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Official Business

# Alaska State Legislature

## House

P.O. BOX V  
State Capitol  
Juneau, Alaska 99811

HOUSE BILL 134

### FILE CONTENTS

1. HB 134: AN ACT PERMITTING PAYMENT OF CERTAIN PERMANENT FUND DIVIDENDS INTO THE PRINCIPAL OF THE PERMANENT FUND.
2. MEMORANDUM FROM REPRESENTATIVE PEARCE TO REPRESENTATIVE ULMER, DATED 2/17/87
3. MEMORANDUM FROM TAMARA BRANDT COOK TO REPRESENTATIVE PEARCE, DATED 2/17/87

### FISCAL NOTES

- A. DEPARTMENT OF REVENUE, ADMINISTRATIVE SERVICES: \$33,100
- B. DEPARTMENT OF REVENUE, PUBLIC SERVICES: -0-

# HOUSE COMMITTEE REPORT

(7)

Date referred: 2/16/87

FURTHER REFERRALS: Finance

DATE: 3-4-87

The State Affairs Committee has considered HB 134

"An Act permitting payment of certain permanent fund dividends into the principal of the permanent fund."

### RECOMMENDS:

- replace with \_\_\_\_\_  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:

[Signature]

[Signature]

Cliff Davison

[Signature]

[Signature]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### SIGNING OTHER RECOMMENDATIONS:

[Signature] NO REC

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[Signature]  
Chairman's signature



# Alaska State Legislature House of Representatives

6035 TANAINA DRIVE  
ANCHORAGE ALASKA 99502  
(907) 243-8110

REPRESENTATIVE DRUE PEARCE  
DISTRICT 9, SEAT A

WHILE IN JUNEAU  
PO BOX V  
JUNEAU ALASKA 99801  
(907) 465-4993

### MEMORANDUM

TO: Representative Fran Ulmer  
Chair, House State Affairs Committee

FROM: Representative Drue Pearce *Drue Pearce*

DATE: February 17, 1987

RE: HB 133 and HB 134 referred to  
House State Affairs Committee

House State Affairs is the first committee of referral for HB 133 (An Act relating to eligibility for permanent fund dividends; and providing for an effective date.") and for HB 134 ("An Act permitting payment of certain permanent fund dividends into the principal of the permanent fund.")

HB 133 represents a move to reduce the number of students who are delinquent or who default on the repayment of their student loans by providing a disincentive to tardy payments. There is currently a law on the books that allows for attachment of dividend checks for those who owe the state money. However, due primarily to a backlog in the court system, only 800 dividends were attached last year of the 2,000 recipients whose loans were in default. Since the number of delinquencies (30 days or more in arrears) far exceeds the number of those in default (120 days or more in arrears), the positive impact to the state could be substantial.

HB 134 would allow Alaskans who do not wish to receive their Permanent Fund Dividends personally the option of directing that their dividend be paid directly into the corpus of the Permanent Fund. I was encouraged to reintroduce this legislation by individuals who expressed a desire to have their money stay in the Permanent Fund.

Fiscal notes for both of these bills have been requested from the Department of Revenue and will be forwarded to your committee as soon as they are received. I would appreciate your consideration in scheduling an early hearing on both of these bills.

4B 134

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# STATE OF ALASKA THE LEGISLATURE

ALASKA STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465 3800

## LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 17, 1987

SUBJECT: Permitting payment of permanent fund dividends into the principal of the permanent fund (Work Order 5-0238A)

TO: Representative Drue Pearce

FROM: Tamara Brandt Cook *TBC*  
Director  
Division of Legal Services

Here is the sectional analysis that you requested of the bill permitting the payment of permanent fund dividends into the principal of the permanent fund.

Sec. 1. A new provision is added which permits a person to elect to receive a permanent fund dividend in cash or have it deposited into the principal of the permanent fund. A person claiming a dividend on behalf of another may only receive the dividend in cash.

Sec. 2. A public agency that claims a dividend on behalf of another may only receive cash. Existing law requires the agency to hold the dividend in trust for the individual.

Sec. 3. The permanent fund dividend application form must be prepared to allow an applicant to elect to receive cash or to have the dividend deposited into the permanent fund.

Sec. 4. The provision that permits the state to recover the payment of a dividend that was improperly made is limited to cash payments.

Sec. 5. The Department of Revenue is required to pay dividends to individuals who elect to receive cash and to make payments to the permanent fund for individuals who elect to have that done. The department's regulations must include procedures and time limits for electing to have the dividend paid into the permanent fund.

Sec. 6. The exemption from any remedy for the collection of debt is limited to cash permanent fund dividend payments.

Sec. 7. The exceptions to the exemption from any remedy for the collection of debt are limited to cash dividend payments.

Sec. 8. The Department of Revenue shall require an individual to take a dividend in cash if the department receives notice of a legal remedy for the collection of a past due debt of a type for which the exemption does not apply.

Sec. 9. "Permanent fund dividend" is redefined to include an election to have the payment deposited into the principal of the permanent fund, as well as a cash payment.

TBC:mkr  
m9/022

STATE OF ALASKA  
THE LEGISLATURE

POUCHY STATE CAPITOL  
JUNEAU ALASKA 99811  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

December 2, 1986

SUBJECT: Permanent fund dividends  
(Work Order 15-0238)

TO: Representative Drue Pearce

FROM: Tamara Brandt Cook *ABC*  
Director  
Division of Legal Services

Enclosed is the draft you requested allowing people to elect to have permanent fund dividends paid into the principal of the Alaska permanent fund. You asked for a reintroduction of last session's HB 462 and I have had to change the draft substantially. For this reason, please review the draft carefully to be sure it accomplishes your purpose.

Some of the changes were necessary to accommodate the amendment to AS 43.23.065 made last session. (Chapter 138, Section 67, SLA 1986) In addition, as you are undoubtedly aware, the voters approved the proposed change to the longevity bonus program creating an annuity option paid for in part from permanent fund dividends. Setting up the annuity program involves extensive revisions to AS 43.23 which were enacted two years ago but do not become effective until the legislature acts to implement the results of the advisory vote. In case that occurs, I have drafted this version to incorporate to the maximum extent possible the language that will become effective if the annuity program goes forward. Differences between the two bills can then be reconciled by the revisor without having to make changes to your bill, since the provisions in the two bills will not be in direct conflict.

The only substantive difference between this draft and HB 462 is in the treatment of a permanent fund dividend paid to a person on behalf of another. HB 462 let the guardian elect to have the payment made into the permanent fund. I note that under AS 43.23.055(3) provision is made to allow a person upon emancipation to apply for dividends not received

Representative Pearce  
Page 2  
December 2, 1986

during minority. In keeping with that provision, it seems to me to be preferable to require a person applying for a dividend for another to take it in cash or not at all, so that the legitimate recipient can eventually elect for himself whether to take it or place it in the permanent fund. Please let me know if you would like this aspect of your bill treated differently.

TBC:mkr  
m7/040

Enclosure

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

A

REQUEST \_\_\_\_\_

Bill Version: HB 134  
Publish Date: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: An act permitting payment of certain PFD's into the Permanent Fund  
Sponsor: Pearce, Pourchot  
Requestor: House State Affairs

Agency Affected: Revenue  
BRU: Permanent Fund Dividend

Components: Administrative Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	21.9	10.7	10.7	10.7	10.7
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	11.0	11.0	11.0	11.0	11.0
SUPPLIES	-	0.2	0.2	0.2	0.2	0.2
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	33.1	21.9	21.9	21.9	21.9
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (PFD)	-	33.1	21.9	21.9	21.9	21.9
TOTAL	-	33.1	21.9	21.9	21.9	21.9

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Prepared By: Ervin B. Jones  
Division: Administrative Services

Phone: 465-2313  
Date: 3/2/87

Approved by Commissioner: [Signature]  
Agency: Revenue

Date: 3/2/87

Distribution (by Agency preparing fiscal note):

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

NOTE: SOME PEOPLE DO THIS ALSO. THEY JUST SEND THE BUDGET TO THE COMMISSIONER FOR DEBIT TO THE CORPORATION AS "CITIZEN CONTRIBUTIONS" [Signature]

IT IS SHOWING ON page \_\_\_ of \_\_\_

Department of Revenue  
Administrative Services Division  
Fiscal Note Analysis  
HB 134  
3/2/87

Assumptions:

1. The bill will take effect for the 1988 permanent fund dividend year and application. The 1987 dividend application has already been printed.
2. There are seven other bills which if signed into law, would result in some form of "check-off" on the 1988 dividend application, in addition to the existing Olympic Fund checkoff. The Department of Revenue has no insight as to which, and how many, of these bills will become law. 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 incremental costs of administering this law will be borne by the same source of funding as the general administration of the PFD program, currently the dividend fund.
- 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) Elections will only be honored to the extent of available funds. Garnishments and assignments will take precedence in the order established by statute. Contributions and elections will then be honored in the order listed on the form schedule, which will be in the order they become law.

Program Summary:

The provision of an election on the dividend application to have the dividend deposited into the principal of the permanent fund will cause additional administrative cost in several areas:

- a) An additional page added to each booklet and a schedule of contribution election decisions on each application.
- b) The computer system will need to be changed to account for the change in the program, to establish new accounting controls and to provide for the transfer of funds to the Permanent Fund (see Attachment A).
- c) Each of approximately 540,000 PFD applications will need to be visually reviewed and coded as to decision on the election decision. Each application will be data captured 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 2 months = \$11.2

PCN 04-1125 would be funded for an  
additional two months, in accordance  
with Attachment A. Ongoing maintenance  
of new programs would be accomplished  
by existing staff.

1 PPT Document Processor I, R7  
@ \$2,117.76/Mo, including salary and  
benefits for 3 months = \$6.3

This position would assist in the manual  
review and coding of 540,000 applications  
for the new election decision. This  
position represents the equivalent of the  
additional time and effort.

1 PPT Data Processing Clerk I, R8,  
@ \$2,221.64/Mo, including salary and  
benefits for 2 months = \$4.4

This position would assist in the data  
capture of the additional election  
decision. The position represents the  
equivalent value of the additional time  
and effort.

TOTAL Personal Services \$21.9

2. Other Expenditures:

a) Travel: None.

b) Contractual:

Data Processing Chargeback \$5.0  
Add a page to the PFD Booklet \$6.0

c) Supplies: \$0.2

d) Equipment: Use existing equipment 0.0

TOTAL COST \$33.1

3. Funding: Permanent Fund Dividend Fund.

4. Section Cost Analysis: N/A.

Computations: N/A.

Economic Impact: N/A.

Impact on Local Government: N/A.

Suggested Amendments: None.

Attachments: Attachment A: "Summary of DP Needs"

Department of Revenue  
Administrative Services Division  
Fiscal Note Analysis  
HB 134  
Summary of Data Processing Requirements  
3/2/87

Wang data entry processing	75.0 hours
Includes:	Data entry Batch lists Corrections Wang to IBM transfer
IBM Update jobs	30.0 hours
Includes:	Edits Batch listings Log sheets
DMS Online programs for lookup and changes	37.5 hours
Nightly Update of Changes	22.5 hours
Warrant Jobs	90.0 hours
Includes:	Printing warrants with different amounts. Include check stub messages. Modify warrant registers as needed for balancing. Create new program(s) for transferring accumulated decisions to the Permanent Fund, and to account for the reserve necessary due to returned and cancelled PFD warrants.
Miscellaneous	45.0 hours
Includes:	Setting up test files on IBM Systems testing Administrative functions, i.e. paper work required by Admin. DP to add files and programs to tables.
TOTAL HOURS	300.0 hours

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

B

Bill Version: HB 134

Publish Date: \_\_\_\_\_

REQUEST \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: An Act Permitting Payment of  
certain PFD into the principal of the PF.  
Sponsor: Pearce and Pourchot  
Requestor: State Affairs and Finance

Agency Affected: Revenue  
BRU: Public Services - Permanent Fund  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LAND & STRUCTURES	-	-	-	-	-	-
GRANTS/CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	0	0	0	0	0	-

ANALYSIS: \*Attach a separate page if necessary

Prepared by: Sally Smith *Sally Smith* Phone: 465-2392  
Division: Public Services Date: February 20, 1987

Approved by: H. Malone *H. Malone* Date: 3/2/87  
Commissioner: \_\_\_\_\_  
Agency: Revenue

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management & Budget
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- Senate Secretary