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SENATE STATE AFFAIRS COMMITTEE

Bill Number CSHB 567 (S) Title Use of perm fund available to satisfy
debts owed to the state Date received 5/4/84

Fiscal Position Date requested From Amount Date Rec'd
Note Paper Note Paper

Fiscal Position		Date requested	From	Amount	Date Rec'd
Note	Paper				Note Paper
			Revenue		FN w/ bill
			State of Interest - House Finance		

CONTACTS

Backup list

→ Tom Williams Revenue / Dan Robinson
→ Bathsworth's office for back-up

HEARING INFORMATION

State can attach up to 50% if have outstanding
debt, change to 100% for debts owed to the
state

NOTES

FINAL ACTION _____

DATE _____



Official Business

Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chair • Pouch V
Juneau, Alaska 99811
(907) 465-4954

MEMORANDUM

TO: Senate State Affairs Committee

FROM: Senate State Affairs Committee Staff

RE: HB 564 Use of permanent fund dividends to satisfy debts owed to the state.

DATE: May 10, 1984

HB 564 would allow the state to collect outstanding debts owed to a state agency from permanent fund dividends.

Under current law, 50% of the annual permanent fund dividend is exempt from any remedy for collection of debt. This bill would restrict the exemption by allowing the state to collect debt from the dividend.

The House State Affairs version of the bill added to the original bill all new language after the comma on line 20. The House State Affairs language would restrict the State's ability to collect debt if 1) the debt is contested and appeal is pending, or 2) the debt is within the time limit for filing an appeal. State agencies would not be able to collect any debt from the dividend unless all child support obligations were already subtracted from the dividend.

The House Finance Committee added a letter of intent which is attached to the back of the fiscal note. The letter of intent states that in certain cases it is the intent of the legislature that the Department of Revenue assign a hearing officer to consider the impact the collection of debt on a persons' health and safety.

The House adopted the letter of intent.

Fiscal information

There is a \$45,000 fiscal note for FY '85.

the slot

- support leg.

Revenue -

Get fiscal note for the
letter of intent.

Language

~~HEART~~
Marcy - called
MOM

Sen Pat Roddy



Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chair • Pouch V
Juneau, Alaska 99811
(907) 465-4954

Official Business

MEMORANDUM

TO: Senate State Affairs Committee
FROM: Senate State Affairs Committee Staff
RE: Fiscal note for HB 564
DATE: May 22, 1984

During the last committee meeting, the committee requested a fiscal note reflecting the cost of the letter of intent that was adopted by the House. (The letter of intent is attached to the March 1, 1984 fiscal note.)

The fiscal note dated May 16, 1984 reflects the cost of the letter of intent.

The total operating cost for the letter of intent is 56.7 thousand for FY '85. The total amount received from collecting debts in accordance with HB 564 is 45.0 thousand for FY '85.

Based on the two fiscal notes received from the Department of Revenue, the cost of HB 564 with the letter of intent is 11.7 thousand dollars for FY '85.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date May 16, 1984

I. REQUEST

Bill/Resolution No: CSHB 564 (SA)
Title: An Act relating to use of permanent fund dividends to satisfy debts owed to the state
Sponsor: House State Affairs Committee
Requestor: Senate State Affairs Comm.
Date of Request: May 14, 1984

FISCAL DETAIL

Agency Affected: Revenue
Program Category Affected: General Government
BRU, Program of Subprogram(s) Affected: Revenue Management and Collections

II. EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	49.2	-	-	-	-
200 TRAVEL	-	5.0	-	-	-	-
300 CONTRACTUAL	-	2.0	-	-	-	-
400 SUPPLIES	-	.5	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	56.7	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	45.0	49.1	28.8	15.8	8.9

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	56.7	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	56.7	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	2	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL: General Funds. See attached analysis.

IV. ANALYSIS: See attached narrative.

Prepared By: Thomas C. Williams, Director
Division: Enforcement

Phone: 465-2366
Date: May 16, 1984

Approved by Commissioner: [Signature]
Agency: Revenue

Date: 5/16/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget

FISCAL NOTE PERTAINING COSTS OF LETTER OF INTENT

Department of Revenue
Analysis of CSRB 554 (State Affairs)
May 16, 1984

A. Assumptions

1. The PFD program is retained and there are no substantive changes to the current program.
2. Individual dividend payments over the next five years are as follows:

Dividend Year	84	85	86	87	88
Paid in FY	85	86	87	88	89
Dividend Amount	\$357	\$431	\$514	\$564	\$606

3. The average accounts receivable (a/r) attachment is estimated to amount to 84-88% of the value of an attached dividend. Currently 1982 PFD a/r attachments average approximately 44% of the value of dividends attached while 1983 PFD a/r attachments average approximately 48%. Accordingly, we could expect an increase of approximately 40% of each dividend attached.
4. The number of a/r attachments on PFD applications is likely to decrease 10% per year until FY '86 and then by 50% per year. This change will result largely from the lapsing of the 6 year statute of limitations on the repeal of income taxes in 1978. Under this scenario the number of attachments would likely be as follows:

Fiscal Year	84	85	86	87	88	89
Est. Attachments	350	315	285	140	70	35

B. Program Summary

The legislative intent added by the House Finance Committee will in certain cases, require a hearing officer to evaluate the effect of allowing the state to attach 100% of an eligible applicant's Permanent Fund Dividend to satisfy debts owed to the State. In addition this function would require clerical support.

Personal Services (100)

Hearing Officer (R25)	6 months @ \$6,070	\$36,420
Clerk Typist III (R8)	6 months @ \$2,130	<u>12,780</u>

Total Personal Services (100) \$49,200

Travel (200)

To applicant's geographic area	<u>5,000</u>
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Contractual Services (300)

Word Processing, printing, postage, etc.	<u>2,000</u>
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Department of Revenue
Analysis of CSHB 564 (State Affairs)
 May 16, 1984

B. Program Summary (continued)

Supplies (400)

General Office Supplies 500

Total \$56,700

C. Revenue Computations

Increased Revenue:

<u>Dividend</u> <u>Year</u>	<u>Fiscal</u> <u>Year</u>	<u>A (2)</u> <u>Dividend</u> <u>Amount</u>	x	<u>A (3)</u> <u>Average</u> <u>Increase</u>	x	<u>A (4)</u> <u>Est a/r</u> <u>Attachment</u>	=	<u>Income</u> <u>in Revenue</u> <u>(x 1000)</u>
84	85	\$357	x	.40	x	315	=	\$ 45.0
85	86	431	x	.40	x	285	=	49.1
86	87	514	x	.40	x	140	=	28.8
87	88	564	x	.40	x	70	=	15.8
88	89	606	x	.40	x	35	=	<u>8.9</u>

Total Amount of Increase Over 5 Years \$147.6

D. Impact of 100% Accounts Receivable Offset on Enforcement Division
Collection Activities:

Although the additional revenue collected by Enforcement is relatively small, the impact on our collection efforts may be more significant. The additional offset provision will likely allow us to close more cases with a minimal amount of collection effort when the tax liability is small. This would allow more of our current resources to be devoted to more difficult cases where the tax liability is larger.



Official Business

Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chair • Pouch V
Juneau, Alaska 99811
(907) 465-4954

MEMORANDUM

TO: Senate State Affairs Committee

FROM: Senate State Affairs Committee Staff

RE: HB 564 Use of permanent fund dividends to satisfy debts owed to the state.

DATE: May 10, 1984

HB 564 would allow the state to collect outstanding debts owed to a state agency from permanent fund dividends.

Under current law, 50% of the annual permanent fund dividend is exempt from any remedy for collection of debt. This bill would restrict the exemption by allowing the state to collect debt from the dividend.

The House State Affairs version of the bill added to the original bill all new language after the comma on line 20. The House State Affairs language would restrict the State's ability to collect debt if 1) the debt is contested and appeal is pending, or 2) the debt is within the time limit for filing an appeal. State agencies would not be able to collect any debt from the dividend unless all child support obligations were already subtracted from the dividend.

The House Finance Committee added a letter of intent which is attached to the back of the fiscal note. The letter of intent states that in certain cases it is the intent of the legislature that the Department of Revenue assign a hearing officer to consider the impact the collection of debt on a persons' health and safety.

The House adopted the letter of intent.

Fiscal information

There is a \$45,000 fiscal note for FY '85.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 3/2/84

I. REQUEST Page 1 of 2
Bill/Resolution No: CSHB 564 (SA)
Title: An Act relating to use of
permanent fund dividends to satisfy
debts owed to the state
Original Sponsors: Bettisworth & Cowdery
Requestor: House State Affairs Committee
Date of Request:

FISCAL DETAIL
Agency Affected: Revenue
Program Category Affected: Revenue
Management and Collections
BRU, Program of Subprogram(s) Affected:
Enforcement

II. EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	45.0	49.1	28.8	15.8	8.9

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

No increased expenditures are anticipated.

IV. ANALYSIS: See attached narrative.

Prepared By: Thomas C. Williams
 Division: Enforcement

Phone: 465-2366
 Date: March 1, 1984

Approved by Commissioner: James P. [Signature]
 Agency: Revenue

Date: 3/2/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget

Fiscal Note & Analysis / Revenue 3/2/84

Enforcement Division
 Analysis of CSHB 564 (SA)
 March 1, 1984

A. Assumptions

1. The PFD program is maintained and there are no substantive changes to the current program.
2. Individual dividend payments over the next five years are as follows:

Dividend Year	84	85	86	87	88
Paid in FY	85	86	87	88	89
Dividend Amount	\$357	\$431	\$514	\$564	\$606

3. The average accounts receivable (a/r) attachment is estimated to amount to 84-88% of the value of an attached dividend. Currently 1982 PFD a/r attachments average approximately 44% of the value of dividends attached while 1983 PFD a/r attachments average approximately 48%. Accordingly, we could expect an increase of approximately 40% of each dividend attached.
4. The number of a/r attachments on PFD applications is likely to decrease 10% per year until FY '86 and then by 50% per year. This change will result largely from the lapsing of the 6 year statute of limitations on the repeal of income taxes in 1978. Under this scenario the number of attachments would likely be as follows:

Fiscal Year	84	85	86	87	88	89
Est. Attachments	350	315	285	140	70	35

B. Program Summary

This bill requires no significant program changes.

C. Computations

<u>Dividend Year</u>	<u>Fiscal Year</u>	<u>A (2) Dividend Amount</u>	<u>x</u>	<u>A (3) Average Increase</u>	<u>x</u>	<u>A (4) Est a/r Attachment</u>	<u>=</u>	<u>Income in Revenue (x 1000)</u>
84	85	\$357	x	.40	x	315	=	\$ 45.0
85	86	431	x	.40	x	285	=	49.1
86	87	514	x	.40	x	140	=	28.8
87	88	564	x	.40	x	70	=	15.8
88	89	606	x	.40	x	35	=	8.9

Total Amount of Increase Over 5 Years \$147.6

D. Economic Impact

This bill has no significant impact on the State's economy.

E. Impact on Local Governments

This bill has no impact on Local Governments.

Enforcement Division
Analysis of CSEB 564 (SA)
March 1, 1984

Impact of 100% Accounts Receivable Offset on Enforcement Division Collection Activities:

Although the additional revenue collected by Enforcement is relatively small, the impact on our collection efforts may be more significant. The additional offset provision will likely allow us to close more cases with a minimal amount of collection effort when the tax liability is small. This would allow more of our current resources to be devoted to more difficult cases where the tax liability is larger.

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE
LETTER OF INTENT
FOR
COMMITTEE SUBSTITUTE FOR HOUSE BILL 564 (STATE AFFAIRS)

It is the intent of the legislature that the Department of Revenue designate a hearing officer who will consider the existence of unusual economic conditions in certain documented cases of economic hardship in the geographic area in which an individual resides, and the effect that using this section, to collect debts owed to the state, would have on the individuals health and safety.



Al Adams, Chairman
House Finance Committee

Letter of Intent/ House Finance adopted by House May 3, 1984

permanent fund dividend; the department shall set the time limit for applications for permanent fund dividends so that the number of eligible applicants is deter-

mined by September 1 and permanent fund dividends for a year are paid before December 31 of that year."

Sec. 43.23.060. Duties of the department. [Repealed, § 22 ch 102 SLA 1982.]

Sec. 43.23.065. Exemption of permanent fund dividends. Fifty percent of the annual permanent fund dividend payable to an individual is exempt from levy, execution, garnishment, attachment, or any other remedy for the collection of debt. This exemption applies to an eligible individual's permanent fund dividend both before and after payment is made to the individual. No exemption is available under this section for permanent fund dividends taken to satisfy child support obligations required by court order or decision of the child support enforcement agency under AS 47.23.140 — 47.23.220. (§ 1 ch 102 SLA 1982)

Cross references. — For property exempt from execution generally, see AS 09.38.

Sec. 43.23.070. Exemption of permanent fund dividends. [Repealed, § 22 ch 102 SLA 1982.]

Sec. 43.23.075. Eligibility for public assistance. (a) In determining the eligibility of an individual under a public assistance program administered by the Department of Health and Social Services in which eligibility for assistance is based on financial need, the Department of Health and Social Services may not consider a permanent fund dividend as income or resources received by the recipient of public assistance or by a member of the recipient's household unless required to do so by federal law or regulation. The Department of Health and Social Services shall notify all recipients of public assistance of the effects of receiving a permanent fund dividend.

(b) An individual who is denied medical assistance under 42 U.S.C. 1396 — 1396p (Social Security Act, Title XIX) solely because of the receipt of a permanent fund dividend by the individual or by a member of the individual's household is eligible for state-funded medical assistance under the general relief assistance program (AS 47.25.120 — 47.25.300). The individual is entitled to receive, for a period not to exceed four months, the same level of medical assistance as the individual would have received under 42 U.S.C. 1396 — 1396p (Social Security Act, Title XIX) had there been no permanent fund dividend program.

(c) An individual who is denied assistance solely because permanent fund dividends received by the individual or by a member of the individual's household are counted as income or resources under federal

law or regulation assistance program limit in AS 47. not to exceed have received no permanent

Sec. 43.23.0. [Repealed, § 2.

Sec. 43.23.0 administered l ipalities, the consider a per required to do

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Effect of amen amendment added

Sec. 43.23.10