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# HOUSE COMMITTEE REPORT

file

(11)

Date Referred: February 22, 1990

FURTHER REFERRALS:

Date of Committee Action: \_\_\_\_\_

The FINANCE Committee considered:

HB 511

HOUSE BILL NO. 511

APPROP: DIVIDEND FUND

"An Act making a special appropriation to reimburse the dividend fund for appropriations from the dividend fund in fiscal year 1990 for prisoner gate money, sex offender treatment programs, and the Violent Crimes Compensation Board made in expectation that permanent fund... etc.

See Attached

**RECOMMENDATIONS:**

- be replaced with CS HB 511 (SA)  the same title
- have 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):<br>(Dept)                           | APPROVES PREVIOUS:<br>(Date/Dept)                  |
| <input type="checkbox"/> fiscal impact _____                     | <input type="checkbox"/> fiscal note(s) _____      |
| <input type="checkbox"/> zero fiscal note _____                  | <input type="checkbox"/> zero fiscal note(s) _____ |
| <input checked="" type="checkbox"/> zero with analysis (Revenue) | <input type="checkbox"/> zero fn/analysis _____    |

**SIGNING DO PASS:**

**SIGNING:**  
(Check approp. column)

		Do Not Pass	No Rec	Amend
<u>Laura Hoff</u> Hoffman	<u>[Signature]</u> ULMHIZ		<input checked="" type="checkbox"/>	
<u>Donald Larson</u> Larson	<u>[Signature]</u> Rieger		<input checked="" type="checkbox"/>	
<u>[Signature]</u> Swackhammer	<u>[Signature]</u> WAUIS		<input checked="" type="checkbox"/>	
<u>[Signature]</u> Brown				
<u>[Signature]</u> Koponen				
<u>[Signature]</u> Barnes				
<u>[Signature]</u> Shultz				
<u>[Signature]</u> Phillips				

Donald J. Larson Larson  
 16 Chairman's Signature  
Laura Hoff Hoffman

Offered: 2/22/90  
 Referred: Finance

Original sponsor(s): REP. BOUCHER, Gruenberg, Boyer, Davidson, Grussendorf, Brown, Kubina, M.Davis, Ulmer, Collins, Martin, Menard, Leman, Hudson, Donley, Ellis, Navarre, Hanley, C.Davis, Foster, Furnace, Koponen, Larson, MacLean, Miller, Phillips, Sharp, Shultz, Swackhammer, Zawacki, Finkelstein

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 511 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to reimburse  
 7 the dividend fund for appropriations from the divi-  
 8 dend fund in fiscal year 1990 for prisoner gate  
 9 money, sex offender treatment programs, and the  
 10 Violent Crimes Compensation Board made in expectation  
 11 that permanent fund dividends would be denied to  
 12 incarcerated felons; making an appropriation of  
 13 certain funds in an interest-bearing trust to the  
 14 general fund and an appropriation of the remaining  
 15 funds to the dividend fund, in the event that the  
 16 state prevails in whole or in part in the appeal of  
 17 the superior court decisions in Anthony v. State and  
 18 Snyder v. Department of Revenue; and providing for an  
 19 effective date."

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

21 \* Section 1. HISTORICAL BACKGROUND. The legislature has adopted a  
 22 policy to deny benefits of the permanent fund to incarcerated felons. To  
 23 implement this policy, in 1988 the legislature disqualified incarcerated  
 24 felons from receiving permanent fund dividends. In 1989 the legislature  
 25 appropriated \$1,500,000 from felons' permanent fund dividends to the De-  
 26 partments of Corrections and Public Safety. Legal challenges by incarcer-  
 27 ated felons subsequently caused superior courts to rule that the law deny-  
 28 ing permanent fund dividends to felons is unconstitutional. Pending review  
 29 by the Alaska Supreme Court, a superior court created an interest-bearing

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CSHB 511(SA)

COMMITTEE COPY

1 trust for the felons' permanent fund dividends. About \$2,000,000 is in the  
2 interest-bearing trust. The amount of the 1989 permanent fund dividend  
3 received by each dividend recipient was reduced by the appropriations to  
4 the Departments of Corrections and Public Safety and by the creation of the  
5 interest-bearing trust. The legislature did not anticipate the felons'  
6 challenge and did not intend that the permanent fund dividend recipients  
7 should bear the costs of these programs and the interest-bearing trust.

8 \* Sec. 2. PURPOSE. It is the purpose of this Act to

9 (1) restore the \$1,500,000 that was appropriated from the divi-  
10 dend fund, plus interest, by making an appropriation from the general fund  
11 to the dividend fund; and

12 (2) if the state prevails on appeal and obtains a reversal in  
13 whole or in part of the superior court decisions that resulted in the  
14 interest-bearing trust being created, appropriate up to \$1,500,000, plus  
15 interest, from the money placed into the interest-bearing trust to the  
16 general fund, and appropriate the remaining funds to the dividend fund.

17 \* Sec. 3. The sum of \$1,500,000, plus interest at 10.5 percent per  
18 annum from the date that funds were transferred from the dividend fund to  
19 the Department of Corrections and to the Department of Public Safety until  
20 the effective date of this section, is appropriated from the general fund  
21 to the dividend fund (AS 43.23.045) for payment in 1990 to individuals  
22 entitled to receive a 1990 permanent fund dividend.

23 \* Sec. 4. If the Alaska Supreme Court reverses in whole or in part the  
24 decisions of the superior courts in Anthony v. State (3PA-88-1009 Civ.) and  
25 Snyder v. Department of Revenue (3AN-89-3807 Civ.), upon final judicial  
26 disposition of the funds in the interest-bearing trust established by the  
27 superior court in Anthony, the funds remaining in the trust, not to exceed  
28 an amount equal to the amount appropriated by sec. 3 of this Act, are  
29 appropriated to the general fund.

1 \* Sec. 5. If the Alaska Supreme Court reverses in whole or in part the  
2 decision of the superior court in Anthony v. State (3PA-88-1009 Civ.) and  
3 Snyder v. Department of Revenue (JAN-89-3807 Civ.), upon final judicial  
4 disposition of the funds remaining in the interest-bearing trust estab-  
5 lished by the superior court in Anthony, the funds remaining in the trust  
6 after the appropriation of funds under sec. 4 of this Act, are appropriated  
7 to the dividend fund (AS 43.23.045).

8 \* Sec. 6. Sections 1 - 3 of this Act take effect immediately under  
9 AS 01.10.070(c).

10 \* Sec. 7. Sections 4 - 5 of this Act take effect on the date of a  
11 decision by the Alaska Supreme Court reversing in whole or in part the  
12 superior court decisions in Anthony v. State (3PA-88-1009 Civ.) and Snyder  
13 v. Department of Revenue (JAN-89-3807 Civ.).  
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## Representative H.A. "Red" Boucher

Chairman House Committee on State Affairs • Special Committee on Telecommunications  
Member Labor & Commerce Committee • Chairman Commission on the Future of the Permanent Fund

### MEMORANDUM

TO: Finance Committee Members

FROM: Representative H.A. "Red" Boucher  
Representative Max Gruenberg

RE: Dividend Fund Reimbursement: HB 511

Date: April 10, 1990

In 1989, \$1.5 million was deducted from the dividend fund for the Departments' of Correction and Public Safety to pay for the Violent Crimes Compensation Board, the sex offender treatment program and prisoner gate money which appeared on the stubs of all 1989 dividend checks. This deduction was based on the legislative policy that incarcerated felons should not receive a dividend check. The superior court ruled that the policy is unconstitutional and set up a trust fund which contains the felons' 1989 dividend money. The money will be held in trust until the issue can be resolved by the State supreme court. If the state prevails on appeal, the dividend fund will receive the trust money back.

Resolution of the issue may not occur until after the 1990 checks are distributed. This legislation would guarantee that recipients of the 1990 dividend are reimbursed for the \$2.89 which was deducted from their 1989 checks.

We believe that Alaskans should not bear the burden of this court challenge. We encourage you to support this legislation so that the deduction from the 1989 permanent fund dividend check can be reimbursed on the 1990 check.

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

Item 3

STEVE COWPER, GOVERNOR

P.O. BOX S  
JUNEAU, ALASKA 99811-0400  
PHONE: (907) 465-2300  
TELEFAX: (907) 465-2389

February 20, 1990

The Honorable Red Boucher  
Alaska State House  
P.O. Box V  
Juneau, AK 99811

Dear Representative Boucher:

HB 511 would restore to the 1990 Permanent Fund Dividend the amount of the 1989 deductions for sex offender treatment, gate money, and violent crimes compensation. This will increase each 1990 dividend check by about \$3.00.

However, I want to make clear that section four of the legislation would transfer the dividend money now held in trust over to the general fund rather than back into the dividend fund if the state wins in the felons' lawsuit.

I realize that there may be strong legislative interest in putting the dividend money in the general fund since the general fund is paying the expense that the dividend fund incurred for the sex offender treatment, gate money, and violent crimes compensation.

I just want to make sure that folks are clear that under this version of HB 511, the permanent fund dividend fund will ultimately pay this cost if the state wins the case.

Sincerely,



Hugh Malone  
Commissioner

HM:m11  
90-32

FISCAL NOTE

REQUEST

Revision Date: \_\_\_\_\_  
Title: An act making a special appro-  
riation to reimburse the dividend fund  
Sponsor: BOUCHER, Gruenberg, et al  
Requestor: \_\_\_\_\_

Agency Affected: Revenue  
BRU: Permanent Fund Dividend Division  
Components: Permanent Fund Dividend  
Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
<u>OPERATING</u>						
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-
LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
<u>TOTAL OPERATING</u>	-0-	-0-	-0-	-0-	-0-	-0-
<u>CAPITAL</u>	-0-	-0-	-0-	-0-	-0-	-0-
<u>REVENUE</u>	-0-	-0-	-0-	-0-	-0-	-0-

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-
<u>TOTAL</u>	-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: See attached *EP*

Prepared By: Ervin Jones  
Division: Permanent Fund Dividend Division

Phone: 465-2323  
Date: February 20, 1990

Approved by Commissioner: \_\_\_\_\_  
Agency: Revenue

Date: Feb 20, 1990

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

Department of Revenue  
Permanent Fund Dividend Division  
Fiscal Note Analysis  
HB 511  
February 20, 1990

ANALYSIS:

Section 3 appropriates \$1.5 million plus interest from the General Fund to the Dividend Fund for distribution in 1990 to those eligible for 1990 dividends. This will result in an increase to the 1990 dividend of approximately \$3.00 per applicant.

Sections 4 and 5 establish appropriations from the 1989 Felon's Trust Account contingent upon the State winning the felon's case on appeal. Under Sections 4 and 5, this account will first be appropriated to the General Fund in the amount appropriated in Section 3, with the remainder to go back to the Dividend Fund.

If the State loses, the trust account will be paid out to the felons.

NOTE: The interest which is accruing to the trust account is coming from the General Fund. Is it the intention of the Legislature that this interest be appropriated to the Dividend Fund under Section 5?