUSE COMMITTEE REPORT

(7)  
 Date Referred: April 2, 1992 FURTHER REFERRALS: Finance

Date of Committee Action: 5/1/92

The STATE AFFAIRS Committee considered: HB 526

HOUSE BILL NO. 526 CONTRACTORS AND LOCAL PUBLIC WORKS

"An Act relating to certain public construction contracts and contractors and to certain procurements."

RECOMMENDATIONS:  
 be replaced with CSHB526(STA) [ ] the same title  
[X] a new title  
 have attached amendments(s)  
 do pass  
 do not pass  
 no recommendations  
 individual recommendations  
 additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_ APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_  
 fiscal impact \_\_\_\_\_  fiscal note(s) Commerce 4/2/92  
 zero fiscal note Admin, DOT +PF  zero fiscal note(s) \_\_\_\_\_

SIGNING <u>DO PASS</u>	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
		<i>[Signature]</i> <small>CHURCHILL</small>		✓	
		<i>[Signature]</i> <small>BAKER</small>		✓	
		<i>[Signature]</i> <small>CHOQUETTE</small>		✓	
		<i>[Signature]</i> <small>MUTEL</small>		✓	
		<i>[Signature]</i> <small>KUBIWA</small>		✓	
		<i>[Signature]</i> <small>BRACKEN</small>		✓	

*Eugene H. Kubiwa*  
 CHAIRMAN'S SIGNATURE

PROPOSED NEW CS FOR HB 526

SUMMARY OF CHANGES FROM CS HB 526 (CRA)

SECTION 1: AS 08.18.031 - Amended, new subsection (c)

--The Commissioner of DC&ED shall consider the evaluations of contractor performance provided by local commissions. If the local entity recommends revocation of registration, the commissioner may not renew it unless the recommendation is not supported by a preponderance of evidence.

SECTION 1 AMENDED:

--The Commissioner of DC&ED shall consider the evaluations of contractor performance provided by local commissions.

Language contained in Section 2 amended addresses the renewal of the contractor's certificate.

SECTION 2: AS 08.18.121 - Amended, new subsection (i)

--If local commission recommends revocation, commissioner shall consider the evidence and may suspend a contractor's registration. If, after a hearing, the commissioner determines that serious misconduct or failure to perform occurred, commissioner shall revoke the contractor's registration.

SECTION 2 AMENDED:

--If local commission recommends the contractor's registration be suspended or revoked, or renewal denied, the department shall consider the evidence. After a hearing under the Administrative Procedures Act, the department shall suspend, revoke or refuse renewal of the contractors registration if the department finds the contractor has (1) knowingly violated this chapter or a lawful order or departmental regulation; (2) is incompetent or has engaged in fraudulent practices; or (3) has engaged in serious misconduct or failure of performance under AS 35.15.

This amendment was made in response to due process concerns and the need for contractors to know what the local commissions would be reviewing in terms of their performance when making recommendations to the department.

SECTION 3: - AS 35.15.080(a) - Amended

--Gives unincorporated communities powers to assume all or part of the department's responsibilities for administration of capital projects which are equivalent to those already granted to

municipalities in this statute. Mandates that the commissioner must surrender authority requested by local government if that local government is capable of assuming those responsibilities.

NO CHANGE

SECTION 4: AS 35.15.080(b) - Amended

--Provides local government with a process to appeal the commissioner's decision.

SECTION 4 AMENDED:

--Provides local government with a process to appeal the commissioner's decision in accordance with the Alaska Rules of Appellate Procedure.

Technical change requested by DOT/PF.

SECTION 5: AS 35.15.080(c) - Amended

--Includes unincorporated villages in existing law regarding public project administration. Gives the commissioner the power to resolve jurisdictional disputes between local governments. Provides for cooperative administration of project between the department and local government.

NO CHANGE

SECTION 6: AS 35.15.080(d) - Amended

--Includes unincorporated villages in existing statute. Statute's provisions supercede conflicting local ordinances.

NO CHANGE

SECTION 7: AS 35.15.090 - Amended

--Includes unincorporated villages in existing law providing an escrow account for local government to draw on for expenses incurred while administering the contract.

NO CHANGE

SECTION 8 ADDED: AS 35.15 - New Section

--Includes airports and highways as "public facility" or "public work" projects for purposes of this chapter.

Technical amendment suggested by DOT/PF to ensure highways and airports are covered under the provisions of the bill as intended.

REMAINING SECTIONS RENUMBERED ACCORDINGLY

SECTION 9: AS 35.15.100 - Amended

--Includes unincorporated villages in existing statute which relieves the department of responsibility to the extent that local government assumes it. The department provide technical assistance to the extent requested by local government and will be reimbursed for services from the escrow account.

NO CHANGE

SECTION 10: AS 35.15.110 - Amended

--Includes unincorporated communities in existing statute regarding site approval and final inspection. Reflects the provisions added by HB 526, that local commissions are optional.

NO CHANGE

SECTION 11: AS 35.15.110 - Amended/new subsection

--Establishes the authority of local government to form a local commission to inspect projects for compliance with state and local statutes and contract terms. Establishes authority for local commissions to make recommendations regarding contractor license renewal.

**SECTION 11 AMENDED:** Deletes language regarding concerns the local commission may consider when making recommendations concerning license renewal or revocation (quality and timeliness of the contractor's performance under the contract; responsiveness of the contractors to matters of public concern; contractor's ability to assist in the informal, peaceful, fair resolutions of disputes).

These concerns can be addressed earlier in the process, either when the contract goes out to bid or in the contract.

SECTION 12: AS 35.15.120(2) - Amended

--Expands definition of governing body to include a "village, its village council or other appropriate entity."

NO CHANGE

SECTION 13: AS 35.15.120 - Amended

--Defines "village" as an incorporated or unincorporated contiguous rural community of at least 25 residents.

NO CHANGE

7-LS2008M:  
Cramer  
4/30/92

CS FOR HOUSE BILL NO. 526 ( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVE LINCOLN

A BILL  
FOR AN ACT ENTITLED

1 "An Act relating to construction contractors and to certain public construction projects."

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

3 \* Section 1. AS 08.18.031 is amended by adding a new subsection to read:

4 (c) In determining whether to issue or renew a certificate of registration of a contractor  
5 who has held a contract for work on a public construction contract under AS 35.15, the  
6 department shall consider the recommendations of local commissions established under  
7 AS 35.15.110(c) by the municipalities and villages in which the contractor performed contracting  
8 work.

9 \* Sec. 2. AS 08.18.121 is amended by adding a new subsection to read:

10 (i) If a local commission reviewing the performance of a contractor on a public  
11 construction contract under AS 35.15 recommends that the contractor's registration be suspended  
12 or revoked, or that renewal of the registration be denied, the department shall consider the  
13 evidence. The department shall, after a hearing under AS 44.62 (Administrative Procedure Act),  
14 suspend, revoke, or refuse to renew a contractor's registration if the department finds that the

1 contractor

2 (1) has knowingly violated this chapter or a lawful order or regulation of the  
3 department;

4 (2) is incompetent or has engaged in fraudulent practices; or

5 (3) has engaged in serious misconduct or failure of performance in performing  
6 work on a public construction contract under AS 35.15.

7 \* Sec. 3. AS 35.15.080(a) is amended to read:

8 (a) A municipality or village may, by resolution of its governing body, request the  
9 assumption of all or part of the department's responsibilities relating to the planning, design, and  
10 construction of a public works project of the state that is to be located within the boundaries of  
11 the municipality or in or adjacent to a village and that would otherwise be constructed in the  
12 manner provided in AS 35.15.010. After receipt of the request, the department shall [MAY]  
13 provide by agreement for transfer to and assumption by the municipality or village of the  
14 department's responsibilities relating to the project, unless the commissioner determines that  
15 [ASSUMPTION OF RESPONSIBILITIES BY] the municipality or village is not capable of  
16 assuming the responsibilities [PRACTICABLE OR NOT IN THE BEST INTERESTS OF THE  
17 STATE].

18 \* Sec. 4. AS 35.15.080(b) is amended to read:

19 (b) If the commissioner of transportation and public facilities determines that assumption  
20 of responsibilities by a municipality or village under (a) of this section is not within the  
21 capability of the municipality or village [PRACTICABLE OR NOT IN THE BEST  
22 INTERESTS OF THE STATE], the commissioner shall notify the governing body of the  
23 municipality or village of the finding and specify reasons for it. If the governing body requests  
24 reconsideration of the decision, the commissioner shall hold a hearing in the municipality or  
25 village within 30 days following mailing of the request. Following the hearing, the commissioner  
26 may affirm, modify, or reverse the initial decision and shall specify in writing the reasons. The  
27 decision of the commissioner may be reviewed by the superior court in accordance with the  
28 Alaska Rules of Appellate Procedure.

29 \* Sec. 5. AS 35.15.080(c) is amended to read:

30 (c) A municipality or village may request joint assumption of responsibilities with the  
31 department relating to the planning, design, and construction of a public works project. Two or

1 more municipalities or villages may by agreement provide for cooperative assumption of  
2 responsibilities relating to the planning, design, and construction of a public works project. If  
3 two or more municipalities or villages request assumption of responsibilities for a project and  
4 meet the standard of capability [PRACTICABILITY] set out in (a) of this section, the  
5 commissioner shall determine which municipality or village is best able to direct planning,  
6 design, and construction of the project and enter into an agreement with that municipality or  
7 village or provide for joint or cooperative administration, as the parties may agree or the  
8 commissioner may determine. Decisions of the commissioner under this subsection are subject  
9 to review under (b) of this section [FINAL].

10 \* Sec. 6. AS 35.15.080(d) is amended to read:

11 (d) Provisions of this title governing planning, design, and construction of public works  
12 by the department, and regulations adopted under the provisions, govern the administration of  
13 projects assumed by a municipality, village, or regional educational attendance area under this  
14 section. For that purpose, the provisions supersede any conflicting provisions of ordinance or  
15 charter of a municipality.

16 \* Sec. 7. AS 35.15.090 is amended to read:

17 Sec. 35.15.090. USE OF APPROPRIATED FUNDS. Upon execution of an agreement  
18 under AS 35.15.080(a), state funds appropriated for a public works project that is the subject of  
19 the agreement shall be transferred to a special account in the state treasury. A municipality or  
20 village administering the project under the agreement may draw on the account for costs of the  
21 project, under fiscal control of the department. If an agreement provides for joint or cooperative  
22 administration of the project, payment of costs shall be made to the party incurring the costs.

23 \* Sec. 8. AS 35.15 is amended by adding a new section to read:

24 Sec. 35.15.095. APPLICATION TO AIRPORTS AND HIGHWAYS. Notwithstanding  
25 the definition of "public facility" or "public work" contained in AS 35.95.100, the provisions of  
26 this chapter that permit municipalities and villages to assume, separately or jointly, all or part of  
27 the department's responsibilities relating to a public works project and that establish and grant  
28 powers to local commissions apply to the construction, expansion, renovation, or major repair  
29 of an airport or highway.

30 \* Sec. 9. AS 35.15.100 is amended to read:

31 Sec. 35.15.100. RESPONSIBILITY OF DEPARTMENT. When a municipality, village,

1 or regional educational attendance area has assumed responsibility for a public works project  
2 under AS 35.15.080 - 35.15.120, the department is relieved of responsibility to the extent it is  
3 assumed by the municipality, village, or regional educational attendance area. The department  
4 may provide technical assistance on the responsibility assumed if requested to do so by the  
5 municipality, village, or area and shall be reasonably compensated for that assistance from the  
6 account established under AS 35.15.090.

7 \* Sec. 10. AS 35.15.110 is amended to read:

8 Sec. 35.15.110. TITLE TO SITE AND COMPLETION OF PROJECT. (a) Before  
9 advertisement for bids or construction contract negotiations, the department shall approve both  
10 the project site and the land interest in the site, except that, if the project involves construction  
11 of an educational facility, title or sufficient interest determined acceptable by the department to  
12 an approved site for a school building shall be vested in the municipality, village, the regional  
13 educational attendance area, or the state before advertisement for bids or initiation of construction  
14 contract negotiations.

15 (b) Responsibility for maintenance of the project shall be established in the original  
16 contract agreement. The department and the local commission, if one has been established  
17 under (c) of this section, shall participate in the final inspection of the project and approve of  
18 the final documents on the project.

19 \* Sec. 11. AS 35.15.110 is amended by adding a new subsection to read:

20 (c) A municipality or village that assumes sole or shared responsibility for a public works  
21 project of the state under this chapter may, by ordinance of the municipality or formal action of  
22 the village council, establish a local commission to conduct inspections of the project for  
23 compliance with the terms of the contract and with state and local law, approve the final  
24 documents, and make recommendations to the state under AS 08.18 concerning license renewals  
25 and license suspensions or revocations of contractors who worked on the project. The  
26 recommendations of the local commission must be based on substantial evidence.

27 \* Sec. 12. AS 35.15.120(2) is amended to read:

28 (2) "governing body" means, in the case of a  
29 (A) municipality, its assembly or council;  
30 (B) [, AND, IN THE CASE OF A] regional educational attendance area,  
31 its regional school board; and



CS For HB 526: "An Act relating to construction contractors and certain public construction projects."

The department is unable to fully support the bill for the following reasons:

Sections 1 and 2 of the bill would authorize the department to consider evidence and hold hearings under the Administrative Procedures Act against a contractor's registration based on a complaint from a local commission in regard to certain public construction projects.

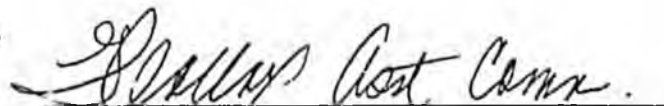
If sections 1 and 2 became law, they would mandate that the department suspend, revoke, or refuse to renew the contractor's registration if a hearing officer found the charges to be true. There are varying degrees of seriousness in the violations itemized in this bill, yet there is no provision for probation instead of revocation or suspension.

Currently, the only ground for taking action against the contractor registration (excluding the residential endorsement) is failure to carry insurance and/or a bond. Thus, it would take one or more substantial regulation projects to define the violations noted in this chapter. For example, there has not been a statewide uniform building code adopted despite years of attempts. This would make it difficult to define the standard of work performed. Incompetence is a difficult issue to prove in court. Finally, some of the social issues referred to are unrelated to a person's ability to practice the profession.

We have written a fiscal note to reflect that the village is to provide the "evidence." Section 2, AS 08.18.121(i), states the local commission reviews and recommends and the department shall consider the evidence. As a practical matter, if it became necessary for the department to conduct an investigation, the amount would increase.

Based on input recently received from the Department of Law, it would appear that there would be a substantial cost for an Assistant Attorney General's time as there would be a high probability of Superior Court appeals to the hearing officer's decision.

The department feels that while the sponsor's goals have merit, they could perhaps be better addressed in the initial contract.



Glenn A. Olds, Commissioner

Date: 4.30.92

# MEMORANDUM

State of Alaska  
Department of Law

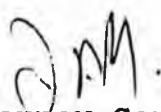
TO: Paul Fuhs  
Legislative Liaison  
Office of the Governor

DATE: April 28, 1992

FILE NO:

TEL. NO: 465-3603

SUBJECT: CSHB 526 and Contractor's  
certificate of registration

FROM: Jack B. McGee   
Assistant Attorney General  
Transportation Section-Juneau

You have requested that our office provide you with a brief review of those sections of CSHB 526 that deal with a contractor's certificate of registration.

Before a person can bid or work as a contractor in Alaska, that person must be issued a certificate of registration by the Department of Commerce and Economic Development. See AS 08.18.011.

Section 1 of CSHB 526 permits a local commission created by section 10 of the bill to make recommendations to the commissioner of Commerce and Economic Development as to whether the commissioner should issue a new or renewed certificate of registration to a contractor. If the recommendation made by the local commission is not to issue or renew a certificate of registration, the commissioner may not issue or renew a certificate to the contractor unless, after a hearing, the commissioner determines that the recommendation is not supported "by a preponderance of evidence."

Section 2 permits a local commission to recommend that a contractor's current registration be revoked. When such a recommendation is made, the commissioner of Commerce and Economic Development may suspend a contractor's registration. If, after a hearing, the commissioner determines that the recommendation is based on "serious misconduct" or the failure of the contractor to perform the contract, the commissioner must revoke the registration of the contractor.

Recommendations that are made to the commissioner by a local commission under sections 1 or 2 above may be based on:

- 1) the quality and timeliness of the contractor's performance under the contract,
- 2) the responsiveness of the contractor to matters of public concern in the municipality or village "that

Paul Fuhs  
Legislative Liaison  
Office of the Governor

April 28,  
Pa

affect or are affected by the performance of t  
contract" and

- 3) the contractor's ability to assist in the informal, peaceful, fair resolution of disputes that relate to the construction project "or to the presence in the municipality or village of person's engaged in the project."

See section 10 of the bill.

Each of these three elements has a subjective quality to it. Moreover, section 2 permits a contractor's registration to be suspended before a hearing. Because of these difficulties, it is likely that substantial legal challenges will be made to the entire revocation process. As a probable consequence of these challenges, the state can expect to incur sizeable legal costs.

JBM:ebc

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. CSHB 526 (CRA)

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

Department Affected: Administration

Title: An Act relating to certain public construction contracts.

BRU: General Services

Component: Purchasing

Sponsor: Lincoln

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

COMPONENT SERIAL NO. 

6	0		
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

POSITIONS:

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

Estimate of current year impact: None.

ANALYSIS: (Attach a separate page if necessary.)  
This bill has no fiscal impact on the activities of the division.

Prepared by: Anne McCord, Director *Anne McCord* Phone: 465-2250  
Division: General Services Date: April 6, 1992

Approved by Commissioner: Nancy Bear Usura *Nancy Bear Usura*  
Agency: Administration Date: 4/8/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legs. Ofc., & Impacted Agency(ies).



*Department of Transportation  
and Public Facilities*

# POSITION PAPER

BILL NO: CSHB 526(CRA)

APPROVED: *[Signature]* for FT

TITLE: " An Act relating to construction and to certain construction contracts"

DATE: 4-24-92

The Department is neutral to generally supportive of the bill with certain modifications. The bill will provide a possible means for transferring to local entities the construction of roads, airports and other public facilities which are not of a statewide or regional significance. It may also assist in transferring maintenance of roads to local entities. This position is consistent with the Transportation Policy Plan.

Presently Alaska Statute 35.15.080(b) provides that the Department may transfer to a municipality the responsibilities for the construction of all or part of a public works project. The bill will extend this authority to a village; however, the Department must make a finding that the entity is capable of performing the construction.

The bill expands the meaning of a "governing body" to a village, its village council or other appropriate entity and further defines a "village" to mean an incorporated or unincorporated contiguous rural community of at least 25 residents.

In sections 4 & 5 the reviews by the superior court should be clarified to mean the use of the Alaska Rules of Appellate Procedures. The Department of Law has made this suggestion and is similar to the process used in the procurement code.

FISCAL NOTE

Revision Date: 4/2/92  
 Title: "An Act relating to certain public contracts and contractors and to certain procurements"  
 Sponsor: Rep Lincoln  
 Requestor:

Department Affected: DOT&PF  
 BRU: Statewide Engineering & Operations Standards  
 Component: Engeer. & Operations Stand.  
 Component Serial Number: 547

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY93	FY94	FY95	FY96	FY97	FY98
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 FUNDS	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL FUNDING:	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)

The bill provides that a village, if they are capable, can assume the responsibilities for the planning, design and construction of public works projects, just as municipality can under present law.

Prepared by: Loren Rasmussen, Chief, D&C

Phone: 465-2951

Division: Engineering and Operations Standards

Date:

Approved by Commissioner: 

Phone: 465-5900

Agency: Department of Transportation and Public Facilities

Date:

Distribution By Preparer:

# STATE OF ALASKA

## DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

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April 15, 1992

Sandra Borbridge  
Office of Rep. Georgianna Lincoln  
State Capitol Building, Room 112  
Juneau, Alaska 99811-1182

RE: HB 526 - Construction contractors/public construction  
contracts - House State Affairs Committee

Dear Ms. Borbridge:

After the first hearing of HB 526 in the House State Affairs Committee, you called to request a position paper from this department. I have reviewed the bill and do not believe that it pertains directly to the activities of this department.

Sections 1 and 2 of the bill deal with the powers and duties of the Commissioner of Commerce and Economic Development over the licensing of contractors. The remainder of the bill pertains to Title 35, which is administered by the Department of Transportation and Public Facilities.

While our department works with both rural municipalities and unincorporated rural villages and, in general, advocates for rural Alaska, we do not have the expertise or the assigned mission of the Department of Commerce and Economic Development over contractor licensing or of the Department of Transportation and Public Facilities over letting of public construction contracts. For that reason, we have not taken a position on this bill. We will be glad, however, to provide any technical information at our disposal that might be of assistance to the sponsor or the committees hearing the bill. Please let me know if you have any specific questions to which we can respond.

Sondra Borbridge  
April 15, 1992  
Page Two

I understood from you that Representative Baker had a question during the State Affairs Committee hearing about whether this bill somehow diluted the powers of the department over planning in rural Alaska. I spoke to Representative Baker about the specifics of his question and then checked our enabling statute, AS 44.47.050. All of our powers are stated in permissive rather than mandatory language. For instance, the statute states "the department may...supervise planning, management, and other activities required for local eligibility for financial aid under those federal and state programs which provide assistance to community and regional governments." In fact, because of staffing cuts over the years, we no longer have much ability to assist communities with planning activities although we could do so under our enabling legislation. HB 526 does not conflict with our powers.

Enclosed with this letter is a copy of our 1992 Community/Borough map. On it, the black dots represent unincorporated communities to which HB 526 would apply. Please let me know if we can help you in any other way.

Sincerely,



Sandra J. Wicks  
Deputy Director

Enclosure

cc: Representative Gene Kubina  
Representative Tom Moyer  
Representative Betty Bruckman  
Representative Dave Choquette  
Representative Max Gruenberg  
Representative Larry Baker  
Representative Mike Miller  
Department of Commerce & Economic Development  
Department of Transportation & Public Facilities

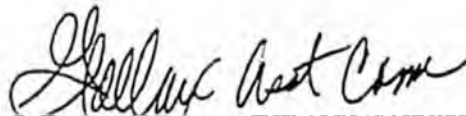
CSHB 526 (CRA): "An Act relating to construction contractors and to certain public construction contracts."

Sections 1 and 2, if passed, would authorize the Commissioner to hold a hearing and suspend, revoke, or deny registration or renewal of a contractor's certificate of registration to a contractor who is the subject of a complaint by a municipal or village commission established under AS 95.15.110(c) if it is found that the contractor is guilty of serious misconduct or failure of performance.

It is reasonable to consider whether or not one branch of state government should grant a privilege to someone who has been proven to have transgressed against another government entity.

There would need to be regulations to clearly define serious misconduct and failure of performance. This will be a major project.

Currently, the only grounds for suspension or denial of certificate of registration for contractors is failure to carry insurance or bonding.



Glenn A. Olds, Commissioner

Date: 4.14.92

A M E N D M E N T

OFFERED IN HOUSE STATE AFFAIRS

BY REPRESENTATIVE LINCOLN

To: CSHB 526 (CRA)

page 3, line 13

Add:

Section 7. AS 35.15.080 is amended by adding a new subsection to read:

(g) For purpose of this section public works projects include airports and highways

Renumber remaining sections accordingly

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE LINCOLN

TO: CSHB 526 (CPA)

Page 1, line 14

Delete "the commissioner shall consider the evidence and may suspend the contractor's registration."

Add "a hearing shall be held according to the Administrative Procedures Act."

Page 2, line 1

After "hearing, the" Delete "commissioner" and insert "hearing officer"

Page 2, line 3

After "commissioner shall"

Delete "revoke the registration of the contractor."

and Insert "either accept the hearing officer's proposed decision, remand it to another hearing officer, or call for the record and render a final decision."

Page 2, line 24

After "by the superior court"

Add "in accordance with the Alaska Rules of Appellate Procedure"

Page 4, line 14

Delete "In making recommendations"

Page 4, lines 15 through 19

Delete

Page 4, line 20

Delete "municipality or village of persons engaged in the project."

CS FOR HOUSE BILL NO. 526 (CRA)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered: 4/2/92

Referred: State Affairs, Finance

Sponsor(s): REPRESENTATIVE LINCOLN

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to construction contractors and to certain public construction contracts."

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

3 \* Section 1. AS 08.18.031 is amended by adding a new subsection to read:

4 (c) In determining whether to issue or renew a certificate of registration of a contractor  
5 who has held a contract for work on a public construction contract under AS 35.15, the  
6 commissioner shall consider the recommendations of local commissions established under  
7 AS 35.15.110(c) by the municipalities and villages in which the contractor performed contracting  
8 work. ~~The commissioner may not renew the certificate of a contractor who has received a~~  
9 recommendation against renewal under AS 35.15.110(c) unless, after a hearing, the commissioner  
10 determines that the recommendation is not supported by a preponderance of the evidence.

11 \* Sec. 2. AS 08.18.121 is amended by adding a new subsection to read:

12 (i) If a local commission reviewing the performance of a contractor on a public  
13 construction contract under AS 35.15 recommends that the contractor's registration be revoked,  
14 the commissioner shall consider the evidence and may suspend the contractor's registration. If,

1 after a hearing, the commissioner determines that the recommendation for revocation is based on  
2 serious misconduct or failure of performance by the contractor under AS 35.15.110(c), the  
3 commissioner shall revoke the registration of the contractor.

4 \* Sec. 3. AS 35.15.080(a) is amended to read:

5 (a) A municipality or village may, by resolution of its governing body, request the  
6 assumption of all or part of the department's responsibilities relating to the planning, design, and  
7 construction of a public works project of the state that is to be located within the boundaries of  
8 the municipality or in or adjacent to a village and that would otherwise be constructed in the  
9 manner provided in AS 35.15.010. After receipt of the request, the ~~department shall~~ [MAX]  
10 provide by agreement for transfer to and assumption by the municipality or village of the  
11 department's responsibilities relating to the project, unless the commissioner determines that  
12 [ASSUMPTION OF RESPONSIBILITIES BY] the municipality or village is not capable of  
13 assuming the responsibilities [PRACTICABLE OR NOT IN THE BEST INTERESTS OF THE  
14 STATE].

15 \* Sec. 4. AS 35.15.080(b) is amended to read:

16 (b) If the commissioner of transportation and public facilities determines that assumption  
17 of responsibilities by a municipality or village under (a) of this section is not within the  
18 capability of the municipality or village [PRACTICABLE OR NOT IN THE BEST  
19 INTERESTS OF THE STATE], the commissioner shall notify the governing body of the  
20 municipality or village of the finding and specify reasons for it. If the governing body requests  
21 reconsideration of the decision, the commissioner shall hold a hearing in the municipality or  
22 village within 30 days following mailing of the request. Following the hearing, the commissioner  
23 may affirm, modify, or reverse the initial decision and shall specify in writing the reasons. ~~The~~  
24 ~~decision of the commissioner may be reviewed by the superior court.~~

25 \* Sec. 5. AS 35.15.080(c) is amended to read:

26 (c) A municipality or village may request joint assumption of responsibilities with the  
27 department relating to the planning, design, and construction of a public works project. Two or  
28 more municipalities or villages may by agreement provide for cooperative assumption of  
29 responsibilities relating to the planning, design, and construction of a public works project. If  
30 two or more municipalities or villages request assumption of responsibilities for a project and  
31 meet the standard of capability [PRACTICABILITY] set out in (a) of this section, the

1 commissioner shall determine which municipality or village is best able to direct planning,  
2 design, and construction of the project and enter into an agreement with that municipality or  
3 village or provide for joint or cooperative administration, as the parties may agree or the  
4 commissioner may determine. Decisions of the commissioner under this subsection are subject  
5 to review under (b) of this section [FINAL].

6 \* Sec. 6. AS 35.15.080(d) is amended to read:

7 (d) Provisions of this title governing planning, design, and construction of public works  
8 by the department, and regulations adopted under the provisions, govern the administration of  
9 projects assumed by a municipality, village, or regional educational attendance area under this  
10 section. For that purpose, the provisions supersede any conflicting provisions of ordinance or  
11 charter of a municipality.

12 \* Sec. 7. AS 35.15.090 is amended to read:

13 Sec. 35.15.090. USE OF APPROPRIATED FUNDS. Upon execution of an agreement  
14 under AS 35.15.080(a), state funds appropriated for a public works project that is the subject of  
15 the agreement shall be transferred to a special account in the state treasury. A municipality or  
16 village administering the project under the agreement may draw on the account for costs of the  
17 project, under fiscal control of the department. If an agreement provides for joint or cooperative  
18 administration of the project, payment of costs shall be made to the party incurring the costs.

19 \* Sec. 8. AS 35.15.100 is amended to read:

20 Sec. 35.15.100. RESPONSIBILITY OF DEPARTMENT. When a municipality, village,  
21 or regional educational attendance area has assumed responsibility for a public works project  
22 under AS 35.15.080 - 35.15.120, the department is relieved of responsibility to the extent it is  
23 assumed by the municipality, village, or regional educational attendance area. The department  
24 may provide technical assistance on the responsibility assumed if requested to do so by the  
25 municipality, village, or area and shall be reasonably compensated for that assistance from the  
26 account established under AS 35.15.090.

27 \* Sec. 9. AS 35.15.110 is amended to read:

28 Sec. 35.15.110. TITLE TO SITE AND COMPLETION OF PROJECT. (a) Before  
29 advertisement for bids or construction contract negotiations, the department shall approve both  
30 the project site and the land interest in the site, except that, if the project involves construction  
31 of an educational facility, title or sufficient interest determined acceptable by the department to

1 an approved site for a school building shall be vested in the municipality, village, the regional  
2 educational attendance area, or the state before advertisement for bids or initiation of construction  
3 contract negotiations.

4 (b) Responsibility for maintenance of the project shall be established in the original  
5 contract agreement. The department and the local commission, if one has been established  
6 under (c) of this section, shall participate in the final inspection of the project and approve of  
7 the final documents on the project.

8 \* Sec. 10. AS 35.15.110 is amended by adding a new subsection to read:

9 (c) A municipality or village that assumes sole or shared responsibility for a public works  
10 project of the state under this chapter may, by ordinance of the municipality or formal action of  
11 the village council, establish a local commission to conduct inspections of the project for  
12 compliance with the terms of the contract and with state and local law, approve the final  
13 documents, and make recommendations to the state under AS 08.18 concerning license renewals  
14 and license revocations of contractors who worked on the project. In making recommendations  
15 concerning license renewal or revocation, the local commission shall consider the quality and  
16 timeliness of the contractor's performance under the contract, the responsiveness of the contractor  
17 to matters of public concern in the municipality or village that affect or are affected by the  
18 performance of the contract, and the contractor's ability to assist in the informal, peaceful, fair  
19 resolution of disputes that relate to the public construction project or to the presence in the  
20 municipality or village of persons engaged in the project. The recommendations of the local  
21 commission must be based on substantial evidence.

22 \* Sec. 11. AS 35.15.120(2) is amended to read:

23 (2) "governing body" means, in the case of a

24 (A) municipality, its assembly or council;

25 (B) [, AND, IN THE CASE OF A] regional educational attendance area,  
26 its regional school board; and

27 (C) village, its village council or other appropriate entity.

28 \* Sec. 12. AS 35.15.120 is amended by adding a new paragraph to read:

29 (3) "village" means an incorporated or unincorporated contiguous rural community  
30 of at least 25 residents

**HOUSE BILL NO. 526**

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE LINCOLN

Introduced: 2/18/92

Referred: Community &amp; Regional Affairs, State Affairs, Finance

**A BILL****FOR AN ACT ENTITLED**

1 "An Act relating to certain public construction contracts and contractors and to certain  
2 procurements."

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

4 \* Section 1. AS 08.18.031 is amended by adding a new subsection to read:

5 (c) In determining whether to issue or renew a certificate of registration of a contractor  
6 who has held a contract for work on a public construction contract under AS 35.15, the  
7 commissioner shall consider the recommendations of local commissions established under  
8 AS 35.15.110(c) by the municipalities and villages in which the contractor performed contracting  
9 work. The commissioner may not renew the certificate of a contractor who has received a  
10 recommendation against renewal under AS 35.15.110(c) unless, after a hearing, the commissioner  
11 determines that the recommendation is not supported by a preponderance of the evidence.

12 \* Sec. 2. AS 08.18.121 is amended by adding a new subsection to read:

13 (i) If a local commission reviewing the performance of a contractor on a public  
14 construction contract under AS 35.15 recommends that the contractor's registration be revoked,

1 the commissioner shall suspend the contractor's registration. If, after a hearing, the commissioner  
2 determines that the recommendation for revocation is based on serious misconduct or failure of  
3 performance by the contractor under AS 35.15.110(c), the commissioner shall revoke the  
4 registration of the contractor.

5 \* Sec. 3. AS 35.15.080(a) is amended to read:

6 (a) A municipality or village may, by resolution of its governing body, request the  
7 assumption of all or part of the department's responsibilities relating to the planning, design, and  
8 construction of a public works project of the state that is to be located within the boundaries of  
9 the municipality or in or adjacent to a village and that would otherwise be constructed in the  
10 manner provided in AS 35.15.010. After receipt of the request, the department shall [MAY]  
11 provide by agreement for transfer to and assumption by the municipality or village of the  
12 department's responsibilities relating to the project [, UNLESS THE COMMISSIONER  
13 DETERMINES THAT ASSUMPTION OF RESPONSIBILITIES BY THE MUNICIPALITY IS  
14 NOT PRACTICABLE OR NOT IN THE BEST INTERESTS OF THE STATE].

15 \* Sec. 4. AS 35.15.080(c) is amended to read:

16 (c) A municipality or village may request joint assumption of responsibilities with the  
17 department relating to the planning, design, and construction of a public works project. Two or  
18 more municipalities or villages may by agreement provide for cooperative assumption of  
19 responsibilities relating to the planning, design, and construction of a public works project. If  
20 two or more municipalities or villages request assumption of responsibilities for a project [AND  
21 MEET THE STANDARD OF PRACTICABILITY SET OUT IN (a) OF THIS SECTION], the  
22 commissioner shall determine which municipality or village is best able to direct planning,  
23 design, and construction of the project and enter into an agreement with that municipality or  
24 village or provide for joint or cooperative administration, as the parties may agree or the  
25 commissioner may determine. Decisions of the commissioner under this subsection are subject  
26 to judicial review by the superior court [FINAL].

27 \* Sec. 5. AS 35.15.080(d) is amended to read:

28 (d) Provisions of this title governing planning, design, and construction of public works  
29 by the department, and regulations adopted under the provisions, govern the administration of  
30 projects assumed by a municipality, village, or regional educational attendance area under this  
31 section. For that purpose, the provisions supersede any conflicting provisions of ordinance or

1 charter of a municipality.

2 \* Sec. 6. AS 35.15.090 is amended to read:

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4 under AS 35.15.080(a), state funds appropriated for a public works project that is the subject of  
5 the agreement shall be transferred to a special account in the state treasury. A municipality or  
6 village administering the project under the agreement may draw on the account for costs of the  
7 project, under fiscal control of the department. If an agreement provides for joint or cooperative  
8 administration of the project, payment of costs shall be made to the party incurring the costs.

9 \* Sec. 7. AS 35.15.100 is amended to read:

10 Sec. 35.15.100. RESPONSIBILITY OF DEPARTMENT. When a municipality, village,  
11 or regional educational attendance area has assumed responsibility for a public works project  
12 under AS 35.15.080 - 35.15.120, the department is relieved of responsibility to the extent it is  
13 assumed by the municipality, village, or regional educational attendance area. The department  
14 may provide technical assistance on the responsibility assumed if requested to do so by the  
15 municipality, village, or area and shall be reasonably compensated for that assistance from the  
16 account established under AS 35.15.090.

17 \* Sec. 8. AS 35.15.110 is amended to read:

18 Sec. 35.15.110. TITLE TO SITE AND COMPLETION OF PROJECT. (a) Before  
19 advertisement for bids or construction contract negotiations, the department shall approve both  
20 the project site and the land interest in the site, except that, if the project involves construction  
21 of an educational facility, title or sufficient interest determined acceptable by the department to  
22 an approved site for a school building shall be vested in the municipality, village, the regional  
23 educational attendance area, or the state before advertisement for bids or initiation of construction  
24 contract negotiations.

25 (b) Responsibility for maintenance of the project shall be established in the original  
26 contract agreement. The department and the local commission, if one has been established  
27 under (c) of this section, shall participate in the final inspection of the project and approve of  
28 the final documents on the project.

29 \* Sec. 9. AS 35.15.110 is amended by adding a new subsection to read:

30 (c) A municipality or village that assumes sole or shared responsibility for a public works  
31 project of the state under this chapter may, by ordinance of the municipality or formal action of

1 the village council, establish a local commission to conduct inspections of the project for  
2 compliance with the terms of the contract and with state and local law, approve the final  
3 documents, and make recommendations to the state under AS 08.18 concerning license renewals  
4 and license revocations of contractors who worked on the project. In making recommendations  
5 concerning license renewal or revocation, the local commission shall consider the quality and  
6 timeliness of the contractor's performance under the contract, the responsiveness of the contractor  
7 to matters of public concern in the municipality or village that affect or are affected by the  
8 performance of the contract, and the contractor's ability to assist in the informal, peaceful, fair  
9 resolution of disputes that relate to the public construction project or to the presence in the  
10 municipality or village of persons engaged in the project.

11 \* Sec. 10. AS 35.15.120(2) is amended to read:

12 (2) "governing body" means, in the case of a

13 (A) municipality, its assembly or council;

14 (B) [, AND, IN THE CASE OF A] regional educational attendance area,  
15 its regional school board; and

16 (C) village, its village council or other appropriate entity.

17 \* Sec. 11. AS 35.15.120 is amended by adding a new paragraph to read:

18 (3) "village" means an incorporated or unincorporated contiguous rural community  
19 of at least 25 residents.

20 \* Sec. 12. AS 36.30.305(a) is amended to read:

21 (a) A contract for supplies, services, professional services, or a construction contract  
22 under \$100,000 [,] may be awarded without competitive sealed bidding or competitive sealed  
23 proposals, in accordance with regulations adopted by the commissioner. A contract, other than  
24 a contract for construction under \$100,000 in a remote area, may be awarded under this  
25 section only when the commissioner, or, for construction contracts under \$100,000 or  
26 procurements for the state equipment fleet, the commissioner of transportation and public  
27 facilities, determines in writing that a situation exists that makes competitive sealed bidding or  
28 competitive sealed proposals impractical or contrary to the public interest. The commissioner  
29 of transportation and public facilities shall permit a contract for construction under  
30 \$100,000 that is located in a remote area to be awarded without competitive sealed bidding  
31 or competitive sealed proposals. Procurements under this section shall be made with

1 competition that is practicable under the circumstance. Except for procurements of supplies,  
2 services, or construction that do not exceed the amount for small procurements under  
3 AS 36.30.320(a), the authority to make a determination required by this section may not be  
4 delegated.

5 \* Sec. 13. AS 36.30.305(d) is amended to read:

6 (d) Except for procurements in a community with a population of less than 2,000  
7 residents [SOLE] source procurements may not be made under this section.

8 \* Sec. 14. AS 36.30.320(c) is amended to read:

9 (c) Small procurements need not be made through competitive sealed bidding or  
10 competitive sealed proposals but shall be made with competition that is practicable under the  
11 circumstances. The commissioner shall exempt small procurements for supplies, services,  
12 or construction in a rural area from the requirement for competition.

13 \* Sec. 15. AS 35.15.080(b) is repealed.

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