

H B

437

COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

4/2/81

(5)

Date: 4-29-81

Mr. Speaker:

The Committee on STATE AFFAIRS has had SSHB 437

"An Act providing for payments to state residents for 1980; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for SSHB 437 same title
 new title
- and recommends CS SB 1103 437
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]
[Signature]
[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature]

[Signature]
CHAIRMAN

POSITION PAPER

COMMITTEE SUBSTITUTE FOR SPONSOR SUBSTITUTE
FOR HOUSE BILL NO. 437 (STATE AFFAIRS)

"An Act relating to permanent fund dividends and providing a payment program for state residents for 1979 and 1980; and providing for an effective date."

Federal laws and regulations would require the Department to consider any distribution of permanent fund cash payments when determining whether a family is eligible for Aid to Families with Dependent Children (AFDC), Foodstamps, Medicaid, Old Age Assistance, Aid to the Blind and Aid to the Disabled.

Based on a proposed payment of \$600 per person per year (1979 and 1980), the average Alaskan public assistance family of three persons would receive \$3600 under CSSSHB-437, presumably as a lump sum payment. Most public assistance recipients may hold up to \$1500 in assets (cash, net value of real estate, etc.) and still remain eligible. Under current policy, any new assets received by a public assistance family, such as permanent fund payments, would not be counted in the month they are received. However, any funds actually remaining in the following month are counted against the \$1500 ceiling.

EXAMPLE: AFDC family of 2 receives \$2400 permanent fund payment on June 5 and spends all but \$300 by June 30. The remaining \$300 would be added to the household's other resources to see if it exceeds the \$1500 limit. If the \$1500 limit is exceeded, the AFDC payment is terminated effective August 1 until the recipient is back under the \$1500 limit. If on the other hand, \$300 would not place the AFDC recipient over the \$1500 limit, the AFDC payment would continue without change.

However, on July 1, 1981 the Aid to Families with Dependent Children (AFDC) Program will be changed in Alaska to a new system of budgeting, one designed to reduce errors. Under the new system, the proposed permanent fund payment would count as income in the month it is received. Most of Alaska's 6300 AFDC families would as a result suffer at least one month of ineligibility for AFDC benefits each year, for the permanent fund payment would place them over the qualifying income standards.

EXAMPLE: AFDC recipient with two children has an AFDC income qualifying limit of \$514. Under CSSSHB-437 the family receives a \$3600 payment in August. Under the new system of budgeting, this \$3600 would count as income, placing the family well over the \$514 limit. The family would be eligible for AFDC for the months of August and September but ineligible in the month of October. The family would become eligible again in November if less than \$1500 of the permanent fund payment remained at that time.

Most public assistance families would be impacted adversely by the passage of CSSSHB-437. These public assistance families will become ineligible for continued public assistance benefits unless they spend enough of their permanent fund payment to stay within the qualifying limits of the Division's programs.

Recommended by:

Rod Betit
Rod Betit, Director
Division of Public
Assistance

Date:

May 11, 1981

Approved by:

Helen D. Beirne
Helen D. Beirne
Commissioner

Date:

5-12-81

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811

April 7, 1981

The Honorable Mike Miller
Chairman
House State Affairs Committee
Room 102 - Capitol Building
Juneau, Alaska

Dear Mr. Miller:

Re: Sponsor Substitute for House Bill No. 437

Sponsor Substitute for House Bill No. 437, an Act providing for payments to state residents for 1980, was introduced in the House on April 2, 1981 and was referred to the House State Affairs and Finance Committees.

For the consideration of the House State Affairs Committee, I am enclosing copies of Fiscal Notes prepared by Mr. Joseph K. Donohue, Deputy Commissioner; Mr. Phil Wall, Director, Administrative Services Division; Mr. Fred Boetsch, Director, Enforcement Division and Mr. Gary Jenkins, Director, Audit Division of the Department of Revenue concerning the proposed legislation.

Sincerely,



R. D. Stevenson
Special Assistant

RDS/rdh

cc: The Honorable Samuel R. Cotten
Chairman
House Finance Committee

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

Phil Wall, Director
Administrative Services Division
Department of Revenue

Fred Boetsch, Director
Enforcement Division
Department of Revenue

Gary Jenkins, Director
Audit Division
Department of Revenue

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Special Assistant
Commissioner's Office

DATE: April 6, 1981

FILE NO:

TELEPHONE NO:

FROM: Fred P. Boetsch, Director
Division of Enforcement

SUBJECT:

Sponsor Substitute for
House Bill 437

This bill provides for a payment of \$500.00 to each person who was a resident of Alaska for all of calendar year 1980. The basic difference between this program and the Permanent Fund Dividend program (AS 43.23) are:

- 1) The payment is one time only;
- 2) Residency for calendar year 1980 is required - prior years do not count either for eligibility or amount of payment;
- 3) Minors are included.

It is this last requirement that would create administrative costs for the Enforcement Division where the impact would be in the Eligibility and Rural assistance programs.

We estimate that approximately 130,000 minors would be impacted by the program. Each minor or his parent or guardian would be required to file an application. A tremendous effort would be required to enroll minors currently living in the state.

Therefore, for fiscal year 1982, we would need six temporary Tax Collection Specialist II's for about a four month period in order to assist with the catch up effort of enrolling all minors for filing additional 1980 applications. Beyond that, we would need a Revenue Enforcement Officer III, a Revenue Enforcement Officer I, 2 Tax Collection Specialist II's and 2 Tax Collection Specialist I's to handle the additional volume of approximately 130,000 or more applications and to extend the rural assistance program effort to minors. Additional travel involved in the effort to reach minors in the rural areas would be approximately \$30,000. There would be additional printing and mailing costs of forms of \$40,000, additional phone costs of \$10,000, and an enhancement of existing computer programs in order to bring in the additional information of \$15,000. Additional office space could be rented for \$15,000. Commodity costs and equipment are also indicated on the attached fiscal note detail.

Attachment

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Sponsor Substitute for House Bill No. 437
 Title An Act providing for payments to state residents for 1980.
 Requested by House State Affairs Committee Date April 6, 1981

II. FISCAL DETAIL

Agency Affected _____
 Program Category Affected _____
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

Millions
FUNDING (~~Thousands~~ of Dollars)

GENERAL FUND		163.2				
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
1/2 Permanent Fund Earnings		11.8				
(1980)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

It is assumed that the entire payment will be made after June 30, 1981. The estimate assumes that approximately 350,000 Alaskans will qualify as full-year residents for 1980 times the \$500 payment for a total of \$175 million. One-half of the earnings from the Permanent Fund, or \$11.8 for 1980, is to be used for payment leaving \$163.2 to be appropriated from the General Fund.

IV. DATE April 6, 1981 PREPARED BY: Joseph K. Donohue
 AGENCY Department of Revenue
 PHONE 465-2300
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

FY81 Costs for 1980 Residency Payments:

Positions:

1 PPT R18 for 7mm, systems design \$2640/mo plus 25%	= 23.1	
1 PPT R17 for 5mm, programming \$2455/mo plus 25%	= 15.3	
1 PFT R8 scanner for batch, pre-edit and warrant control @ \$1393/mo plus 25%	= 20.9	
4 PPT R8 scanners, 6mm each for data capture, inquiry, reply, batching, pre-edit and mail @ \$1393/mo plus 25%	= 41.8	
3 PFT R8 scanners, data capture, batching and attachment processing @ \$1393/mo plus 25%	= <u>62.7</u>	

163.8

Other Expenditures:

Contractual-

Postage:

Forms distribution, 400,000 @ .18¢ each	= 72.0	
320,000 payments @ .18¢ each	= 57.6	

Forms:

450,000 applications @ \$50M	= 22.5	
320,000 warrants @ \$35M	= 11.2	

Miscellaneous:

Phones, toll calls, insurance, etc.	= 4.5	
Contingency	= 50.0	

Equipment Rental, data capture:

4 CRT @ \$80/mo for 4 mo	= 1.3	
3 CRT @ \$80/mo for 12 mo	= 2.9	
1 Control Unit @ \$705/mo for 12 mo	= 8.5	
1 Printer @ \$286/mo for 12 mo	= 3.4	

Data Processing Chargeback:

Disk Storage, 100 million bytes @ 90% of \$12/mo/mb times 12 mos	= 13.0	
Processing Charges-		
development	= 35.0	
on-going processing	= 33.0	
data capture and inquiry	= <u>12.0</u>	

326.9

Commodities-

= 4.0

4.0

Total First Year Costs for 1980 Residency Payments

=

* \$ 494.7

* Development and Processing costs is \$1.55 per payment.

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 452
 Title Directing the Department of Revenue to Make 1980 Income Tax Refunds
 Requested by House State Affairs Date 4-16-81

II. FISCAL DETAIL
 Agency Affected _____ Revenue _____
 Program Category Affected General Government
 BRU, Program, or Subprogram(s) Affected Administration & Support, Management Services
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES	436.7					
200 TRAVEL						
300 CONTRACTUAL	304.2					
400 COMMODITIES	7.5					
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	748.4					

FUNDING (Thousands of Dollars)

GENERAL FUND	748.4					
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

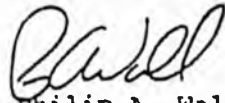
POSITIONS

FULL TIME	1/12mm					
PART TIME	43/219mm					
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

See the attached narrative.

The FY 81 supplemental funds must continue through June 30, 1982

IV. DATE April 20, 1981 PREPARED BY  Philip A. Wall
 AGENCY Revenue
 PHONE 465-2313
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

HB 452
Attachment

After the 1980 individual income tax refund claims are processed, the Department will attempt to identify individuals who paid tax during 1980 but have not claimed a refund. About 325,000 individual withholding statements received from employers will be data captured and compared, using the computer, to the refunds processed for 1980. Unmatched withholding statements will be processed as refunds. Contact with employers will be required as about one-third of the employers who normally file with us have not filed for tax year 1980. Also, many withholding statements are not processable because the carbon copy submitted by the employer is not readable or important information, such as employee address, is missing.

The funds requested on the fiscal note for FY 81 must be appropriated as supplemental to FY 81 and continued through FY 82. A final completion date of June 30, 1982 is recommended to allow for the required system design and processing.

Positions:	1 PFT	R18	Systems Analyst @ \$2,640 per Mo. + 25%	=	39.6
	1 PPT	R17	Programmer, 9 Mos. @ \$2,455 per Mo. + 25%	=	27.6
	26 PPT	R 8	Tax Scanners for Data Edit, Batching & Inquiry Reply: 5mm Each @ \$1,393 per Mo. + 25%	=	226.3
	5 PPT	R 8	Tax Scanners for Problem Research: 5mm Each @ \$1,393 per Mo. + 25%	=	43.5
	8 PPT	R 8	Tax Scanners for Data Capture: 5mm Each @ \$1,393 per Mo. + 25%	=	69.7
	3 PPT	R10	Tax Examiners for Supervision: 5mm Each @ \$1,600 per mo. + 25%	=	<u>30.0</u>
					436.7
Other Expenditures:					
	21		Data Capture Terminals, 5 mos. Each @ \$80 per Mo.	=	8.4
	1		Control Unit, 5 Mos. @ \$705 per Mo.	=	3.5
	1		Printer, 5 Mos. @ \$286 per Mo.	=	1.4
	Data Processing Chargeback:				
			Disk Storage, 50 mb @ 90% of 12 Mos. per Million Bytes x 12 Mos.	=	6.5
			Processing & Systems Development Charge	=	25.0
			Postage for 25,000 Payments @ 18 Cents for Taxpayer & Employer Correspondence	=	4.5
			Warrant Forms, 25,000 @ \$35M	=	.9
			Processing Contingency (for Finding & Applying Addresses & Handling Returned Mail)	=	100.0
			Media Coverage, Community Assistance	=	<u>150.0</u>
					304.2
Commodities				=	<u>7.5</u>

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 452
 Title An Act directing the Department of Revenue to make 1980 state income tax refunds
 Requested by State Affairs and Finance Date April 1, 1981

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected Revenue Collection and Management
 BRU, Program, or Subprogram(s) Affected Audit Division
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars) None

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars) None

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS None

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

See attached memo to R.D. Stevenson dated April 7, 1981.

IV. DATE April 7, 1981

PREPARED BY Gary L. Jenkins
 AGENCY Audit Division
 PHONE 465-2320

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 452

Title Directing the Department of Revenue to make 1980 state income tax refunds

Requested by House State Affairs

Date 4/2/81

II. FISCAL DETAIL

Agency Affected _____ Revenue

Program Category Affected _____ General Government

BRU, Program, or Subprogram(s) Affected Administration and Support, Management Services

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The bill requires that the Alaska net income taxes paid after December 31, 1979 be refunded by the department by June 30, 1981. This is the time table which has been adopted by the department. As of April 13, 1981, refunds in the amount of \$38,406,195.05 have been made to 114,132 individuals. The regulations repealed by Section 2 of the bill have been in effect since last fall and are the basis for processing all 1980 individual income tax refunds.

IV. DATE 4/13/81

PREPARED BY Philip A. Wall

AGENCY Revenue

PHONE 465-2313

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill No. 452
 Title Act directing the Department of Revenue to make 1980 income tax refunds
 Requested by House State Affairs Committee Date 4/2/81

II. FISCAL DETAIL

Agency Affected _____
 Program Category Affected _____

BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	-0-				
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The proposed legislation is not anticipated to change the funding of the program.

IV. DATE 4/19/81 PREPARED BY BILL YANKEE *Bill Yankee*

AGENCY Revenue Research

PHONE 465-2173

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)