Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: HB 34
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Identifier: HB034CS(JUD)-OOG-OMB-03-13-2013
Title: FEDERAL LAWS, REGULATIONS & EXEC. ORDERS
Sponsor: T.WILSON
Requester: House Judiciary

Department: Various
Appropriation: Various
Allocation: Various
OMB Component Number:

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2014**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
Personal Services	***		***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	***	**0.0**	***	***	***	***	***

Fund Source (Operating Only)

None							
Total	***	**0.0**	***	***	***	***	***

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues	***		***	***	***	***	***

Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency?
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

The analysis section of this fiscal note is updated to reflect the CS. The CS states that if the relevent federal agency does not provide, within 90 days, a description to the appropriate state agency of the economic impact on the state, on each community and on the industry, then the appropriate state agency will need to provide this description. Furthermore, the appropriate state agency will not be allowed to accept federal funds until this report is transmitted to the legislature.

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Division: Office of Management and Budget — Date: 03/13/2013 02:30 PM
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STATE OF ALASKA **BILL NO.** CSHB 34
2013 LEGISLATIVE SESSION

Analysis

CSHB 34 requires that before a department complies with a federal law, regulation, or presidential executive order, the department must first request from the appropriate federal agency a description of the economic impact the federal law, regulation, or presidential executive order will have on the state and each community and industry affected by it.

If after 90 days the federal government fails to provide this information, then the appropriate department shall complete the written description of the economic impact on the state, on each community and industry. The appropriate department of the state responsible for implementing the federal law, regulation, or executive order may not accept funding from the federal government to implement the law, regulation, or presidential executive order until the department transmits a report containing a description of the economic impact to the Legislature.

The bill applies to a federal law, regulation, or presidential executive order implemented after July 1, 2013.

The cost for this bill cannot be quantified with any degree of specificity, and thus is indeterminate. This note assumes that the appropriate federal agency will not be providing a description of the economic effect of the law. In the absence of the appropriate branch of the federal government providing this information, the department must provide to the legislature a description of the economic impact on the state and each community and the industry.

The impact to the state is indeterminate since it is not known what new federal laws, regulations, or executive presidential executive orders would occur with which the state would need to comply. If a federal law has a significant impact, then staff, and very likely economic consultants, may need to be hired to determine the impact on the state and all of the state's communities and industries.

There are just under 250 communities in Alaska. Assessing the economic impact to these communities is not a function that agencies are typically staffed to perform. State employees implement and execute federal and state programs and cooperative agreements. They are not required to assess the economic impacts to communities and industry. Individual communities are responsible for providing this information to the Legislature directly if they choose to do so. For a department to provide this information would be a tremendous undertaking and would require additional staff and consultants, depending on the requirements of the law, regulation, or presidential executive order.

In FY2013, the enacted operating budget included $2.03 billion in federal funds that touched over 200 programs statewide including the University of Alaska, the Alaska Court System, the Alaska Housing Finance Corporation, Sport Fisheries, Student Achievement, and the Alaska Permanent Fund Corporation.

These funds were available for expenditure starting July 1, 2013, or earlier if an earlier effective date was included in the legislation. Under the CS, funds would not be available for expenditure until a report addressing the economic impact is provided to the legislature. This would cause a delay of no less than 90 days and possibly significantly longer, before a department could accept federal funds. In worst case scenario, the full authorization could lapse if the report was unable to be completed and submitted within the existing fiscal year. If the lapsed authorization required GF matching funds, then those funds would lapse as well. There are no exceptions provided in the CS, even if federal funds were being provided in response to a natural disaster or other similar emergency response scenario.

To assist in placing the potential ramifications of this legislation in perspective, we are providing a few possible and very plausible scenarios.

Analysis Continued

Scenario 1: Alaska Municipal Bond Bank Authority
The bill would create operational difficulties for the Bond Bank and potentially require breaks in operation while requesting and awaiting the required written descriptions. Any operational breaks or failures to comply with revised federal law, regulation or presidential executive order would violate terms of the contracts that have been entered into with bond purchasers and mandate material event disclosure to the capital market.

The Bond Bank is required to provide information to investment banks so that they may comply with new regulations as well. The Bond Bank must stay in compliance with the Internal Revenue Service (IRS) regulations as to maintain the tax exemption on debt. This includes complying with any new regulations to be promulgated. The cost of noncompliance could potentially be very high including barring the Bond Bank from the capital markets due to our noncompliance, and the IRS declaring currently tax exempt bond issues as taxable creating significant additional liability to bond holders.

Scenario 2: Regulatory Commission of Alaska
The federal law (Telecommunications Act of 1996) allows state regulatory commissions such as the RCA to designate telecommunications providers as telecommunications carriers eligible to receive federal universal service funds (USF). The carriers use these funds to provide lifeline service to qualified low-income customers and to expand or enhance facilities to provide wireline and wireless telecommunications services. The RCA also follows federal guidelines that require state commissions to certify annually that federal universal service funds will only be used for their intended purpose, a certification that is required for continued receipt of certain federal universal service funds by carriers. Consequently a regulated eligible telecommunications carrier’s receipt of USF is contingent on RCA certification to the Federal Communications Commission that the carrier will use the funds only for their intended purpose.

If the implementation of this act were delayed due to CSHB 34 and the RCA providing a written description of the economic impact of such an act on communities and industry, the consequences could be severe. In such a situation telecommunication carriers may not become eligible to receive federal funds or those who already are eligible may lose federal funds currently received to support the provision of telecommunications services. In addition to having a negative impact on the maintenance and expansion of telecommunications facilities, the lack of federal USF could reduce the availability of lifeline services to telephone subscribers who meet eligibility criteria.

Scenario 3: Alaska Housing Finance Corporation
In 2009, AHFC received $19 million in federal funds under a new program to build housing. That program had an 18 month obligation deadline. AHFC received the allocation and began implementation of the program without formal regulations by the Department of Housing and Urban Development. If there had been a delay in AHFC’s ability to move forward on that program, a substantial proportion of those funds would have been lost. That means fewer units would have been built or rehabilitated, meaning less economic impact in the construction business where the multiplier effect is between 10 and 16 times the original investment. In rural Alaska, a six month delay is an entire construction season adding 5-10% inflation to the project cost. Statewide, delays and/or loss of funds means fewer homeless people housed, fewer units built, increased pressure on social service providers, and increased social costs.

There are other scenarios for the 200 programs the state operates that are attached to federal funds. For these reasons this fiscal note is indeterminate.