

MEMORANDUM

STATE OF ALASKA
Office of the Governor
Office of Management and Budget
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To: Administrative Service Directors
Legislative Liaisons

Date: December 19, 2014

From: Pat Pitney, Director
Office of Management and Budget

Subject: 2015 Legislative Session
Fiscal Notes

Prior to the start of the 1st Session of the 29th Legislature, we would like to provide you with information regarding the policy and process for preparing fiscal notes.

Alaska Statute 24.08.035 (Attachment 1) provides that **before** a bill or resolution, except an appropriation bill, is reported from the committee of first referral, a fiscal note **must** be attached. The fiscal note process is used to provide the Legislature, the Governor's Legislative Office (GLO), and Office of Management and Budget (OMB) with timely and objective data regarding the long term fiscal impact of proposed legislation. A fiscal note may also serve as a request for a budget increment. As such, it is subject to legislative review and modification.

Your primary fiscal note contact at OMB will be Senior Policy Analyst and Legislative Liaison, Arnold Liebelt. During this time of transition, the Governor's Legislative Office (GLO) is not currently fully staffed. Once staff has been hired, you will be notified of your primary fiscal note contacts.

The electronic version of the fiscal note, along with these fiscal note instructions, can be found on the OMB website under Forms/Manuals as well as the Division of Legislative Finance website at: <http://www.legfin.state.ak.us/index.php>.

Governor's Bills

As was the case last year for proposed legislation submitted at the request of the Governor, departments are required to complete a fiscal note accompanied by a bill analysis. Fiscal notes and analyses should be submitted to the GLO by the due date on your legislative green sheet reviews before final approval of the draft legislation. **Draft legislation will not be finalized for introduction until appropriate fiscal information is submitted to the legislative office and reviewed and approved by OMB.**

Fiscal Note Policy

The 1st Session of the 29th Legislature will run from January 20 to April 19. For bills other than those introduced by the Governor, the statutory deadline for completion of fiscal notes is **three days from the date the note is requested.** While we recognize that it can be difficult to complete fiscal notes on complex legislation within this time, it is essential that every effort is made to meet the deadline. Department legislative liaisons are responsible for monitoring upcoming hearing schedules, and for working with committee aides in advance to get a head start on the process. For particularly complex bills

that are likely to receive a hearing, work should start on fiscal notes as soon as the bills are prefiled or introduced.

When departments prepare fiscal notes, it is expected that there be a process in place that assures accuracy and internal alignment of the note. This would include review by those understanding the impacts of the proposed legislation, and those that understand the bill's overall fiscal impact on the department. **Administrative Services Directors are expected to be part of this internal review** since they have the greatest knowledge of the department's overall budget, particularly the technical aspects of budget structures and fund codes.

Most fiscal notes will be one of the following:

1. Zero fiscal impact;
2. Single or multiple department impact; or
3. Statewide impact.

With the exception of legislation that would have a statewide impact, departments will submit fiscal notes to the Governor's Legislative Office with a copy to OMB. It is understood that there will be some fiscal notes that will not fit one scenario. These will be handled individually with the GLO providing guidance. It is important to note that regardless of the fiscal impact, **OMB will be copied on every fiscal note that moves from the department to the GLO.**

The GLO needs to receive fiscal notes 24 hours in advance of the requester's due date to allow time for review and distribution of the note to the committee. Keep in mind that a fiscal note should be delivered to the committee requesting it within three days. The hearing calendar can be seen on BASIS and is released every Thursday afternoon.

If the Bill Hearing is scheduled for:	Then the Fiscal Note is due to GLO and OMB by:
Monday	4:00 PM on the previous Friday
Tuesday or later	12:00 noon on the previous Saturday

The Governor's Legislative Office is responsible for the distribution of departments' fiscal notes to the Legislature.

Fiscal Notes for Committee Substitutes

Per AS 24.08.035, revised fiscal notes need to be prepared for Committee Substitute (CS) bills when the CS is reported out of a committee, and **only if there is a change in the fiscal impact of the bill.** It is the responsibility of each department legislative liaison to monitor committee activities and BASIS to determine when a revised fiscal note is required. The GLO can assist where possible.

As a general rule, departments are not expected to prepare revised fiscal notes for draft committee substitutes prior to adoption by the committee. Changes in the fiscal impact of work drafts can usually be communicated to committees verbally through department testimony. If any questions arise regarding the need for a revised fiscal note in a particular instance, you will first need to discuss the situation with the GLO.

Indeterminate Fiscal Notes

For some legislation, it is not possible to accurately determine the specific impact that the legislation will have on a department's budget. In this case, an indeterminate fiscal note should be prepared.

Indeterminate fiscal notes are the exception. If assumptions are needed in order to quantify the fiscal impact, then you can contact either the GLO or the sponsor of the bill for this information. Be sure to document assumptions in the analysis portion of the fiscal note. It is important to understand that an indeterminate fiscal note results in a zero appropriation. See Attachment 2, (Detailed Fiscal Note Instructions) for how to enter an indeterminate fiscal note.

Legislative Finance Fiscal Note System

Departments will continue to transmit fiscal notes to the GLO in both PDF and Excel format. The OMB Legislative Liaison must be copied on all fiscal notes. Once the GLO uploads the fiscal note into the Legislative Fiscal Note system, it immediately becomes public information.

The fiscal note system is a tool to assist Legislative Finance, OMB, and agencies in tracking fiscal notes and budget impacts throughout the legislative process. Department legislative liaisons can use the system to monitor the status of their fiscal notes. Unlike BASIS - which tracks legislation, the fiscal note system is strictly limited to the tracking of fiscal notes (cost impacts of legislation). The fiscal note system can be found on the *Division of Legislative Finance* Website - <http://www.legfin.state.ak.us/>.

When providing testimony in committees, department representatives will be expected to refer to the fiscal note that is transmitted from the GLO, or to print the note from the fiscal note system, **and not the note that they submitted in Excel.** This will ensure consistency and version control.

It is critical that all department staff understand the policy, follow the process, and be prepared. If you have any further questions, please contact Arnold Liebelt at 465-4676, or the Governor's Legislative Office at 465-4021.

Thank you.

Attachments:

Attachment 1: AS 24.08.035 Fiscal Notes on Bills

Attachment 2: Detailed Fiscal Note Instructions

Attachment 3: 2014 Fiscal Note with Keys

cc: OMB Budget Analysts
OMB Policy Analysts
Governor's Legislative Office

Attachment 1
AS 24.08.035 – Fiscal Notes on Bills

(a) Before a bill or resolution, except an appropriation bill, is reported from the committee of first referral, there shall be attached to the bill a fiscal note containing an estimate of the amount of the appropriation increase or decrease that would result from enactment of the bill for the current fiscal year and five succeeding fiscal years or, if the bill has no fiscal impact, a statement to that effect shall be attached. The fiscal note or statement shall be prepared in conformity with the requirements of this section by the department or departments affected and may be reviewed by the office of management and budget. The fiscal note or statement shall be delivered to the committee requesting it within three days of the request. If the bill is presented by the governor for introduction in accordance with AS 24.08.060 (b) and the uniform rules of the legislature, the fiscal note or statement shall be attached to the bill before the bill is introduced. An amendment or a substitute bill proposed by a committee of referral that changes the fiscal impact of a bill shall be explained in a revised fiscal note or statement attached to the bill.

(b) In addition to the fiscal note required by this section, the sponsor of a bill or resolution may prepare a fiscal note in conformity with the requirements of this section and submit it to the committee of first referral or the finance committee. A committee may prepare an additional fiscal note in conformity with the requirements of this section.

(c) A fiscal note for a bill or resolution must contain the following information:

- (1) the fiscal impact on existing programs;
- (2) the fiscal impact of new programs or activities;
- (3) a line item detail of the fiscal impact;
- (4) the source of funds expected to be utilized by general fund source, federal fund source, or other identified source;
- (5) the number of new positions that may be required, identified as full-time, part-time, or temporary;
- (6) an analysis of how the figures in the fiscal note were derived;
- (7) additional information necessary to explain the fiscal note;
- (8) a fiscal impact projection for the current fiscal year and for the succeeding five fiscal years; and
- (9) formal information consisting of
 - (A) the bill or resolution number,
 - (B) the name of the prime sponsors,

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AS 24.08.035 – Fiscal Notes on Bills

(C) the date the fiscal note was prepared,

(D) the name of the committee requesting the fiscal note,

(E) the name and phone number of the person who prepared the fiscal note, and

(F) the budget request unit, program, or subprogram affected.

(d) The original of a fiscal note shall be submitted to the Division of Legislative Finance and copies shall be sent to the prime sponsor, the committee requesting the fiscal note, and the office of management and budget.

(e) *[Repealed, Sec. 2 ch 64 SLA 1992].*

(f) In addition to the other requirements of this section, if a bill directs an agency in the executive branch of state government to adopt, amend, or repeal a regulation or will result in an agency's adopting, amending, or repealing a regulation, the department affected shall include in the fiscal note for the bill a specific time by which the agency shall adopt, amend, or repeal the regulation. If the agency is not able to meet the deadline set in the fiscal note, the agency shall

(1) set a new deadline; and

(2) report to the Administrative Regulation Review Committee the new deadline and the reasons for being unable to meet the deadline set in the fiscal note.

(g) In (f) of this section, "agency" includes the Alaska Housing Finance Corporation, the Alaska Industrial Development and Export Authority, the Alaska Energy Authority, the Alaska Public Offices Commission, and the Alaska Oil and Gas Conservation Commission, but does not include other boards or commissions.

Attachment 2

Detailed Fiscal Note Instructions

These instructions were developed by the Governors Legislative Office (GLO) and OMB and were updated for the 2015 legislative session. They should be disseminated to all agency staff involved in the preparation of fiscal notes. If you have any questions, please contact your OMB budget analyst or the Governor's Legislative Office.

General Information

- Be sure to use the updated 2015 legislative session fiscal note forms. **Please do not alter the fiscal note forms.** We recommend purging last year's form so as not to confuse it with this year's updated form.
- Fill in only the shaded areas.
- Do not lock the fiscal note documents. The clerks need to add information to the forms when they receive them (fiscal note number, etc.)

Items Worth Noting

- For the Bill Version, only enter the bill root (i.e. HB 140). The full version of the bill should be entered on the Identifier line (file name).
- The first three fund sources are locked and cannot be changed (Federal Receipts, GF Match, and GF). The next three fund sources require the preparer to enter the *Fund Source Code* only, and the *Fund Source Title* will automatically populate. A list of fund sources can be seen on a separate tab on the electronic version of the fiscal note. If the bill creates a new fund source and the expenditures will come from this new fund, then enter fund code 1178 - temp code (UGF).
- If the *Operating Expenditures* and the *Fund Sources* do not balance, an error message will occur. Notes will not be accepted with this error.
- Cells are protected. Preparer can only enter information into the shaded cells.

Fiscal Note Details

The following section provides line-by-line guidance for completing the fiscal note form. The numbers in the left column refer to the numbered entries on *Attachment 3 – Fiscal Note with key* located on page 15.

1. **Bill Version** – Only the bill number of the bill needs to be entered here, such as SB 57 or HB 9. Do not enter the version number as referenced on the bill. The Bill Identifier should have the bill version as part of the file name (see below-identifier).
2. **Identifier** - Enter the file name for the fiscal note PDF file. See Naming Conventions on page 13.
3. **Title** - Provide the short title for the legislation. The short title for a bill is shown in BASIS.

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Detailed Fiscal Note Instructions

4. **Sponsor** - Committee or legislator sponsoring the legislation. **Remember that for the Governor's bills, the sponsor is the Rules Committee "Rules by Request of the Governor."** This is a common error.
5. **Requester** - The requester is usually the committee scheduled to hear the bill. **For the Governor's bills, the requester is "Governor" for the first fiscal note - before the bill is assigned a bill number.**
6. **Department/Appropriation/Allocation** - These spaces should be filled in appropriately. Example: Office of the Governor/Commissions/Special Offices/Human Rights Commission.
7. **Component Number** - Agencies are required to fill in this information for all fiscal notes. If a bill affects more than one component, then a separate fiscal note needs to be prepared for each component. For department-wide fiscal notes, use the Commissioner's Office component number.

A tab has been added to the electronic version of the Fiscal Note called *OMB Component Lookup*. This hyperlink will take you to the Legislative Finance site for list of component numbers, or the ability to lookup a component number. **Incorrect component numbers are a common mistake. Please double check the component number before submission.**

Expenditures/Revenue

8. **Operating Expenditures** - The fiscal note form includes two columns for FY 2016: "Appropriation Requested" and "Included in Governor's FY16 Request." The first column should show the appropriation required for FY16 should the legislation pass. The second column should show zero funding unless funding specifically for this legislation, or comparable legislation, has been included in the Governor's budget. Generally, the amount that is considered in the base is not shown. **If the bill becomes law, then it is the amounts in these columns together that becomes the operating appropriation.**

The section marked "Out-Year Cost Estimates" is your agency's best estimated cost for this legislation in future years. Do not adjust the out years for inflation.

Operating Expenditures means the added/deleted cost of the proposed addition or change and should not include the current level of program expenditures. If state expenditures will be reduced by the proposed legislation, the amount should be shown in parentheses. All expenditures should be expressed in thousands of dollars rounded to the nearest hundred (e.g., \$7,757 = \$7.8). If there are no expenditures for the indicated years, enter a zero. Remember that your expenditures need to be carried through FY 2021. The amounts shown for a given fiscal year should reflect the actual cost or savings of that particular year, relative to the status quo.

The Administration's policy is to develop fiscal notes without taking into account inflation, because most state programs do not receive automatic increases in funding for inflation. If you

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Detailed Fiscal Note Instructions

are preparing a fiscal note for a program that is dependent upon inflation rate (e.g., formula programs), please use the following:

	<u>* Statewide Population</u>	<u>% Change</u>	<u>**Inflation %</u>
FY 2016	762,902	1.17	2.25
FY 2017	770,417	1.15	2.25
FY 2018	777,858	1.12	2.25
FY 2019	785,192	1.09	2.25
FY 2020	792,431	1.07	2.25
FY 2021	799,521	1.07	2.25

* Dept. of Labor, Alaska Population Projections 2012 – 2042 (Baseline)

** Alaska Permanent Fund as reported by Callan Associates.

For indeterminate fiscal notes, place three asterisks (***) in each year of the “Personal Services” line only, and this will automatically populate the “Total Operating” and the fund source “Total” lines with ***. In the analysis section, include a brief statement similar to: “The fiscal impact of this legislation cannot be accurately determined at this time”, along with additional explanation as appropriate. **Keep in mind that by stating the impact is indeterminate, the legislation will result in no additional increment or appropriation if passed.** Indeterminate fiscal notes should be the exception.

9. **Fund Source** - Use this section to show the funding source for any increase or decrease in expenditures. **If other funds, then specify fund source name and code using ABS fund source codes.** If a fund source change results from the legislation, enter the negative amount in the current funding source space and a positive amount in the proposed funding source space.

A list of fund sources is provided in the electronic fiscal note template on the sheet titled “Fund Code by Name”, or “Fund Code by Number.” Enter the fund code number only and the Fund Source Title will automatically populate.

If a new fund source is needed that is not included in the fund source list, you will need to notify the GLO and you will also need to notify OMB’s Chief Budget Analyst, Kelly O’Sullivan, at 465-4681. Kelly will need to know to ensure that OMB can track the legislation and create the new fund source if the legislation is enacted. The GLO will work with Legislative Finance to create the new fund code in the system so that the fiscal note can be uploaded.

10. **Positions** - List number of new or reduced full-time, part-time, or temporary positions that are related to implementation of the legislation. Positions should be shown in the out years as well, if applicable. **Position must be shown as whole numbers regardless if they are FT, PT, or Temporary.**
11. **Changes in Revenues** - Increase or decrease in revenues as a result of the legislation should be identified. Explanation should be provided in the analysis section, as well as the name of the fund source that would be impacted, if known.

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12. **Estimated SUPPLEMENTAL (current year cost)** - Use this space (located just below the *Changes in Revenue*) when the proposed legislation will impact current year (FY 2014) spending.
13. **Capital Expenditures** – This section is for legislation that requires a capital appropriation. The full amount needed for the capital appropriation should be shown here. If the capital will be phased over several years, then this should be discussed in the *Analysis Section*. If no capital appropriation is needed, then enter zero. Fiscal notes with capital expenditures should be monitored closely in the legislative process to be sure the necessary capital is included in the capital budget if the legislation becomes law.
14. **Associated Regulations** - Answer **Yes** or **No** on whether or not regulations will be needed, or a change to existing regulations will be needed, as a result of the legislation. If yes, you will need to include the date by which new or revised regulations will be in place.
15. **Differences from Previous Version** - Briefly summarize the reasons for changes in the fiscal note from the previous version. If this is the first version of the fiscal note, then state: “**Not applicable, initial version**” in this area. If note is updated based on new version of bill, then explain why the new version changed the fiscal note.

NOTE: if a new version of a bill causes no change to the existing fiscal note, then agencies do not need to update the fiscal note to reflect the new version of the bill.

16. **Prepared By** - The name of the person who prepared the fiscal note, as well as the division and phone number of the preparer. Please check with your division director on this. The preparer should be able to answer questions regarding the fiscal note.

Date and time for revised notes are important. If a revised fiscal note is prepared, the date of the revision should be used as the “**prepared by**” date.

Note: The preparer's name and date prepared will appear in BASIS with the fiscal information. The Date/Time is formatted and cannot be changed. Be sure to enter as xx/xx/xxxx. The time defaults to 12:00 AM, so please be sure to enter correct time.

With the electronic distribution of fiscal notes, the preparer's signature is not required.

17. **Approved by the Commissioner** - With the electronic distribution procedure, the commissioner or designee does not need to physically sign the fiscal note. **However, the commissioner or a designee must still approve the fiscal note.** The commissioner's or designee's name should be left blank until the fiscal note is approved. When approved, the commissioner's or designee's name should be entered here (typed into the Excel fiscal note document) to indicate that the note has been approved.
18. **Analysis** - The analysis should be concise and generally limited to one additional page, if possible. Only information that is needed to explain or justify the expenditure or revenue change should be included. **Note: This is not a position paper. Fiscal notes are not used to convey**

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Detailed Fiscal Note Instructions

the Administration's support or opposition on a bill. Fiscal notes become part of the permanent record and are a reflection on your department. As such, they need to be written professionally, accurately, and be factual. Fiscal notes with errors will be returned to the department for corrections.

Other types of information or more detailed fiscal information should be presented in a separate attachment. Please keep page numbering consistent. First page of the fiscal note is always page one (1) and continues from there. Your analysis should cover the following areas, as required:

Assumptions - Identify the specific assumptions upon which the expenditures detail is based.

Program Summary - Present a concise narrative summary of the operational program to be funded by the expenditure. Minimum informational requirements include:

- a. **Positions** - List any new positions required according to job classification title. Include basic position information (i.e., step, range, salary, benefits, etc.). Use the FY 2015 personal services data for Governor's legislative proposals until the FY 2016 data becomes available. Justification for the position should include a brief job description. When discussing positions, allow for flexibility if unsure as to where the position(s) will be located (i.e. Anchorage vs. Juneau).
- b. **Other Expenditures** - Identify and justify major expenditure items.
- c. **Funding** - Furnish the basis of any estimate for federal or other funds or a change in revenue.
- d. **Section Cost Analysis** - The fiscal detail for a lengthy bill may be the sum of costs for various sections of the bill. If so, the analysis should allocate total cost among the various sections of the bill.

Performance Measures - If the legislation will have an impact on the department's performance measures, strategies, or end results, explain what the impact will be.

Computations - If a formula method is used in determining the data shown in the expenditures section, show your computations in sequence. Clearly identify the elements and mathematical processes that are used in each step.

Economic Impact - Some program changes may have little effect on the State budget, but may significantly impact the State's economy. Department comments on projected economic impact should be included as part of the analysis.

Attachments - Additional information that should be considered during discussion of the proposed legislation may be attached to the fiscal note. **Attachments need to be transmitted as PDF files at the same time the note is transmitted to the Governor's Legislative Office.** Some examples of attachments include:

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Detailed Fiscal Note Instructions

- a. Department comments regarding the legislation itself - suggested revisions, effect upon existing or proposed programs, and alternative legislation, etc. **Comments should be limited to technical information and should not be used to express the Administration's position.**
- b. Pertinent department memoranda relating to the subject area of the legislation.
- c. Charts or graphs.
- d. Pertinent articles from newspapers, magazines, and professional publications, etc.

Distribution

After the fiscal note has been approved, the Excel fiscal note document needs to be converted into Adobe Acrobat PDF format. This is a simple one-button operation that can be done from within the Excel program when Adobe Acrobat is installed. To reduce the chances of Acrobat conversion problems, DO NOT modify the Excel fiscal note forms provided by OMB.

Naming Conventions

Use the following formats for naming your PDF fiscal note files:

1. Before a bill number has been assigned:
Law Log Number-Department-Component-Date
Example: 0009-EED-ESS-11-15-14
2. After a bill number has been assigned:

(Note: Three digits in the label for the number are required)
Example for a bill with a number lower than "100," HB 21:
HB021-EED-QS-1-20-15

Example for a bill with a number of "100" or greater, HB 125:
HB125-EED-SSS-1-20-15
3. Committee Substitutes:
HB125CS(HSS)-EED-SSS-1-20-15
SB219HCSCS(HSS)-DOA-PD-1-20-15

After converting a fiscal note to PDF format, the fiscal note documents (Excel and PDF) will be emailed as an attachment to the following designated staff in the Governor's Legislative Office and Office of Management and Budget:

GLO, Legislative Executive Assistant: Currently vacant
GLO, Deputy Legislative Director: Currently vacant
OMB Legislative Liaison: Arnold.Liebelt@alaska.gov
OMB Legislative Liaison Backup: John.Boucher@alaska.gov

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Bill Version 1
 Fiscal Note Number _____
 () Publish Date _____
 Dept. Affected 6
 Appropriation _____
 Allocation _____
 OMB Component Number 7

Identifier (file name) 2
 Title 3
 Sponsor _____
 Requester 4 & 5

Expenditures/Revenues (Thousands of Dollars)

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

	FY16 Appropriation Requested	Included in Governor's FY16 Request	Out-Year Cost Estimates					
			FY16	FY17	FY18	FY19	FY20	FY21
OPERATING EXPENDITURES								
Personal Services <u>8</u>								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
		FY16	FY17	FY18	FY19	FY20	FY21	
1002	Federal Receipts <u>9</u>							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1007	I/A Rcpts (Other)							
1156	Rcpt Svcs (DGF)							
	TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	

POSITIONS							
		FY16	FY17	FY18	FY19	FY20	FY21
Full-time <u>10</u>							
Part-time							
Temporary							

CHANGE IN REVENUES <u>11</u>							
		FY16	FY17	FY18	FY19	FY20	FY21

Estimated **SUPPLEMENTAL (FY15) operating costs** 12 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated **CAPITAL (FY16) costs** 13 (separate capital appropriation required)
 (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? 14
 If yes, by what date are the regulations to be adopted, amended, or repealed? _____ Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

15

Prepared by 16
 Division _____
 Approved by 17

Phone _____
 Date/Time _____
 Date _____

FISCAL NOTE ANALYSIS

**STATE OF ALASKA
2015 LEGISLATIVE SESSION**

BILL NO. 0 _____

Analysis

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