

# Fiscal Note

State of Alaska  
2020 Legislative Session

|                     |           |
|---------------------|-----------|
| Bill Version:       | SB 158    |
| Fiscal Note Number: | 2         |
| (S) Publish Date:   | 1/22/2020 |

Identifier: 2019104111-DEC-DAS-01-06-20  
 Title: RESOURCE AGENCY FEES: INDIRECT COSTS  
 Sponsor: RLS BY REQUEST OF THE GOVERNOR  
 Requester: Governor

Department: Department of Environmental Conservation  
 Appropriation: Administration  
 Allocation: Administrative Services  
 OMB Component Number: 635

### Expenditures/Revenues

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

|                               | FY2021                  | Included in               | Out-Year Cost Estimates |            |            |            |            |
|-------------------------------|-------------------------|---------------------------|-------------------------|------------|------------|------------|------------|
|                               | Appropriation Requested | Governor's FY2021 Request | FY 2022                 | FY 2023    | FY 2024    | FY 2025    | FY 2026    |
| <b>OPERATING EXPENDITURES</b> | <b>FY 2021</b>          | <b>FY 2021</b>            |                         |            |            |            |            |
| Personal Services             |                         |                           |                         |            |            |            |            |
| Travel                        |                         |                           |                         |            |            |            |            |
| Services                      |                         |                           |                         |            |            |            |            |
| Commodities                   |                         |                           |                         |            |            |            |            |
| Capital Outlay                |                         |                           |                         |            |            |            |            |
| Grants & Benefits             |                         |                           |                         |            |            |            |            |
| Miscellaneous                 |                         |                           |                         |            |            |            |            |
| <b>Total Operating</b>        | <b>0.0</b>              | <b>0.0</b>                | <b>0.0</b>              | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

### Fund Source (Operating Only)

|              |            |            |            |            |            |            |            |
|--------------|------------|------------|------------|------------|------------|------------|------------|
| None         |            |            |            |            |            |            |            |
| <b>Total</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

### Positions

|           |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |

### Change in Revenues

|              |     |     |     |     |     |     |     |
|--------------|-----|-----|-----|-----|-----|-----|-----|
| None         | *** | *** | *** | *** | *** | *** | *** |
| <b>Total</b> | *** | *** | *** | *** | *** | *** | *** |

**Estimated SUPPLEMENTAL (FY2020) cost:** 0.0 *(separate supplemental appropriation required)*

**Estimated CAPITAL (FY2021) cost:** 0.0 *(separate capital appropriation required)*

**Does the bill create or modify a new fund or account?** No  
*(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)*

### ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **Yes**  
 If yes, by what date are the regulations to be adopted, amended or repealed? **07/01/22**

### Why this fiscal note differs from previous version/comments:

Not Applicable. Initial Version.

|              |  |        |                     |
|--------------|--|--------|---------------------|
| Prepared By: | Laura Achee, Legislative Liaison                     | Phone: | (907)465-5009       |
| Division:    | Commissioner's Office                                | Date:  | 01/15/2020 12:00 AM |
| Approved By: | Ruth Kostik, Acting Administrative Services Director | Date:  | 01/15/20            |
| Agency:      | Department of Environmental Conservation             |        |                     |

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2020 LEGISLATIVE SESSION**Analysis**

This bill would revise one of the primary statutes that govern the fees for wastewater permits and plan review, solid waste permits, air quality permits, food safety permits, drinking water permits, and laboratory testing, and allow the Department of Environmental Conservation to recover more of the cost required to provide these regulatory services. Under this legislation, the Department will have the ability to establish fees that recoup the full direct cost of personal services salary and benefits, which is currently capped at 149% of base salary. The actual benefit rate varies, but is generally higher than 49%. The estimated average benefit rate at the Department is 57%, but it can be as high as 79%.

In addition, the Department will be able to recoup some of its overhead costs (accounting, procurement, operations, information technology, and centralized costs) that relate to fee-supported programs. Under the proposed legislation, the Department would apply the federal indirect cost rate when calculating the cost and establishing the fee for providing regulatory services.

There is no additional cost to the Department to implement this bill. Time spent on routinely-required fee studies and regulation packages are already a part of the existing budget.

There will be increased revenue from fees under this bill, which will allow corresponding program improvements and/or decreases in the unrestricted general funds that currently subsidize the affected permit programs. The Department estimates that the maximum additional revenue from fees under this legislation could be as high as \$4.3m if fees were established to capture full allowable costs. This includes an estimated \$1.4m from the collection of direct personal services costs, and \$2.9m from the recovery of indirect costs. The actual amount collected will likely be lower than estimates because economic impacts to the regulated public are taken into consideration as revised fees are proposed. Under AS 37.10.052, the Department may not unduly burden the private sector with unreasonable fees that would interfere with the conduct of business in the state.

Air Quality already recovers these costs through separate emissions fees required by the federal Clean Air Act. The result of this legislation has the potential to increase air quality permit fees with a subsequent reduction to emissions fees. While this will ultimately net zero revenue for the program overall, it is a more equitable distribution of the costs to the permittees.

Fee studies on the impacted fees will be required to make adjustments before amended fee regulations are proposed. All revised fee regulations are subject to public notice, review, and comment. The Department would not anticipate significant new revenue from this new legislation until FY2022.