

HB

246

HOUSE COMMITTEE REPORT

(11)

Date referred: 4/17/87

FURTHER REFERRALS:

DATE: 5-14-87

The Finance Committee has considered HB 246

"An Act relating to contributions from permanent fund dividends; and providing for an effective date."

RECOMMENDS:

- replace with CS HB 246 (FIN) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Charles Schwach

Mark Boyer

Paul

Fay Brown

SIGNING OTHER RECOMMENDATIONS:

Al Adams - Do, NOT Pass

Pat Kouchak no rec

Ronald J. Jarm no rec

Fitz

Steve Pign No Recommendation

Kay Wallis no rec

Mike De No Rec

Robert A. Adams

 Chairman's signature

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SHB 246 (FIN)
Publish Date: _____

REQUEST _____

Revision Date: 5/13/87
Title: An act relating to contributions from permanent fund dividends.
Sponsor: Boyer, Brown, Taylor
Requestor: Finance

Agency Affected: Revenue
BRU: Administrative Services

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	56.1	39.2	39.2	39.2	39.2
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	13.5	13.5	13.5	13.5	13.5
SUPPLIES	-	0.5	0.5	0.5	0.5	0.5
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	70.1	53.2	53.2	53.2	53.2
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	70.1	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (div.contr.account)	-	-	53.2	53.2	53.2	53.2
TOTAL	-	70.1	53.2	53.2	53.2	53.2

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	7	7	7	7	7
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

Prepared By: Ervin B. Jones
Division: Administrative Services

Phone: 465-2313
Date: 5/13/87

Approved by Commissioner: Hugh Malone
Agency: Revenue

Date: 5/13/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Department of Revenue
Administrative Services Division
Fiscal Note Analysis
HB 246
5/13/87

Assumptions:

1. The bill will take effect for the 1988 permanent fund dividend year and application.
2. There are 15 other bills which, if signed into law, would result in approximately 12 check-off's on the 1988 dividend application, seven of which are included in this bill. This fiscal note, and all related fiscal notes, is prepared on the assumption that the subject bill is the only bill of this nature which will become law. The passage of multiple bills with varying formulas (\$5, half of dividend, all or part of dividend, etc.) will inevitably have a compounding effect. Whereas there may be savings in some areas, there will be increased costs in others.
3. All FY88 costs of administering this law will be borne by the general fund, of which the special dividend contribution account is an account. All costs for FY89 and beyond will be borne by the special dividend contribution account, as appropriated by the legislature.
4. The incremental cost of computer resources will result in a chargeback by the Department of Administration.
5. Whereas the cost of programming changes will be a one-time cost, the cost of document review, data capture, data processing chargeback, and the extra page in the dividend application will be continuing.
6. Contributions will only be honored to the extent of available funds. Garnishments and assignments will take precedence in the order established by statute. Contributions will then be honored in the order listed on the form schedule, which will be in the order they become law. It would be preferable for the legislature to resolve the question of priority of the check-off's, via-a-vis other check-off's, and other assignments.
7. The Department of Revenue will determine qualifying political parties in cooperation with the Division of Elections and will list the qualifying parties by name in the PFD booklet.
8. It is assumed that each applicant will contribute to only one political party.
9. In an attempt to more accurately measure the fiscal impact of multiple check-offs, the department has conducted live tests on 900 actual 1987 PFD applications. The applications were first processed routinely, and then a modified version of the same applications, showing simulated choices between potential check-offs, was processed by the same staff. The simulated choices were based on the following percentages derived from the United Way of Alaska.

<u># Options Selected</u>	<u>%</u>
1	67
2	15
3	7
4	6
5	2.5
6	2.5

Based on this controlled test, two important things were disclosed:

- 1) The impact on data entry was minimal.
- 2) The impact on the review and verification functions is dramatic, resulting in an increase of 145%.

The results of this test have been applied to the expected total applications (520,000), resulting in the revised fiscal note.

The request for an analyst/programmer has been reduced from 5-1/2 to 3 months based on extensive discussions with the Data Processing Manager.

Program Summary:

The provision of 7 new contribution decisions on the dividend application will cause additional administrative cost in several areas:

- a) An additional page added to each booklet, a schedule of contribution decisions.
- b) The computer system will need to be changed to account for the changes in the program, to establish new accounting controls and to provide for the transfer of funds to the dividend contribution account, and those to the various agencies/entities..
- c) Each of approximately 540,000 PFD applications will need to be visually reviewed and coded as to decision on the contribution decisions. Each application will be data captured and verified with additional attention and keystrokes expended on each positive decision.

1. Positions

1 PPT Analyst/Programmer V, R21,
 @ \$5,638.47/Mo including salary
 and benefits for 3 months = \$16.9

PCN 04-1125 would be funded for
 an additional 3 months.
 Ongoing maintenance of new
 programs would be accomplished
 by existing staff.

6 PPT Document Processor I, R7,
@ \$2,117.76/Mo each for 3 months= 38.1

These positions would assist in
the manual review and coding of
540,000 applications for the new
contribution decisions. These
positions represent the equivalent
of the additional time and effort.

1 PPT Data Processing Clerk I, R8,
@ \$2,221.64/Mo each including
salary and benefits for 1/2
month = 1.1

TOTAL Personal Services \$56.1

2. Other Expenditures:

a) Travel: None

b) Contractual:

Data Processing Chargeback = \$7.5

Additional page in booklet = 6.0

TOTAL Contractual \$13.5

c) Supplies: \$0.5

d) Equipment: None

TOTAL FY88 COST
TOTAL FY89+ COST

\$70.1
\$53.2

Computations: N/A.

Economic Impact: N/A.

Impact on Local Government: N/A.

Suggested Amendments: None.

Attachments: None.

Original sponsors: Boyer, Brown and Taylor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 246 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to contributions from permanent fund
7 dividends; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.23 is amended by adding a new section to read:

10 Sec. 43.23.016. CONTRIBUTIONS FROM DIVIDENDS. (a) The depart-
11 ment shall prepare the permanent fund dividend application to allow an
12 applicant to direct that money be subtracted from the dividend check
13 and contributed to one or more of the following:

14 (1) the treasurer or central committee of the political
15 party designated by the applicant;

16 (2) the official organizing committee for the Arctic Winter
17 Games;

18 (3) the Alaska Public Broadcasting Commission;

19 (4) the Alaska State Council on the Arts;

20 (5) the community schools grant fund (AS 14.36.020);

21 (6) the state coordinating organization for United Way;

22 (7) the official organizing committee for the World Eskimo-
23 Indian Olympics;

24 (8) Alaska Voluntary Health Agencies, Inc.

25 (b) The entities to which an applicant may elect to make contri-
26 butions from a dividend under this section or other provisions of law
27 shall be listed in random order on the permanent fund dividend appli-
28 cation and the order shall be changed each year. If the total amount
29 of contributions elected by an applicant exceeds the value of the

1 permanent fund dividend, the smallest contribution shall be deducted
2 from the dividend first and the others deducted in ascending order
3 based on the amount of each contribution until the entire dividend is
4 allocated for contributions.

5 (c) The amount of each contribution to an entity selected by a
6 person under (a) of this section is \$10. Contributions shall be
7 deposited by the department in a special dividend contribution trust
8 account and allocated to each entity listed under (a) of this section
9 in accordance with the contribution directions except that the depart-
10 ment shall use money in the account to pay administrative costs in-
11 curred under this section.

12 (d) In (a)(1) of this section, "political party" means an or-
13 ganized group of voters that represents a political program and that
14 nominated a candidate for governor who received at least three percent
15 of the total votes cast at the preceding general election for gover-
16 nor.

17 * Sec. 2. This Act takes effect July 1, 1987.
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Alaska State Legislature

REPRESENTATIVE
MARK BOYER

HOUSE FINANCE COMMITTEE



House of Representatives

MEMORANDUM

FAIRBANKS

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FAIRBANKS, ALASKA 99701
(907) 456-6473

JUNEAU

P.O. BOX V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3466

TO: Representative Fran Ulmer, Chair.
House State Affairs Committee
Committee Members

FROM: Representative Mark Boyer *MB*

SUBJECT: HB 246, an Act relating to contributions from
permanent fund dividends

DATE: April 13, 1987

In 1985, the Legislature established the Alaska Winter Olympics Account and provided for the deduction of a five dollar donation to the fund from permanent fund dividends by means of a "check-off" on the dividend application form. Public response to the program has been very supportive, and the account received over \$833,000 from dividend contributions in 1986. The Anchorage Organizing Committee for the Winter Olympics expects to generate \$1.8 million in 1987 and has produced a television spot designed to capture the attention of all those receiving a dividend application and focus that attention on the small box in the right hand bottom corner of the application.

The success of the Alaska Winter Olympics account has not been lost on proponents of other causes faced with severely reduced funding due to our current revenue crisis. Several bills have been introduced establishing accounts similar to the Winter Olympics account and providing for check-off of contributions from the permanent fund dividend. At last count, the number of entities proposed for permanent fund contributions was fourteen, requiring a corresponding number of statute amendments.

HB 246 would provide a single statutory vehicle for accomodating seven potential contribution recipients, and could be easily amended to include others deemed worthy by the committee or future legislatures. The bill would also

increase the contribution amount to \$10, in recognition of the increased need of the programs involved and the likelihood of a smaller number of check-offs for each program than may have been anticipated, given the plethora of check-off options likely to be included.

The bill allows the Department of Revenue to use money which accrues to each account to pay the administrative costs of the program. The dividend check-off will increase the costs of administering the permanent fund dividend, and this cost should not be borne by the dividend account, since this would, in effect, reduce every individual's dividend, whether they elected to check a contribution or not.

It is my hope that this legislature does not concern itself with the relative merits or demerits of the check-off system as a means of raising revenue. The Olympics battle should have put that issue to rest. My hope is that the Legislature will focus its attention on the specific check-off proposals and will decide those entities or causes which have the political support of our membership to be included. I might suggest that a letter of intent or statutory language be drafted to require a review of the various options on a periodic basis. Those which continue to serve legitimate functions and continue to enjoy strong political support will survive, others will disappear.

With specific reference to the items chosen for inclusion in HB 246, I have merely chosen a point in time for selection of items to be in the bill. My original interest was in providing additional funding for United Way organizations, the Alaska State Council on the Arts, and the Alaska Public Broadcasting Commission. With regard to the United Way, this is merely an opportunity to secure new funding. However, the Arts Council, and public broadcasting, face serious reductions and perhaps total elimination in this and future budgets. This funding source may only at first supplement their budgets. In the future, it may well be their single largest funding source. It is my hope that you and your committee will support my interest in and efforts toward finding alternative methods of funding these programs.

1 IN THE HOUSE

BY BOYER, BROWN AND
TAYLOR

2

HOUSE BILL NO. 246

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

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21 (6) the state coordinating organization for United Way;

22 (7) the official organizing committee for the World Eskimo-
23 Indian Olympics.

24 (b) The amount of each contribution to an organization or fund
25 selected by a person under (a) of this section is \$10. Contributions
26 shall be deposited in a special dividend contribution account in the
27 general fund and allocated to each organization or fund listed under
28 (a) of this section in accordance with the contribution directions
29 except that the department shall use money in the account to pay

1 administrative costs incurred under this section.

2 (c) In (a)(1) of this section, "political party" means an or-
3 ganized group of voters that represents a political program and that
4 nominated a candidate for governor who received at least three percent
5 of the total votes cast at the preceding general election for gover-
6 nor.

7 * Sec. 2. This Act takes effect July 1, 1987.