

**HB**

**163**

9-150661C/  
Bannister  
3/16/95

9L5504401  
2/22/95  
3/17/95

CS FOR HOUSE BILL NO. 163( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES KOTT, Toohey, Kelly, MacLean

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to agency compliance cost estimates for proposed regulations,  
2 amendments, and repeals of regulations."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 44.62.190(d) is amended to read:

5 (d) Along with a notice furnished under (a)(2), (4)(A), (6), (7), or (8) of this  
6 section, the state agency shall include the reason for the proposed action, the initial  
7 cost to the state agency of implementation, the estimated annual costs to the state  
8 agency of implementation, the compliance cost estimate required by AS 44.62.197,  
9 the name of the contact person for the state agency, and the origin of the proposed  
10 action.

11 \* Sec. 2. AS 44.62 is amended by adding a new section to read:

12 Sec. 44.62.197. COMPLIANCE COST ESTIMATES. (a) If the adoption,  
13 amendment, or repeal of a regulation will increase the costs for compliance by private  
14 persons, the agency proposing the regulatory action shall prepare an estimate of the

1 anticipated increased compliance costs for those persons. The estimate must cover the  
2 year following the adoption, amendment, or repeal of the regulation plus, if initial  
3 compliance will take longer than one year, the additional period of time needed for  
4 initial compliance.

5 (b) If an agency prepares the estimate required by (a) of this section and  
6 demonstrates that it has made a good faith effort to prepare a reasonable estimate, a  
7 person may not challenge in a court action the resulting regulation, amended  
8 regulation, or repeal of a regulation, if the basis of the challenge is that the agency did  
9 not comply with (a) of this section.

10 \* Sec. 3. AS 44.62.200(a) is amended to read:

11 (a) The notice of proposed adoption, amendment, or repeal of a regulation  
12 must include

13 (1) a statement of the time, place, and nature of proceedings for  
14 adoption, amendment, or repeal of the regulation;

15 (2) reference to the authority under which the regulation is proposed  
16 and a reference to the particular code section or other provisions of law that are being  
17 implemented, interpreted, or made specific;

18 (3) an informative summary of the proposed subject of agency action;

19 (4) other matters prescribed by a statute applicable to the specific  
20 agency or to the specific regulation or class of regulations;

21 (5) a summary of the fiscal information required to be prepared under  
22 AS 44.62.195 and 44.62.197.

23 \* Sec. 4. AS 44.62.320(b) is amended to read:

24 (b) At the same time a regulation is filed by the lieutenant governor, the  
25 lieutenant governor shall submit the regulation to the chair [CHAIRMAN] and all  
26 members of the Administrative Regulation Review Committee for review under  
27 AS 24.20.400 - 24.20.460 together with the fiscal information required to be prepared  
28 under AS 44.62.195 and 44.62.197.

# Alaska State Legislature House of Representatives

## COMMITTEE ASSIGNMENTS:

LABOR & COMMERCE, CHAIRMAN  
MILITARY & VETERANS AFFAIRS, CHAIRMAN  
COMMUNITY & REGIONAL AFFAIRS  
RESOURCES  
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LEGISLATIVE COUNCIL



INTERIM:  
10928 EAGLE RIVER ROAD, SUITE 141  
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PHONE (907) 694-8944  
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SESSION:  
STATE CAPITOL  
JUNEAU, AK 99801-1182  
PHONE (907) 465-3777  
FAX (907) 465-2819

TO: Representative Jeanette James, Chair  
House State Affairs Committee

FROM: Representative Pete Kott

A handwritten signature in black ink, appearing to read "Pete Kott".

DATE: February 15, 1995

RE: HB 163

Please schedule HB 163 - "An Act requiring an agency to provide compliance cost estimates for proposed regulations, amendments, and repeals of regulations under certain circumstances" for a hearing in the House State Affairs Committee.

This legislation would require state agencies to prepare a cost estimate that would result from the adoption, amendment or repeal of a law or regulation. The cost estimate would cover the year following adoption and for any other additional time required for implementation or compliance.

This information would allow the Legislature and the public to consider the fiscal implication on the private sector of statutory and regulatory changes. Similar information is already required to measure the fiscal impact of such action on state agencies.

Thank you in advance for scheduling this legislation.



Representative Pete Kott



# Alaska State Legislature House of Representatives

## COMMITTEE ASSIGNMENTS:

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MILITARY & VETERANS AFFAIRS, CHAIRMAN  
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## SPONSOR STATEMENT HB 163

The purpose of House Bill 163 is to require state agencies to provide cost estimates for proposed regulations, amendments and repeals of regulations to the Lieutenant Governor. Fiscal impact of regulations on state agencies is already required. This legislation would expand the fiscal impact information requirement to the affected private persons.

This legislation would allow the Governor, Lieutenant Governor, Administrative Regulation Review Committee, Legislature and the general public to know the financial impact of regulatory changes on private persons. Often times little or no consideration is given to the financial impact of regulatory changes on these individuals by agencies proposing these changes.

By not considering the costs associated with regulatory actions, agencies may cause businesses in Alaska to become less competitive. Alaska businesses are already faced with additional overhead expenses. Imposition of government regulatory expense may price the Alaskan product out of the market.

Making informed decisions concerning regulatory changes is a prudent manner in which to carry out the people's business. Informed decisions should ultimately help, not hinder, Alaskan businesses.

I urge your support for Alaska businesses and HB163.



Representative Pete Kott



# Alaska State Legislature House of Representatives



## COMMITTEE ASSIGNMENTS:

LABOR & COMMERCE, CHAIRMAN  
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## Sectional Analysis

HB 163

9-LS0661\A

- Section 1. Amends AS 44.62.190(d) adds Compliance Cost Estimates to this section of law dealing with Notice of Proposed Action.
- Section 2. Adds a new section defining Compliance Cost Estimates.
- Section 3. Amends the section of law dealing with public notices of regulation changes the requirement that the Compliance Cost Estimates be included in the public notice.
- Section 4. Amends the Administrative Regulation Review Committee statute to include Compliance Cost Estimates.



Representative Pete Kott



# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. HB 163

Revision Date: \_\_\_\_\_  
 Title: Regulation Compliance Cost Estimates  
Required  
 Sponsor: Representative Kott  
 Requestor: (H) STATE AFFAIRS

Department Affected: Environmental  
Conservation  
 BRU: Administration  
 Component: Commissioner's Office

COMPONENT SERIAL NO. 633

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	149.0	155.5	162.3	169.4	176.9	184.6
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	15.0	15.7	16.3	17.1	17.8	18.6
SUPPLIES	1.2	1.3	1.3	1.4	1.4	1.5
EQUIPMENT	13.5	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
<b>TOTAL OPERATING</b>	<b>178.7</b>	<b>172.4</b>	<b>180.0</b>	<b>187.9</b>	<b>196.1</b>	<b>204.7</b>
<b>CAPITAL EXPENDITURES</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>CHANGE IN REVENUES ( )</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

002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
004 GF	178.7	172.4	180.0	187.9	196.1	204.7
005 GF/Program Receipt	0.0	0.0	0.0	0.0	0.0	0.0
006 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
<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>

Estimate of any current year (FY95) cost: \$ 0.0

**POSITIONS:**

FULL-TIME	3	3	3	3	3	3
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

(SEE ATTACHED)

Prepared by: Larry Jones  
 Division: Director, Information and Administrative Services

Phone: 465-5010  
 Date: 2/20/95

Approved by Commissioner: \_\_\_\_\_  
 Agency: Department of Environmental Conservation

Date: \_\_\_\_\_

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**ATTACHMENT  
HB163 FISCAL NOTE  
Page 2 of 2**

The Department supports the concept that the public and the regulated community have a right to know the impacts of proposed regulations. Obviously, there is a very real cost associated in preparing an in-depth economic analysis of each regulatory proposal.

In the past two years, this Department went to public notice on more than 30 regulatory projects, a number of which were complex and comprehensive amendments to existing law, some of which were mandated by recent changes to federal law. If that level of regulatory activity continues, we believe the development of the compliance cost estimates would be a full-time job for at least two economists and one clerical position.

In addition to preparing the estimates, these positions would need to develop facility-specific checklists for each program for which regulations are developed, since one set of regulations will have different impacts on different facilities. The entities best able to assist us in making these estimates will be the facilities regulated under each proposed set of regulations.

The FY96 cost detail is as follows:

Cost Category	Economist I	Economist I	Clerk Typist III	Total
Salary	41,988	41,988	22,632	106,608
Benefits	15,771	15,771	10,897	42,439
Travel				0
Contractual Services (a)	5,000	5,000	5,000	15,000
Commodities	400	400	400	1,200
Equipment (one time)	4,500	4,500	4,500	13,500
<b>Total</b>	<b>67,659</b>	<b>67,659</b>	<b>43,429</b>	<b>178,747</b>

Footnote:

(a) Contractual Services includes space, phone, copier, training, etc.

The inflation rate of 4.38% (per fiscal note procedures) was applied to each subsequent year.

POSITION INFORMATION HAS BEEN UPDATED AND FUNDING HAS BEEN UPDATED.

02/20/95

Position Information Inquiry/Update

08:22:02

Position: 18-18#029	Project: 0	Salary Costs: 41,988.00
Component: 18-10-00-00-00-01	Region: _	Benefits Costs: 15,771.21
Scenario: 7    FY: 96	COLA %= 0.000	Total Costs: 57,759.21

-----  
 Actuals not available    (Status: UNKNOWN ) | Retirement Code: A  
 -----

00/00/00	Step: A for 12.0 months & Step: B for _0.0 months (total: 12.00 )
0	Merit Date; use merit defaults? N            ( 0.0 @ & 0.0 @ )
	Class/Sched Prefix: 2                            Schedule: 2A (actual: )
	Bargaining Unit: GG                            Range: 18 (actual: )
	Location Code: AWA    Place: JUNEAU
	Job Class Code: P2207    Title: ECONOMIST I _____
	Seasonal Indic.: F            Type: -

-----  
Optional Override Salary Rates:

Monthly Rate: 0.00 \_\_\_ for \_0.0 months & rate of 0.00 \_\_\_ for \_0.0 months  
 Hourly Rate: 0.00 \_\_\_ for \_0.0 months            Frozen at this rate? (Y/N): N

Press ENTER to update record; enter # or use PF key to go to another screen:

1=Premium pay info	2=Funding info	4=Code Translations	6=Calculations
7=MISC NEW POS DATA	8=Detail Report	12=Exit w/o update	Selection: 0_

POSITION INFORMATION HAS BEEN UPDATED AND FUNDING HAS BEEN UPDATED.

02/20/95

Position Information Inquiry/Update

08:28:08

Position: 18-18#031	Project: 0	Salary Costs: 22,632.00
Component: 18-10-00-00-00-01	Region:	Benefits Costs: 10,897.37
Scenario: 7 FY: 96	COLA %= 0.000	Total Costs: 33,529.37

-----  
 Actuals not available (Status: UNKNOWN ) | Retirement Code: A  
 -----

00/00/00	Step: B for 12.0 months & Step: C for _0.0 months (total: 12.00 )
0	Merit Date; use merit defaults? N ( 0.0 @ & 0.0 @ )
	Class/Sched Prefix: 2 Schedule: 2A (actual: )
	Bargaining Unit: GG Range: 08 (actual: )
	Location Code: AWA Place: JUNEAU
	Job Class Code: P1123 Title: CLERK TYPIST III
	Seasonal Indic.: F Type: -

-----  
Optional Override Salary Rates:

Monthly Rate: 0.00 for \_0.0 months & rate of 0.00 for \_0.0 months  
 Hourly Rate: 0.00 for \_0.0 months Frozen at this rate? (Y/N): N

Press ENTER to update record; enter # or use PF key to go to another screen:  
 1=Premium pay info    2=Funding info    4=Code Translations    6=Calculations  
 7=MISC NEW POS DATA    8=Detail Report    12=Exit w/o update    Selection: 0\_

# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. HB163

Revision Date: \_\_\_\_\_ Dept. Affected: Office of the Governor  
 Title: Compliance Cost Estimates BRU: Human Rights Commission  
 Component: \_\_\_\_\_  
 Sponsor: Rep. Kott & Rep. Toohy  
 Requester: \_\_\_\_\_ COMPONENT SERIAL NO. \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	17.0	-0-	17.8	-0-	18.6	-0-
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>17.0</b>	<b>-0-</b>	<b>17.8</b>	<b>-0-</b>	<b>18.6</b>	<b>-0-</b>

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

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	17.0	-0-	17.8	-0-	18.6	-0-
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>17.0</b>	<b>-0-</b>	<b>17.8</b>	<b>-0-</b>	<b>18.6</b>	<b>-0-</b>

Estimate of any current year (FY95) cost: \$ -0-

POSITIONS NONE

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The Commission periodically enacts regulations. Section 44.162.197 will require the agency to prepare an estimate of increased compliance costs. The Commission would need the contractual services of an accountant to assist it in determining the increased costs for persons required to comply with a regulation enacted by the agency.

Prepared by: Paula M. Haley, Executive Director Phone: 276-7474 x241  
 Division: HUMAN RIGHTS COMMISSION Date: \_\_\_\_\_  
 Approved by Commissioner: [Signature] Date: 2/21/95  
 Agency: \_\_\_\_\_

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# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. HB 163

Revision Date: \_\_\_\_\_ Dept. Affected: Office of the Governor  
 Title: Relating to providing compliance cost estimates for proposed regulations, amendments & repeals BRU: Office of Management and Budget  
 Component: Governmental Coordination  
 Sponsor: Representatives Kott & Toohy  
 Requester: \_\_\_\_\_ COMPONENT SERIAL NO. 18

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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	9.6	9.7	9.7	9.7	9.7	9.7
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
<b>TOTAL OPERATING</b>	<b>9.6</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>

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	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	9.6	9.7	9.7	9.7	9.7	9.7
1005 GF/Program Receipts	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
<b>TOTAL</b>	<b>9.6</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>

Estimate of any current year (FY95) cost: \$ 0.0

**POSITIONS**

FULL-TIME	0	0	0	0	0	0
SHORT-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

**ANALYSIS:** (Attach a separate page if necessary)

Section 2 of the proposed legislation (AS 44.62) would place a new requirement on the Division of Governmental Coordination to furnish a compliance costs estimate for an amendment or repeal of a proposed regulation. The Division has determined the most efficient means to meet the new requirement would be to contract with an economic consultant. The consultant would prepare a written summary of the fiscal information required under AS 44.62.197. The fiscal impact to the Division is based on the average of three regulatory project per year that would require one week of an economic consultant's time per project. The inflation rate is based on current revenue forecasts.

Prepared by: Mow Kerry Howard, Acting *Kerry Howard*  
 Division: Governmental Coordination  
 Approved by Commissioner: *James R. Poyser*  
 Agency: \_\_\_\_\_

Phone: 465-3562  
 Date: 2/21/95  
 Date: 2/21/96

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FISCAL NOTE

BILL NO. HB163

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_

Department Affected: Office of the Governor

Title: "An Act requiring an agency to provide compliance cost ..."

BRU: Executive Operations

Component: Office of the Lieutenant Governor

Sponsor: Representative Kott, Toohy

COMPONENT SERIAL NO. 0011

Requestor: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

CAPITAL EXPENDITURES						
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CHANGE IN						
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FUND SOURCE

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY95) cost: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)  
No fiscal impact

Prepared by: John Lindback, Chief of Staff *John Lindback* Phone: 465-4081  
Division: Office of the Lieutenant Governor ✓ Date: 2/17/95

Approved by Commissioner: Lieutenant Governor Ulmer *John Lindback for*  
Agency: Office of the Lieutenant Governor Date: 2/17/95

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FISCAL NOTE

BILL NO. HB 163

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: Compliance cost estimates required.  
Sponsor: Representative(s) Kott & Toohay  
Requestor: \_\_\_\_\_

Department Affected: Office of the Governor  
BRU: Division of Elections  
Component: Operations

COMPONENT SERIAL NO. 21

EXPENDITURES/REVENUES:

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL	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 &	0	0	0	0	0	0
GRANTS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE						
---------	--	--	--	--	--	--

FUNDING:

1002 Federal	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program	0	0	0	0	0	0
1008 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	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

Estimate of current year (FY98) impact: 0

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: David Kolvunemi, Acting Director Phone: 486-4811  
Division: Division of Elections Date: 2-13-95

Approved by Commissioner: Fran Ulmer, Lieutenant Governor Date: 2-17-95  
Agency: Office of the Governor

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# FISCAL NOTE

**STATE OF ALASKA**  
**1995 LEGISLATIVE SESSION**

**BILL NO. HB 163**

Revision Date: \_\_\_\_\_ Dept. Affected: Department of Administration  
 Title: "An Act requiring an agency to provide compliance  
cost estimates..." BRU: Various  
 Component: Various  
 Sponsor: Rep. Kott  
 Requestor: Rep. Kott **COMPONENT SERIAL NO. 45**

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	10.0 - 25.0	10.0 - 25.0	10.0 - 25.0	10.0 - 25.0	10.0 - 25.0	10.0 - 25.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>10.0 - 25.0</b>	<b>10.0 - 25.0</b>	<b>10.0 - 25.0</b>	<b>10.0 - 25.0</b>	<b>10.0 - 25.0</b>	<b>10.0 - 25.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	10.0 - 25.0	10.0 - 25.0	10.0 - 25.0	10.0 - 25.0	10.0 - 25.0	10.0 - 25.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
1081 Information Services Fund						
<b>Total</b>	<b>10.0 - 25.0</b>	<b>10.0 - 25.0</b>	<b>10.0 - 25.0</b>	<b>10.0 - 25.0</b>	<b>10.0 - 25.0</b>	<b>10.0 - 25.0</b>

Estimate of current year (FY 95) 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)

(Please see attached)

The Department promulgates one to two regulations packages per year where the number of and cost to those affected might be difficult to determine. In those cases, the department would contract with a professional consultant to make the estimates required by the bill.

Prepared by: Sharon Barton, Director  
 Division: Administrative Services

Phone: 465-5655  
 Date: 2-17-95

Approved by Commissioner: Mark Boyer  
 Agency: Department of Administration

Date: 2-17-95

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# FISCAL NOTE

STATE OF ALASKA

BILL NO. HB163

**1995 LEGISLATIVE SESSION**

Revision Date: Original Dept Affected: Natural Resources  
 Title: An Act requiring an agency to provide compliance BRU: Management & Administration  
 cost estimates for proposed regulations, amendments, and repeals... Component: Commissioner's Office  
 Sponsor: Representative(s) Kott, Toohy  
 Requestor: \_\_\_\_\_ Component Serial No. 423

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CHANGE IN REVENUES ( )</b>	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						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) 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)

There is no anticipated fiscal impact for the Department of Natural Resources associated with passage of this legislation.

Prepared by: Nico Bus, Acting Legislative Liaison Phone: 465-2406  
 Division: Support Services Date: 15-Feb-95  
 Approved by Commissioner: Nico Bus for John Toohy Date: 2-15-95  
 Agency: Natural Resources

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# FISCAL NOTE

BILL NO. HB 183

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

Revision Date:	Dept. Affected: <u>Military and Veterans Affairs</u>
Title: <u>Requiring an agency to provide compliance costs estimates for proposed regulations</u>	BRU: <u>Alaska National Guard</u>
Sponsor: <u>Rep. Kott</u>	Component: <u>Commissioner's Office</u>
Requestor: <u>Rep. Kott</u>	COMPONENT SERIAL NO. <u>414</u>

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
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>

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

(Thousands of Dollars)

FUND SOURCE	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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						
<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>

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

**POSITIONS**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary)

Zero fiscal impact.

Prepared by: Jeff Morrison, Director  
 Division: Administrative Support Services Division  
 Approved by Commissioner: *J. Morrison for* MG Jake Lestenkof  
 Agency: Military and Veterans Affairs

Phone: 485-4730  
 Date: 2/15/95  
 Date: 2/15/95

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# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. HB 163

Revision Date: \_\_\_\_\_ Dept. Affected: Office of the Governor  
 Title: Relating to providing compliance cost estimates for BRU: Office of Management and Budget  
proposed regulations, amendments & repeals Component: Governmental Coordination  
 Sponsor: Representatives Kott & Toohy  
 Requester: \_\_\_\_\_ COMPONENT SERIAL NO. 18

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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	9.6	9.7	9.7	9.7	9.7	9.7
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
<b>TOTAL OPERATING</b>	<b>9.6</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>

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	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	9.6	9.7	9.7	9.7	9.7	9.7
1005 GF/Program Receipts	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
<b>TOTAL</b>	<b>9.6</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>

Estimate of any current year (FY95) 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)

Section 2 of the proposed legislation (AS 44.62) would place a new requirement on the Division of Governmental Coordination to furnish a compliance costs estimate for an amendment or repeal of a proposed regulation. The Division has determined the most efficient means to meet the new requirement would be to contract with an economic consultant. The consultant would prepare a written summary of the fiscal information required under AS 44.62.197. The fiscal impact to the Division is based on the average of three regulatory project per year that would require one week of an economic consultant's time per project. The inflation rate is based on current revenue forecasts.

Prepared by: Mau Kerry Howard, Acting  
 Division: Governmental Coordination  
 Approved by Commissioner: [Signature]  
 Agency: \_\_\_\_\_

Phone: 465-3562  
 Date: 2/21/95  
 Date: 2/21/95

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# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. HB 163

Revision Date: \_\_\_\_\_ Dept. Affected: Fish and Game  
 Title: An Act requiring an agency to provide BRU: Administration and Support  
compliance cost estimates for proposed regulations. . . Component: Administration  
 Sponsor: Rep. Kott  
 Requester: (H) STA COMPONENT SERIAL NO. 479

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	27.8	28.6	29.5	30.4	31.3	32.2
TRAVEL	3.0	3.0	3.0	3.0	3.0	3.0
CONTRACTUAL	1.0	1.0	1.0	1.0	1.0	1.0
SUPPLIES	0.5	0.5	0.5	0.5	0.5	0.5
EQUIPMENT	5.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>37.3</b>	<b>33.1</b>	<b>34.0</b>	<b>34.9</b>	<b>35.8</b>	<b>36.7</b>

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	37.3	33.1	34.0	34.9	35.8	36.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>37.3</b>	<b>33.1</b>	<b>34.0</b>	<b>34.9</b>	<b>35.8</b>	<b>36.7</b>

Estimate of any current year (FY95) cost: \$ 0.0

**POSITIONS**

FULL-TIME						
PART-TIME	1	1	1	1	1	1
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary)

See Attached Page

Prepared by: Kevin Brooks *Kevin Brooks*  
 Division: Administration  
 Approved by Commissioner: *Frank G. Miller*  
 Agency: Department of Fish and Game

Phone: 465-5999  
 Date: 2/24/95  
 Date: 3.13.95

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### HB 163 Fiscal Note Analysis

The department promulgates numerous regulations based on actions of the Boards of Fisheries and Game that are aimed at allocating the State's fish and wildlife resources among the various user groups. The department already considers the impact of proposed regulations on the public, as well as affected industries, and tries to adopt regulations that impose the least possible burden. All regulatory proposals currently receive extensive public review before being adopted.

Some of these regulatory changes can be classified as "housekeeping" and should have little impact on compliance costs, while others are more significant. These regulatory actions can be as diverse as changing the gill net size for a targeted fishery or restricting, moving, or closing a specific hunt. These two examples are indicative of the types of regulations the Boards pass, and estimating the impact on private citizens would be very difficult. In the first example, it would be necessary to know the number of potential fishing vessels participating in the directed fishery, the cost of new nets, how many vessels currently had nets and which needed new ones. A survey of the fleet would be necessary each time this type of regulation was passed. In the second example, potential hunter effort would somehow have to be measured to estimate the cost of compliance.

The department estimates that an additional part-time (6 month) research analyst III position would be necessary to address the increased effort required by this bill. The boards currently meet on specific schedules throughout the year with meetings of the two boards often occurring simultaneously in different locations. The proposed position would be required to work immediately before, during and after each board meeting. Estimated costs are itemized below.

Salary and Benefits, Part-time Research Analyst III (Range 18)	\$27.8
Travel to Board Meetings	3.0
Contractual Costs--telephone, etc.	1.0
Miscellaneous Office Supplies	.5
Equipment (first year only)	5.0
	—
TOTAL	\$37.3

# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO: HB 163

Revision Date: \_\_\_\_\_ Dept. Affected: Public Safety  
 Title: Compliance Cost Estimates BRU: ALL  
 Component: ALL  
 Sponsor: Kott  
 Requester: House State Affairs COMPONENT SERIAL NO. 0523

**EXPENDITURES/REVENUES: (Thousands of Dollars) (Inflation not included)**

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	60.0	60.0	60.0	60.0	60.0	60.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
Revenue Code						

**FUNDING: (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF	60.0	60.0	60.0	60.0	60.0	60.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>

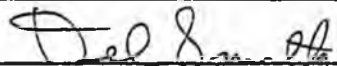
Estimate of current year (FY 96) impact: \$ \_\_\_\_\_

**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.)

See Attached.

Prepared By: Kenneth E. Bischoff, Director Phone: 465-4336  
 Division: Administrative Services Date: 3/15/95  
 Approved by Commissioner:  Date: 3/15/95  
 Agency: Ronald L. Otte, Dept. of Public Safety

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# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO: HB 163

Revision Date: \_\_\_\_\_ Dept. Affected: Public Safety

## ANALYSIS CONTINUED:

HB 163 requires a state agency to provide a cost compliance estimate for private persons if the adoption, amendment, or repeal of a regulation will increase the cost for compliance for those persons. It also provides that the estimate must cover the year following the adoption, amendment, or repeal of the regulation and if compliance is anticipated to take longer than one year, the additional period of time needed for initial compliance.

The department proposes approximately four regulations projects annually. The fiscal impact is based on at least one comprehensive regulation project and three other projects which would require less detailed cost analysis.

While some regulation projects implemented by the department reflect housekeeping amendments to existing laws, others are complex and reflect mandated additions and changes to state and/or federal law. In some instances, actual quantitative cost compliance estimates would be difficult to define. For example, the Division of Fire Prevention typically adopts the Uniform Building Code, the Uniform Fire Code, the Uniform Mechanical Code and the Standards of the National Fire Protection Association on a three year cycle as the codes are amended. The codes impact every commercial building and the processes carried out within every commercial building in the State of Alaska. The following factors directly impact the cost of buildings: size, type of construction, height, occupancy, quality, and geographical location. The number of buildings constructed in any given year is not known in advance and may significantly fluctuate based on state capitol budget, interest rates, resource development, etc.

An amendment to the code, if used by a designer, provides new methods or materials not previously available. This impacts the cost of construction. Design decisions are based upon technical as well as aesthetic considerations.

Absent specific plans for every building which is to be built over the next five years (which encompasses an additional code cycle) with cost estimates for each building using current code as well as a code which may not yet have been written, it becomes impossible to provide a cost of code implementation in terms of a specific building or for all buildings which may be built in the following five years.

Estimates may be possible in general terms however, construction cost estimates are prepared by highly trained and experienced professionals. Such services are not currently available to the department.

Due to the diverse nature of programs housed within DPS, some programs would require the services of construction cost estimators. Other programs could use economic analysis to provide support to administer surveys, collect and compile the results. Accordingly, the Department of Public Safety request contractual funding to hire the specific type of expertise needed to fit the circumstances.

A L A S K A



February 23, 1995

Representative Pete Kott  
State Capitol  
Juneau, AK 99801-1182

Dear Representative Kott,

With nearly 4,590 Alaska members, the National Federation of Independent Business/Alaska is the state's largest small-business advocacy organization. The typical NFIB/Alaska member employs five workers and rings up gross sales of about \$181,000 per year. The organization's members employ more than 43,000 workers. On behalf of the Alaska membership I would like to express NFIB's support for HB 163, requiring regulation compliance cost estimates.

The most recent issue of the NFIB Education Foundation's monthly "Small Business Economic Trends" shows taxes and regulations are the biggest problem facing small business. Complying with regulations costs our economy dearly. The hidden tax of complying with regulation is no less a tax than any other government levy.

House Bill 163 addresses two major regulatory problems that: 1) agencies often overstep their delegated authority in developing and adopting rules and, 2) agencies do not consider the impact of these rules on those citizens forced to comply with them.

Each year, NFIB/Alaska polls its diverse membership on a variety of issues. The federation uses the poll results to form its legislative agenda. The 1995 ballot covered two questions on the requirement of a cost-benefit justification for environmental regulation. The Alaska membership strongly favors economic

consideration being part of the rulemaking process as indicated by the following poll results.

- Should the legislature require an independent analysis of the cost and benefits of all proposed state environmental regulations in order to determine the impacts on business and the state?

Yes 83%

No 10%

Undecided 7%

- Should state agencies have to provide a cost-benefit justification for adoption of environmental protection regulations that are more stringent than existing federal regulations on the same subject?

Yes 89%

No 7%

Undecided 4%

Enclosed is a research report from Florida entitled, "Strengthening Economic Considerations in Rulemaking." It includes sample statutory language on economic impact statements which may be of help to you.

I look forward to working with you on this and other issues of importance to the small and independent business members of NFIB/Alaska.

Sincerely,

A handwritten signature in black ink, appearing to read "Thyges Shaub". The signature is written in a cursive style with a large initial "T" and "S".

Thyges Shaub

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# RESEARCH REPORT

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February 1994

## Strengthening Economic Considerations in Rulemaking

One of the most important issues facing the 1994 Legislature is what to do about the Administrative Procedures Act (Chapter 120, Florida Statutes), which governs the state's rule making process. Select legislative committees were formed to address this issue -- the Senate Committee on Governmental Reform and the House Committee on Agency Rules and Administrative Procedures. These committees have heard a parade of representatives from the regulated public, the business community and local governments detail the problems with the current process. Both committees are developing proposed legislation.

The two major problems presented to the Legislature are that agencies often overstep their legislatively delegated authority in developing and adopting rules and do not adequately consider the impact of these rules on those citizens forced to comply with them.

This report focuses on the latter issue -- the consideration of the economic impact of rules. This was also addressed in 1992 and legislation was passed that amended Chapter 120, Florida Statutes, with the intent of promoting cost-effective rulemaking. While the concepts were sound, in practice things have not improved and may have deteriorated.

There are numerous legislative proposals being considered this session. Some of the other areas being discussed include limiting rulemaking power delegated to agencies, the role of the Joint Administrative Procedures Committee, improving agency record keeping, and changing the time frames of the process. These all warrant serious consideration. One proposal would go as far as to repeal the Administrative Procedures Act as of October 1, 1996 and start over. While this idea may have some merit, there are three major areas of improvement that are needed now to ensure that government determines what regulation costs before putting it into effect. These are: 1) strengthen the economic impact statement and ensure that one is done whenever warranted; 2) provide the resources needed to produce detailed, reliable, consistent and independent economic impact statements; and 3) create a process by which economic considerations can impact the decision-making (including the legislative) process.

### *When Should an Economic Impact Statement Be Done?*

The state promulgates thousands of rules every year. Many do not warrant in-depth analysis of economic impact. The 1992 law removed the requirement that an economic impact statement be

prepared for all rules and required them only under certain circumstances. The Senate committee is considering requiring that economic impact statements be done for every rule adopted, amended or repealed. This may be more extensive than necessary.

However, there are some economic questions that should be asked about all proposed rules. But true, detailed economic impact statements should be required only when needed (see below).

In addition to the information currently required in an agency's initial notice of its intended action, all rules should require a listing of the classes of persons and activities that would be materially affected by the rule and a brief fiscal note that includes:

1. An estimate of the cost to the agency, and to any other state or local government entities, of implementing and enforcing the proposed action, including the estimated amount of paperwork;
2. An estimate of the effect on state or local revenues;
3. An estimate of the transactional costs likely to be incurred by the regulated public in complying with the procedural requirements of the rule.

More detailed economic impact statements should be required of certain rules. Currently, an economic impact statement must be prepared if the agency determines one is needed or if one is requested.

The Legislature should determine, when granting authority to promulgate rules, whether the rules would have a significant economic impact requiring more detailed analysis. The Florida Chamber of Commerce has developed language that would create a typology for rules. Under this process, the Legislature could, prior to enactment of any law, designate rules by various types. Each type would be subject to a different set of requirements, including economic impact statements. The Legislature should consider this proposal. Short of that, prior to enactment of any law, the Legislature should designate rules that would require a detailed economic impact statement.

### *What Should Be Included in an Economic Impact Statement?*

It is extremely difficult to write an appropriate model economic impact statement into law. Some latitude is necessary to allow economists to tailor the analysis to the rule being reviewed.

Still, the current statute listing the requirements of an economic impact statement should be improved (see sample statutory language at end of this report). The statement should include the benefits, both quantitative and qualitative, of the rule for comparison with costs.

The current language requires an estimate of the cost to government of implementing and enforcing the proposed action. This needs to include personnel costs, not just additional personnel needed, but an estimate of the time current staff must spend on activities related to the rule.

As for the impact on the regulated public, the first requirement should be an identification of who would be materially affected by the rule (including government entities). In addition to the current broad requirement to estimate the impact on competition and the open market for employment, the effect on prices, jobs and required employee qualifications should be estimated.

There also should be an analysis of the incremental costs and benefits of varying degrees of implementation of a proposed rule, acknowledging any diminishing returns. As regulation becomes more stringent, and therefore more costly, a point is reached where the payoff (added benefit) does not justify the cost.

To enhance the input of those being regulated, the economic impact statement should include estimates of the cost anticipated to be incurred by at least two actual persons or entities in complying with the proposed action. The two entities chosen as examples should be of varying size and, if applicable, geographic location. These estimates could be supplied by, or developed in conjunction with, the affected parties. Estimates supplied by the affected party would be verified/critiqued by those preparing the economic impact statement.

Any economic impact information that exists regarding an existing similar government program should also be included.

The language in the current law requiring a determination of whether less costly or intrusive methods exist for achieving the purpose of the proposed rule is very important and should be retained. Unfortunately, the requirement is often not given serious consideration.

### ***What Impact Does an Economic Impact Statement Have?***

The most important issue that needs to be addressed is how can the information from economic impact statements be used to impact intelligent and accountable decision-making. Early consideration of economic impact by agency rulemakers can help develop rules that minimize the negative impact while still achieving the goals the Legislature intended to achieve.

A very vital part of the current law concerning economic impact statements is the requirement that a determination be made of whether less costly or intrusive methods exist for achieving the purpose of the proposed rule which are not precluded by law. Other language in Chapter 120, Florida Statutes, also requires that when adopting rules, agencies must choose the approach that imposes the lowest net cost to society or provide a statement of the reasons for rejecting that approach. As mentioned above, this requirement is often not given due consideration.

Current law also states that this does not provide a basis for challenging a rule. This language should be removed. If a less costly or intrusive method that achieves the same or better results sought by the Legislature exists, that approach should be the one adopted. Authorizing hearing officers to invalidate a rule when they determine this is not done would give some teeth to this vital consideration.

Current law also limits the standing to challenge a rule, based on the economic impact statements, to persons that requested preparation of an economic impact statement and made the agency aware of their concerns. The law should be changed so that this limitation is applicable only if the agency provided meaningful opportunity for public input by providing notice of rule development and holding a public workshop.

It is also important to allow the Legislature to consider the information in the economic impact statements. The paramount consideration in regulation should be if the benefit to society of regulation exceeds the cost of that regulation. True cost-benefit analysis can be difficult with government regulation because the public benefit derived from it is often quite difficult to quantify. Further, the courts have ruled in some areas of federal regulation, such as health, safety and the environment in which Congress has mandated a specific goal, cost-benefit analyses are not permitted, since Congress has already weighed the costs and benefits of its action.

It is the role of the Legislature to decide whether a specific regulation's benefit to society is worth the cost to society. The economic impact of regulation should be considered during the legislative process, but that is not always practical. The art of compromise during the process often results in essential details being left out. That is where rulemaking comes in. However, one consequence of this process is that regulation is often imposed that has unforeseen or unintended consequences and costs, some which may be more negative than the problem which the rule was intended to solve.

Rules of this nature require additional oversight. Rules with substantial economic impacts (unknown at the time of law passage) should be reviewed by the Legislature.

Under the typology approach discussed earlier in this report, additional legislative oversight is one of the additional requirements that may be imposed. One form of this oversight would require legislative ratification of certain adopted rules. These rules would be submitted in bill form to the Legislature and would become effective only upon approval by act of the Legislature. Some rules would require only legislative review. These rules would remain in effect unless rejected or modified by act of the Legislature.

This concept is a vital tool to interject economic considerations into regulation. In addition to increased oversight, the Legislature must do a better job of giving direction to agency rulemakers and defining whether a particular grant of rulemaking authority is narrow or broad in scope. If a rule will not be subject to legislative review or ratification, the agency needs to have a clear vision of, and adhere closely to, the intent of the Legislature.

### *Who Will Do the Economic Impact Statements?*

Once there is a mandate to do effective economic impact statements on proposed rules, the question is: "Who is going to do them?" One of the biggest current obstacles facing agencies is a lack of resources and qualified personnel to do the economic impact statements.

The governor included \$300,000 in his 1994-95 budget recommendations to be used in "collaborative efforts with the private sector to improve the communication of information related to the impacts of proposed administrative rules," including the preparation of economic impact statements. There is no defined plan for how to use this money, but contracting with private consultants is certainly a possibility. With the limited pot of money, this problem could only be addressed selectively, not comprehensively.

A central, well-equipped unit in state government is needed to perform this function. Several candidates for housing such a unit exist: the Division of Economic and Demographic Research

of the Joint Legislative Management Committee, the Governor's Office of Planning and Budgeting and the Joint Administrative Procedures Committee. This function should be put where independence is maximized to provide essential checks and balances. But where it is placed is not as important as providing the professional expertise and resources to do the job well.

While the appropriation in the governor's budget is a welcome acknowledgement that improvement in this area is needed, changes to the Administrative Procedures Act are even more important.



**Sample Statutory Language for Section 120.54 (2)(c)**

(c) The detailed economic impact statement must include:

1. The quantitative and qualitative benefits expected to be derived from proposed action:
2. An estimate of the cost to the agency, and to any other state or local government entities, of implementing and enforcing the proposed action, including the amount and cost of personnel hours required, the estimated amount of paperwork, and any anticipated effect on state or local revenues:
3. A listing of the classes of persons and activities that would be materially affected by the rule:
- ~~2.~~ 4. An estimate of the cost and of the economic benefit to all persons directly affected by the proposed action;
- ~~3.~~ 5. An estimate of the impact of the proposed action on prices and intrastate, interstate and international competition and the open market for employment if applicable;
6. An analysis of the impact on the open market for employment, the net gain or loss of jobs in Florida, and the change in required employee qualifications;
7. A analysis of the incremental costs and benefits resulting from varying degrees of implementation and different standards to be achieved.
- ~~4.~~ 8. An analysis of the impact on small business as defined in the Florida Small and Minority Business Assistance Act of 1985;
9. Estimates of the cost anticipated to be incurred by at least two actual persons or entities in complying with the proposed action. The two entities chosen as examples should be of varying size and, if applicable, geographic location. These estimates may include those provided by, or developed in conjunction with, persons affected by the intended action.
10. Economic impact information known about the federal, state or local program that most resembles the proposed rule, if applicable;
- ~~5.~~ A comparison of the probable costs and benefits of the proposed rule to the probable costs and benefits of not adopting the rule;
- ~~6.~~ 11. A determination of whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rule where reasonable alternative methods exist which are not precluded by law;
- ~~7.~~ 12. A description of any alternative reasonable methods or less intrusive methods, where applicable, for achieving the purpose of the proposed rule which were considered by the agency, and a statement of the reasons for rejecting those alternatives in favor of the proposed rule; and
- ~~8.~~ 13. A detailed statement of the data and methodology used in making the statement;

# FISCAL NOTE

**STATE OF ALASKA**  
**1995 LEGISLATIVE SESSION**

**BILL NO.** HB 163

Revision Date: \_\_\_\_\_  
 Title: Compliance Cost Estimates  
Required  
 Sponsor: Representative Kott  
 Requirer: House State Affairs

Department Affected: Labor  
 BRU: Commissioner's Office  
 Component: \_\_\_\_\_  
Commissioner's Office  
**COMPONENT SERIAL NO.** 340

**EXPENDITURES/REVENUES:**

(Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	60.0	62.6	65.4	68.2	71.2	74.3
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>60.0</b>	<b>62.6</b>	<b>65.4</b>	<b>68.2</b>	<b>71.2</b>	<b>74.3</b>

<b>CAPITAL</b>						
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<b>CHANGE IN REVENUE</b>						
<b>FUND SOURCE #</b>						

**FUNDING:**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	60.0	62.6	65.4	68.2	71.2	74.3
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>60.0</b>	<b>62.6</b>	<b>65.4</b>	<b>68.2</b>	<b>71.2</b>	<b>74.3</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY95) impact: \$ None

**ANALYSIS:** (Attach a separate page if necessary)

See Attached

Prepared by: Arbe Williams, Director Phone: 465-2720  
 Division: Administrative Services Division Date: 2/27/95  
 Approved by Commissioner: *Tom Cashen*  
 Agency: Department of Labor Date: 2/27/95

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Fiscal Note Analysis for HB 163  
Compliance Cost Estimates Required

This bill requires agencies to provide an estimate of compliance costs to the private sector for regulatory actions. Estimates must cover the year following the adoption, amendment or repeal of the regulation and if compliance is anticipated to take longer than one year, the additional period of time needed for initial compliance.

Assumption: The department would be required to provide economic analyses of the effect of department regulations on employers.

Although it is difficult to estimate the overall economic cost associated with compliance with new regulations, much of this information could be derived from a special survey of employers directly affected by the regulations. For instance, if the department proposed adding hours worked to the employer contribution form, and this required a regulatory change, we could ask employers of different size categories to estimate the amount of time required to change their bookkeeping procedures or accounting software. A special survey, including mailout and analysis of the data would take less than one staff month per regulatory change (partial month of clerical support, partial month of analyst time) or approximately \$5,000 including mailing costs.

During calendar years 1993 and 1994 there were a total of twenty regulatory changes proposed by the department. Ten of those changes were Occupational Safety & Health (OSH) related, and as federally published cost compliance analyses are available for federal standards, it is assumed that the department would only be required to refine estimates for Alaskan employers. In addition, the department anticipates substantive statutory changes to the Alaska Workers' Compensation Act this legislative session which would require regulatory changes in FY 96.

Our fiscal note anticipates at least one substantive regulations package which would require a comprehensive survey each year and five other regulation changes which would require a less complex survey.