

**H B**

**563**

STATE OF ALASKA  
THE LEGISLATURE

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Mary Van Nimwegen

HB 563

House State Affairs	3/6/90
House State Affairs	2/22/90
House State Affairs	2/21/90

- **Final Commission report said: Disclose All Uses of Fund Earnings**
- **Many Alaskans were upset to discover that reductions had been made for felon gate money and other deductions -**

**This body has taken care of that problem with HB 511**

- **Testimony was clear that money diverted from the dividend fund, other than for expenses associated with the administration of the program, were unacceptable**
- **HB 511 discloses to the public deductions, and requires that those deductions be fully explained**
- **I will be proposing an amendment today that will broaden this disclosure - this amendment requires that appropriations mandated by the constitution and special appropriations made by the legislature - including inflation proofing - be shown on the dividend check stub as well.**
- **It has been argued that, by including this information, there will be considerable public confusion -**
- **The public has a right to know and they want to know**

#### **Notes**

- **there will be no increase in the Fiscal Note by amending this bill**

**\$22,000 part time Document Processor IIs will be able to handle questions regarding the all disclosures**

- **If a question comes up about how all of the disclosure will fit on the stub, it can be done by smaller fonts; the attached gives you an idea of how it will work. Note that the percentage of the different appropriations will be shown. For example, in 1989, legislative**

appropriations accounted for roughly 61% of the dividend amount.

Someone may ask about how the IRS will respond to all of these disclosures.

Background: The DOR has an agreement with the IRS to treat the dividend stub as a 1099 form. That means the DOR does have to send out 1099's to dividend recipients which would be an added cost. Someone may argue that since the IRS has this informal agreement with DOR (stub = 1099), changing purpose of the stub may affect that agreement.

We have no evidence that the IRS will treat the stub any different with the passage of this bill. It should be noted that since DOR's agreement with the IRS, disclosures have appeared at the instigation of DOR, and nothing has happened. If the DOR was concerned, they would not have purposefully made the disclosures for the sex offender program and the prisoner gate money.



## 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: House Finance Committee Members

From: Representative H.A. "Red" Boucher, Chair  
House State Affairs Committee

Subject: HB 511 - \$1.5 Million Reimbursement to the Dividend Fund.

Date: April 10, 1990

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The **Commission on the Future of the Permanent Fund** found, through considerable public testimony, that the public objected to the use of Dividend funds to pay for general government programs such as the Violent Crimes Compensation Fund, the Sex Offender Treatment Program and Felon Gate Money.

**The intent of HB 511 is to reimburse the people of Alaska for those deductions made from their Dividend Checks in 1989. To accomplish this reimbursement, HB 511 makes an immediate appropriation from the General Fund to the Dividend Fund of \$1.5 million.**

#### Background

In 1988, the legislature passed CSHB 245 which denied a dividend check to incarcerated felons. The Superior Court ruled in July of 1989 that withholding felon's dividend checks was unconstitutional, and until the issue could be resolved on appeal, the Court placed those Dividend checks in a trust fund.

If the state wins the appeal, the Dividend Fund will receive the trust money back. Resolution of this case, however, may not occur until after the 1990 checks are distributed. HB 511 ensures that the 1990 dividend checks are credited for the amount deducted in 1989.

If the state wins the appeal, \$1.5 million of the trust money plus interest will be deposited in the General Fund. The balance of the trust money would be deposited in the Dividend Fund. If the State

Supreme Court upholds the ruling of the Superior Court, the felons will receive a 1989 dividend check from the Trust Fund.

A summary of HB 511 and the disposition of the trust funds is attached.



## 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 *MG*

RE: Dividend Fund Reimbursement: HB 511

Date: April 10, 1990

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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.

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?

BSN:1153

ALASKA HOUSE OF REPRESENTATIVES  
CSHB 511(SA) AM

2ND SESSION 16TH LEG

9719790 10:57 AM

	39	YEAS	0	NAYS	1	EXC	0	ABS		
Y	BARNES	Y	ELLIS	Y	JACKO	Y	PETTYJOHN			
Y	BOUCHER	Y	FINKELSTEIN	Y	KOPONEN	Y	PHILLIPS			
Y	BOYER	Y	FOSTER	Y	KUBINA	Y	RIEGER			
Y	BROWN	Y	FURNACE	Y	LARSON	Y	SHARP			
Y	COLLINS	Y	GOLL	Y	LEMAN	Y	SHULTZ			
Y	COTTEN	Y	GRUENBERG	Y	MACLEAN	Y	SWACKHAMMER			
Y	DAVIDSON	Y	GRUSSENDORF	E	MARTIN	Y	TAYLOR			
Y	DAVIS, L.	Y	HANLEY	Y	MENARD	Y	UCMER			
Y	DAVIS, M.	Y	HOFFMAN	Y	MILLER	Y	WALLIS			
Y	DONLEY	Y	HUDSON	Y	NAVARRE	Y	ZAWACKI			

+ VOTED FOR  
- CHANGED VOTE

*Item 2*

FISCAL NOTE

REQUEST

Revision Date: \_\_\_\_\_  
Title: An Act relating to the amount  
of the permanent fund dividend  
Sponsor: State Affairs Committee  
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
<b>OPERATING</b>						
PERSONAL SERVICES	22.0	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	10.0	10.0	10.0	10.0	10.0	10.0
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-
<b>TOTAL OPERATING</b>	<b>32.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>
<b>CAPITAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>REVENUE</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (PFD)	32.0	10.0	10.0	10.0	10.0	10.0
<b>TOTAL</b>	<b>32.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	3	3	3	3	3	3
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS: See attached.

Prepared By: Ervin Jones  
Division: Permanent Fund Dividend Division

Phone: 465-2323  
Date: February 28, 1990

Approved by Commissioner: [Signature]  
Agency: Revenue

Date: 2/28/90

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  
 CSHB 563  
 February 28, 1990

1. <u>Positions</u>	<u>FY 91</u>	<u>FY 92</u>
3 PPT Document Processor IIs, R8 @ \$2,446.08/Mo including salary and benefits for 3 months	= \$22.0	\$0.0
This position is to answer increased phone calls and letters regarding the special notice		
2. <u>Other Expenditures:</u>		
a) <u>Travel:</u>	\$0.0	\$0.0
b) <u>Contractual:</u>		
Estimated cost to print and fold 525,000 flyers	= \$10.0	\$10.0
c) <u>Supplies:</u>	\$0.0	\$0.0
d) <u>Equipment:</u>	\$0.0	\$0.0
Total Cost	\$32.0	10.0

Analysis:

Assuming the number of appropriations from the dividend fund, including administrative costs and hold harmless costs, stays under four, they can be identified on the face of the stub. A brief legislative history and purpose can be printed (in very small print) on the back. If more than four appropriations occur or if a more in-depth explanation is required, we will possibly have to go to a flyer insert, resulting in the noted contractual costs.

Regarding the one time requirement to insert an explanation of the 1989 appropriations in with the 1990 dividend, it is the considered opinion of this department that this action will create confusion in the public as to which year the deductions are for, etc., and will result in thousands of additional contacts. The additional staff is the estimated incremental cost of handling these usually irate and/or confused contacts.

FISCAL NOTE

REQUEST

Revision Date: April 4, 1990  
Title: An Act relating to public  
notice on value of PFD  
Sponsor: DUNCAN  
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
<b>OPERATING</b>						
PERSONAL SERVICES	7.3	-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-
<b>TOTAL OPERATING</b>	<b>7.3</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>CAPITAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>REVENUE</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (PFD)	7.3	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	<b>7.3</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	1	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS: See attached.

Prepared By: Ervin Jones  
Division: Permanent Fund Dividend Division

Phone: 465-2323  
Date: April 4, 1990

Approved by Commissioner: Walter J. Barber for  
Agency: Revenue

Date: 4-4-90

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  
 CS SB 346 (SA)  
 April 4, 1990

1. Positions

	FY 91	FY 92
1 PPT Document Processor II, R8 @ \$2,446.08/Mo including salary and benefits for 3 months. FY 91 only =	\$7.3	\$0.0

This position is to answer increased phone calls and letters regarding the special notice

2. Other Expenditures:

a) <u>Travel:</u>	\$0.0	\$0.0
b) <u>Contractual:</u>	\$0.0	\$0.0
c) <u>Supplies:</u>	\$0.0	\$0.0
d) <u>Equipment:</u>	\$0.0	\$0.0

Total Cost	\$7.3	\$0.0
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Analysis:

The department supports full disclosure and clear accountability for expenditures from the dividend fund.

Section 2, line 20 through 25 requires additional information to be communicated to the public. It is feasible to print the information on the check stub. The department has only two concerns with this new requirement:

- a) We expect the public to be very interested in this breakdown of the source of their dividend. It is now an established fact that the public pays close attention to information on the permanent fund dividend check stub. We expect an increase in public contact. This increase is covered by the fiscal note request for one seasonal part-time Document Processor II to work at the Anchorage Dividend Information Office during October-December of 1990.
  
- b) Our second concern is the impact which the additional use of the check stub will have on the Department's tenuous agreement with the Internal Revenue Service that allows us to use the check stub as a "substitute 1099." Absent this agreement, the dividend program would incur approximately \$175,000 in additional postage and printing costs each year. If the Internal Revenue Service cancels our waiver because of their perception that the stub is being altered and will no longer serve as an acceptable "substitute 1099," then the next year's operating budget would have to reflect the additional costs.

# HOUSE COMMITTEE REPORT

(7)

Date Referred: February 14, 1990

FURTHER REFERRALS:

FINANCE

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

The STATE AFFAIRS Committee considered:

HB 563

HOUSE BILL NO. 563

DISCLOSE PER. FUND INCOME EXPENDITURES

"An Act relating to disclosure of expenditures of permanent fund income; and providing for an effective date."

**RECOMMENDATIONS:**

- be replaced with CSHB 53(SA)  the g title
- have attached amendment(s)  a net. title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

ADOPTS: HSA 2/28/90 letter of intent

ATTACHES NEW FISCAL NOTE(s):  
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact DO R
- zero fiscal note \_\_\_\_\_
- zero with analysis \_\_\_\_\_

- fiscal note(s) \_\_\_\_\_
- zero fiscal note(s) \_\_\_\_\_
- zero fn/analysis \_\_\_\_\_

**SIGNING DO PASS:**

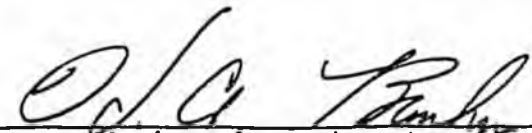
**SIGNING:**

(Check approp. column)

Do Not  
Pass      No Rec      Amend

Glenn Nease  
J. Paul Hill  
Jim Bowdler  
Katherine M. Mace  
John T. ...  
David ...



  
 \_\_\_\_\_  
 Chairman's Signature

# HOUSE COMMITTEE ON STATE AFFAIRS

## RECAP OF HB 563

### Disclose Per. Fund Income Expenditures

Received February 14, 1990  
by The State Affairs Committee

Heard February 21, 1990  
Heard February 22, 1990  
Heard March 1, 1990  
Heard March 6, 1990

CSHB 563 (SA) Adopted March 6, 1990

Passed Out of Committee March 6, 1990  
6 Do Pass

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CSHB 563 (SA)
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- Item 4:** Memorandum from Rep. Boucher, February 28, 1990
- Item 5:** Adopted Letter of Intent, February 28, 1990

Item 4



# Alaska State Legislature

House of Representatives  
COMMITTEE ON STATE AFFAIRS

## MEMORANDUM

From: H.A. 'Red' Boucher, Chairman

To: House State Affairs Committee Members

Date: February 28, 1990

Subject: **HB563** - requiring disclosure of deductions from Dividend Fund' and an explanation of 1989 deductions.

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**Section 1-** Amends AS 43.23.025 to require that each deduction from the dividend fund be listed on the check and that the legislative history and purpose of each deduction be fully explained either on the check or within the envelope which accompanies the check. The cost of this informational enclosure will be part of the administrative expenses in managing the dividend program and will be shown on the check stub.

The **(E)** amendment (page 2, lines 9-12) adds a clarification to the calculation used to determine the annual dividend payment so that the amount deducted from the dividend fund is subtracted from the calculation.

**Section 2-** This is a temporary law which requires the Commissioner of Revenue to prepare an explanation of itemized deductions contained on the 1989 check stub. The explanation will be included with the 1990 dividend check. Contingent upon an appropriation or court decision which reimburses the dividend fund for the 1989 deduction, this temporary law also requires that the added money be shown as a credit on the 1990 dividend check stub.



# Alaska State Legislature

House of Representatives  
COMMITTEE ON STATE AFFAIRS

LETTER OF INTENT  
TO ACCOMPANY  
CS HB 563 (SA)

February 28, 1990

It is the intent of the **House State Affairs Committee** that all deductions from the earnings of the Permanent Fund be disclosed to the public in accordance with the recommendations contained in the Final Report of the **Commission on the Future of the Permanent Fund**. Section 1 would require that all appropriations from the Dividend Fund be listed on the dividend check stub.

It is the intent that all additional deductions from earnings be disclosed in a form other than on the check stub realizing that there is insufficient space on the check stub to list all expenditures paid from annual earnings. Those disclosures should include, 1) the Permanent Fund Corporation's operating budget, 2) the annual reinvestment of earnings to off-set the effects of inflation, 3) the \$3.5 million appropriated to the Department of Law and 4) any other deductions from the Earnings Reserve Account, the Dividend Fund or earnings of the Permanent Fund that is not otherwise listed on the check stub.

Therefore, the House State Affairs Committee endorses the current Corporation practice of including an informational flyer with the dividend check, and encourages the expansion of this flyer to include information which explains the amount and purpose of each deductions during prior year.

Rep. H. A. "Red" Boucher, Chairman

THE FOLLOWING DOCUMENT HAS  
NOT BEEN FILMED BUT IS  
AVAILABLE IN THE ORIGINAL  
FILE

# Alaskans on the Future of the Fund

Final Report  
Commission  
the Future  
Permanent Fund

**January 31,  
1990**