



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue

Office of the Commissioner

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Rep. Bart LeBon
Chair, House Revenue Finance Subcommittee
State Capitol Room 418
Juneau AK, 99801

Dear Chair LeBon,

The Department of Revenue is responding to additional questions asked by members at the hearing of House Revenue Finance Subcommittee on Monday, February 10.

What efforts does the Child Support Services Division undertake to collect past due child support from workers in the “gig” economy?

In the gig economy, individuals are paid cash or via card or other online methods, and do not directly work for an employer – nor are they officially self-employed. For example, Taxi Cab drivers, Uber and Lyft drivers, hairdressers, and barbers simply rent the car or chair from a larger company – they are not employees and they receive direct pay from their clients for their services. Besides not having an office or schedule, many non-traditional workers use technology to their advantage. Freelancers can look for gigs on virtual job boards and may use non-traditional mobile banking tools like online payment apps. In the 2018 Bureau of Labor Statistics Report (BLS) it was estimated that 5.9 million people had contingent or alternative employment arrangements.

Child support attempts to collect using enforcement methods such as bank sweeps, liens and tax intercepts, may occasionally capture funds, but this segment remains a challenge for collections. Obligor who will not voluntarily pay are very challenging for collections. Unless child support is able to intercept funds before an individual is paid, most efforts are not successful.

Enforcement remedies such as driver's license suspension are effective tools for enforcement, but the long timeframes required prior to revoking a license (sometimes up to 11 months) mean that arrears remain unpaid and reach high levels before action is taken. Some obligors will pay the amount required to get their license back, and then fail to meet payment agreements, which starts the process over again. The threshold for criminal prosecution is \$20,000 – which can take years for an obligor to reach.

The agency is exploring ways to improve collection tools including a review of statutory limitations to see if changes are in order to make them relevant to current technology and trends. Shortened time frames, broader language and additional collection tools may help.

Does the Department have any Policies to Minimize Potential Risks Associated with Investments in Fossil Fuel Companies?

The Department of Revenue and its Investment Managers take seriously the charge set forth in AS 37.10.071(c) that they apply the prudent investor rule in managing investments. Accordingly, investments within each fund managed by the Department are constantly being evaluated based on a number of potential risk factors. Investments in the energy sector, like any other investment sector, may carry unique risks. Similarly, investments in any particular company may pose unique risks even when compared with investments in other companies within the same industry sector. Conversely, investments in particular sectors or companies may also provide the opportunity for enhanced returns for the beneficiaries of the funds being managed.

The Department and its Investment Managers are constantly developing and refining strategies to enhance risk management, return profiles, and efficient investment portfolio development. Ultimately, one of the most important risk management practices is diversification of investments across industry sectors, investment vehicles, and economic regions. Diversification ultimately entails avoiding concentration of investments in any particular industry sector, while concomitantly avoiding artificially narrowing the pool of investment options across which an investment portfolio may be diversified.

The Department's goal is ultimately to produce a sufficient return on each of its investment portfolios to meet the goals of each particular fund, and to do so in the most efficient and lowest risk manner.

Thank you for the opportunity to provide additional information to the Subcommittee.

Sincerely,

Mike Barnhill
Deputy Commissioner