

ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

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11 AAC 39.680 ADMINISTRATIVE CODE SUPPLEMENT 11 AAC 39.700

(2) the borrower's assignment to the fund of the proceeds from the federal government under the Conservation Reserve Program and Feed Grain Act program.

(b) Proceeds assigned to and received by the fund under (a)(2) of this section, which exceed the amount due the fund within 365 days before or after receipt, will be paid over to the borrower within 30 days after receipt. (Eff. 10/23/88, Register 108)

Authority: Sec. 2, ch. 117, SLA 1988

11 AAC 39.680. CESSATION OF AGRICULTURAL PRODUCTION. If, after an application for restructuring is approved, the borrower substantially ceases agricultural production, the interest rate on the outstanding balance of the restructured loan will, in the board's discretion, be increased to 12 percent per annum. A rebuttable presumption that the borrower has substantially ceased agricultural production arises if the borrower's annual gross income from the sale of agricultural products decreases to less than \$10,000. (Eff. 10/23/88, Register 108)

Authority: Sec. 2, ch. 117, SLA 1988

ARTICLE 6. DISPOSAL OF PROPERTY.

Section

- 700. Property subject to disposal
- 710. Minimum price
- 720. Method of disposal
- 730. Advertisement
- 740. Payment
- 750. Board review of disposition

Section

- 760. Notification of acceptance or rejection of sealed bid or offer
- 770. Cropland
- 780. Preference right
- 790. Definitions

11 AAC 39.700. PROPERTY SUBJECT TO DISPOSAL.

(a) Property subject to disposal under 11 AAC 39.700 — 11 AAC 39.790 includes real and personal property acquired by the agricultural revolving loan fund or the commissioner through voluntary relinquishment, repossession, foreclosure, or other action arising out of agricultural loans or the sale of agricultural land.

(b) A sale, lease, or other disposal of the former Matanuska Maid Creamery, land, and building at 814 Northern Lights Boulevard, Anchorage, Alaska under AS 03.10.050(g) or under sec. 3, ch. 117, SLA 1988 is not subject to 11 AAC 39.740, 11 AAC 39.760, or 11 AAC 39.780.

(c) The director shall give to the board notice of any proposed disposal of the former Matanuska Maid Creamery, land, and building at 814 Northern Lights Boulevard, Anchorage, Alaska, at least 60 days before the proposed disposal. The board or the director may hold public hearings on the proposed disposal. Any comments, concerns, alter-

11 AAC 39.710

natives, or object of the administrative Register 114)

Authority: Sec. 1:

11 AAC 39.710
price shall be considered in establishing

- (1) the current sale, or market
- (2) the present
- (3) the length
- (4) the length and
- (5) the ongoing (Eff. 11/27/88,

Authority: AS 0:

11 AAC 39.720
advertisement as provided of using one or more

- (1) sealed bids
- (2) public auction
- (3) solicitation
- (4) lease,
- (5) lease with
- (6) other management interests of the
- (b) Property management following circumstances
 - (1) no acceptance of disposal under
 - (2) the property
 - (3) the property
 - (4) the property listed fair market
 - (5) the property established under
 - (6) the property than one year with
 - (7) under a revocation of the permit is
 - (8) the property

natives, or objections of the board must be addressed in writing as part of the administrative record. (Eff. 11/27/88, Register 108; am 5/19/90, Register 114)

Authority: Sec. 3, ch. 117, SLA 1988 AS 03.10.020 AS 03.10.050(g)

11 AAC 39.710. MINIMUM PRICE. Before disposal, a minimum price shall be established for each property. Factors that may be considered in establishing a minimum price include

- (1) the current assessed, appraised, surveyed, replacement, forced sale, or market value;
- (2) the present supply and demand for similar property;
- (3) the length of time that the state has owned the property;
- (4) the length of time that the property has been on the market; and
- (5) the ongoing management costs of the property to the state. (Eff. 11/27/88, Register 108)

Authority: AS 03.10.020 AS 03.10.050(g)

11 AAC 39.720. METHOD OF DISPOSAL. (a) Following advertisement as provided for in 11 AAC 39.730, property may be disposed of using one or more of the following methods:

- (1) sealed bid,
- (2) public auction,
- (3) solicitation of competitive offers,
- (4) lease,
- (5) lease with option to purchase, or
- (6) other manner determined by the director to be in the best interests of the state.

(b) Property may be disposed of without advertisement in the following circumstances:

- (1) no acceptable offer was received after an initial advertisement of disposal under 11 AAC 39.730,
- (2) the property is perishable,
- (3) the property is livestock,
- (4) the property is a regularly traded commodity with an established fair market value,
- (5) the property is personal property and the minimum price established under 11 AAC 39.710 is less than \$1,000,
- (6) the property is personal property and is to be leased for less than one year without option to renew or option to purchase,
- (7) under a revokable land use permit if the maximum duration of the permit is less than one year,
- (8) the property is being redeemed under right of redemption,

- (9) the property is to be destroyed,
- (10) the property is to be transferred to another state department or agency, or

(11) the director determines that the best interests of the state would be compromised by advertisement.

(c) Property to be leased or sold without advertisement may be disposed of using one or more of the following methods:

- (1) negotiated lease or sale,
- (2) private lease or sale,
- (3) through a broker, or
- (4) by any other method determined by the director to maximize the return to the state. (Eff. 11/27/88, Register 108)

Authority: AS 03.10.020 AS 03.10.050(g)

11 AAC 39.730. ADVERTISEMENT. (a) Advertisement of disposal, if required, shall be published in

(1) a newspaper or other periodical of general circulation in the area where the property is located or which the director reasonably believes will notify a sufficient number of potentially interested parties, and

(2) the Alaska Agriculture Market Report.

(b) The advertisement may include

- (1) a description of the property,
- (2) the minimum acceptable price,
- (3) the method and terms of disposal,
- (4) whether financing is available,

(5) if applicable, a statement that a specific form must be completed and submitted, or that no specific form is required, but that the bid or offer must be made in writing and must include name, mailing address, phone number, signature, and any terms or conditions of the bid or offer, including whether financing is desired,

(6) the deadline and address for submission of bids or offers, or the place, date, and time of auction,

(7) the date on which bids or offers will be reviewed, if applicable,

(8) the deadline for submission of applications for preference rights, if applicable,

(9) a statement that the director reserves the right to refuse any and all offers,

(10) a statement that the property is sold or leased "AS IS, WHERE IS, with no implied or expressed warranty of condition whatsoever,"

(11) a statement that if no acceptable bid or offer is received, the director may dispose of the property without readvertising, and

(12) a statement that the disposal is governed by 11 AAC 39.700 — 11 AAC 39.790. (Eff. 11/27/88, Register 108)

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(b) The l able within Failure to p and of the property is offer.

(c) Perso immediatel tor may re check, or n

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Authority:

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11 AAC 39.740 · NATURAL RESOURCES 11 AAC 39.750

Authority: AS 03.10.020 AS 03.10.050(g)

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11 AAC 39.740. PAYMENT. (a) A sealed bid or offer for personal property must be accompanied by a deposit in an amount established by the director, but in no case less than 10 percent of the amount of the bid or offer. The deposit must be in the form of a cashier's check, certified check, or money order. If the bid or offer is accepted, the deposit is non-refundable. If the bid or offer is not accepted, the deposit shall be returned.

(b) The balance of the purchase price for personal property is payable within 10 days after notice of acceptance of the sealed bid or offer. Failure to pay in full within 10 days results in forfeiture of the deposit and of the right to acquire the property. If the right to acquire the property is forfeited, the director may accept the next highest bid or offer.

(c) Personal property disposed of at auction must be paid for in full immediately following the director's acceptance of high bid. The director may require payment to be made by cashier's check, certified check, or money order.

(d) The director may dispose of real property for cash or under installment contract. For each property that is to be acquired under installment contract, the director shall establish the term, interest rate, and amount of down payment. However, the maximum term of an installment contract may not exceed 20 years, the minimum interest rate may not be less than 8 percent per annum, and the minimum down payment may not be less than 5 percent of the price.

(e) The director may discount the price on disposal of real property by up to 10 percent upon down payment of 25 percent or more of the price, or by up to 20 percent if the price is paid in full upon closing. (Eff. 11/27/88, Register 108)

Authority: AS 03.10.020 AS 03.10.050(g)

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11 AAC 39.750. BOARD REVIEW OF DISPOSITION. At least 30 days before the disposal, and at least 7 days before a board meeting, the director shall give to the board notice of the disposal of property under 11 AAC 39.700 — 11 AAC 39.790 that is owned by the fund, or is subject to the fund's security interest, and for which a minimum price of \$25,000 or more has been established. In the case of an emergency or other situation where it is reasonably necessary to dispose of the property immediately, the director may dispose of the property and shall give concurrent notice to the board members. The board may review the disposal and make comments to the director. (Eff. 11/27/88, Register 108; am 5/19/90, Register 114)

Authority: AS 03.10.020 AS 03.10.050(g)

11 AAC 39.760. NOTIFICATION OF ACCEPTANCE OR REJECTION OF SEALED BID OR OFFER. A person who submits a sealed bid or offer for property being disposed of under 11 AAC 39.720(a) shall be notified of acceptance or rejection of the bid or offer within 15 days after its acceptance or rejection. (Eff. 11/27/88, Register 108)

Authority: AS 03.10.020 AS 03.10.050(g)

11 AAC 39.770. CROPLAND. (a) Only the agricultural interest in cropland may be leased or sold under 11 AAC 39.700 — 11 AAC 39.790. The lease or sale of the agricultural interest in cropland is subject to 11 AAC 67.160 — 11 AAC 67.165 and 11 AAC 67.172 — 11 AAC 67.195.

(b) Cropland may be leased or sold to a person only if that person is a resident of the state under AS 01.10.055 at the time of bid or offer and at the time of lease or sale.

(c) Cropland may be leased or sold to a corporation, partnership, or other association only if the majority ownership is held by persons who are residents of the state under AS 01.10.055 at the time of bid or offer and at the time of lease or sale. (Eff. 11/27/88, Register 108)

Authority: AS 03.10.020 AS 03.10.050(g)

11 AAC 39.780. PREFERENCE RIGHT. (a) The director may grant a person leasing and using, or owning and using, real property for agricultural purposes a first option to lease or purchase real property being disposed of under 11 AAC 39.720(a) if the two properties are adjacent or in the same vicinity.

(b) A preference right may not be granted unless the applicant for a preference right demonstrates the need for additional agricultural land in order to create an economic unit.

(c) An applicant for a preference right must submit an application, on a form supplied by the division, during the period specified in the advertisement of disposal.

(d) The award of a preference right gives the successful applicant a first option to lease or purchase the property

(1) for the amount of the high bid if the disposal is through sealed bid or public auction,

(2) for the amount of the highest acceptable offer if the method of disposal is solicitation of competitive offers, or

(3) for fair market value if the method of disposal is other than sealed bid, public auction, or solicitation of competitive offers.

(e) If two or more persons are eligible for a preference right, the right must be awarded by flip of a coin. (Eff. 11/27/88, Register 108)

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Authority: AS 03.10.020 AS 03.10.050(g)

11 AAC 39.790. DEFINITIONS. (a) In 11 AAC 39.700 — 11 AAC 39.790,

- (1) "board" means agricultural revolving loan fund board of directors;
- (2) "commissioner" means commissioner of the Department of Natural Resources;
- (3) "director" means the director of the division of agriculture in the Department of Natural Resources;
- (4) "division" means division of agriculture in the Department of Natural Resources; and
- (5) "fund" means agricultural revolving loan fund.

(b) In 11 AAC 39.700 — 11 AAC 39.790 and in AS 03.10.050(g), "cropland" means land (1) having soils of capability I — IV according to the U.S. Dept. of Agriculture, (2) having slopes of less than 12 percent and occurring in blocks of 40 acres or more, (3) having rocks three inches or larger on less than 3 percent of the surface, and (4) not subject to zoning or other land use restrictions that would prevent commercial agricultural use. (Eff. 11/27/88, Register 108)

Authority: AS 03.10.020 AS 03.10.050(g)

ARTICLE 7. GENERAL PROVISIONS.

Section
911. Definitions

Publisher's note: Former Article 5 of because of the addition of new articles to this chapter was redesignated as Article 7 the chapter.

11 AAC 39.911. DEFINITIONS. In this chapter

- (1) "acceptable collateral" means adequate security, approved by the board to secure repayment of a loan in the event of default; it includes, but is not limited to, a mortgage, deed of trust, assignment, or other security instrument on real property, buildings, machinery and equipment, fixtures, livestock, crops, accounts receivable, and other assets;
- (2) "applicant" means an individual, partnership, corporation, association, cooperative, or other entity applying for a loan;
- (3) "board" means the Agricultural Revolving Loan Fund board;
- (4) "borrower" means all persons liable for a loan or any part of a loan;
- (5) "chair" means the chairperson of the Agricultural Revolving Loan Fund board;

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HB 482
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February 9, 1996

HB 482

The Honorable Gail Phillips
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Phillips:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that proposes to change state procurement practices to make them more efficient, effective and economic while preserving public accountability.

Today's rapidly changing business environment, coupled with declining state revenue, underscores the importance of streamlining our administrative practices. This bill responds to that need by reducing costs, simplifying procurement practices, focusing on results, and empowering procurement officers to make sound purchasing decisions.

The proposed revisions to the state procurement code set out in this bill are the result of recommendations made by the statewide Procurement Advisory Council, formed by the Department of Administration, to review and streamline statewide procurement practices. The council is made up of private, state and University of Alaska procurement professionals, vendors and small business advocates.

Critics rightfully argue that government procurement is not getting the best value for the public. Some current practices impede an agency's ability to accomplish its business, and are not efficient. This bill seeks to correct these problems by simplifying acquisition of office leases under 5,000 square feet and giving procurement officers the discretion to shorten the solicitation process when adequate competition exists along with the ability to enter into a single source contract when in the best interest of the state.

This bill also would allow state agencies, including the legislative council, University of Alaska and state Supreme Court, to enter into or renew lease-purchase agreements for real property without legislative approval if the annual payment does not exceed \$500,000 and

total lease-purchase payments do not exceed \$2.5 million. This mirrors the threshold lease rates in current statute for which no legislative approval is needed. And this proposal simplifies small procurements by increasing their dollar limit to the levels set in the Federal Acquisition Streamlining Act of 1994.

This bill will result in cost savings for the state because of streamlined acquisition methods and more economic contracts that will allow for lease extensions in return for rent concessions; purchases from General Services Administration supply schedules as authorized in the Federal Acquisition Streamlining Act of 1994; and prevention of preference brokering that adds cost to contracts without adding value.

Contractors and bidders have been critical of the costly and time-consuming protest process under the current procurement code. This bill allows a simplified protest process for small procurement to provide more immediate and less costly redress of procurement actions.

The procurement process is often identified as a barrier to accomplishing the state's business. This bill establishes an innovative procurement track allowing the purchase of new, unique services or supplies or technologies in controlled circumstances without strict adherence to the formal invitation to bid or competitive sealed proposal rules. This permits and encourages a tailored, innovative solution aimed at reducing costs and improving results. This provision also looks to the future through a reporting mechanism that will allow procurement officers to see what works and doesn't work in applying this process for purchasing new services and supplies. That will help build better, faster, and cheaper solutions for tomorrow's procurement culture.

Integrity, competition, and accountability must remain at the very core of our procurement process. With increased discretion for procurement officers, increased accountability is also expected. Anyone making a false statement or providing false evidence in the alternate source selection process would be guilty of a class A misdemeanor.

The changes offered in this bill simplify and streamline state procurement practices and will result in more efficiency and cost savings in the acquisition of services and supplies.

I urge your support of this bill.

Sincerely,



Tony Knowles
Governor

CSHB 482 H(L&C)
PROCUREMENT STREAMLINING KEY POINTS

Simplifies Procurement Procedures

- Raises the threshold for state's use of simplified small procurement procedures from \$25,000 to \$50,000. (sec. 23)
- Raises the threshold for construction simplified small procurement procedures from \$25,000 to \$100,000. (sec. 23)
- Permits a streamlined simplified protest process for small procurements. (sec. 29)
- Small office leases of up to 3,000 s.f. acquired through simplified small procurement procedures with public notice. (secs. 4 and 23)
- Bidders for other than construction contracts will no longer be required to list sub-contractors within five days of award. (secs. 8 and 12)
- Bidders for other than construction contracts are given more latitude to replace sub-contractors. (secs. 8 and 12)
- Proposals will be returned to proposers when an RFP is canceled to prevent disclosure to competitors. (sec. 14)

Empowers Procurement Officers

- A procurement officer may shorten the notice period for a purchase if adequate competition is anticipated. (sec. 9)
- Permits greater use of RFPs when advantageous as determined by the procurement officer. (sec. 11)
- Decreases restrictions on entering into a sole source contract by providing greater discretion to contract with a single source when in the state's best interest and award through an formal bid or RFP is not practical. (sec. 16)
- Grants discretion to the Chief Procurement Officer to permit other procurement officers to make determinations to enter into single source and limited competition procurements. (secs. 16 and 17)
- Expands requirement to independently verify material facts in a determination to any state official completing the determination of a single source, limited competition, or emergency contract. (sec. 22)
- Expands penalty for a knowing false statement to any state official making a false statement in an alternate procurement determination. (sec. 22)
- Permits the attorney general to determine when a legal services contract meets the requirements for a limited competition procurement. (sec. 17)

Avoids Uneconomical Contracts and Practices

- Prevents brokering of bidder preferences. (sec. 10)
- Protects the state from protest damages beyond reasonable bid preparation costs. (sec. 33)
- Removes debarred and suspended bidders from the bidders' list. (secs. 3 and 38)

- Protects the state from untimely contract controversy claims. (secs. 36 and 37)

Streamlines Procurement Practices

- Permits a streamlined and simplified protest process for small procurements. (sec. 29)
- Exempts the operation and disposal of assets acquired through foreclosure of agricultural loans from the complexities of the state procurement process. (sec. 39)
- Permits purchase of livestock by Alaska Correctional Industries outside the requirements of the procurement code. (sec. 40)
- Makes protest time deadlines more uniform and consistent with court rules. (secs. 31, 32, 34, and 35)
- Places all preference requirements in one part of statute for ease of reference by procurement officers. (secs. 24, 25, 26 and 45)
- Restricts disclosure of proposals until notice of intent to award is issued. (sec. 13)

Encourages Innovation and Better Value

- Provides for an innovative method of procurement for new, unique requirements; new technology; or to acquisition best value when advantageous to the state. (sec. 19)
- Encourages use of RFPs when appropriate to achieve best value. (sec. 11)
- Allows for economical and convenient purchases from federal supply schedules as authorized by the Federal Acquisition Streamlining Act of 1994. (sec. 41)

Provides Opportunity to Achieve Reductions in Operating Cost

- Lease rent concessions of at least 15% may be received in return for extensions of existing leases up to 10 years. (sec. 5)
- Lease purchases of real property not exceeding \$500,000 per year or \$2,500,000 for full-term may be entered into without legislative approval or law. (secs. 6 and 7)

CSHB 482 H(L&C)
Comparison of Substantive Changes

BILL SECTION	CURRENT LAW	HB 482
3 and 38	A bidders' list of all parties who wish to receive bids or proposals is maintained.	A bidders' list of all parties who wish to receive bids or proposals is maintained, but will not include persons debarred or suspended under procedures that exist in current law.
4 and 23	Office leases are acquired through formal ITB or RFP regardless of size.	Small office leases of 3,000 s.f. or less may be acquired by DGS with simplified small purchase procedures with public notice provided to prospective offerors.
5	Unable to negotiate rent concessions for lease extensions, unless the lease has an extension option remaining.	Authorizes the extension of existing leases that have at least 6 months remaining on their term for up to 10 years in return for rent concessions of at least 15% or 10% with ADA compliance. Similar to a provision of law authorized by the 18th legislature in SB 129.
6 and 7	A lease purchase of real property must be noticed to the legislature and receive approval in law.	A lease purchase of real property with an annual rent of \$500,000 or less or with a total rent of up to \$2,500,000 could be entered into without notice or law. Transactions with a higher amount require legislative notice and approval in law.
8 and 12	Bidders must identify all subcontractors for all bid and RFP awards within 5 days of award, subcontractors must have business license, certificate of registration, and contractors are restricted from changing subcontractors except under specified circumstances.	Subcontractors for only construction bids or RFPs must be identified within 5 days of award, must have a business license, certificate of registration and the subcontractor may not be changed except under the current specified circumstance in the law. The change deletes this requirement for non-construction procurements.
9	The chief procurement officer must make a determination in writing to shorten formal notice of a bid or RFP to less than 21 days if necessary.	The procurement officer issuing the bid or RFP may make a determination in writing to shorten formal notice of a bid or RFP to less than 21 days if it is advantageous to the state and adequate competition is anticipated.
10	A bidder may receive the Alaska bidders' preference and other preferences in the award of a bid and then assign the purchase to another lower bidder or supplier. The result can and has been that the state pays as much as 10% more to a bidder receiving the preference than what would have been paid to the second low bidder from whom the state actually receives the goods. The bidder receiving the preference provides no added value because they are not in the line of business. They simply broker their preference to others who supply the state.	To qualify for the Alaska bidders' preference or any other preferences dependent upon the application of the Alaska bidders' preference, the bidder must have maintained a place of business for 6 months that regularly provides the supplies, services, or construction of the general nature solicited by the agency. If a prospective bidder can't meet the requirement, they can bid but would not receive the award evaluation preference. A similar provision was included in HB 288 passed by the 19th legislature last session, but vetoed by the Governor for reasons unrelated to this provision.
11	The use of an RFP instead of a bid for purchases including construction may be used when the chief procurement officer determines in writing that a bid is either not practicable or advantageous to the state.	The use of an RFP instead of a bid for services and supplies may be used when the procurement officer determines in writing that use of an RFP is more advantageous to the state. For construction the written determination is made by the commissioner of DOT/PF.

BILL SECTION	CURRENT LAW	HB 482
13	Procurement officer must not disclose proposal contents to competing offerors during negotiations.	Procurement officer must not disclose proposal contents to competing offerors prior to Notice of Intent to Award. This will avoid exposure of proposal contents until after an award decision is made and will uphold the integrity of the process.
14	When an RFP is canceled prior to notice of intent to award, proposals must be retained by the state. After cancellation, the state is obliged to provide copies of the proposals under Freedom of Information and thereby exposes competitors proposals to one another, making future RFPs problematic.	When an RFP is canceled prior to notice of intent to award, the state will maintain a list of proposals received, but will return the proposals to the proposers.
15	Contracts entered into through competitive sealed proposal must have the amount of the contract on the first page.	Contracts entered into through competitive sealed proposals may state the amount of the contract on any page.
16	A contract with a sole source provider may be entered into only after a written determination by the chief procurement officer based on independently verified and clear and convincing evidence that only one source exists for the purchase. A sole source may not be awarded if a reasonable alternative source exists. Except for small procurements, this determination may not be delegated.	A single source contract may be entered into when the chief procurement office, or for construction the commissioner of transportation and public facilities, determines in writing that award through a bid or RFP is not practical, and award to a single source is in the state's best interest. The chief procurement officer or commissioner of transportation is not barred from delegating the determination.
17	Determinations to use the limited competition procurement process require a written determination by the chief procurement officer and the determination may not be delegated.	Limited competition procurements may be delegated. The attorney general would make limited competition determinations for legal services contracts.
19	No innovative purchasing method exists. Purchases may only be made through a formal bid, RFP, small procurement procedures, sole source, limited competition or emergency procedures.	Permits the use of an innovative procurement as method of source selection for new, unique requirements, new technology, or to achieve best value only after; 1. the chief procurement officer, or commissioner of DOT/PF for construction, determines the innovative method is advantageous to the state, 2. the department of law approves the procurement plan as to form. The procurement is subject to the public notice requirements and subject to all protest requirements, but not bound by the formal bid or RFP requirements of statute.
22	Requires the chief procurement officer to independently examine material facts when making a determination for an alternate procurement (sole source, limited competition, or emergency). If the chief procurement officer knowingly makes a false statement, he or she would be guilty of a class A misdemeanor.	Expands the requirement to independently examine the material facts to any state official making a determination for an alternate procurement (single source, limited competition, or emergency). If the state official knowingly makes a false statement, he or she would be guilty of a class A misdemeanor.
23	Formal bids or RFPs are required for all purchases and construction over \$25,000. Under this threshold, more simplified small procurement procedures may be used.	Formal bids or RFPs are required for all purchases over \$50,000, \$100,000 for construction, and 3,000 s.f. for office space. Under this threshold more simplified small procurement procedures may be used.
28	Records of innovative procurements not required.	Records of innovative procurements shall be kept by the department of administration.
29	The two tiered protest process applies to all procurements regardless of dollar amount.	The two tiered protest process applies to all procurements except small procurements. The commissioner of administration is permitted to establish simplified procedures for protests of small procurements.

BILL SECTION	CURRENT LAW	HB 482
30	A protest of an award of a contract must be filed within 10 days of the notice of intent to award. Statute is silent on protest of a solicitation.	A protest of a solicitation must be filed 10 days before bid or RFP opening unless the bid or RFP provides for a shorter period. If the public notice period has been shortened, the protest must be filed only prior to bid opening. If a pre-bid or pre-proposal conference is held within 12 days of bid opening, a protest of a solicitation must be filed only prior to bid opening. A protest of an award remains unchanged.
31	Procurement officer response to a protest – 14 days.	Procurement officer response to a protest – 15 days.
32	A procurement officer's decision on a protest may be extended up to – 26 days.	A procurement officer's decision on a protest may be extended up to – 30 days.
34	The procurement officer's report to the commissioner of administration is due within – 7 days.	The procurement officer's report to the commissioner of administration is due within – 10 days.
35	The protester's report to the commissioner of administration is due within – 7 days.	The protester's report to the commissioner of administration is due within – 10 days.
33	No limitation of a protester's damages if a protest is sustained in whole or in part.	Limits a protester's damages to reasonable bid or proposal preparation costs.
36 and 37	No statute of limitations exists for bringing a contract claim against the state.	A contract claim must be brought within 90 days after the contractor becomes aware of the claim or should have known the basis of the claim. Lessors must bring a claim regarding CPI rent adjustments within the term of the lease. The restriction does not limit a contractor's rights under a disputed billing timely payment rule of AS 36.05.285
39	Operations and protection of assets or disposals of equipment/supplies acquired by DNR through foreclosure or other legal proceedings of agricultural loans are technically subject to the Procurement Code. An example is Matanuska Maid Dairy.	Exempts operations and protection of assets or disposals of equipment/supplies acquired by DNR through foreclosure or other legal proceedings of agricultural loans from the Procurement Code. An example is Matanuska Maid Dairy.
40	Livestock purchased by Alaska Correctional Industries are subject to the provisions of the Procurement Code.	Exempts livestock purchased by Alaska Correctional Industries from the provisions of the Procurement Code.
41	The Procurement Code does not prevent purchases through the General Services Administration as provided by law.	Clarifies that it is specifically permissible to purchase from federal GSA supply schedules in accordance with regulations established by the commissioner of administration and as provided by federal law.

Sections of
compared to
testimony.

**PROCUREMENT BILL
SECTION ANALYSIS
CSHB 482 H(L&C)**

Section 1 revises the references to the commissioner's authority to adopt regulations governing sole-source procurements to single source procurements consistent with the amendment in Section 15.

Section 2 revises the reference to the commissioner's authority to adopt regulations governing the listing of subcontractors consistent with the amendment in Sections 8 and 12.

Section 3 clarifies AS 36.30.050(a) by allowing the commissioner of administration to exclude the names of persons debarred or suspended from the list of contractors that is maintained by the department.

Section 4 adds a new subsection to AS 36.30.080, which will allow the department of administration (department), at its option, to procure lease space of 3,000 square feet or less utilizing the more simplified procedures for small procurement under AS 36.30.320 with public notice. It is the experience of the department that smaller office leases may be acquired more efficiently without the use of formal competitive bidding processes.

Section 5 adds new section AS 36.30.083, authorizing negotiated lease extensions with current lessors, if the lease has in excess of six months remaining on its term, without utilizing the competitive procedures of AS 36.30, provided the extension is not longer than 10 years and the state receives, at a minimum, a cost savings of a) 15 percent over the term of the extension, or b) 10 percent over the term of the extension and the lessor agrees to make modifications to the lease space to bring it into compliance with applicable requirements of the Americans with Disabilities Act of 1990. This section also requires the department, the University of Alaska, the Alaska Court System and the Legislative Affairs Agency to submit an annual report to the Legislative Budget and Audit committee detailing the leases extended under this provision and the cost savings achieved. A similar provision in statute resulted in a rent savings of \$1,790,400.00 in FY 95.

Sections 6 and 7 of the bill amend AS 36.30.085, to allow the department, Board of Regents, legislative council, or supreme court to enter into or renew lease purchase agreements of real estate, without the need for legislative notice and approval, if it is anticipated that the annual rent will not exceed \$500,000 or the total lease-purchase price will not exceed \$2,500,000. These are the same threshold lease rate values as set out in AS 36.30.080, for which no legislative notice or approval is required.

Section 8 amends AS 36.30.115 by deleting reference to the subcontractor notification requirements of AS 36.30.115 for purposes of supply and services, but retains this requirement for construction bids.

Section 9 amends AS 36.30.130(a) by allowing a procurement officer, rather than only the chief procurement officer, to determine, in writing, when a shorter period than 21 days notice may be shortened, taking into account whether shorter notice is advantageous and still provides for

adequate competition. This section improves efficiency by permitting the procurement officer making the purchase to exercise the discretion to reduce the circulation period.

Section 10 tightens the requirements for a bidder to qualify for the Alaska bidder's preference by requiring in addition to the existing standards in AS 36.30.170(b), that the bidder has, for a period of six months immediately preceding the date of the bid, maintained a place of business within the state that in the normal course of business regularly provides the supplies, services, or construction of the general nature solicited by the agency and that is staffed by the bidder or an employee of the bidder. This should eliminate a current practice of a person brokering his or her bidder preference by bidding on a contract for which they do not normally do such business, receiving the preference, then assigning the contract to an entity that would not qualify for the preference.

Section 11 amends AS 36.30.200, to expand the authorized use of competitive sealed proposals. The amendment empowers the procurement officer actually making the purchase to determine, in writing, when use of a competitive sealed proposal to procure a good or service is more advantageous to the state than use of the more restrictive competitive sealed bid. Use of the comparison is often a better method for obtaining best value and incorporating past vendor performance in award criteria. In subsection (c), the chief procurement officer is replaced with the commissioner of transportation and public facilities, as the person who may determine when it is advantageous to the state to issue a request for proposals for submission of offers to provide construction in accordance with a design provided by the offeror (i.e., a design/build offer). Because construction bids and proposals are under the authority of the department of transportation and public facilities, it makes little sense to have the chief procurement officer in the department of administration make such a determination.

Section 12 repeals and reenacts 36.30.210. The reenacted statute deletes the reference to the subcontractor notification requirements of AS 36.30.115, for competitive sealed proposal acquisitions of supplies, services, and professional services, but retains this requirement for construction competitive sealed proposals.

Section 13 amends AS 36.30.230 to require that the procurement officer not disclose the content of competing offers after proposals are opened until after the notice of intent to award has been issued. By keeping such proposals confidential until a notice of intent is issued, the state is able to utilize its negotiation powers under AS 36.30.240, to obtain best and final offers without jeopardizing the integrity of the competitive process if the proposals were allowed to be made public immediately upon opening as in the case of competitive bids.

Section 14 adds a new subsection to AS 36.30.230, to allow that proposals received in response to a request for proposals be returned to the offeror, without public disclosure, when a solicitation is canceled before a notice of intent to award is issued and no protest of the solicitation or cancellation has been filed within the time allowed. The procurement officer must keep a list of returned proposals. Under current law, the procurement officer is required to keep all proposals received and there is no exception for canceled solicitations. This new subsection will allow a new solicitation to occur without competitors' prices having been revealed, thus increasing the competitiveness and fairness of the process.

Section 15 is a housekeeping measure that deletes the administrative requirement that the amount of the contract must be stated on the first page of the contract. While it may be administratively convenient to have the amount noted on the first page of a contract, there is no legal reason to mandate it in law. This matter is more appropriately handled through the state Administrative Manual.

Section 16 repeals and reenacts AS 36.30.300, dealing with single source procurements. The new provision allows use of the single source procurement when it is determined by the chief procurement officer or, for construction contracts or procurements for the state equipment fleet, the commissioner of transportation and public facilities makes a written determination that it is not practicable to award a contract by one of the competitive methods in AS 36.30 and the award of the contract to a single source is in the state's best interest. This section will make use of the single source provision in the code a more useful tool for procurement units and more workable than the current law.

Section 17 makes use of limited competition consistent with other sections of AS 36.30, namely, noting the attorney general's authority to procure legal services for the state is applicable under limited competition methods. Further, the amendment deletes the nondelegation of a decision to use limited competition so that the chief procurement officer is able to delegate this determination, similar to other delegations.

Section 18 revises limited competition procurements to reflect that single source procurements may not be entered into under this section.

Section 19 is a new section, AS 36.30.308, authorizing the use of innovative procurement methods in the procurement of new or unique requirements to the state, new technologies, or to achieve best value when determined by the chief procurement officer, or commissioner of transportation and public facilities for construction, that an innovative procurement method is to the state's best advantage. This creates an avenue to develop improved approaches that may achieve savings, improve results, and permits "outside the box" thinking when appropriate. The section also permits the continuation of the existing preference bonus program permitted in statute for construction.

Section 20 relates to the repeal of AS 36.30.100(1), to permit the purchase of products or services manufactured by an employment program without the use of competitive sealed bidding. This new section, placed in Article 4 (Other Procurement Methods), clarifies that purchases from an employment program are not subject to either competitive sealed bidding or competitive sealed proposal processes, but that the commissioner may adopt regulations governing agencies' purchases from an employment program.

Section 21 relates to the repeal of AS 36.30.100(b)(3) to permit the purchase of services provided by correctional industries to be made without competitive sealed bidding. The new statute AS 36.30.313, placed in Article 4 (Other Procurement Methods), clarifies that purchases from Alaska Correctional Industries (ACI) are not subject to either competitive sealed bidding or competitive sealed proposal processes, but that the commissioner may adopt regulations governing agencies' purchases from ACI.

Section 22 expands the impact of the criminal penalty for false statements in determinations from just the chief procurement officer to any "state official" acting under authority of a provision of the code. All state officials should be accountable under the code for knowingly making a false statement in a determination. This expands responsibility to coincide with expanded authority.

Section 23 increases the amount for use of small procurement procedures to procurement of supplies or professional services that do not exceed the aggregate dollar amount of \$50,000 and for construction that does not exceed an aggregate dollar amount of \$100,000, and for lease space that does not exceed 3,000 square feet (as noted in section 2 of the bill). This section efficiently expands the use of simplified procurement procedures consistent with the Federal Acquisition Streamlining Act of 1994.

Sections 24 through 26 are provisions in current law which have been reorganized and given new section numbers.

Section 27 modifies the existing recordkeeping requirements to include single source procurements in accordance with the amendment in Section 14.

Section 28 is a new section requiring that records of innovative procurements be kept and opened for inspection. The items which must be maintained in the file are identified. Successful innovative procurements should be shared with procurement officers if they achieve savings and improved results.

Section 29 adds a new section to allow for the commissioner to adopt regulations to govern protests and appeals of small procurements made under AS 36.30.320. This section permits the development of a simplified protest procedure for small procurements that should reduce time and cost for the vendor and the state.

Section 30 repeals and reenacts AS 36.30.565 requiring a protest of a solicitation to be filed within 10 days of bid opening or less if specified in the bid or RFP. In circumstances where the bid or RFP public notice has been shortened, or a pre-bid or pre-proposal conference schedule could limit the bidder's time to protest, the protest must be filed just prior to bid opening. A procurement officer is allowed to accept a late filed protest provided there is a showing of good cause.

Sections 31 through 35, amend the time provisions for the filing of decisions, appeals, protest reports and responses by making them more uniform to court rules, i.e., 7 days, 10 days, 15 days.

Sections 36 and 37 amend AS 36.30.620, regarding contract claims, by requiring a claim to be filed within 90 days after the contractor becomes aware of the basis of the claim or should have known the basis of the claim, whichever is earlier. Lessors must bring CPI adjustments for rent within the term of the lease. Under present law, no time limitation for bringing a contract claim is stated. This amendment will force contractors to bring claims expeditiously so that they may be resolved in a timely fashion and the evidence and issues do not become stale, with unnecessary expenses accruing. The time limitation is not applicable to payment disputes governed by AS 37.05.285.

Section 38 amends AS 36.30.655, to require the commissioner to remove the names of persons debarred or suspended from the list of contractors maintained by the department during the period of debarment or suspension.

Sections 39 and 40 amend AS 36.30.850(b), by exempting from the code 1) purchases of livestock for correctional industries, and 2) operation and protection of assets or disposals of equipment and supplies acquired through foreclosure, or other legal proceedings, of agricultural loans under AS 03.10.

Section 41 amends AS 36.30.910 to make clear that purchasing through the federal general services administration or from "General Services Administration, Federal Supply Schedules," may be made by an agency without competitive process provided such purchases are made in accordance with regulations to be adopted by the commissioner and as provided for in federal law.

Section 42 defines "state official," to mean a public employee or public officer or official.

Section 43 preserves the repealer provision in existing statute.

Section 44 contains sections of the current code to be repealed, many of which were the result of renumbering as noted herein, including:

AS 36.30.015(c) is repealed, resolving a conflict in statute that charges the Chief Procurement Officer with responsibility for disposals of surplus property. While AS 36.30.015(c) prohibits the Commissioner of Administration from delegating surplus property disposals. Under this revision, the Commissioner can delegate preparation of regulations and disposal of surplus property.

AS 36.30.090, Delivery of Supplies, is repealed to move to Section 23 in the new preferences.

AS 36.30.095, Procurement of Paper, is repealed to move to Section 24 of the new preferences article.

AS 36.30.100(b) repeals exemption of competitive bidding for food, clothing, and medical supplies, as well as exemptions for purchases from employment programs and Correctional Industries, which are re-enacted in Sections 20 and 21 of the bill.

AS 36.30.850(b)(14) repeals the exemption for purchases by state boarding schools.

AS 36.30.900 repeals the product preferences references. It is reenacted in the preferences section.

Section 45 requests the revision to retitle Article 5 from "Preference for Alaska Products" to "Article 5 Preferences." The new article will include other preferences such as the "Recycled Product Preference." The revision is also requested to renumber appropriate sections.

Section 46 permits adoption of regulations to implement revisions to statute, but the regulation may not be effective before the effective date of the law.

Section 47 permits continuation of existing procurement actions begun under the law prior to the effective date of revisions.

Sections 48 through 51 provide for effective dates.

FISCAL NOTE

No. 19
 Bill Version: HB 482
 (H) Publish Date: 2/9/96

STATE OF ALASKA
 1996 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: DOT&PF
 Title: State Procurement Practices and Procedures BRU: Department Wide
 Component: Comm. Ofc.
 Sponsor: Rules Committee
 Requester: Governor COMPONENT SERIAL NO. Comm. Ofc.

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)

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

FUND SOURCE	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
1002 Federal Receipts						
1003 GF Match						
1004 GF	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other - All CIP Sources						
TOTAL	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)

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

POSITIONS

POSITIONS	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Savings associated with passage of this legislation (see attachment) will be in staff time not required due to elimination of procedural requirements at various levels that involve time and effort to accomplish. This time can then be spent on more productive tasks.

Other than that, savings resulting from passage of this act will be in the form of reduced costs for Contractual items, such as postage for mailing ITBs and RFPs and telephone calls between the field and Headquarters. Savings will also be realized in the Supplies area, as fewer documents will be produced and reproduced at various levels. These cost savings are difficult to separate and objectively measure, however, because they are department wide and diffuse into various areas - i.e., paper, copier usage, copier supplies, fax machine supplies, etc.

(Continued on Attachment)

Prepared by: Sam Kito III Phone: 465-3900
 Special Assistant
 Division: Office of the Commissioner Date: _____
 Approved by: *Joseph L. Durbin* Date: 2/2/96
 Commissioner
 Agency: Department of Transportation and Public Facilities

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FISCAL NOTE ATTACHMENT

HB 482

The passage of this legislation will have a positive and multi-fold effect on the department's project efficiency. Sections 8, 10, 11, 15, 16, 18, 22, 28, 32, 33, 34, 35, and 42 will directly impact DOTPF.

As previously stated briefly, passage of this bill will improve administrative efficiencies. However, cost savings are difficult to quantify and most will not accrue to the department as a direct budget reduction (intangible benefit).

Examples of intangible benefits by selected sections of the bill are:

Section 8

Section 8 permits the procurement officer to reduce the circulation period for bids and proposals when there is adequate competition.

- On average, three (3) requests for reduced circulation typically occur per year.
- The average cost for receipt, review, and completion of reduced time requests is estimated to be \$ 500. Under this bill these requests will no longer be necessary.

Calculation: 3 requests x \$ 500 cost per request = \$1.5K savings in staff time. (Includes both GF and CIP funded positions)

Section 10

Section 10 provides discretion to the procurement officer to decide when to use a competitive sealed proposal rather than a competitive sealed bid. Law currently requires the determination to be made by the Chief Procurement Officer, resulting in several reviews and written determinations that are eliminated by this section.

- On average, two (2) requests for use of Competitive Sealed Proposal in lieu of a Competitive Sealed Bid are processed each year.
- The average cost for receipt, review, and completion of determinations to use a Competitive Sealed Proposal is estimated to be \$ 500 each.

Calculation: 2 determinations x \$ 500 cost per determination = \$1K savings in staff time. (Includes both GF and CIP funded positions)

Section 22

Section 22 extends small procurement procedures to purchase of goods, services, and professional services up to \$50,000, construction to \$100,000, or lease of space that does not exceed 5,000 square feet. Procurement officers may reduce time and complexity in purchases by using a quote rather than formal Invitation to Bid.

- The department processes an average of 30 - 35 administrative bid waivers per year which involve procurements or projects that exceed the current limits for small procurements. The average cost to process an administrative bid waiver (Request for Alternate Procurement [RAP]) is approximately \$ 500. Under this bill these waivers will no longer be required at the headquarters level.

Calculations: 30-35 administrative bid waivers (RAPs) x \$ 500 cost per waiver (RAP) = \$15K - \$16.5K savings in staff time. (Includes both GF and CIP funded positions)

Greater efficiencies may well occur in the capital budgets, and will be, in essence, rolled back into other projects, resulting in project enhancements such as better roads and facilities. As an example of cost savings on Capital Improvement Projects (CIP) that are not fiscal but do accrue as efficiencies benefiting the projects, consider the following:

- Statewide in FY 95, there were 54 construction projects bid between \$25K and \$100K. The average savings from not having to formally prepare, advertise and award would be approximately \$7.5K.
- Statewide in FY 95, there were 29 Professional Service Agreements (PSA) established that were between \$25K and \$100K. The average savings from not having to perform consultant selection through the formal process would be approximately \$ 9.5K.

Calculations: 54 Construction projects @ \$7.5K (Advertisement costs) = \$405K.
29 PSA contracts @ \$ 9.5K (Selection costs) = \$ 275.5K.
Total Possible (Intangible) CIP Benefit = \$680.5K

FISCAL NOTE

No. 18

Bill Version: HB 482

(H) Publish Date: 2/9/96

STATE OF ALASKA
1996 LEGISLATIVE SESSION

Revision Date: _____
Title: "An Act relating to state procurement practices and procedures and providing for..."
Sponsor: Rules
Requestor: Governor

Department Affected: Administration
BRU: General Services
Component: Leasing
COMPONENT SERIAL NO. 81

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES		0	0	0	0	0
TRAVEL		0	0	0	0	0
CONTRACTUAL	0	(207.8)	0	0	0	0
SUPPLIES		0	0	0	0	0
EQUIPMENT		0	0	0	0	0
LAND & STRUCTURES		0	0	0	0	0
GRANTS, CLAIMS		0	0	0	0	0
MISCELLANEOUS		0	0	0	0	0
TOTAL OPERATING	0	(207.8)	0	0	0	0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER						
TOTAL		(207.8)*	0	0	0	0

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This bill permits the extension of existing leases for up to 10 years if concessions of at least 10% of the amount that would be paid for rent can be achieved. Concessions of at least 5% could be agreed to if ADA improvements are made.

*The mix of funding sources for leases between General Fund and Interagency Receipts does not permit an accurate assessment of the fund source at this time.

(see attached)

Prepared by: Dugan Petty *[Signature]*
Division: General Services

Phone: 465-2250
Date: _____

Approved by Commissioner: Mark Boyer *[Signature]*
Agency: Administration

Date: 2/7/96

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FISCAL NOTE

HB 482

STATE OF ALASKA BILL NO. _____
1996 LEGISLATIVE SESSION

ANALYSIS: (continued)

Twenty-three leases are anticipated to have the greatest potential for cost savings resulting from negotiations under this bill. Maximum savings anticipated under this bill are projected at the minimum 10% rate reduction. While we have not included them in this list, we anticipate some leases extended in 1994 under similar provisions of SB 129 may also be candidates for negotiated concessions.

We have used 10% as a rent concession factor because most leases now include ADA compliance language, are in buildings upgraded as a result of negotiations, or have had compliance issues addressed through programmatic changes.

Actual fiscal impacts depend on whether an extension is in the state's best interest, and the lessor's willingness to grant rent concessions. If we successfully negotiate 60% of the maximum potential for savings in FY 97 and FY 98, savings can be achieved in excess of \$100,000.00 in FY 97 and \$200,000.00 in FY 98.

Our FY 97 leasing budget set a goal of reducing FY 97 operating lease costs by an additional \$417,700.00. This bill provides opportunity to achieve a portion of our goal through reductions in lease payments in return for lease extensions. Since our budget is based on reductions to be accomplished, zero fiscal impact is shown for FY 97.

Assumptions:

- 18 leases are renegotiated for FY 97
- 7 leases were renegotiated for FY 98
- 60% of the leases result in 10% savings reduction
 - FY 97 \$204,509.25 Maximum potential savings x 60% = \$122,700.00
 - FY 98 \$346,284.45 Maximum potential savings x 60% = \$207,800.00

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

to 17
Bill Version: HB 482
(H) Publish Date: 2/9/96

Revision Date:
Title: An Act relating to state procurement practices and procedures;
and providing for an effective date.
Sponsor: Rules
Requestor: Governor

Department Affected: **University of Alaska**
BRU:
Component:

COMPONENT SERIAL NO. All components

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FD SOURCE						
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FUNDING: (Thousands of Dollars)	FY97	FY98	FY99	FY00	FY01	FY02
1002 FEDERAL FUNDS						
1003 GF MATCH						
1004 GENERAL FUND						
1006 GF/MHTIA						
OTHER						
TOTAL FUNDING	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:	FY97	FY98	FY99	FY00	FY01	FY02
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Marylou Burton, Director
Division: Statewide Budget Office

Approved by: *MB* Marylou Burton, Director
Agency: Statewide Budget Office

Phone: 463-3086
Date: 1/31/96

Date: 1/31/96

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

Revision Date: _____ Dept. Affected: Revenue
 Title: State Procurement Practices & Procedures BRU: All
 Component: All
 Sponsor: Rules
 Requestor: Governor COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

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

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

We have reviewed the proposed legislation and feel that there will be no financial impact on the Department.

Prepared by: Bob Baratko Phone: 465-2312
 Division: Administrative Services Date: 1/30/96
 Approved by Commissioner: Deborah Vogt Date: 1/30/96
 Agency: Department of Revenue

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FISCAL NOTE

15

STATE OF ALASKA 1996 LEGISLATIVE SESSION

Bill Version: HB 482
(H) Publish Date: 2/9/96

Revision Date: _____ Dept. Affected: Public Safety
 Title: *An Act relating to state procurement practices BRU: DPS Statewide Support
and procedures Component: Admin Services
 Sponsor: Rules Committee
 Requestor: Governor COMPONENT SERIAL NO. 525

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-
CHANGE IN REVENUES ()	-0-	-0-	-0-	-0-	-0-	-0-
Revenue Code						

FUNDING: (Thousands of Dollars)

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

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

This bill amends provisions within the State Procurement Code (AS 36.30) to streamline procedures and to correct specific deficiencies which have proven to be unnecessarily burdensome. These changes, along with corresponding changes in both regulation and department policies and procedures, should increase the speed and overall efficiency of the procurement process. This should result in a decrease in the time it takes to complete both large and small procurements and should reduce the backlog of procurement requests now experienced. This bill will have no discernible fiscal impact on the Department of Public Safety.

Prepared By: Kenneth E. Bischoff, Director Phone: 465-4336
 Division: Administrative Services Date: 2/8/96
 Approved by Commissioner: *Ronald L. Otte* Date: 2/8/96
 Agency: Ronald L. Otte, Dept. of Public Safety

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FISCAL NOTE

No. 14

Bill Version: HB 482

(H) Publish Date: 2/9/96

STATE OF ALASKA
1996 LEGISLATIVE SESSION

Revision Date: Original Dept Affected Natural Resources
 Title: An Act relating to state procurement practices BRU: Management & Administration
and procedures; and providing for an effective date. Component: Administrative Services
 Sponsor: Rules Committee
 Requestor: Governor Knowles Component Serial No. 424

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ none

POSITIONS	FY97	FY98	FY99	FY00	FY01	FY02
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

We believe passage of this bill relating to state procurement will provide for efficiencies in department operations. It will require less approvals at higher authorities which will result in fewer total man-hours required for certain types of procurements. However it is likely this will be offset by more work and responsibilities delegated to the department level and little, if any, of the existing work performed will go away.

More man-hours will be needed initially to draft and implement new policies and procedures and provide training to staff who are delegated new responsibilities. In the long run we see the likelihood that streamlined procedures will allow program managers with more flexibility in determining the overall "best value" approach to procuring the goods and services needed to run their programs. Procurements made under shorter time frames will allow the state to take advantage of changing market conditions and hopefully reduce costs for goods and services to the state.

For the near term we can not predict with any accuracy direct hard dollar savings the department may achieve from the passage of this bill.

Prepared by: Nico Bus, Acting Director Phone: 465-2406
 Division: Support Services Date: 1-Feb-96
 Approved by Commissioner: Nico Bus for John Knowles Date: 1-Feb-96
 Agency: Natural Resources

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FISCAL NOTE

No. 13
 Bill Version: HB 482
 (H) Publish Date: 2/9/96

STATE OF ALASKA
1996 LEGISLATIVE SESSION

Revision Date: Original Dept Affected Military & Veterans Affairs
 Title: An Act relating to state procurement practices BRU: Alaska National Guard
and procedures; and providing for an effective date. Component: Commissioner's Office
 Sponsor: Rules Committee
 Requestor: Governor Knowles Component Serial No. 414

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY96) cost: \$ none

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

We believe passage of this bill relating to state procurement will provide for efficiencies in department operations. It will require less approvals at higher authorities which will result in fewer total man-hours required for certain types of procurements. However it is likely this will be offset by more work and responsibilities delegated to the department level and little, if any, of the existing work performed will go away.

More man-hours will be needed initially to draft and implement new policies and procedures and provide training to staff who are delegated new responsibilities. In the long run we see the likelihood that streamlined procedures will allow program managers with more flexibility in determining the overall "best value" approach to procuring the goods and services needed to run their programs. Procurements made under shorter time frames will allow the state to take advantage of changing market conditions and hopefully reduce costs for goods and services to the state.

For the near term we can not predict with any accuracy direct hard dollar savings the department may achieve from the passage of this bill.

Prepared by: Carol Carroll, Director Phone: 465-2408
 Division: Administrative Services Date: 1-Feb-96
 Approved by Commissioner: [Signature] Date: 1-Feb-96
 Agency: Military & Veterans Affairs

FISCAL NOTE

No. 12
 Bill Version: HB 482
 (H) Publish Date: 2/9/96

STATE OF ALASKA
1996 LEGISLATIVE SESSION

Revision Date: _____
 Title: "An Act relating to state procurement practices and procedures; and providing for an effective date."
 Sponsor: Rules/Request of the Governor
 Requestor: Governor's Office/

Department Affected: Law
 BRU: All
 Component: All

COMPONENT SERIAL NO. 2085, 2087 thru 2092, 2095

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE: (Thousands of Dollars)

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

Estimate of any current year (FY 96) cost: \$ 0.0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

This bill amends provisions within the State Procurement Code (AS 36.30) in order to streamline procedures and to correct specific deficiencies within the existing statute which have proven to be unnecessarily burdensome on both state agencies and the private business community. These changes, along with corresponding changes in both regulation and department policies and procedures, should increase the speed and overall efficiency of the department's procurement efforts. This should result in a decrease in the time it takes to complete both large and small procurements and should reduce the backlog of procurement requests now experienced within the department. Because the Dept. of Law has only two positions devoted to procurement matters, enactment of this bill will not result in a savings. However, it will result in speedier, more efficient service to both vendors and the department's staff who depend upon this service.

Prepared by: Richard J. Pegues, Director
 Division: Administrative Services

Phone: 465-3672
 Date: January 26, 1996

Approved by Commissioner: Bruce M. Botelho, Attorney General
 Agency: Department of Law

Date: January 26, 1996

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FISCAL NOTE

No. 11
 Bill Version: HB 482
 (H) Publish Date: 2/9/96

STATE OF ALASKA
1996 LEGISLATIVE SESSION

Revision Date: _____
 Title: An Act relating to state procurement
 practices and procedures...
 Sponsor: Rules Committee
 Requestor: Governor

Department Affected: Labor
 BRU: All
 Component: All

COMPONENT SERIAL NO. 340

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

CAPITAL						
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CHANGE IN REVENUE FUND SOURCE #						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY96) impact: \$ None

ANALYSIS: (Attach a separate page if necessary)

This bill amends state procurement practices and procedures in the state procurement code, AS 36.30. The department anticipates no significant financial impact associated with the bill.

Prepared by: Arbe Williams Phone: 465-2720
 Division: Administrative Services Date: 1/30/96
 Approved by Commissioner: Tom Cashen, Commissioner
 Agency: Department of Labor Date: 1/30/96

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STATE OF ALASKA
1996 LEGISLATIVE SESSION

Bill Version: HB 482
(H) Publish Date: 2/9/96

Revision Date: _____
Title: State Procurement Practices
Sponsor: Rules Committee
Requestor: Governor

Dept. Affected: Health and Social Services
BRU: Administrative Services
Component: Administrative Services Support
COMPONENT SERIAL NO. 320
See also (SN#): _____

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other (please specify)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY96) cost: \$0.0

ANALYSIS: (Attach a separate page if necessary)

The increase in small procurement authority from \$25,000 to \$50,000 will increase workload in volume and complexity. Fiscal impact should be offset by other streamlined procurement procedures.

Prepared by: Janet Clarke
Division: Administrative Services
Approved by Commissioner: Karen Perdue, Commissioner
Agency: Department of Health & Social Services

Phone: 465-3082
Date: 02/06/96
Date: 2/7/96

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FISCAL NOTE

NO. 9

Bill Version: HB 482

(H) Publish Date: 2/9/96

**STATE OF ALASKA
1996 LEGISLATIVE SESSION**

Revision Date: _____ Dept. Affected: Office of the Governor
 Title: "An Act relating to state procurement practices and procedures; and providing for an effective date." BRU: All BRUs
 Sponsor: Rules Committee Component: All Components
 Requester: Governor COMPONENT SERIAL NO. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 100	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

No fiscal impact anticipated.

Prepared by: Michael A. Nizich, Director Phone: 465-3876
 Division: Administrative Services Date: 1/29/96

Approved by Commissioner: Jim Ayers, Chief of Staff Date: 1/29/96
 Approved: Office of the Governor

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FISCAL NOTE

No. 8
 Bill Version: HB 482
 (H) Publish Date: 2/9/96

STATE OF ALASKA
 1996 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Fish and Game
 Title: "An Act relating to state procurement practices and procedures; and providing for an effective date." BRU: Administration and Support
 Component: Administrative Services
 Sponsor: Rules Committee
 Requester: Governor COMPONENT SERIAL NO. 479

Expenditures/Revenues (Thousands of Dollars)

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

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

FUND SOURCE	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ _____

POSITIONS

POSITIONS	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This bill amends provisions of the State Procurement Code (AS 36.30) in order to streamline procedures and to correct specific deficiencies within the existing statute which have proven to be unnecessarily burdensome on both state agencies and the private business community. These changes, along with corresponding changes in both regulation and department policies and procedures, should increase the speed and overall efficiency of the department's procurement efforts. The department has a number of labor intensive procurements related to its mission that are scientific and technical in nature, especially in the Exxon Valdez Oil Spill program. This bill should reduce the amount of time it takes to complete these purchases as well as other large and small procurements, and should help to reduce the backlog of procurement requests now experienced in the department. Because the department has a small procurement staff, this bill will not result in any direct savings. However, it will result in speedier, more efficient service to both vendors and the department's staff who depend upon the procurement services of this division.

Prepared by: Kevin Brooks, Director *Kevin Brooks*
 Division: Administrative Services
 Approved by Commissioner: *[Signature]*
 Agency: Fish and Game

Phone: 465-5999
 Date: 1/30/96
 Date: 1/30/96

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FISCAL NOTE

N 7
 Bill Version: HB 482
 (H) Publish Date: 2/9/96

STATE OF ALASKA 1996 LEGISLATIVE SESSION

Revision Date: 1-Feb-96
 Title: State Procurement Practices and Procedures
 Sponsor: Rules Committee
 Requestor: Governor

Department Affected: Environmental Conservation
 BRU: Department-wide
 Component: Department-wide

COMPONENT SERIAL NO. 633

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANCE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

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

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

Efficiencies in procurement of goods and services should be realized by streamlining measures proposed in the legislation. Due to the limited number of procurement positions in the Department of Environmental Conservation, it is not anticipated that any cost savings will be realized.

Prepared by: Lawrence Jones
 Division: Director, Division of Administrative Services

Phone: 465-5010
 Date: 2/1/96

Approved by Commissioner: [Signature]
 Agency: Department of Environmental Conservation

Date: 2-1-96

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FISCAL NOTE

No. 6
 Bill Version: HB 482
 (H) Publish Date: 2/9/96

STATE OF ALASKA
1996 LEGISLATIVE SESSION

Revision Date: _____
 Title: State Procurement Practices

 Sponsor: Rules Committee
 Requester: Governor

Department Affected: Education
 BRU: Executive Administration
 Component: Administrative Services

COMPONENT SERIAL NO. _____ 157

Expenditures/Revenues:

(Thousands of Dollars)

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

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

(Thousands of Dollars)

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

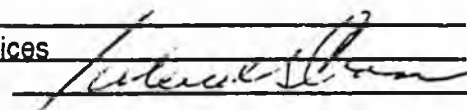
POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

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

ANALYSIS: (Attach a separate page if necessary.)

This legislation improves state procurement practices and procedures in the state procurement code, AS 36.30. No fiscal impact on the Department of Education is anticipated. The revisions will reduce staff time required for small procurements of \$5,000 or less and will increase staff time needed for procurements between \$25,000 and \$50,000. Purchasing practices between \$5,000 and \$25,000 will remain virtually unchanged. Each department will receive increased purchasing authority up to \$50,000. These organizational changes to the state procurement code will result in a clearer understanding of the intent of the law by government employees and the public.

Prepared by: Ginger Patton Phone: 465-8656
 Division: Administrative Services Date: January 29, 1996
 Approved by Commissioner:  Shirley J. Holloway, Ph. D.
 Agency: Education Date: January 29, 1996

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FISCAL NOTE

lo. 5
 Bill Version: HB 482
 (H) Publish Date: 2/9/96

STATE OF ALASKA
1996 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Corrections
 Title: An Act Relating to state procurement practices and BRU: ALL
procedures; and providing for an effective date Component: _____
 Sponsor: Rules Committee
 Requester: Governor COMPONENT SERIAL NO. #0694

Expenditures/Revenues (Thousands of Dollars)

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

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

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

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This new draft bill proposes an increase to small procurement from \$25,000 to \$50,000 for the agency. Currently, the agency has approximately fifty (50) active Contract Awards established that are annually maintained by DOA/GS&S. Under this bill, approximately twenty-seven (27) of this number of purchase requisitions (PR) would be returned to this agency when it is time for them to be rebid. The additional workload varies from year to year and would be completed by existing staff.

Prepared by: Jerry Shriner
 Division: Office of the Commissioner
 Approved by Commissioner: Margaret W. Pugh Margaret Pugh
 Agency: Department of Corrections

Phone: 465-4652
 Date: 2/5/95
 Date: 2/5/95

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

I.J. 4
 Bill Version: HB 482
 (H) Publish Date: 2/9/96

Revision Date: 2/1/96 Dept. Affected: Community & Regional Affairs
 Title: An Act relating to state procurement practices BRU: none
and procedures Component: none
 Sponsor: Rules Committee
 Requestor: Governor COMPONENT SERIAL NO. _____

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL EXPENDITURES	0	0	0	0	0	0
CHANGE IN REVENUES ()						
Revenue Code						

FUNDING: (Thousands of Dollars)

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

Estimate of current year (FY 95) impact: \$ none

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Remond Henderson, Director *Remond Henderson* Phone: 465-4808
 Division: Administrative Services *Mike Irwin* Date: 2/2/96
 Approved by Commissioner: _____ Date: 2/2/96
 Agency: Mike Irwin, Dept. of Community & Reg. Affairs

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FISCAL NOTE

No. 3

Bill Version: HB 482

(H) Publish Date: 2/9/96

STATE OF ALASKA
1996 LEGISLATIVE SESSION

Revision Date: _____
Title: State Procurement Practices

Department: Commerce and Economic Development
BRU: Administrative Services
Component: Administrative Services

Sponsor: Rules
Requestor: Governor

COMPONENT SERIAL NO. 1028

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	
-----------------------------	--

CHANGE IN REVENUES	
---------------------------	--

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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

POSITIONS

FULL-TIME	
PART-TIME	
TEMPORARY	

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: Guy Bell, Director
 Division: Division of Administrative Services
 Approved by Commissioner: William L. Hensley
 Agency: Commerce and Economic Development

Phone: 465-2505
 Date: February 1, 1996
 Date: 2-1-96

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB 482

ANALYSIS: (continued)

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT Fiscal Note Calculations for

This bill amends provisions within the State Procurement Code (AS 36.30) in order to streamline procedures by removing unnecessarily burdensome requirements affecting both state agencies and the private business community. These changes, along with corresponding changes in regulations and administrative procedures, will reduce the time currently spent by staff on the procurement of services and items. This will allow staff to spend less time on procurement matters and more time on their programs and areas of expertise.

The changes will also reduce the paperwork and effort now required of vendors in responding to the State's solicitations less than \$50,000. This may result in an increase in competition among the private sector which may reduce the cost of services and items to the department.

Because the department does not have positions devoted to procurement matters, enactment of this bill will not result in a direct savings. It will result in indirect savings by allowing staff to spend more time on their specific programs and an increase in competition among the private sector.

FISCAL NOTE

No. 2

Bill Version: HB 482

(H) Publish Date: 2/9/96

STATE OF ALASKA
1996 LEGISLATIVE SESSION

Revision Date: _____
Title: "An Act relating to state procurement practices and procedures and providing for ..."
Sponsor: Rules
Requestor: Governor

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

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	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 EXPENDITURES	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

CHANGE IN REVENUES ()	0	0	0	0	0	0
------------------------	---	---	---	---	---	---

FUND SOURCE:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER						
TOTAL	0	0	0	0	0	0

Estimate of any current year (FY 96) cost: \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This bill seeks to streamline procurement practices used throughout the executive branch of state government and seeks to simplify and improve the efficiencies for various aspects of procurement in state government. Total net fiscal year 97 savings are projected to be \$2,798.00. The savings are spread over a variety of positions within Central Purchasing. The positive benefits on staffing will be used to achieve improved administrative efficiencies.

The fiscal impacts within this component are anticipated in nine sections of the bill.

(see attached)

Prepared by: Dugan Petty
Division: General Services

Phone: 485-2250
Date: _____

Approved by Commissioner: Mark Boyer
Agency: Administration

Date: 2/7/96

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FISCAL NOTE

118482

STATE OF ALASKA BILL NO. _____
1996 LEGISLATIVE SESSION

ANALYSIS: (continued)

SECTION 4 permits the use of simplified small procurement procedures for the acquisition of office space leases that do not exceed 5000 S.F.

Assumptions:

- A typical lease replacement through a competitive sealed bid requires approximately 45 staff hours and costs approximately \$1,575.00 for preparation, solicitation, and award.
- Use of simplified acquisition for leases would permit solicitation of 3 informal proposals from different lessors. Simplification is expected to result in more efficient acquisition that would take 60% of the existing Invitation to Bid acquisition.
- In FY 97, approximately 28 leases would be subject to small procurement procedures. These acquisitions are expected to take an average of 27 staff hours. 28 small procurement leases x [27 staff hours x \$35.24 hourly rate PAII = \$26,640.00]. A savings of approximately 4 staff months or \$17,460.00 in staff resources is achieved.

FISCAL IMPACT : DECREASED STAFF COSTS (\$17,460)

Section 5 permits the extension of existing leases for up to 10 years if concessions of at least 10% of the amount that would be paid for rent can be achieved. Five 5% concessions could be agreed to with ADA compliance.

In FY 95, lease savings of approximately \$1,745,000.00 were achieved by negotiating lease concessions in return for extensions. Approximately 3,300 staff hours were necessary to achieve savings. If savings are to be achieved, staff resources will be needed to negotiate leases.

Assumptions:

- Based on 38 leases renegotiated during 1994, average staff hours per lease is prorated at 22 hours total.

Purchasing Agent III: 20 hours at \$35.24 per hour =	\$705.00
Purchasing Agent IV: 2 hours at \$38.94 per hour =	\$78.00
Total staff: 22 hours	\$783.00

- Estimate number of lease extension negotiations: 23

Calculation: 23 negotiation attempts x \$783.00 staff cost per each negotiation = \$18,009.00

FISCAL IMPACT: INCREASED STAFF COSTS \$18,010.00

Section 8 permits the procurement officer to reduce the circulation period for bids and proposals when there is adequate competition.

FISCAL NOTE

HB482

STATE OF ALASKA BILL NO. _____
1996 LEGISLATIVE SESSION

Assumptions:

- On average 5 requests for reduced circulations occur per year.
- The average cost for receipt, review, and completion of determinations is estimated to be \$27.55.
- Average staff time needed to review and complete determinations is just under 1 hour.

Calculation: 5 determinations x \$27.55 cost per determination = \$138.00 estimated savings.

FISCAL IMPACT: DECREASED STAFF COSTS (\$138.00)

SECTION 9 requires a bidder to be in the line of business solicited in the Invitation to Bid or Competitive Sealed Proposal for at least 6 months prior to the date the bid was issued.

Assumption:

Over the past years, 4 bids were awarded where a preference was brokered by assigning award to another bidder or vendor after award. Agencies were required to pay an additional \$21,372.00 to purchase what was offered by the second low bidder. Two awards are pending. We assume approximately 4 bids would require investigation and determination of whether the bidder qualifies.

Calculation:

- Determination of qualification--8 hours x PAIII hourly rate \$35.24 = \$282.00
COST OF EACH DETERMINATION \$282.00 x 4 determinations
TOTAL ESTIMATED COST \$1,128.00.

FISCAL IMPACT: INCREASED STAFF COST \$1,128.00

SECTION 10 provides discretion to the procurement officer to decide when to use a competitive sealed proposal rather than a competitive sealed bid. Law currently requires the determination to be made by the Chief Procurement Officer, resulting in several reviews and written determinations that are eliminated in this section.

Assumptions:

- On average, 6.3 requests for use of Competitive Sealed Proposal in lieu of a Competitive Sealed Bid are processed.
- The average cost for receipt, review, and completion of determination to use a Competitive Sealed Proposal is estimated at \$72.00.
- Average staff time needed to review and complete determination--2 staff hours

Calculation: 6.3 determinations x \$72.00 cost per determinations = \$453.60

FISCAL IMPACT: DECREASED STAFF COSTS (\$453.60)

Section 15 permits contracts to be entered into with a single source when it is not practical to award under competitive bidding or competitive proposals and when in the best interest of the state. Delegations are permitted, which can reduce staff effort within the division. Agency efforts to compile clear and convincing evidence, often resulting in predeterminations, newspaper advertisements, and solicitation, would be reduced.

STATE OF ALASKA BILL NO. _____
 1996 LEGISLATIVE SESSION

Assumption:

- On average, 123 sole source determination requests are submitted each year.
- The average cost for receipt, review, and completion of a determination is estimated to be \$111.94.
- Average staff time needed to review and complete determinations is estimated to be 3.3 hours.
- Approximately 25% of the determinations by type will be delegated.
- Approximately 30 minutes, or \$17.62, staff time will be saved in determination process.

Calculations:

Current	120 determinations x \$111.94 =	\$13,433.00
Proposed	90 determinations x \$94.32 =	<u>\$8,489.00</u>
		\$4,944.00

FISCAL IMPACT DECREASED STAFF COSTS (\$4,944.00)

Section 16 provides discretion to the Chief Procurement Officer to delegate this determination and permits the Attorney General to make a Limited Competitive Determination for services of legal counsel.

Assumptions:

- On average 20.6 Limited Competition determinations were made over the past 3 years.
- On average, the Department of Law submits 6.3 Limited Competition determinations per year.
- The average cost for receipt, review, and completion of a Limited Competition determination is estimated to be \$111.94.
- Average staff time needed to review and complete the determination is 3.3 hours.
- Approximately 25% of the determinations by type will be delegated.
- Approximately 6.3 delegations will be made by the Department of Law in place of the division staff.

Calculations:

Current	20.6 determinations x \$111.94 =	\$2,306.00
Proposed	10.8 determinations x \$111.94 =	<u>\$1,209.00</u>
	Savings	\$1,097.00

FISCAL IMPACT: DECREASED STAFF COSTS (\$1,097.00)

Section 18 permits innovative procurements under circumstances when advantageous to the state to procure new, unique, requirements; new technologies; or to achieve best value. This should result in better and more economical contracts for state agencies. The Chief Procurement Officer must review and determine in writing that the use of an innovative approach is advantageous to the state.

Assumptions:

- Ten (10) innovative procurements will be initiated per year.
- The average cost to review, provide guidance, and prepare determinations for innovative procurements is \$189.82.
- Average staff time needed to review, prepare determinations and provide guidance for the innovative procurement is 5.32 hours.

Calculations:

FISCAL NOTE

HB 482

STATE OF ALASKA BILL NO. _____
1996 LEGISLATIVE SESSION

10 innovative procurements x \$189.82 = \$1,898.00

FISCAL IMPACT: INCREASED STAFF COST \$1,898.00

Section 22 extends small procurement procedures to purchases of goods, services, and professional services up to \$50,000.00. Procurement officers may reduce time and complexity in purchases by using a quote process rather than formal Invitation to Bid.

Assumptions:

- From FY 92 through FY 95, an average of 16.7 bids were issued per year for services and supplies costing under \$50,000.00.
- Average cost to prepare a bid for goods or services, \$14.5 staff hours x 26.46 (PAII) = \$385.00.
- Decrement made in the FY 97 budget of 1 full-time position was based on the return of single-agency Invitations to Bid to the agencies. 100% of the transactions covered under this section will be single-agency procurements.

Calculation:

- 16.7 bids x 14.5 staff hours = 242 hours
- 242 hours x 26.46 (PAII) = \$6,403.00

FISCAL IMPACT: DECREASE STAFF COST (0) Staffing reduced in FY 97 budget decrement

Section 27 requires records of Innovative Procurements to be kept for review purposes, and for applications if the Innovative Procurement could result in greater savings and effectiveness.

Assumptions:

- Ten (10) Innovative Procurements will be entered into each year.
- Recordkeeping approximately .5 hours per procurement of clerical time = .5 x Clerk III @ \$21.60 = \$10.80 per procurement
- Data processing--approximately .5 hours per procurement = .5 x Data Processing Analyst @ 30.19 = \$15.10 per .5 hour

Calculation: 10 x [Clerk III \$10.80 + Data Processing Analyst \$15.10] = \$259.00

FISCAL IMPACT: INCREASED STAFF COST \$259.00

Section 28 permits the development of simplified protest procedures for procurements entered into under small procurement procedures (up to \$50,000.00 per Section 22).

Assumptions:

- Estimated average number of protests received per year are 4.
- Average number of hours required to complete a protest--20 hours
- Estimated efficiency of simplified protest procedure--50%.
- Protests will be responded to by agency procurement specialist.
- Decrement in the FY 97 Governor's Budget was based on return of single-agency procurements to agencies. 100% of these small procurement transactions were anticipated in the FY 97 Governor's Budget.

FISCAL NOTE

HB 482

STATE OF ALASKA BILL NO. _____
1996 LEGISLATIVE SESSION

Calculation:

4 protests x 20 hours = 80 hours

80 hours x \$26.46 (PAII) = (\$2,117.00)

FISCAL IMPACT: **DECREASED STAFF COST** (0) Staffing reduced in the FY 97 Governor's Budget

FISCAL IMPACT SUMMARY

TOTAL NET FISCAL IMPACT BY SECTION FOR FY 97:

Section	INCREASE	DECREASE
4		(\$17,460.00)
5	\$18,010.00	
8		(\$138.00)
9	\$1,128.00	
10		(\$454.00)
15		(\$4,944.00)
16		(\$1,097.00)
18	\$1,898.00	
22		(0)
27	\$259.00	
28		(0)
	TOTAL FISCAL IMPACT	(\$2,798.00)

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

No. 1
 Bill Version: HB 482
 (H) Publish Date: 2/9/96

Revision Date: _____ Dept. Affected: Administration
 Title: "An Act relating to state procurement practices and procedures and providing for ..." BRU: Various
 Sponsor: Rules Component: Various
 Requestor: Governor COMPONENT SERIAL NO. 45

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITUR	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
Total	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year (FY 96) cost: \$ 0.0 _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Sharon Barton, Director
 Division: Administrative Services

Phone: 465-5655
 Date: _____

Approved by Commissioner: Mark Boyer *MBoyer*
 Agency: Department of Administration

Date: 2/7/96

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB 416/SB 216

Revision Date: 2/5/96
Title: Omnibus Fee Bill
Sponsor: Rules Committee
Requestor: Governor

Department Affected: Environmental Conservation
BRU: Statewide Public Services
Component: Statewide Public Services

COMPONENT SERIAL NO. 2058

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	190.0	190.0	190.0	190.0	190.0	190.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	30.0	30.0	30.0	30.0	30.0	30.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	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	220.0	220.0	220.0	220.0	220.0	220.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	(190.7)	(190.7)	(190.7)	(190.7)	(190.7)	(190.7)
1005 GF/Program Receipt	220.0	220.0	220.0	220.0	220.0	220.0
1006 GF/MHTIA	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	29.3	29.3	29.3	29.3	29.3	29.3

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS:


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

ANALYSIS: (Attach a separate page if necessary.)

Bill would allow the department to set and collect fees to review subdivision plans for sewage waste disposal or treatment. Fees collected would replace the domestic wastewater portion of the general funds currently funding salary costs of the technical staff conducting those reviews, salary costs of clerical staff and associated support costs.

Prepared by: Marianne See
Division: Director, Division of Statewide Public Service

Phone: 269-7635
Date: 2/5/96

Approved by Commissioner: 
Agency: Department of Environmental Conservation

Date: 2/14/96

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HB

490

ALASKA STATE LEGISLATURE

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STATE CAPITOL
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OIL & GAS
LEGISLATIVE COUNCIL

REPRESENTATIVE BETTYE DAVIS
DISTRICT 21

MEMORANDUM

TO: Representative Jeannette James
Chair, House State Affairs Committee

FROM: Representative Bettye Davis *BD*

DATE: March 14, 1996

RE: HB 490: Extending the sunset date and authorizing the Alaska
Science and Technology Foundation to make grants to BIDCOs.

RECEIVED BY
MAR 14 1996
Rep. Jeannette James

I am writing to request a hearing for HB 490 in the House State Affairs Committee at your earliest convenience. Attached please find a copy of the most recent version of the bill, sponsor statement, zero fiscal notes, sectional summary and backup materials.

Under current law, the ability of ASTF to authorize new financial assistance to BIDCOs without legislative approval will sunset on June 30, 1996. HB 490 would thus extend the sunset date to June 30, 2000.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB490

Revision Date: _____
Title: BIDCO Assistance Program

Department: Commerce and Economic Development
BRU: _____
Component: Alaska Science and Technology Foundation

Sponsor: Rep. Bettye Davis
Requestor: Rep. Bettye Davis

COMPONENT SERIAL NO. _____

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES						
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FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other	ASTF Endowment Earnings					
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 96) cost: \$ 0.0

POSITIONS						
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)
Zero fiscal note to HB 490. ASTF does not anticipate that HB 490 will require any funds from the ASTF endowment interest income to accomplish the purpose for the legislation contained in HB 490.

Prepared by: James R. Kenworthy
Division: Alaska Science & Technology Foundation
Approved by Commissioner: William L. Hensley
Agency: Commerce and Economic Development

Phone: (907) 272-4333
Date: February 15, 1996
Date: 2-16-96

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB 490

Revision Date: _____
 Title: Financial Assistance to BIDCO's

Department: Commerce and Economic Development
 BRU: Banking, Securities and Corporations
 Component: Banking, Securities and Corporations

Sponsor: Representative B. Davis
 Requestor: _____

COMPONENT SERIAL NO. 1233

Expenditures/Revenues

(Thousands of Dollars)

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

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

(Thousands of Dollars)

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

Estimate of any current year (FY 96) cost: \$ 0.0

POSITIONS

FULL-TIME	
PART-TIME	
TEMPORARY	

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Willis F. Kirkpatrick, Director
 Division: Banking, Securities and Corporations
 Approved by Commissioner: William L. Hensley
 Agency: Commerce and Economic Development

Phone: 465-2521
 Date: 2-27-96
 Date: 2-27-96

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FEB 29 1996

Ans'd.....

Position Paper on BIDCOs

What are BIDCOs?

Business Investment Development Companies (BIDCOs) are private sector financial institutions structured to serve the middle risk market financing businesses through a combination of debt and equity investments. BIDCOs generally finance a broader range of deals than are eligible for only equity or venture capital investment and riskier deals than can be financed by banks doing asset-based lending. The BIDCO legislation passed by the Alaska legislature was modeled from Michigan where public funds were matched 2-1 by private investors to capitalize twelve BIDCOs at \$5-12 million apiece. Based on their performance, most BIDCOs in Michigan have now had a second round of capitalization by banks and other investors to total more than \$200 million in capitalization.

The state funds lower the risk needed to attract private investors to providing startup and earlier-stage financing. The loan is structured in the form of an interest-bearing loan with credits earned to forgive the loan based on the jobs and sales increases in the businesses invested in by the BIDCO.

Legislative and ASTF History

Originally, \$3 million in state funds were requested but when the BIDCO Assistance Program was passed (AS 37.17.20), in 1994 only \$1 million earmarked from Alaska Science and Technology Foundation (ASTF) earnings was appropriated. The legislation provided for a minimal private investment of \$500,000 match.

ASTF issued an RFP to form a BIDCO and in October 1995 both final proposals were turned down because neither finalist could pledge the minimal \$500,000 to launch a BIDCO. Spreadsheet analysis showed that \$1.5 million is too small a capitalization to cover the administrative expenses of managing a risk capital institution and providing the hands-on management assistance required in startup ventures, processor turnarounds, and other BIDCO client investments.

At its February 23, 1996, meeting, the ASTF Board decided that establishing a BIDCO was sufficiently important to its mission to develop the technology infrastructure of the state that an additional \$2 million in ASTF earnings should be pledged to be matched 1-1 by a private sector. This would provide the \$6 million in capitalization which ASTF believes is the minimal size to establish a BIDCO.

The Case for BIDCOs

A number of reasons have been identified for the importance of establishing BIDCOs:

1. There is a thin infrastructure in the state which is experienced and able to do prebankable risk capital financing. The growth of an increasing number of technology-based firms and innovative natural resource processing firms is limited in a state with little risk capital available. It is also important to establish firms in Alaska with the experience and capability in putting together debt-equity deals and the management of such enterprises.
2. Many programs to provide business development capital provide unleveraged public funds with decision making in the public sector. BIDCOs have the opposite intent; they use public funds to attract private sector management to risk their own capital and build a permanent private sector financial institution.
3. The state loan is performance based. Credits to pay off the loan are earned by increased sales and payroll in Alaska for the first five years after BIDCO investment in an Alaskan firm. To recognize the additional costs of doing deals in Alaska in rural Alaska and the presence of few minority-owned firms, smaller additional credits are available for those types of deals. Since no

credits are earned for BIDCO investment in firms which do not increase sales and jobs, there is no incentive for the BIDCO to invest in a business which is not expected to succeed.

4. The cost of BIDCO loans are priced to insure that BIDCO deals represent investment which would not have otherwise occurred. A firm which could qualify for lower rate bank financing would take it rather than pay the 20% return on investment represented by a loan with the expected above prime interest rate plus additional warrant or equity. The price of a BIDCO loan reflects the higher reward necessary for a private investor to accept the higher risk of a firm with a promising growth potential but insufficient assets to qualify for bank financing.
5. The program can be administered in a nonbureaucratic way. The Michigan experience was to audit annually the firms to calculate the credits earned through increased payroll in the state and sales.

Next Steps

In order for ASTF to capitalize a BIDCO, the legislature should amend the ASTF statute to extend the June 30, 1996, sunset provision of BIDCO funds to June 30, 2000. Proposed statute changes would also exempt the BIDCO grant from the \$100,000 limitation of AS 37.17.090(d).

It is also suggested that the title to HB490 be: "An Act relating to the BIDCO assistance program" to avoid any misunderstandings as to purpose.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3887 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

February 16, 1996

SUBJECT: Sectional Summary of HB 490
(Work Order No. 9-LS1652\C)

TO: Representative Bettye Davis
Attn: Jonathan Sperber

FROM: *JB*
Theresa Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Adds a reference to the new BIDCO endowment grant section created by sec. 9 of this bill. Allows the net income from the Alaska science and technology endowment to be used for the BIDCO endowment grants.

Section 2. Adds a reference to the new BIDCO endowment grant section created by sec. 9 of this bill. Includes BIDCO endowment grants in the grants that are to be made by the board of directors of the Alaska Science and Technology Foundation.

Section 3. Adds a reference to grants under the new BIDCO endowment grant section in sec. 9 of this bill. Removes BIDCO endowment grants from the preference established under the section.

Section 4. Adds a reference to the new BIDCO endowment grant section in sec. 9 of this bill. Removes the BIDCO endowment grants from the peer review requirement established by the section.

Section 5. Adds a reference to the new BIDCO endowment grant section in sec. 9 of this bill. Removes the BIDCO endowment grant awards from the consistency requirement of the section.

Section 6. Adds a reference to grants awarded under the new BIDCO endowment grant section. Removes the BIDCO endowment grants from the fiscal year distribution requirements of the section.

Representative Betty Davis
February 16, 1996
Page 2

Section 7. Adds a reference to the new BIDCO endowment grant section. Applies to the BIDCO endowment grants the requirement, among other things, that the grantor pay into the endowment a fair and reasonable return from revenue, economic value, or profits derived by the grantee from the grant project.

Section 8. Extends until June 30, 2000 the authority of the foundation to authorize new financial assistance under the BIDCO assistance program provisions without legislative approval.

Section 9. Authorizes the Alaska Science and Technology Foundation to make grants from the Alaska science and technology endowment to accomplish the purposes of AS 37.17.200.

If I may be of further assistance, please advise.

TLB:klb:pl
96-105.klb

Technology foundation poised for new challenges

By Rose Ragsdale —
Alaska Journal of Commerce

Having proven that it can nurture fledgling high-technology companies, the Alaska Science and Technology Foundation is ready to advance to the next stage of attracting capital and technology to the state.

"Alaska is starting to get some infrastructure around which we can attract some technology-based businesses," said Paula Rasmus Dede, ASTF's director of administration and finance. "We've proven we can do grants, but technology brokering — getting people interested in the things being developed here is another matter."

Robert Harris, ASTF's director of technology, said the big challenge for ASTF "is getting businesses through the doors of banks and other funding sources to get capital." Harris said an entity with the ability to link such start-up businesses with conventional financing is not readily available in Alaska. "We see ourselves developing the networks and resources for these businesses," he said.

ASTF, for example, has issued requests for proposals from parties to establish a new type of market-oriented private financing institution authorized by the Alaska Legislature that would provide risk capital and management assistance to businesses in Alaska.

Known as a ~~state~~ institution is intended to bridge the gap between traditional

bank financing and venture capital funding. While IDICs take substantially more risk and require higher returns than banks, they do not require their investments to offer the explosive growth and ultimate public offering of stock necessary to yield the super high rates of return sought by venture capital funds such as the Polaris Fund, according to the foundation's RFP.

Preliminary proposals are due May 15, 1995.

Created in the late 1980s to encourage research and development that would benefit Alaska and its 650,000 residents, ASTF is pursuing its mission with gusto even as foundation board members search for a new executive director.

The search, precipitated by the departure of executive director John Sibert in February, is drawing applicants from some of the best technology development hotbeds in the country, foundation officials say.

Meanwhile, they point with pride to projects that improve road construction over permafrost; strengthen concrete with waste products; make rural power generation more efficient and cost-effective; create a DNA database for the FBI; and use waste heat to create a cold storage alternative that brings to mind the old adage, "Selling ice cubes to Eskimos."

Foundation officials say they are on target with their goals, having managed 102 active grants during 1994 totaling \$11 million in project funding and attracting \$27 million in

matching contributions. The foundation also concluded 30 projects during that fiscal year. In so doing, the foundation has created the equivalent of 629 direct full-time jobs in Alaska, according to an independent evaluation.

Currently, ASTF is managing 110 active grants, including a few that are generating substantial royalty checks for the foundation. In addition, the foundation awarded \$350,000 in very small grants in fiscal 1994 to science teachers statewide.

"Most people wouldn't think of Alaska as a place where cutting edge research is being done, but it is happening here. A couple of our new grantees are on the threshold of doing great things," Rasmus Dede said. "One grantee keeps sending us checks, and they are rather large checks."

But grants administration director Kay Fuller said the real payoff for ASTF is in seeing new businesses take root and grow from the seed capital stage.

"The Foundation has learned and grown in providing guidance to these companies," Fuller said. "We, at ASTF, are committed to solving rural problems in Alaska, and we would love to see more big picture thinking taking place in the state."

Among funded projects that aim to enhance or add value to Alaska resources:

- Power Generation from Alaskan Low-rank Coal-water Fuels, LRCWFs — Commercial Demonstration Program, \$185,000;
- Applicability of Siberian Placer Mining Technology to Alaska, \$32,933;
- Biological Methods of Treating Mine Waste Water for Cyanide and Heavy Metals, \$193,100;
- Commercial Development of Innovative Placer Mining Technology, \$150,000;

- Construction Uses for Alaska Coal Ash, \$99,698;
- Enhanced Resource Evaluation Using Geochronology, \$89,156;
- High-temperature Drying of Alaskan Coals, \$60,056;
- Mined Land Reclamation with Woolly Browse Species, \$31,103;
- Potential Effects of North Slope Air Pollutants on Arctic Vegetation, \$363,650;
- Power Generation from Alaskan Coal-Water Fuel, \$68,770;
- Process for the Removal of Arsenic and Iron in Well Water, \$69,460; and
- Reservoir Characterization for Enhanced Oil Recovery in Schrader Bluff Pool, Milne Point Unit, \$300,000.

Another project, "New Refrigeration System for Rural Fish Processing," uses NA technology that takes waste heat from a Kotzebue Electric Utility and produces more than 12 tons of ice per day for the commercial fishing industry there. ASTF put up \$317,928 which was matched with \$352,866 in public and private funds. Capital costs are a fraction of conventional refrigeration, operating costs are low, minimal training is needed to run it and no harmful CFCs are used, ASTF officials say.

Not only is the new system being used in Kotzebue, but Kodiak and Prince William Sound also are evaluating it as a low-cost alternative to provide the necessary cold storage to enhance the development of value-added fish processing, they say.

Alaska Bidco seeks funding

Finance company may provide risk, growth capital

By Rose Ragsdale
Alaska Journal of Commerce

Despite an energetic start last year, Alaska's bid to follow the lead of Michigan in developing a different type of finance company, known as a "Bidco," has slowed to a crawl.

Yet the concept, which is designed to provide capital to businesses that qualify for neither venture capital nor bank loans, has attracted a growing fan club, including a group of Alaska business specialists who plan to launch a consulting business next month under the name Alaska Bidco.

Meanwhile, proponents of a law enacted last year that authorized the creation of Bidcos in Alaska say they are busy encouraging state lawmakers to appropriate the \$10

million needed to launch one or more of the financing companies. They are also conducting a series of seminars on how Bidcos work.

Steven Rohde, a consultant who helped develop the first Bidcos, told state officials and business leaders recently the new type of finance company is designed to provide risk and growth capital for businesses that can't qualify for bank financing and lack enough growth potential to interest venture capitalists.

Since Michigan passed legislation authorizing Bidcos in 1986, Rohde said, 10 have been created in that state, including one with a focus on investing in minority businesses and another with a focus on rural enterprises. He said the eight standard Bidcos were formed with state and private funds in a 1.5 to 1

match, and the minority and rural Bidcos required minimum \$500,000 private investments.

"So far, the state of Michigan has invested \$34.9 million in 80 companies through the Bidcos, and an additional \$52.3 million in capital has been attracted for those companies from other sources," Rohde said. "But Michigan has 10 times the population Alaska has. The realistic potential in Alaska is for one Bidco, maybe two."

What makes Bidcos special?

First, they tend to invest with loans at lower than market interest rates, but they also obtain some equity interest, such as warrants, in the companies in which they invest.

If they are investing with public funds, they typically offer a conversion formula where a company can convert the loan to a grant by creating a certain number of full-time, permanent jobs and by generating a certain level of

sales.

Bidcos are also typically run by people with 10 to 20 years business management experience, such as former bank presidents, Rohde said.

Among those the Bidco concept has attracted in Alaska is Fred G. Brown, a Fairbanks attorney and hearing officer for state Workers' Compensation. Brown and Pat Shier, a Fairbanks auditor, have seized the opportunity they perceive in the Bidco law to start Alaska Bidco, a consulting firm tailor-made to fit the specifications of the new financial entity.

"My basic thesis is there's a lot of opportunity in Alaska and if a Bidco enables us to realize them, then great," Brown said.

A Bidco could help him and others in the consulting group pursue lucrative investment opportunities in Alaska mining, timber, tourism and transportation in the near future, he said.

Brown's efforts to pull together a strong and diverse management team has netted a group with weighty resumes and accomplishments, including a mining expert, two CPAs, a timber expert, a former state senator, two former bankers, an economist and several business management specialists.

Brown's own background includes running his own farm in Oregon and organizing a national network of farm borrowers. A resident of Alaska since 1983, he said he has served on the North Star Borough Agriculture Commission where he helped get a meat processing plant back in operation and on the board of the Northern Alaska Health Resources Association. Brown said he also helped negotiate a contract for state public employees, co-edited a procedural manual on workers' compensation, and taught business classes at one of the Fairbanks military bases.

John Sibert, executive director of the Alaska Science & Technology Foundation, said Brown is the only Alaskan, so far, who has begun putting together a management team that could qualify to run a Bidco.

Still, Bidcos have an uphill climb in Alaska to gain widespread understanding of how they work, Sibert said.

Alaska Journal of Commerce

3/27/93

CARR ASSOCIATES

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**RISK CAPITAL FORMATION
AND
BUSINESS AND INDUSTRIAL DEVELOPMENT CORPORATIONS
ECONOMIC DEVELOPMENT FINANCE
OPTIONS FOR ALASKA**

Prepared for:

~~MEMBER OF THE STATE~~ **BOARD OF DIRECTORS
ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**

by

GREGORY L. CARR

February 1993

THE "CAPITAL GAP"

As public policy makers in Alaska struggle to find solutions that will expand the state's relatively narrow economic base, they have come to focus on the problem of the lack of investment capital in general and risk or venture capital in particular.

The national and international lending environment limits access to development and operating capital for many businesses in the United States. This trend has been magnified in Alaska due to the small size of the market, a relatively narrow economic base, the lingering effects of the recent recession, and geographic isolation. As a result, Alaska businesses are faced with several severe capital problems:

- 1) Commercial bank and institutional lenders are often unwilling (or unable due to regulation) to provide long term lending for major capital expansions. Only those projects that are financially feasible with very short (5 to 7 year) loan amortization can be financed.
- 2) Regulatory pressure is forcing some commercial banks to divest loans because they represent unwanted industry or geographic concentration in the lender's portfolio. Other regulations force loans to be called because certain rigid performance criteria are not being met -- even though the borrower is profitable and the loan has a perfect performance record.
- 3) Many private sources of venture capital have curtailed their financings of start-up companies or have concentrated on a narrow band of industries (biomedical, etc.). Overall venture capital availability is significantly diminished from the high levels of the mid to late 1980's.

This constricted capital environment inhibits potential establishment of both large and small Alaska businesses. AIDEA's programs have provided, and will continue to provide, an essential alternative source of needed capital for these businesses. As a result of these market conditions, AIDEA will face financing demand from several directions for the foreseeable future: 1) long term loans and leases for major economic development facilities (roads, airports, ports, utilities), 2) business working capital, acquisition, expansion, equipment and facility loans (either new loans or as a replacement for existing bank loans), and 3) venture/start-up capital for small businesses throughout Alaska, but particularly in rural areas."^[1]

Such capital is badly needed to support both existing business expansions and new business start-ups, particularly in high growth entrepreneurial business ventures. To solve this "capital gap" problem, the state has created a new development finance program-- Business and Industrial Development Corporations (BIDCOs).

Patterned after the Michigan Strategic Fund's BIDCO Program, Alaska's BIDCO Program is an ambitious initiative designed to catalyze the formation of a new industry of private financial institutions. It will help meet the financing, managerial support, and technical assistance needs of emerging, small, and medium sized businesses in Alaska.

The purpose of this paper is to provide AIDEA's Board of Directors with information, assistance, and advice about BIDCOs and the potential for AIDEA's involvement with BIDCOs such that the Board may make informed decisions about AIDEA's future role and involvement, if any, with BIDCOs. In addition, a series of general recommendations both for improving the structure and operations of existing state "economic development finance programs" and for establishing new programs where none currently exist will also be offered.

A primary working hypothesis of this paper is that state-managed economic development finance and risk capital programs may never function effectively without having substantial private sector venture, and venture-type, e.g. BIDCO capital resources available for coinvestment purposes. Hence, a major emphasis throughout will be on the private venture capital industry; how it works, and how it can complement state development finance programs.

Risk or venture capital has become increasingly popular as a solution to economic development financing problems. Yet, publicly sponsored programs are too often founded on an inadequate understanding of how the venture capital investment industry operates, and how it should fit into an overall capitalization continuum at both state and regional levels.

Economic development infrastructural hurdles, which are particularly acute in a state like Alaska, are too often ignored: For example, it can be extremely difficult to launch and sustain entrepreneurial and advanced technology-based business development not just because of a lack of risk capital, but just as importantly because of a lack, and/or ignorance of, managerial talent and entrepreneurial support resources (i.e., accountants, marketing consultants, securities attorneys).

Both of these resources are critical to a proactive entrepreneurial business development climate, and must be readily accessible in order to nurture such companies through successive stages of growth and development. If not, companies can feel increasing pressure as they develop and move to larger metropolitan areas where such talent and services can be found more easily.

Then too, the availability of conventional debt capital through banks and related institutions is almost as critical as managerial talent and support resources. Equally important is the contribution of risk capital to the development of a vigorous entrepreneurial business development climate.

This is particularly the case when entrepreneurial companies reach a stage of maturity where it would make greater sense for them to obtain conventional debt capital rather than venture capital. Many such private financial institutions are very reluctant to make loans, to rapidly growing manufacturing or service companies, particularly for working capital purposes. Thus, a very important downstream source of capital is usually only available to such companies after the point at which they really need it.

As previously stated, no state development finance or risk capital effort is ever going to be successful in stimulating and facilitating entrepreneurial economic development without substantial amounts of private risk capital being relatively accessible to emerging entrepreneurial companies.

Public policy makers should continue to provide a wide array of entrepreneurial support and financing mechanisms, while at the same time increasingly concentrating their efforts on seeking ways to stimulate larger amounts of private risk capital. This can be accomplished both through the creation of new sources of capital, e.g. BIDCOs, and through increased attention paid to investment opportunities in the Pacific Northwest region by existing venture funds located in metropolitan areas in, and around, the region.

THE ENTREPRENEURIAL ECONOMY DEFINED

Over the past twenty years, the United States economy has been undergoing a major industrial restructuring. While the primary catalyst for this restructuring process was the oil-induced inflation of the 1970s and early 80s, increasing competition from our trading partners and the birth of technology-based products and services in the marketplace played a major role.

The bottom line is that during the past 15 years, Fortune 500 manufacturing companies, the traditional sources of most of the jobs in our economy, have experienced a decline in the number of workers employed in U.S. facilities.

However, the U.S. economy during that same time period actually experienced a net increase in the total number of jobs available. It is well-known by now that these new jobs, some 40 million in number, have come from small, entrepreneurial companies which have formed and grown during the seventies and eighties.

As Peter Drucker has pointed out, these new jobs have been created primarily by "small and medium-sized institutions, most of them small and medium-sized businesses, and a great many of them, if not the majority, new businesses that did not even exist twenty years ago." [2] From Drucker's standpoint, the most critical driving force behind this shift in economic vitality—from the large to the small institution—is the advent not of "high technology," but of "entrepreneurial management." [3]

"Management," says Drucker, "is the new technology (rather than any specific new science or invention) that is making the American economy into an entrepreneurial economy. It is also about to make America into an entrepreneurial society." [4]

In considering economic development based in significant measure on entrepreneurial companies, however, it is important to distinguish between such companies and what economist David Birch calls "income substitution" companies.

The difference between the two, according to Birch, is the difference between making a living and making money. "If you want to earn a living then you start up a small business. You get two or three employees and you stay at that level forever. If you want to make money...you start with three employees and you attempt to make that into 3,000 employees as quickly as possible." [5]

About 90 percent of the new companies which are formed each year are income substitution companies—the kind that earn a living; the other ten percent are entrepreneurial companies, and are also creating virtually all the new jobs. "It's not whether you have a lot of small businesses that count; it's whether or not you have a lot of entrepreneurial businesses that count. Therefore, the climate for entrepreneurial businesses is what's crucial to whether or not you grow or decline in the next 10 to 15 years." [6]

FINANCING ENTREPRENEURIAL COMPANIES

Entrepreneurial companies by definition seek rapid growth and substantial size. As a result, they typically have a seemingly insatiable appetite for large quantities of cash in order to finance their rapid growth. The availability of investment capital in the form of large amounts of cash is perhaps the most important requirement in fostering a positive entrepreneurial business climate.

HB

501

"Telecommunications Act of 1996"

On February 8 Congress passed the Telecommunications Act of 1996. As a consequence, the State of Alaska needs to update its telecommunications statutes. While the Federal Communications Commission (FCC) has been assigned the responsibility to implement the act, there are a number of areas that have been left up to the individual states to address.

These areas include:

- ▶ Promoting and maintaining the availability of telecommunications service (universal service).
- ▶ Providing pricing flexibility to existing carriers so that they can operate in a competitive environment.
- ▶ Establishing policies for the APUC to act in a timely manner on utility applications.
- ▶ Deregulating services that are competitively offered.
- ▶ Providing a level playing field for incumbents and new entrants in markets that can sustain competition.
- ▶ Removing barriers of entry to long distance service.

There is a need for adoption of legislation to address areas for which the state is responsible and to avoid many unnecessary administrative and legal decisions. In addition, such legislation would allow consumers to benefit from competition and the introduction of new technologies and services.



UNITED UTILITIES, INC. (UNITED)

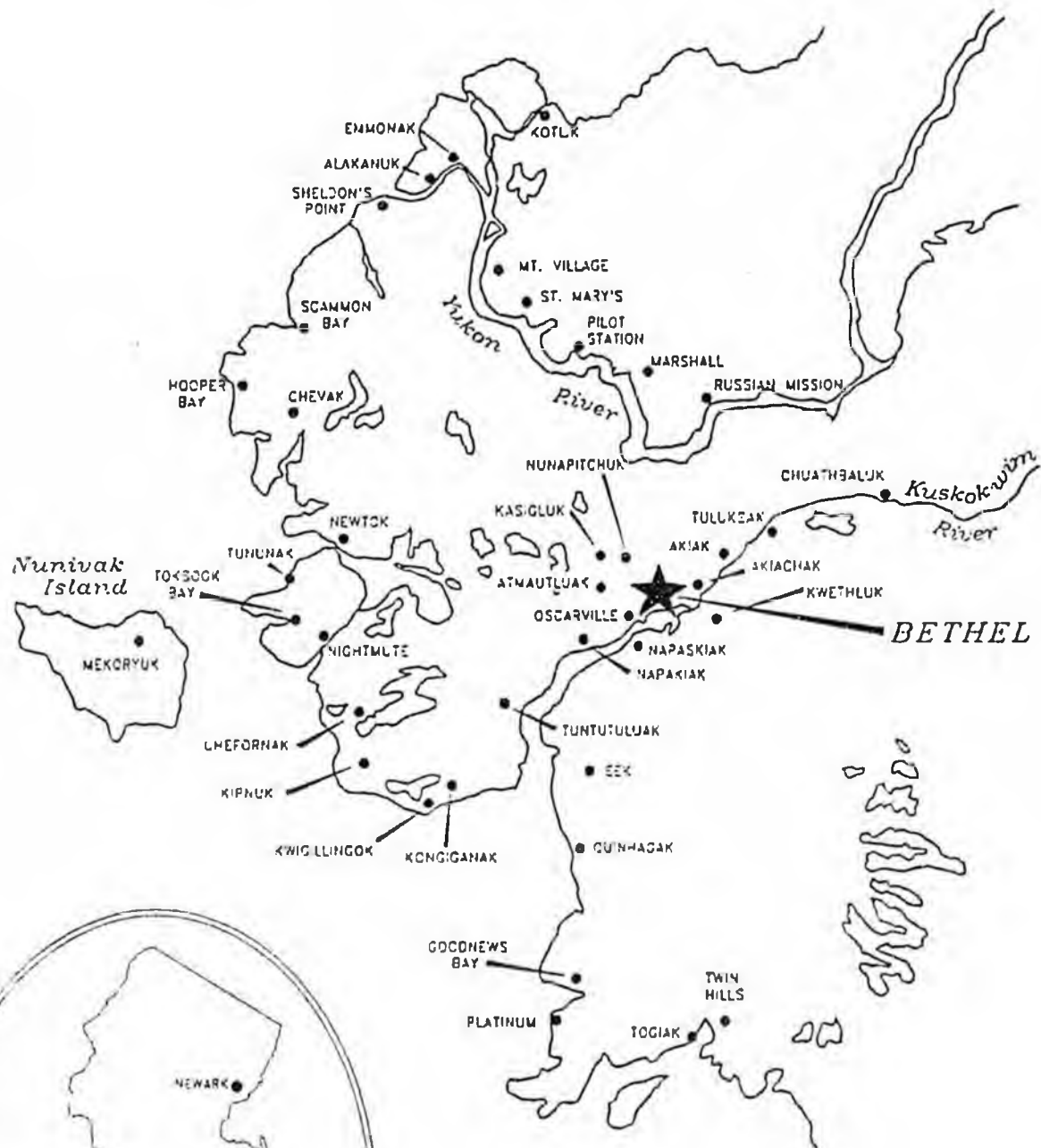
United provides local telephone service to approximately 20,000 people in 58 rural Alaskan communities. Most of these communities (46) are in western Alaska and range in size from 25 to 800 people. The first map (Attachment 1) shows the 46 locations that United serves in western Alaska. The second map (Attachment 2) shows all of the locations that United serves including eleven communities north of Fairbanks and Chenega Bay in Prince William Sound.

United jointly owns and operates 46 satellite earth stations with AT&T Alascom. United is owned by United Companies, Inc. (UCI), an Alaskan native owned company.

UCI also owns Unicom and Manley Utility. Unicom provides cellular telephone service in Bethel and has also applied to the Alaska Public Utilities Commission and the Federal Communications Commission to provide long distance services. Manley Utility provides electric services in Manley, Alaska.

United is a member of the Alaska Telephone Association.

United Utilities, Inc. Yukon - Kuskokwim Serving Area



SCALE in MILES

Population 14,800
Access Lines 3,660

BEAUFORT SEA

Attachment 2

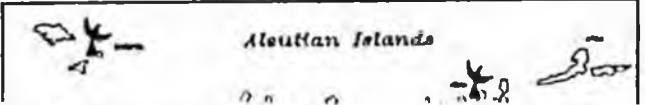
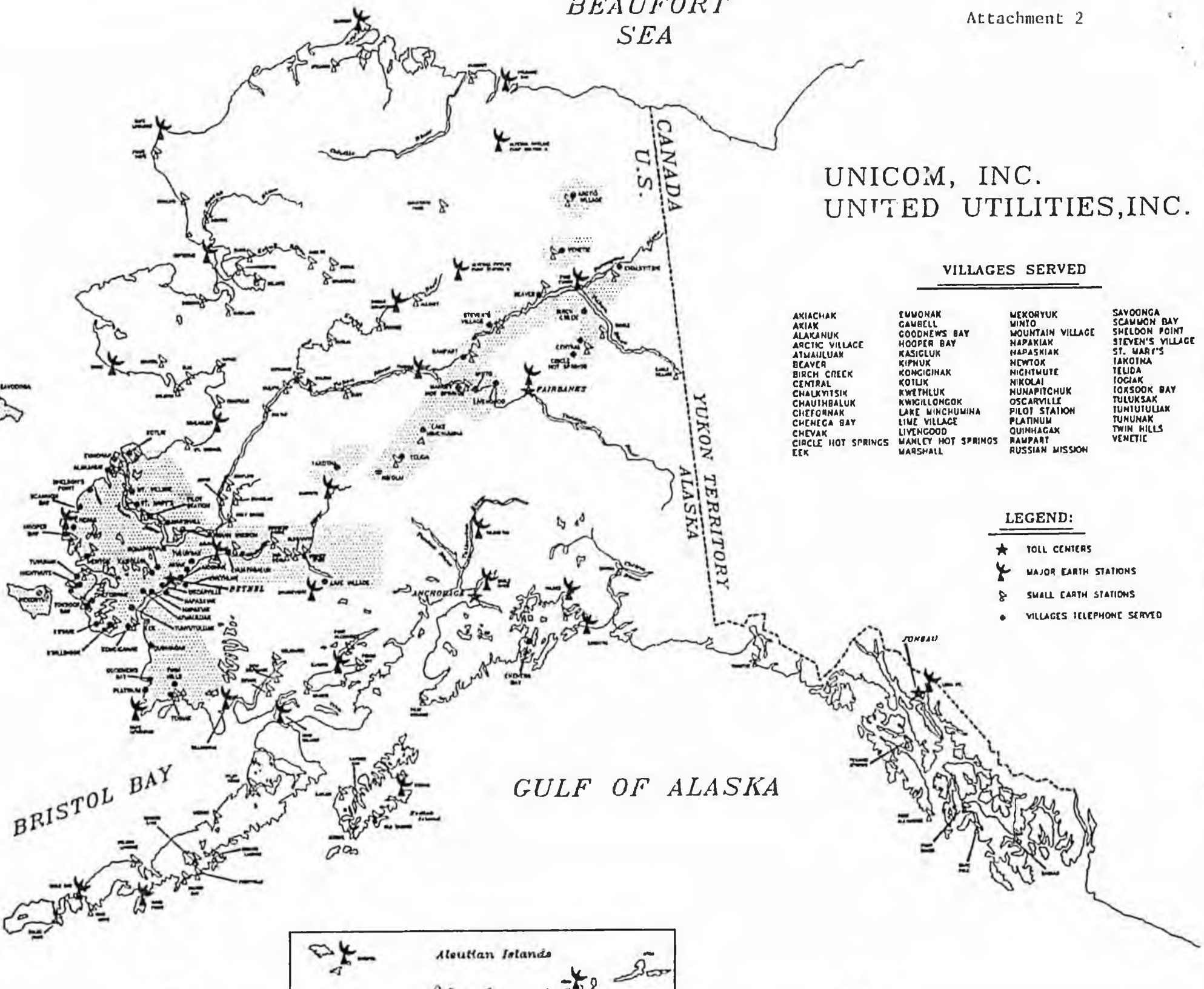
UNICOM, INC.
UNITED UTILITIES, INC.

VILLAGES SERVED

AKIACHAK	EMMONAK	MEKORYUK	SAYOONGA
AKIAK	GAMBELL	MINTO	SCAMMON BAY
ALAKANUK	GOODNEWS BAY	MOUNTAIN VILLAGE	SHELDON POINT
ARCTIC VILLAGE	HOOPER BAY	NAPASKIAK	STEVEN'S VILLAGE
ATMAULUAK	KASIGLUK	NAPASKIAK	ST. MARY'S
BEAVER	KIPHUK	NEWTOK	TAKOTNA
BIRCH CREEK	KONGIGINAK	NIGHTMUTE	TELIDA
CENTRAL	KOTLIK	NIKOLAI	TOGIAK
CHALKYITSIK	KWETHLUK	MUNAPITCHUK	TOXSOOK BAY
CHAUTHBALUK	KWICILLONGOK	OSCARVILLE	TULUKSAK
CHEFORNAK	LAKE MINCHUMINA	PILOT STATION	TUNTUTULIAK
CHEMAGA BAY	LIME VILLAGE	PLATINUM	TUNUNAK
CHEVAK	LIVENGOOD	QUINHAGAK	TWIN HILLS
CIRCLE HOT SPRINGS	MANLEY HOT SPRINGS	RAMPART	VENETIE
EEL	MARSHALL	RUSSIAN MISSION	

LEGEND:

- ★ TOLL CENTERS
- ✈ MAJOR EARTH STATIONS
- ⊙ SMALL EARTH STATIONS
- VILLAGES TELEPHONE SERVED



1

State of Alaska
Alaska Public Utilities Commission
276-6222 Fax 276-0160

FY97 Operating Budget Overview

Robert A. Lohr, Executive Director
Don Schröer, Commissioner, Chair

The Commission believes that the legislature should take the lead by setting the statutory framework for utilities regulation. The Commission is best able to carry out legislative intent concerning the extent of regulation when the legislature's directives are clear in the governing statutes.

Alaska State Legislature

REPRESENTATIVE
GENE THERRIAULT
P.O. Box 55326
North Pole, Alaska 99705
(907) 488-0862

House District 33



While in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-4797

House Of Representatives

House Bill 501:

"An Act requiring competition in local exchange telephone service."

Sponsor:

Representative Gene Therriault

A handwritten signature in cursive script, appearing to read "Gene Therriault".

Sponsor Statement

This legislation promotes competition in the market for local exchange telephone service. It is intended to increase the choices available and reduce the cost to customers. The bill would authorize competition for local exchange telephone service and encourage the Public Utilities Commission to implement a fully competitive telecommunications marketplace statewide. The resulting technological advances, reduced costs and increased choices would in turn enhance the state's economic development.

The legislation would allow Alaska to take advantage of the newly enacted federal overhaul of the 1934 Communications Act, which was signed into law February 8, 1996. The Telecommunications Act establishes competition in all telecommunications markets as a national policy. In its report the Conference Committee stated that the bill "provides for a pro-competitive, de-regulatory national policy framework designed to accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications markets to competition. . ."

Under this act all barriers to competition in all market segments are to be automatically removed except in the most rural areas of the United States. Under the act, telephone companies serving less than two percent of the telephone lines nationwide may petition their state public utilities commission for an exemption from the duty to interconnect with competitive companies if the incumbent telephone company can show interconnection is not in the public interest and it is technologically infeasible or economically burdensome.

For the rest of the nation, this provision could mean very small pockets in a state or throughout the country may be granted an exemption from

competition in the local telecommunication's market. For Alaska, it could mean the entire state could be exempted from competition. This proposed legislation establishes the policy that competition in the local telephone market in Alaska is in the public interest, consistent with the rest of the country. The Alaska Public Utilities Commission may still grant exemptions from interconnection if it is not technically feasible, or if it is unduly economically burdensome.

Establishing this policy guideline is clearly within the legislature's purview, and will eliminate needless proceedings before the Alaska Public Utilities Commission trying to determine whether or not competition is in the public interest in Alaska. It will allow the Public Utilities Commission to get on with the business of establishing regulations for this new world of competition, and let Alaska get on with being part of the modern telecommunications world.

Sectional Analysis

House Bill 501, "An Act authorizing competition in local exchange telephone service."

Section 1 AS 42.05.750 Findings.

AS 42.05.760 States that the Public Utilities Commission shall provide for competition in local exchange telephone service in a timely manner and shall adopt regulations that eliminate impediments to entry for local exchange carriers fit, willing and able to provide service.

HB

532

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB 532

Revision Date: _____ Dept. Affected: Administration
 Title: " An act relating to costs of adopting
regulations..." BRU: Various
 Component: Various
 Sponsor: House State Affairs
 Requestor: House State Affairs COMPONENT SERIAL NO. 46

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITUR	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
S'JPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
Total	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year (FY 96) cost: \$ 0.0 _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The fiscal note for the Department of Administration (DOA) is zero only because FOA does so few regulations. DOA will need to track direct and indirect costs of considering regulation changes and of adopting, amending, and repealing regulations for a period of one year beginning July 1, 1996. DOA will also need to track direct and indirect costs of reviewing proposed regulation changes of other agencies. A report of costs is to be made to the governor and the legislature by December 1, 1997.

Prepared by: Sharon Barton, Director Phone: 465-5655
 Division: Administrative Services Date: _____

Approved by Commissioner: Mark Boyer Date: 3/1/96
 Agency: Department of Administration

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB 532

Revision Date: 2/28/96 Dept. Affected: DOT&PF
 Title: "An Act relating to determination by executive branch agents of the costs of adopting regulations." BRU: Engineering & Operations
 Component: Engineering & Operations
 Sponsor: State Affairs
 Requester: HSTA COMPONENT SERIAL NO. 547

Expenditures/Revenues (Thousands of Dollars)

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

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

There will be some costs associated with compiling the data and preparing the report, but it would be considered as a minor part of the administrative overhead budget.

Prepared by: Loren Rasmussen *Loren Rasmussen* Phone: 465-4985
 Division: Engineering and Operations Date: 3/5/96
 Approved by: Joseph L. Perkins *Joseph L. Perkins* Date: 3/7/96
 Agency: Department of Transportation and Public Facilities

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB532

Revision Date: _____ Dept. Affected: Revenue
 Title: Costs of Adopting Regulations BRU: All
 Component: _____
 Sponsor: (H) STA
 Requester: (H) STA COMPONENT SERIAL NO. _____

Expenditures/Revenues (Thousands of Dollars)

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

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
1050 PFD						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The proposed legislation would require the Department to monitor time spent by employees and contractors in FY97 when considering regulation changes, actively preparing regulations for adoption, amendment, or repeal, and reviewing proposals. Administrative Services Division will coordinate this project the prepare the consolidate agency response for submission.

Although we would anticipate a reduction in productivity of about \$15.0-\$17.0, we would absorb the effort within existing budgets throughout the Department.

Prepared by: Bob Baratko
 Division: Administrative Services Division
 Approved by: _____
 Commissioner: Deborah Voigt
 Agency: Revenue

Phone: 465-2312
 Date: 3/7/96
 Date: 3/7/96

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Cost Allocation by Component

Component	Serial No.	Pers. Svcs.	Contractual	Total
CSED	111	1.0	1.0	2.0
ABC	100	1.0	1.0	2.0
I&E	113	1.0	1.5	2.5
O&G	115	1.0	1.5	2.5
Treasury	121	1.0	0.5	1.5
Gaming	1883	0.5	0.5	1.0
CO	123	1.0	0.0	1.0
ASD	125	0.0	0.5	0.5
PFD	981	1.0	1.0	2.0
		7.5	7.5	15.0