

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 6
 Bill Version: CSSB 338 (FIN)
 (S) Publish Date: 4/2/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
 Title "An Act making certain individuals convicted of BRU Civil Division
crimes ineligible for permanent fund dividends and ..." Component Collections and Support
 Sponsor Senate Finance Committee
 Requester Senate Finance Committee Component No. 2210

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (GF/Prog Rcpts)	0.0	0.0	(*****)	(*****)	(*****)	(*****)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The collections unit of the Department of Law is responsible for collecting civil and criminal judgments owed to the State of Alaska, and beginning in January 2002, restitution on behalf of victims of all types of crimes (violent, non-violent, and property crimes) and delinquent acts. Criminal judgments include criminal fines, costs of incarceration, costs of appointed counsel, forfeited bonds, minor offense fines, and costs related to those fines. Civil judgments include cost and attorney fees awarded to the state in civil litigation, and APOC and OSHA penalties.

Approximately two-thirds of the state revenue generated by the unit is deposited in the general fund. The remaining revenue is appropriated as general fund program receipts both to support DWI incarceration and court appointed counsel programs, and to pay for the collections unit. Restitution revenue will go directly to victims.

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 Division: Attorney General's Office Date/Time 3/29/02 3:51 PM
 Approved by: Kathryn Daughetee for Bruce M. Botelho, Attorney General Date 3/29/2002
 Agency: Department of Law

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ANALYSIS CONTINUATION

The unit's primary collection tool is the permanent fund dividend attachment. Historically, over 90 percent of the unit's collections each year are received through the attachment of defendants' permanent fund dividends. During FY 02 through January 31, 2002, the unit has collected \$3,198,282 of which \$2,938,837 was through the dividend attachment. Although the unit may use other collection tools, such as wage withholding or attachment of funds in bank accounts, most of the judgments that the unit collects are simply not large enough to justify the cost of such collection actions. The cost of collection would exceed the amount collected. To succeed, the unit must be able to collect a high volume of relatively small judgments. The only cost-effective way to do this is through the electronic attachment process used for the permanent fund dividend attachment. As a practical matter, if the permanent fund dividend cannot be attached, most of these judgments would be uncollectible when the cost of collection is factored into the equation.

Because of the unit's reliance on the attachment of dividends, a bill that removes persons from eligibility for the permanent fund dividend will adversely affect the unit's collections. CSSB 338 (FIN) creates several new categories of criminal defendants who are permanently or temporarily ineligible for dividends. Because approximately 85 percent of the unit's collection actions are against criminal defendants who would fall within one or more of these new categories, this bill will have a serious and substantial impact on collections.

For example, CSSB 338 (FIN) makes persons who have been convicted of an unclassified felony (the most serious violent crimes, such as murder, first degree sexual assault, etc.) permanently ineligible for dividends. Although this is probably a relatively small percentage of the judgments received by the unit for collection, the fines and other judgments in these cases tend to be larger. Thus, the removal of the permanent fund dividends in these cases would likely have a larger fiscal impact on the unit's collection than would otherwise be expected given the small number of cases. Fines in most of these cases would be uncollectible if CSSB 338 (FIN) passes.

For the remaining defendants, the bill delays collection for a number of years either after sentencing or after the defendant is released from jail or prison. In these cases, the impact on collections will be attributable to the delay. The unit has found that the earlier the collection proceedings begin the more likely the judgment will be collected. Over time, defendants leave Alaska, die, are incarcerated for new crimes, or incur debts with a higher priority under the dividend priority scheme. Thus, debts that the unit could have collected during the first year or two after the defendant is released from jail may be uncollectible after the four, nine, or nineteen-year delay imposed by the bill.

The bill not only would affect collection of debts owed the state, but would also have an adverse effect on victims of crimes not covered by the Violent Crimes Compensation Board. Under existing law, only victims of certain violent crimes are entitled to payments from the board. *See AS 18.67.101*. Many of the victims for whom the unit collects restitution are victims of property and other non-violent crimes. These victims would not be entitled to compensation from the board, but would lose the permanent fund dividend for varying periods of time as a means of collecting the restitution awarded to them by the court.

It is extremely difficult to estimate the impact of this bill on the unit's collections. The impact will be masked initially because during the first several years after the bill takes effect, the unit will be collecting judgments that pre-date the bill's effective date. These earlier judgments will be unaffected by the bill's restrictions because the bill applies only to defendants convicted of crimes committed after December 31, 2002. As collections continue on older judgments, the effect of the bill will be limited. In addition, the current law precludes defendants from receiving a dividend while incarcerated. In these cases, the unit would be unable to collect the judgment until the defendant was released from jail anyway. Thus, the unit will not begin to feel the effect of the bill until these new defendants begin to be released from incarceration. At that point, we should see a sharp drop in collections, as the old judgments are paid off and the new judgments are not collectible because the defendants are ineligible for the dividend.

The only exceptions to this are the provisions which make (1) misdemeanants who are not incarcerated ineligible for the dividend for the year in which they were sentenced, and (2) first and second time misdemeanants who are incarcerated ineligible while incarcerated and for four years thereafter. These are persons who are eligible for a dividend under the current law. The impact of these provisions will be felt immediately by the unit. These are persons from whom we are usually able to collect during the first year after we receive the judgments from the court.

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ANALYSIS CONTINUATION

As illustrated in the above discussion, there are many variables that will affect the actual loss in collections related to this bill over time. There can be no doubt that the provisions of CSSB 338 (FIN) will reduce the collections of criminal fines, restitution for crime victims, and other judgments owed to the state. The actual amount of the reduction, however, cannot be determined at this time.