

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 15(L&C)
 (H) Publish Date: 2/10/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
 Title "An Act establishing the Alaska No-Call List,
a data base of residential telephone customers . . ." BRU Civil Division
 Sponsor Representative Fate Component Fair Business Practices
 Requester House Labor & Commerce Component No. 2206

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	103.4	103.4	103.4	103.4	103.4	103.4
Travel	0.4	0.4	0.4	0.4	0.4	0.4
Contractual	16.5	14.5	14.5	14.5	14.5	14.5
Supplies	1.9	1.9	1.9	1.9	1.9	1.9
Equipment	13.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	135.2	120.2	120.2	120.2	120.2	120.2

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	135.2	120.2	120.2	120.2	120.2	120.2
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	135.2	120.2	120.2	120.2	120.2	120.2

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time		2	2	2	2	2
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 15 requires the attorney general to contract with an designated agent to establish and maintain a centralized data base of telephone subscribers who do not want to receive telephonic solicitations. Telephonic solicitors and organizations who are otherwise exempt from telephonic solicitation registration requirements, but who intend to conduct a solicitation, must purchase the data base. Fees charged to buy the "Alaska No-Call" data base must cover the direct and indirect costs of creating, updating, and maintaining the data base. Fees will be based on a sliding scale from zero, for solicitors with fewer than five employees and non-profit organizations, to a maximum of \$500, for solicitors with more than 1,000 employees. In addition to the data base, the designated agent is to be charged with maintaining an automated complaint system for residential subscribers to report suspected violations to the appropriate enforcement agency, which is the Department of Law, via the Internet or 800 number.

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 Division: Attorney General's Office Date/Time 2/5/03 3:27 PM
 Approved by: Kathryn Daughetee for Gregg D. Renkes, Attorney General Date 2/5/2003
 Agency: Department of Law

FISCAL NOTE #2

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. CSHB 15(L&C)

ANALYSIS CONTINUATION

The Colorado Public Utilities Commission was recently charged with implementing the Colorado No-Call Law, on which Alaska's HB 15 is modeled. The Colorado Attorney General's Office handles enforcement under that law. We have spoken with both of these agencies, and used their experience to develop this fiscal note, making adjustments for the smaller number of residential telephone subscribers in Alaska, as compared to Colorado.

COSTS TO THE STATE:

During the first year, the costs to the Department of Law will involve implementing the Alaska No-Call data base. Legal services will be necessary to develop and implement regulations, including holding public hearings on the draft regulations. Next, the procurement process to hire the designated agent will take place. Once a designated agent is under contract, considerable time will be required to oversee the web site content development including what consumer information should be available, and what information should be available to registering telemarketers. The development of the automated complaint system is expected to require significant amounts of time to ensure the department will receive all necessary information related to the complaints electronically, in a timely manner. Colorado estimated this phase of the project required as much as one-third of each of three full-time employees for five to six months (one full-time equivalent), and approximately 400 hours of attorney time and 100 hours of paraprofessional time. While hopefully, Alaska can piggyback on Colorado's experience, considerable time will still be required to fit our own circumstances.

We estimate the services of one-half of a full time attorney position and one-half of a full time paraprofessional position will be required for this implementation stage. In addition, we anticipate \$2,000 will be needed for direct case costs associated with holding public hearings on the draft regulations. As there will be no fee revenue available to pay for these start-up costs, and the Department of Law cannot absorb this activity within its existing budget, these costs would need to be paid for with general funds.

Once the data base is up and running, a certain amount of attorney and paraprofessional time will be necessary to manage the program. This activity would include reviewing telephone solicitor registrations, supervising the web site, and regular contact with the designated agent. The Colorado PUC told us this regular contact took about four hours per week for them. We are assuming the impact of this in Alaska will be much smaller, both because some of their contact was due to problems with their web site and 800 number we hope to avoid using their example, and because Alaska has a much smaller population. We anticipate this regular contact will require no more than one-hour of paraprofessional time per week. In addition, the department estimates the annual readjustment of fees will require 10 hours of attorney time and 10 hours of paraprofessional time, with an additional 10 hours of attorney time needed to assist in preparation of the semi-annual report to the legislature.

As pointed out in the introduction, the bill also requires the designated agent set up and maintain an automated complaint system that would ". . . report violations to the appropriate state enforcement agency for enforcement action." The Department of Law would be responsible for these enforcement actions. The Colorado Attorney General's Office estimates they use the services of one-half of an attorney and one full-time paraprofessional for enforcement. We estimate the services of a half-time attorney position and a half-time paraprofessional position would be sufficient to handle all on-going maintenance and enforcement activities.

HB 15 requires that fees cover the cost of creating and maintaining the Alaska No-Call List. It is unclear whether enforcement actions would be considered creating or maintaining the data base, and we do not know if fees will be sufficient to cover any of the state's cost if that is the legislature's intent. (See subsequent discussion.) Accordingly, we have included all Department of Law anticipated costs as general funds starting in FY 2005 for the purposes of further discussion with the legislature.

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ANALYSIS CONTINUATION

EXTERNAL COSTS AND REVENUES:

Under this bill, telemarketers purchase the data base from the designated agent, who receives the fees. Fees are designed to cover the costs of developing and maintaining the data base, so are adjusted annually. In Colorado, the contract with the designated agent requires that, in a given year, surplus revenues collected by the agent be placed in escrow, to be applied against future No-Call List contracts. Surplus revenues are those over the amount of the contract between the State of Colorado and the designated agent; costs to the state have not been charged against fees to date, although the Colorado AG has asked the legislature for authority to receive \$15.0 in FY 2002, \$55.0 in FY2003, and \$50.0 in FY 2004 from fee revenue to offset part of their costs.

When the State of Colorado started the Colorado No-Call List, the number of potential telemarketers who might purchase the list was unknown. Only 40 telemarketers were registered with the Colorado Attorney General's Office. When Colorado's system was implemented, the rates were set as follows: 0-5 employees, \$0; 6-10 employees, \$100; 11-50 employees, \$200; 51-100 employees, \$300; 101-250 employees, \$350; 251-400 employees, \$400; 401-1000 employees, \$450; 1001+ employees, \$500. The list proved wildly successful.

As of November 30, 2002, there were 2,103 telemarketers registered under Colorado's No-Call program. Fees from 501, or 24 percent, of those telemarketers generated \$156,750 in revenue. The Colorado Public Utilities Commission, who administers the No-Call List, have lowered the fees in FY 2003 due to revenues collected in FY 2002 being more than the contracted price for the period of the contract. Fees were lowered from 50 to 75 percent.

Colorado has approximately 2 million residential telephone subscribers, of which more than 1,000,000 have signed up for the No-Call List as of December 31, 2002. Alaska has approximately 275,000 residential subscribers, or 14 percent of Colorado's. If Alaska's subscribers follow Colorado's example, we could expect about 137,500 subscribers to sign up to be on the No-Call List.

Alaska has less than ten registered telemarketers, and 40 paid solicitors who would have to register under this bill. We have no idea how many other organizations there are who are exempt from registration, but who would need to purchase the No-Call List. We would expect that most, if not all, of these organizations have less than 1,000 employees. If we assume there are 50 exempt organizations, there may be 100 entities in total who would purchase the data base. Assuming an average fee of \$350, \$35,000 per year in revenue might be generated. However, if the Colorado experience is repeated in Alaska and only 24 percent of these 100 entities are paying all the fees, even if all 24 percent paid the maximum, total annual revenues would only be \$12,000.

We do not know how much it would cost to hire the designated agent in Alaska. Colorado entered into a contract with their designated agent on December 18, 2001. The web site and toll free number were required to be operational July 1, 2002, but came on line May 8, 2002. The Colorado PUC entered a three-year contract with their designated agent totaling \$126,500, and the Colorado Attorney General paid an additional \$10,500 for the development and administration of their complaint reporting system. As of September 30, 2002, the agent showed \$176,849 in expenses. Unexpected first year costs for the toll free voice recognition system and unanticipated legal fees for the vendor resulted in an amendment to the PUC's contract for \$63,990. (The vendor was named in a federal lawsuit seeking to overturn the No-Call List law.) The contract amendment brings the 3-year total projected cost to \$173,990, with much of the expenditure occurring in the first year.

We would expect that at least some of these start-up costs could be avoided in Alaska by using Colorado's experience as much as possible. In addition, we would not have the volume of toll free calls Colorado's toll free voice recognition system received in the early days because we don't have that many telephone subscribers. (Colorado's designated agent had to expand their number of toll free lines from eight to 24 in the first month of operation to handle the volume of calls coming in from consumers wanting to get on the No-Call List. They had an estimated \$45,000 phone bill in that first month from those lines.)