

**H B**

**511**

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER

SPONSOR

BILL TITLE

DATE REFERRED

HEARING SCHEDULED

FISCAL NOTE PREPARED

SPONSOR CONTACTED

INTERESTED PARTIES CONTACTED

OTHER

SENATE COMMITTEE REPORT

DATE: 4/20/90

FURTHER: Finance

DATE TURNED INTO OFFICE: \_\_\_\_\_

State Affairs Committee considered CSHB 511 (SA) am

Special appropriation: dividend fund

and recommended:

- replace with \_\_\_\_\_ CS \_\_\_\_\_  same title
- or adopt \_\_\_\_\_ CS \_\_\_\_\_  new title
- attached amendment(s)  technical title change (HB only)
- \_\_\_\_\_ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

ATTACHES NEW FISCAL NOTE(S):

APPROVES PREVIOUS:

fiscal note(s) \_\_\_\_\_ Dept/Date: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

fiscal note(s) \_\_\_\_\_ Dept/Date: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

appropriation-no fiscal note

Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

*Ag Adams*  
 \_\_\_\_\_  
*Spink*  
 \_\_\_\_\_  
 \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

*D. Paul Lopez*  
 \_\_\_\_\_  
 Chair: Signature and Recommendation



# Alaska State Legislature

House of Representatives  
COMMITTEE ON STATE AFFAIRS

## MEMORANDUM

To: Senate State Affairs Committee Members

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

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

Date: April 25 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.

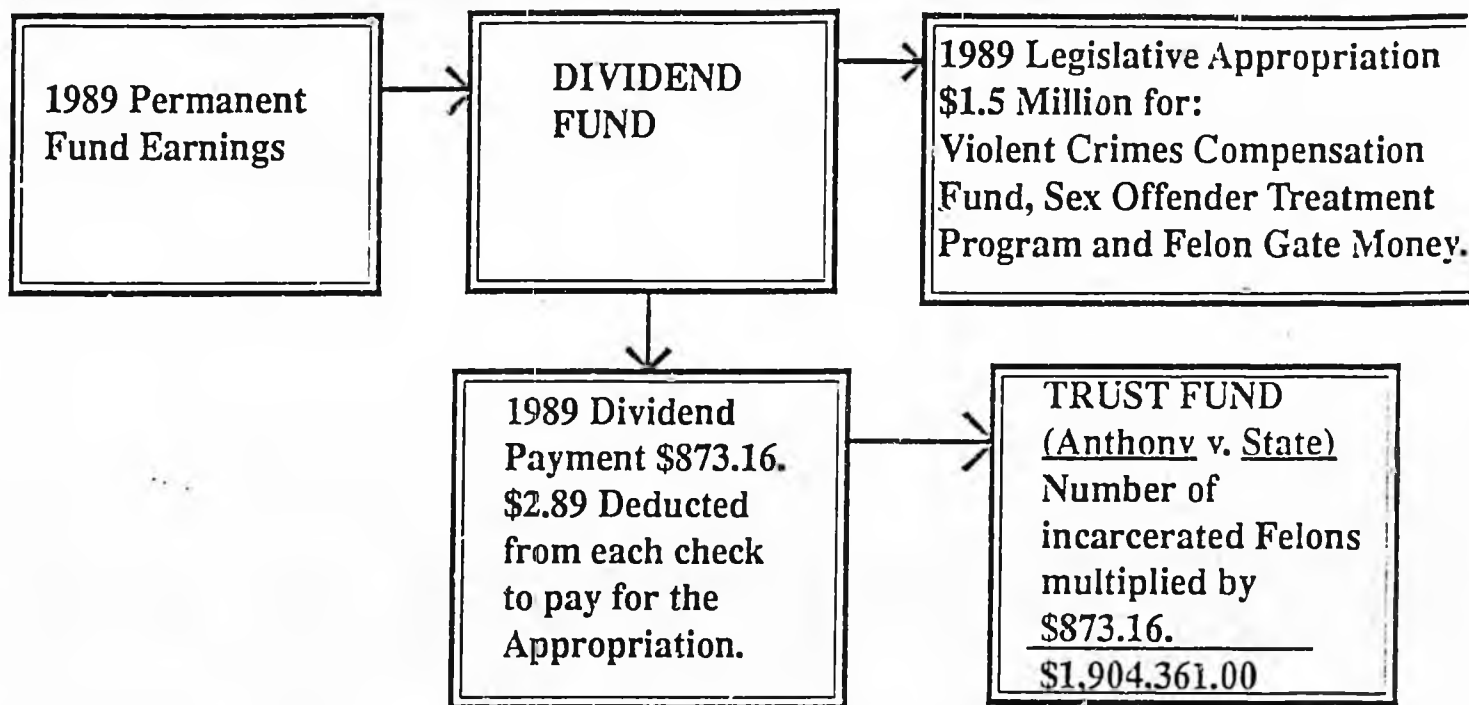
If the state wins the appeal, the Dividend Fund will receive the trust money back. Resolution of this case, however, may not occur until after the 1990 checks are distributed. HB 511 ensures that the 1990 dividend checks are credited for the amount deducted in 1989.

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

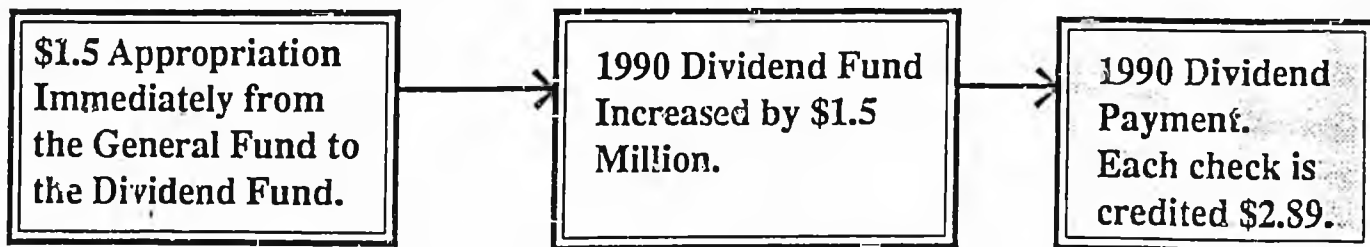
Supreme Court upholds the ruling of the Superior Court, the felons will receive a 1989 dividend check from the Trust Fund.

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

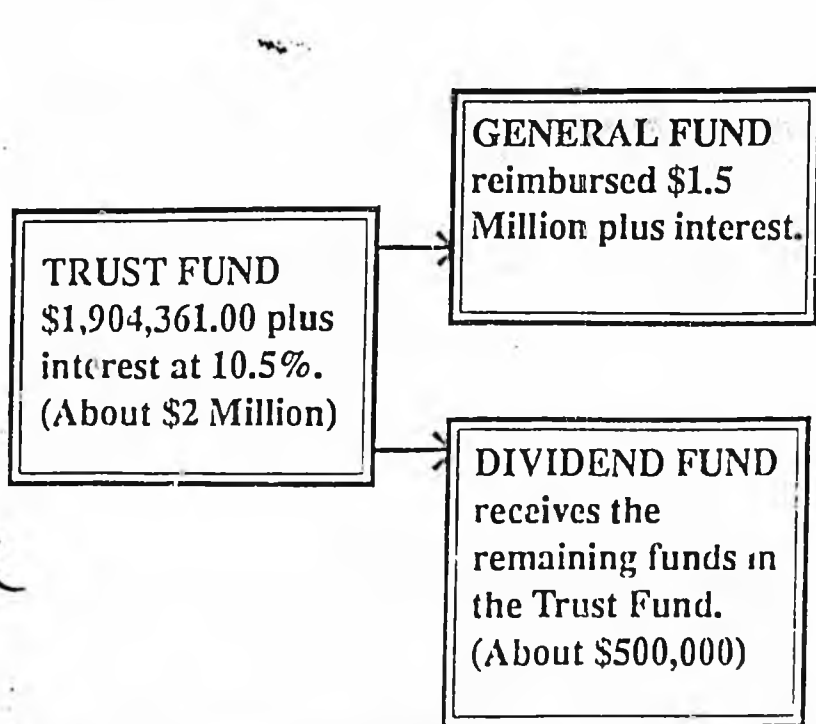
Figure 1: House Bill 511-\$1.5 Million Appropriation to the Dividend Fund



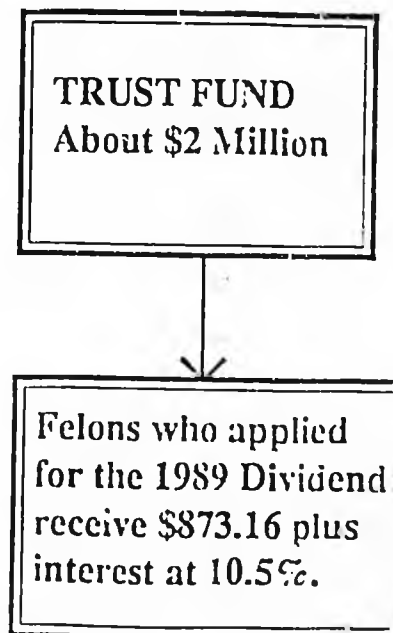
HOUSE BILL 511 - What it does.



Alternative #1 (State wins appeal.)



Alternative #2 (Felons win appeal.)



HB 511, \$1.5 mil appropriation to Dividend fund.

TO TESTIFY:

Representative Boucher

NOTES;

Please see next two pages.

Sponsor: Boucher + 31  
House Vote: 39 Yeas 0 Nays

- In 1988, legislature passed CSHB 245 which denied dividends to incarcerated felons
- The legislature appropriated \$1.5 million of that dividend money to pay for Violent Crimes Compensation Fund, Sex Offender Treatment Program, and Felon Gate Money
- Superior Court (Anthony v. State) ruled withholding those checks was unconstitutional

Until the issue can be resolved on appeal, the Court placed the dividend money (\$2.0 million) in a trust fund (\$873.16 X # of felons)

- HB 511 would appropriate, from the General Fund, \$1.5 million back to the Dividend Fund
- That money will appear as a credit on each 1990 dividend check (about \$2.89)
- You should note that the House amended this bill to clarify the disposition of interest earnings on the money in the trust; page 2, lines 28-29, and page 3, line 1.

After "Act", page 2, line 28

Added "plus the actual interest accrued on that amount from the effective date of sec. 3 of this Act until the effective date of this section"

Point: UNDER THE CONDITION THE STATE WINS

Interest earned, from the time money was placed in the Trust to the time money is appropriated to the general fund, will go to the Dividend Fund

Interest earned, after that point to when the case is resolved in favor of the state, will go to the General Fund

Point: IF THE STATE LOSES

If the state loses, interest accrued in the Trust would go to the felons

Q: What happens if the state wins on appeal?

A: If the state wins on appeal, \$1.5 million + interest will repay the General Fund, and \$500,000 will go to the Dividend Fund

Q: It looks like the Dividend Fund is losing \$1.5 million since \$2.0 was taken and put in a trust fund. It looks like, if the state prevails in the lawsuit, \$1.5 goes to the General Fund to pay it back, and only \$500,000 goes to the Dividend Fund?

A: The legislature's original intent was to use that money for certain programs. That is money the Dividend Fund would not have gotten and kept anyway - in fact, the Dividend Fund gets a windfall of \$500,000.

The legislature could always reappropriate that money back into the Dividend Fund too.

Q: What happens if the state loses?

\$2.0 million goes to felons + interest

GF not reimbursed

#### Summary

- Leg Appropriates \$1.5 Million from Dividend Fund <\$1.5>
- Ruled Unconstitutional
- \$2.0 Million Placed In Trust
- HB 511 appropriates \$1.5 to Dividend Fund
- State Prevails in Court, \$1.5 goes to General Fund  
\$500,000 goes to Dividend Fund
- State Loses, \$2.5 Goes to Felons