

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 16
 Bill Version: CSHJR 31(STA)
 (H) Publish Date: 3/29/04

Revision Date/Time (Note if correction): _____ Dept. Affected: LAW
 Title "Proposing amendments to the Constitution of the RDU CIVIL
State of Alaska relating to the Alaska permanent fund..." Component Collections and Support
 Sponsor Representative Holm
 Requester House Ways and Means Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
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	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
CHANGE IN REVENUES ()	*****	(3,000.0)	(3,000.0)	(3,000.0)	(3,000.0)	(3,000.0)

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		305.6	305.6	305.6	305.6	305.6
1005 GF/Program Receipts		(305.6)	(305.6)	(305.6)	(305.6)	(305.6)
1007 Interagency Receipts						
1141 RCA Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HJR31 proposes changes to the Constitution of the State of Alaska by adding new language to limit appropriations from the permanent fund under the percent of market value approach. The resolution would add new constitutional language to allow for a one time and final payment of \$20,000 above the calculated dividend amount to all eligible permanent fund dividend applicants in 2004. Thereafter, the permanent fund dividend program would end.

The collections unit of the Department of Law is responsible for collecting criminal and civil judgments owed to the state, including criminal fines, costs of incarceration and appointed counsel, and administrative penalties and attorneys fee awards. Since January 2001, the unit has also collected restitution on behalf of victims of crimes and delinquent acts. The unit's primary collection tool is the

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 Agency Department of Law

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BILL NO. CSHJR 31(STA)

ANALYSIS CONTINUATION

permanent fund dividend attachment. Historically, over 80% of the unit's collections each year were received through the attachment of defendants' permanent fund dividends. During FY 02, the unit collected \$3,574,907 of which \$2,960,210 was through the dividend attachment. Thus, in FY 02, the dividend attachment represented 83% of total collections.

In FY 03, the percentage of collections attributable to the dividend attachment dropped. During FY 03, the unit collected \$3,860,336 of which only \$2,571,710 was through the dividend attachment. Thus, in FY 03, the dividend attachment represented 67% of total collections overall. This reduction is due in part to the smaller dividend paid in FY 03, but is primarily a result of restitution collections. For a variety of reasons, the unit receives a significantly higher number of voluntary payments of restitution than other types of judgments processed by the unit. However, even with restitution, attachment of permanent fund dividends remains central to the success of the program. Without the PFD, the section would be almost entirely dependent on voluntary payments at the existing staffing level. Of the \$1,192,679 that was paid into the collections unit as a result of voluntary payments, about half is restitution that is paid out to victims. Currently there is no legal mechanism for the Department of Law to use any part of restitution money collected to fund its own operations. The other half represents voluntary payments that can fund the activities of the collections unit.

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 in the equation. That is why this fiscal note does not include a ramping up of the collections unit in order to make use of other collection tools.

Because of the unit's reliance on the attachment of dividends, the elimination of an annual permanent fund dividend will adversely affect the unit's collections. These collections fund the unit's operations in the amount of \$306,500. In addition, as previously mentioned, an additional approximately \$1 million is appropriated to other state agencies to support cost of appointed counsel (Department of Administration - Public Defender and Office of Public Advocacy received a combined total of \$293,800 in FY 2004) and cost of incarceration (Department of Corrections has thus far been transferred all collected funds for cost of incarceration totaling between \$650,000 and \$700,000 in FY 03 and FY 04 year to date). In order to continue to provide some funds to other agencies, this fiscal note would fund the collections unit from general funds instead of general fund program receipts.