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Municipal Impact Statement for HB 60: Municipal and State Procurement Preferences

Overview

House Bill 60 proposes a mandate that public institutions, such as municipally-owned hospitals, jails, and other state-funded entities, prioritize the procurement of Alaska-grown agricultural and seafood products. While the bill aims to support local agricultural producers, it has significant implications for municipal operations, fiscal policy, and economic competitiveness.

Impacted Communities

The bill primarily affects municipalities that operate public institutions reliant on food procurement, including:

- Municipal hospitals and assisted living facilities (including Kenai Peninsula Borough, Kodiak Island Borough, City of Valdez, Petersburg Borough, City & Borough of Juneau)
- Correctional facilities operated by or in partnership with municipalities (City & Borough of Sitka, Petersburg Borough, Haines Borough, City & Borough of Wrangell, Bristol Bay Borough, City of Homer, City of Craig, City of Valdez, City of Unalaska, North Slope Borough, City of Cordova, City of Kotzebue, City of Kodiak)
- Public schools and educational institutions (if included under procurement guidelines)
- Senior centers and public meal programs

These entities would need to restructure their procurement practices to comply with the bill's requirements, potentially leading to increased costs and administrative burdens.

Current Use and Available Data

- There is limited publicly available data on the current percentage of Alaska-grown products in municipal procurement. An assessment of institutional food purchasing trends would be necessary to understand how much this would shift purchasing patterns.
- State and municipal food procurement is generally structured around cost efficiency and contract competitiveness. Any shift toward mandated local purchasing should be accompanied by an impact analysis on overall costs and availability.

Effect on Agricultural Production

- There is no clear data indicating that mandating procurement of Alaska-grown food will directly lead to increased agricultural production.
- Agricultural expansion depends on factors such as market conditions, infrastructure, labor availability, and climatic constraints. Without investments in agricultural capacity and food distribution infrastructure, this policy alone may not lead to increased local supply.
- If demand increases faster than supply, it could drive up food prices, affecting municipal budgets.

Fiscal and Economic Considerations

- The bill relies on existing funding rather than allocating new resources. This means:

- Institutions would have to redirect existing budgets to comply with new procurement mandates, potentially cutting funds from other programs.
- If local options are more expensive, municipalities and state-funded entities may see increased costs without additional revenue sources.
- Without additional state funding, municipalities may face pressure to raise local taxes or reallocate resources from other critical services.
- Market Competition & Free Market Considerations
 - The bill could disrupt open market principles by mandating price-setting rather than incentivizing cost reduction or efficiency.
 - Without competitive pricing mechanisms, innovation in local food production may be stifled.
 - Local producers may struggle to scale up efficiently, reducing their ability to compete in a broader market.

Unfunded Mandate & Compliance Challenges

- This legislation represents an unfunded mandate for municipalities that operate affected facilities.
- Compliance costs could include:
 - Administrative burden of adjusting procurement policies and tracking local purchases.
 - Potential increased costs if local food is priced higher than current suppliers.
 - Limited availability of certain products due to Alaska's short growing season and distribution challenges, requiring exemptions or workarounds.

Conclusion

HB 60 introduces a well-intentioned policy to support Alaska's agricultural sector but does so without a clear funding mechanism, economic impact analysis, or market expansion strategy. The bill:

- Imposes new costs on municipalities operating public institutions without additional financial support.
- Potentially increases food prices for institutions, reducing funds available for other municipal services.
- Creates compliance challenges due to supply chain limitations.
- Risks reducing market competitiveness by setting procurement requirements rather than incentivizing affordable local production.

To mitigate negative impacts, further study is recommended, including:

1. A fiscal impact assessment on municipalities and affected institutions.
2. An analysis of Alaska's agricultural production capacity to meet new demand.
3. Consideration of financial support mechanisms for affected institutions to absorb potential cost increases.

Without these considerations, HB 60 may inadvertently burden local governments while failing to deliver meaningful agricultural expansion.