

S B

227

A M E N D M E N T

Offered in the SENATE

By Uehling

TO: SB 227

Page 2, line 7, after "(c)":

Insert "If a hearing is requested by an individual under (b)(3) of this section, the department shall notify the agency making the claim, and that agency is responsible for affording the individual a hearing on the claim."

Page 2, line 7:

Delete "a"

Insert "the"

Page 2, lines 7 and 8:

Delete "requested by an individual under (b)(3) of this section"

Amendment to SB227

There has been some concern raised by the Department of Revenue that SB227 is not clear in who handles the hearing if a Permanent Fund Dividend attachment is appealed. This amendment makes it clear that the agency making the claim is responsible for the hearing regarding the appeal.

Original sponsors: Uehling and .siks

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 227 ()

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 claims of state agencies to
7 permanent fund dividends."

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. 43.23.067. CLAIMS OF STATE AGENCIES. (a) AS 09.38 does
11 not apply to permanent fund dividends taken to satisfy debts under
12 AS 43.23.065(b)(4). Notwithstanding AS 09.35, execution on a claim
13 under AS 43.23.065(b)(4) is accomplished by delivering a certified
14 claim to the department containing the following information:

15 (1) the name and social security number of the individual
16 whose dividend is being claimed;

17 (2) the amount the individual owes to the agency; and

18 (3) a statement that

19 (A) the debt has not been contested, or, if contested,
20 that the issue has been resolved in favor of the agency; and

21 (B) if the debt has been contested and resolved in
22 favor of the agency, no appeal is pending, the time limit for
23 filing an appeal has expired, or the appeal has been resolved in
24 favor of the agency.

25 (b) Upon receipt of a claim under (a) of this section the de-
26 partment shall notify the individual of the claim. The notice shall
27 be sent to the address provided in the individual's permanent fund
28 dividend application and must provide the following information:

29 (1) the identity of the agency that has made the claim;

1 (2) the amount of the claim;

2 (3) notice that the amount of the permanent fund dividend
3 that does not exceed the amount of the claim shall be paid to the
4 agency unless the agency releases the claim or the individual requests
5 a hearing from the agency making the claim within 10 days after the
6 date the notice is sent by the department.

7 (c) If a hearing is requested by an individual under (b)(3) of
8 this section, the agency making the claim shall notify the department.
9 The agency making the claim is responsible for affording the individ-
10 ual a hearing on the claim. AS 44.62.330 - 44.62.630 apply to the
11 hearing. If no notice of a request for a hearing or release of the
12 claim is received by the department from the agency, the department
13 shall pay the amount of the permanent fund dividend that does not
14 exceed the amount of the claim to th agency making the claim.
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STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 227 / HB 223
Publish Date: 4/1/87

REQUEST: _____

Revision Date: 4/13/87

Agency Affected: Commerce & Economic Dev.

Title: An Act relating to claims of state agencies to permanent fund dividends.

BRU: Occupational Licensing

Sponsor: Senators Uehling and Faiks

Components: _____

Requestor: Senator Uehling

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
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	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

(See Attached)

Prepared by: Jennifer Strickler, Management Analyst
Division: Occupational Licensing

Phone: 465-2144

Date: 4/13/87

Approved by Commissioner: J. Anthony Smith
Agency: Commerce and Economic Development

Date: _____

Distribution (by preparer):

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

SB 227 /HB 223

The Division of Occupational Licensing has experienced approximately 3% of NSF checks submitted annually for licensing fees in FY 86 and FY 87. At that rate, 3% of the projected FY 88 revenue will total \$36,600.00.

SB 227 will allow the division to recover funds for NSF checks through filing a claim against an individual's permanent fund dividend check, after all other attempts to recover the funds are unsuccessful. The impact of the bill should discourage future non-compliance with attempts to recover funds.

Changes To SB227

The following changes were made to SB227 in the work draft of CS SB227 dated 4/14/87:

At the request of the Department of Revenue, language was added on page 2 in section (b)(3) and in section (c) to clarify the appeals process. The changes make it clear that the agency making the claim shall notify the Department of Revenue of any pending hearings. Also, the agency making the claim, not the Department of Revenue, is responsible for affording the individual that hearing.



Alaska State Legislature

Senate

SENATOR RICK UEHLING

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

Official Business

Senate Finance Committee

TO: Senator Mitch Abood, Chairman
Senate State Affairs Committee

From: Senator Rick Uehling

DATE: April 11, 1987

RE: SB227, "An Act Relating To Claims Of State Agencies
To Permanent Fund Dividends"

I have asked staff to provide the following information and analysis of SB227, "An Act Relating To Claims Of State Agencies To Permanent Fund Dividends." Attached is a brief summary, a copy of the bill, a sectional analysis, copies of the affected statutes, and the fiscal notes.

Summary

SB227 would allow state agencies to garnish an individual's Permanent Fund Dividend to satisfy the nonpayment of a debt to that agency. This bill allows the procedure to occur outside of the courts, yet still provides due process to the individual through an appeals process under the Administrative Procedures Act. The burden on the court system and the excessive time and expense on the part of the agency is eliminated.

An example, and one of the reasons for the introduction of this bill, is the Postsecondary Education Commission. Currently, \$41,000,000 in student loans are in default! These are not delinquent loans, but those in default which are turned over to collection agencies who immediately file suit in court. Last year 2,000 individuals who applied for the dividend were also in default on the student loans. As noted in the Postsecondary Education Commission's fiscal note, if this bill passes it could mean an additional \$400,000 to \$800,000 in revenue each year for the student loan program. Other Departments such as Commerce & Economic Development, Health & Social Services and the Court system have indicated that this bill could result in additional revenue for them as well.

It does not seem equitable for individuals to receive the Permanent Fund Dividend when they are in default on a debt to a state agency. This bill takes steps to remedy that inequity.

STATE OF ALASKA
THE LEGISLATURE

POUCHET STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 8, 1987

SUBJECT: Sectional analysis of SB 227
TO: Senator Rick Uehling
FROM: Tamara Brandt Cook *TBC*
Director
Division of Legal Services

Here is the sectional analysis that you requested of SB 227 dealing with claims of state agencies to permanent fund dividends.

Sec. 1. A new section is added providing that AS 09.38 (Alaska Exemptions Act) does not apply to a dividend taken to satisfy a debt of a state agency. Execution on such a claim is accomplished by delivering a certified claim to the Department of Revenue containing certain information. Upon receipt of the claim the department is required to notify the individual and provide certain information, including notice that the individual may request a hearing within 10 days after the date the notice is sent by the department. AS 44.62.330 - 44.62.630 (Administrative Procedure Act) apply to a hearing requested by an individual. If no request for a hearing is received, the department is required to pay the amount of the permanent fund dividend that does not exceed the amount of the claim to the agency making the claim.

You have also asked whether the bill presents due process problems. I believe the bill would survive a due process challenge because the individual whose dividend is being claimed is given notice of that fact and accorded a hearing on the claim at his request. The hearing is subject to provisions of the Administrative Procedure Act that relate to administrative hearings, which set out procedures to be followed in the hearing and includes the opportunity to appeal a final administrative order to the superior court (AS 44.62.560). It is only when no request for a hearing is received that the department may proceed to pay money from the dividend to the agency making the claim.

TBC:mkr
m10/121

provision, see § 22, ch. 99, SLA 1985 in amendment substituted "October" for the Temporary and Special Acts. "December" in paragraph (2).

Effect of amendments. — The 1984

Sec. 43.23.065. Exemption of permanent fund dividends. (a) Except as provided in (b) of this section, 50 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.

(b) An exemption is not available under this section for permanent fund dividends taken to satisfy

(1) child support obligations required by court order or decision of the child support enforcement agency under AS 47.23.140 — 47.23.220;

(2) court ordered restitution under AS 12.55.045 — 12.55.051 or 12.55.100;

(3) a court ordered probation fee under AS 12.55.105; or

(4) a debt owed by an eligible individual to an agency of the state, unless the debt is contested and an appeal is pending, or the time limit for filing an appeal has not expired.

(c) Claims listed in (b) of this section have priority in the order listed over other claims on a permanent fund dividend. (§ 1 ch 102 SLA 1982; am § 1 ch 157 SLA 1984; am § 57 SLA 1985; am § 67 ch 138 SLA 1986)

Revisor's notes. — Sections 12 and 13, ch. 99, SLA 1985, amend this section and add new (b) and (c). The amendments are effective if § 1, ch. 99, SLA 1985 is repealed (see § 25, ch. 99, SLA 1985). If the amendments become law, the section will read: "(a) Fifty percent of a cash permanent fund dividend payment 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. An exemption is not available under this section for cash permanent fund dividend payments taken to satisfy (1) child support obligations required by court order or decision of the child support enforcement agency under AS 47.23.140 — 47.23.220; (2) a debt owed by an eligible individual to an agency of the state, unless the debt is contested and an appeal is pending, or the time limit for filing an appeal has not expired; or (3) court ordered restitution under AS

12.55.045 — 12.55.051 or 12.55.100. A child support obligation under (1) of this section has priority over a debt owed to an agency of the state, and a permanent fund dividend may not be taken to satisfy a debt under (2) of this section until any portion of the dividend necessary to satisfy a child support obligation has been taken.

"(b) The department shall require an individual to take 100 percent of the permanent fund dividend in cash if the department receives a levy, execution, garnishment, attachment or other legal remedy for the collection of a past due debt described in (a)(1) or (2) of this section.

"(c) The courts of this state may, as a condition of any civil judgment or restitution order under AS 12.55.045 — 12.55.051 or 12.55.100, require the defendant to take the defendant's permanent fund dividend in cash."

Section 22, ch. 99, SLA 1985 provides for an advisory vote to be held at the general election in 1986. For the text of that

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: SB 227

Publish Date: 4-1-87

Revision Date: _____

Agency Affected: Education

Title: Re: Claims to Permanent

BRU: Postsecondary Commission

Fund Dividends

Sponsor: Uehling, Faiks

Components: Student Loan Admin.

Requestor: Senate State Affairs

Student Loan Fund

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	N.A.	-0-	-0-	-0-	-0-	-0-

CAPITAL	N.A.	-----	see attached	-----		
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	N.A.	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	N.A.					

POSITIONS:

FULL-TIME	N.A.	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

(see attached page)

Prepared by: Kerry D. Romesburg, Executive Director
 Division: Postsecondary Education Commission

Phone: 465-2854

Date: 4-8-87

Approved by Commissioner: _____

Date: _____

Agency: _____

Distribution (by preparer):

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

SB 227
FISCAL IMPACT ANALYSIS

1. Operating budget: The Commission currently runs a tape match of defaulted borrowers against the permanent fund dividend file, so there would be no additional administrative expense associated with this bill.

2. Loan fund (Capital): SB 227 will produce a positive revenue source for the student loan revolving fund. Since the amount of the dividend varies, and since the number of defaulters applying will also vary, it is not possible to predict the fiscal impact with any accuracy. However, if the terms of SB 227 had been in place in FY87, the impact would have been:

<u>Default Match</u>	<u>Claims Filed</u>	<u>Dividends "missed"</u>	<u>Funds Not Received</u>
2,000	800	1,200	\$673,200

Hence, this bill could produce \$400,000 to \$800,000 annually if the application and default rate remains relatively constant.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 227

Publish Date: _____

REQUEST _____

Revision Date: _____

Title: An act relating to claims of state agencies to PFD's

Sponsor: Uehling and Faiks

Requestor: State Affairs, Judiciary

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	-	4.2	4.2	4.2	4.2	4.2
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	2.2	2.2	2.2	2.2	2.2
SUPPLIES	-	0.1	0.1	0.1	0.1	0.1
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	6.5	6.5	6.5	6.5	6.5
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	6.5	6.5	6.5	6.5	6.5
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	6.5	6.5	6.5	6.5	6.5

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	1	1	1	1	1
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

(See attached)

Prepared By: Ervin B. Jones
Division: Administrative Services

Phone: 465-2313

Date: 4/13/87

Approved by Commissioner: J. Malone
Agency: Revenue

Date: 4/13/87

Distribution (by Agency preparing fiscal note):

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

page _____ of _____

Department of Revenue
Administrative Services Division
Fiscal Note Analysis
SB 227
4/6/87

Assumptions:

- 1) It is assumed that the term "state agency" does not include the court system.
- 2) It is assumed that all state agencies which now execute judgments , serving the Department of Revenue with writs will instead use the procedure prescribed in this bill. In 1986, the department received approximately 5,000 writs from state agencies under AS 43.23.065(b)(4).
- 3) Given the ease by which the debtor agency is allowed to attach the PFD, an estimated increase of 3,000 claims is expected.
- 4) It is assumed that certified claims filed before April 1 of each calendar year will be returned to the agency as the department will not be holding revenue for the individual until he files a PFD application. Claims filed between April 1 and December 31 will be held and matched against the current year dividend file and will be honored in the order provided in AS 43.23.065.
- 5) Competing claims from different agencies will be honored in the order received.
- 6) Since Section 1 of the bill requires the Department of Revenue to send a notice to the address on the PFD file, the department will hold the claim until the PFD application is on file before sending the notice.

Program Summary:

The Department of Revenue will print a form for state agencies to use in claiming the permanent fund dividend of eligible individuals. This will ensure a uniform presentation of information required by the bill and will facilitate processing of the claim. Claims received will be matched against the PFD file. Except for claims filed between April 1 and July 31 of each year, if a payable application is not on file, the claim will be returned to the agency, marked "no funds available." If, on the other hand, a payable application is on file, the Department of Revenue will send the applicant a notice as described in Section 1.

During the period of April 1 - July 31 of each year, the current year's PFD file is being compiled. Agency claims filed during this period will be held until the current year PFD file is completed and will then be matched, resulting in either a notice of no funds available to the agency or a notice to the dividend applicant.

The provision of subparagraph (c) in the new Sec. AS 43.23.067 implies that the Department of Revenue will hold hearings under AS 44.62.330 - 44.62.630 if requested by the dividend applicant within 10 days of the date of the aforementioned notice. It would seem much more appropriate and practical for the agency making the claim to defend against any challenge, and we would therefore recommend that the bill be amended to provide that any challenge to the execution should be made to the agency making the claim. Unless the claim is released, it will be honored at the time of payment. Without access to the factual record supporting the claim and without the specialized program knowledge of the agency filing the claim, it would be impossible for Revenue to provide such a hearing.

At the time of payment of the dividend, a notice of payment and/or garnishment will be sent to the applicant, notifying him of the attachment(s) and/or assignment(s) and/or dividend contributions which reduced his dividend.

1. Positions

1 PPT Document Processor, R7, @ \$2,117.76/Mo including salary and benefits for 2 months	=	\$4.2
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This position will assist in the processing of agency claims and the issuance of the related notices to PFD applicants.

Other Costs:

Travel: None

Contractual:

Printing of 10,000 agency claim forms and 10,000 notices to applicants	=	\$0.4
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Postage for 8,000 notices to applicants	=	1.8
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TOTAL Contractual		\$2.2
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<u>Supplies:</u>		\$0.1
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Equipment: None

TOTAL Costs		<u>\$6.5</u>
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Suggested Amendments:

1. Section 1, P. 1, line 25-26 should be amended to read as follows:

"(b) Upon delivering [RECEIPT OF] a claim under (a) of this section the claiming agency [DEPARTMENT] shall notify the individual of the claim."

2. Section 1, P. 2, line 2-6 should be amended to read as follows:

"(3) notice that the amount of the permanent fund dividend that does not exceed the amount of the claim shall be subject to attachment [PAID TO THE AGENCY] unless the agency releases the claim or the individual requests a hearing within 10 days after the date the notice is sent by the claiming agency [DEPARTMENT].

3. Section 1, P. 2, line 7-12 should be amended to read:

"(c) AS 44.62.330 - 44.62.630 apply to a hearing requested by an individual under (b)(3) of this section. If no [REQUEST FOR A HEARING] release of the claim, or notice of hearing request is received by the department within the required time limit, the department shall pay the amount of the permanent fund dividend that does not exceed the amount of the claim to the agency making the claim."

Attachments:

See attached copy of memo from Mr. Jeffrey W. Bush, Assistant Attorney General, to the Honorable CE. Swackhammer, Alaska State House, dated April 2, 1987. Certain portions of Mr. Bush's analysis would seem applicable to this bill. Those sections have been highlighted.

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

April 2, 1987

The Hon. C. E. Swackhammer
Alaska State House
P.O. Box V
Juneau, AK 99811

Re: House Bill 223, relating to
permanent fund dividends
Our File No.: 663-87-0446

Dear Representative Swackhammer:

By memorandum dated March 19, 1987, you asked us to review a proposed bill to permit agencies to apply for and receive the permanent fund dividends of individuals who owe debts to the agencies. Specifically, you asked us to comment on the tax consequences of the proposal and to make any other general comments regarding the draft. A later version of this proposed bill was recently introduced as House Bill 223, and we will direct our comments to the version currently under consideration.

Federal Tax Implications

House Bill 223 would permit an "agency," defined as any state agency, state court, or municipality, to apply for and receive the permanent fund dividend of an individual who owes a debt to the agency. Assuming the procedure proposed to implement this process is workable (see discussion below), you have asked whether the agency's action will have federal income tax consequences to the individual. Although an absolute answer is impossible without either an Internal Revenue Service official ruling or a court decision, we believe a court would characterize this transaction as a discharge of a taxpayer's debt, thereby constituting income to the taxpayer under 26 U.S.C. § 61.

We understand that you asked the same question of the Legislative Affairs Agency. By memorandum dated March 20, 1987, Theresa L. Bannister stated that she could not, with any certainty, provide an answer to your question. On the one hand, the discharge of a taxpayer's debts is generally included in a taxpayer's gross income under 26 U.S.C. § 61. On the other hand, because the agency would claim the dividend on behalf of the taxpayer, who would never claim the dividend himself, the transaction could be viewed as simply a ~~DISBURSEMENT OF REVENUE~~

ADMINISTRATIVE SERVICES

STEVE COWPER, GOVERNOR

REPLY TO:

1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-3550

1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 400
FAIRBANKS, ALASKA 99701
PHONE: (907) 452-1568

P.O. BOX K-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

APR 03 1987

DISBURSEMENT

taxpayer's debt by the agency. Thus the transaction might be excluded from income as a gift under 26 U.S.C. § 102.

We believe the better argument is that the discharge of a debt under these circumstances would constitute gross income. The bill permits agencies other than the state to apply for and receive an individual's dividend. In those cases where a municipality received an individual's dividend, an actual transfer of funds would take place from the dividend fund (within the state general fund) to the municipality. This would clearly be a discharge of debt, rather than a write-off of debt. Although the question is arguably closer where the state is the debtor, the language of the bill implies an actual discharge of a debt by the state, rather than a gift. Finally, as noted by Tamara Brandt Cook, Director of the Legal Services Division, Legislative Affairs Agency, in a memorandum dated March 23, 1987, were this to be interpreted as a gift, the transaction could violate article IX, section 6, of the Alaska Constitution. Given the generally aggressive posture of the Internal Revenue Service, which views any exemption claim with skepticism, we believe the IRS would treat any agency claim for a permanent fund dividend as taxable income to the individual.

Other Legal Issues

In addition to the tax issues, this bill raises other legal issues which deserve discussion. First, as outlined by Ms. Cook, this legislation would be subject to challenge under the due process requirements of the state and federal constitutions, because by exempting these transactions from the normal execution procedures in AS 09.25, the bill does not provide for notice and prior hearing before the seizure of the individual's property. Balancing the interest of the individual in a prior hearing against the interest of the agency in efficient government operations, and taking into account the relatively slight chance of a permanent deprivation in the event of an agency mistake, we believe the legislation might withstand a due process challenge. However, the only thing we can say with any certainty is that a challenge would likely occur.

Second, although providing an exemption from AS 09.35, the bill fails to mention applicable court rules. The Alaska Supreme Court has provided specific procedures for execution on judgments in Civil Rule 69. Because this rule specifically provides that enforcement of a judgment be by a writ of execution unless otherwise directed by the court, this rule would supercede the new legislation unless the bill is amended to specifically amend Civil Rule 69. Of course, the bill will then need to be

adopted by a two-thirds vote in each house of the legislature. Alaska Constitution art. IV, § 15.

Third, this legislation raises some questions concerning how a particular agency is going to determine whether or not a particular individual "is eligible to receive the dividend." AS 43.23.005(a) provides as part of the eligibility requirements for a permanent fund dividend that the individual be a state resident. "Residency" is established when an individual is physically present in the state "with the intent to remain in the state indefinitely and to make a home in the state." AS 01.10.055(a). Since residency depends on the state of mind of the individual, it is difficult to see how an agency could defend its "belief" that the individual is a resident, should the belief be challenged by the individual himself. Although it is unlikely that many will make such a challenge, since the only negative consequence of the agency's actions will be an increased tax liability and the individual will gain an even larger debt write-off, such a challenge is certainly plausible, and if made, the agency's position would likely be indefensible.

We also note a few other practical questions raised by the bill. The bill fails to mention what procedures to use if the agency's claim is for less than the full amount of the dividend. In that case, is the entire check sent to the agency, or should the Department of Revenue issue separate checks to both the individual and the agency? Also, the bill provides that the Commissioner of the Department of Revenue must notify the individual that the execution has occurred. In addition to increasing the Department of Revenue's administrative costs, this procedure may cause an individual who wishes to challenge the action to believe that his challenge should be made through the administrative processes at the Department of Revenue. We believe it would be more appropriate for the agency making the claim to defend against any challenge, and we would therefore recommend that the bill be amended to add an additional section specifying that any challenge to the execution should be made to the agency making the claim.

Finally, we believe sec. 5 of the bill should be clarified. The reference to AS 09.38.085 should also include a reference to AS 09.38.075(b) and AS 09.38.080(c). Further, it appears that the final two sentences being added to AS 43.23.-065(a) refer only to situations where the court is the creditor.

The Hon. C. E. Swackhammer
Alaska State House
File No.: 663-87-0446

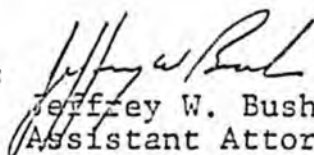
April 2, 1987
Page 4

If this is the drafter's intent, we would recommend that these two sentences be moved to a separate subsection.

We hope this answers your questions.

Sincerely,

GRACE BERG SCHAIBLE
ACTING ATTORNEY GENERAL

By: 
Jeffrey W. Bush
Assistant Attorney General

JWB:lb

cc: ✓ Ervin Jones, Director
Administrative Services
Department of Revenue

Arthur H. Peterson, AAG
Department of Law

INTRODUCTION OF BILLS, (Senate, cont'd)

SB 225, (cont'd)

Sections 7 and 8 of the bill decrease the long-run cost of the loan program by providing for increased revenue to the scholarship revolving loan fund (AS 14.43.090). Section 7 amends AS 14.43.120(1)(1) to eliminate the state payment of interest during the period after a student ends full-time enrollment and before the student begins repayment of the loan. As is the case under existing AS 14.43.120(1), the state will pay interest as long as a student is enrolled full-time. Section 8 repeals AS 14.43.120(j), which provides for "forgiveness" of up to 50 percent of a loan.

I urge your prompt and favorable action on this measure.

Optometry
(practice of)

SENATE BILL NO. 226, by the Health, Education & Social Services. Relates to the practice of optometry:

--Would allow the Board of Examiners in Optometry to issue a license endorsement authorizing a licensee who completes an examination and other requirements established by regulation to administer drugs, except those prohibited by law. The endorsement would expire at the same time as the license to which it attaches, and it could be renewed upon satisfactory completion of continuing education requirements established by the board by regulation.

--Would allow the board to impose disciplinary sanctions when it finds after a hearing that a licensee has failed to refer a patient to a physician after ascertaining the presence of ocular or systemic conditions requiring management by a physician (current law allows sanctions when a licensee has failed to refer a patient to "the appropriate health care practitioner after ascertaining the possible presence of ocular disease.")

--Adds a new section to optometry law (AS 08.72) prohibiting licensed optometrists from using drugs in the practice of optometry unless (1) the drug is a (A) nonprescription drug; (B) a drug, used for examination purposes only, within the categories of topically applied ocular anesthetics, but not including cocaine; cycloplegics or mydriatics, but not including atropine, homatropine, scopolamine, epinephrine, and 10 percent phenylephrine; (C) or a drug, within the category of miotics used, after consultation with an ophthalmologist, for the treatment of an inadvertently induced angle closure; and (2) the person holds a license endorsement issued by the board authorizing the use of drugs.

--Rewrites definition section under optometry law.

Does not provide an effective date (bill becomes law 90 days after being signed by the governor).

Introduced April 1 and referred to Health, Education & Social Services; Labor & Commerce.

State Claims
to FFD's

SENATE BILL NO. 227, by Senators Uehling and Faiks. Under this bill, the Alaska Exemptions Act (AS 09.38) would not apply to Permanent Fund dividends taken to satisfy debts owed by an individual to a state agency. Notwithstanding the law relating to a writ of execution (AS 09.35), execution on a claim for money owed to a state agency would be accomplished by delivering a certified