

HB

43

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

P.O. BOX 5
JUNEAU, ALASKA 99811-0400
PHONE: (907) 465-2300
TELEFAX: (907) 465-2389

February 25, 1991

Mr. Steve Strube
P.O. Box 521155
Big Lake, AK 99652

Dear Mr. Strube:

In the chaos of moving into this job I apparently overlooked a memo from Governor Hickel dated January 8, 1991 advising me of the formation of an advisory team for the Department of Revenue.

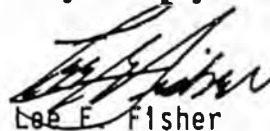
Apparently this appointment was also not communicated to at least some of you, since my telephone calls to several people on the list resulted in their expression of surprise at the appointment.

Regardless, you have been assigned to the advisory team for the Department of Revenue and I welcome the opportunity to receive your input and expertise.

Since 75 % of the team resides in the Anchorage/MatSu area I have asked Jim Magowan to serve as Chairman. He will coordinate a meeting in the near future. After you have had the chance to identify issues on which you wish to counsel the Department of Revenue, he will schedule a meeting with me.

Your positive input and solutions to perceived problems of the Department of Revenue will be welcomed.

Very truly yours,



Lee F. Fisher
Commissioner

LEF:m11

cc: Lt. Governor Jack Coghill
James Rockwell, Special Assistant
to the Governor

Alaska State Legislature

HOUSE OF REPRESENTATIVES

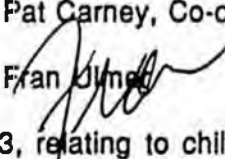


REPRESENTATIVE FRAN ULMER

MEMORANDUM
MARCH 22, 1991

RECEIVED
MAR 25 A.M.

TO: Rep. Georgianna Lincoln, Co-chair
Rep. Pat Carney, Co-chair

FROM: Rep. Fran Ulmer 

RE: HB 43, relating to child support arrearages

One of the responsibilities of the Child Support Enforcement Division of the Department of Revenue is to collect past due child support. When a custodial parent applies for public assistance, he or she must assign the rights to uncollected, past due support to the state for reimbursement of the assistance received. When the delinquent child support is collected, the state is reimbursed first for the assistance paid to the family. After the state is fully repaid, the balance of the past-due child support is paid to the family. [Note: Although the state is reimbursed for arrearages first, that reimbursement does not affect payment of current monthly child support to the family.]

The effect of HB 43 is to reverse this order of payment regarding arrearages. Under the bill, past-due child support will be paid first to the family and secondly to the state for reimbursement of assistance received by the family. The purpose of this change is to make this "family-first" priority a clear policy of the state and to ensure that child support is received when it is most needed. With the current order of payment, families sometimes wait years for their share of past-due child support. In some cases, the children are grown and on their own by the time the delinquent payments are received--long after they were most needed by the family. HB 43 ensures that families will receive payments first.

Passage of HB 43 will require additional personnel in the Child Support Enforcement Division to calculate the amounts of child support owed to both the family (the "obligee") and to the state. Clients tend to go on and off of public assistance over a period of months and years; each time a client returns to the public assistance rolls, the debts to the state and the family must be recalculated.

In addition, payment of "families first" will result in a loss of revenue to the state in the amount of approximately \$2,400.0. This loss will require an additional appropriation to the AFDC program (\$1,961.0) and to the Child Support Enforcement program (\$462.5). Although these

numbers appear large, the loss is only temporary; the funds eventually may be recovered by the state.

The overall purpose of HB 43 is to ensure that families receive, in a timely manner, the support which is owed to them. That support may be the difference between a family retaining its financial independence and going on welfare. Paying "families first" is a wise investment.

HB 43 was recommended by the Family Support Task Force and is supported by the Alaska Family Support Group, Alaska Dads and Moms, and the Alaska Commission on Children and Youth.

HB 43, CHILD SUPPORT ARREARAGES

Sectional Analysis

Section 1. (d) Provides that past-due child support payments collected by the state shall be paid **first** to the custodial parent (the "obligee") and **secondly** to the state for reimbursement of public assistance paid to the family. This reverses the current order of payment.

(e) After the past-due child support owed to the family has been paid, the state may retain past-due child support payments equal to the total amount of unreimbursed assistance.

(f) The state shall pay past-due child support recovered through off-set of the obligor's federal tax refund **first** to the state for unreimbursed assistance and **secondly** to the family, as required by federal regulation.

Sectional Analysis

HOUSE COMMITTEE REPORT

(7)

Date Referred: January 21, 1991

FURTHER REFERRALS:

Judiciary
Finance

Date of Committee Action: 3-21-91

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 43

HOUSE BILL NO. 43

CHILD SUPPORT ARREARAGES

"An Act relating to the distribution of child support arrearages collected by the child support enforcement agency."

RECOMMENDATIONS: [] the same title
 be replaced with _____ [] a new title
 have attached amendments(s)
 do pass
 do not pass
 no recommendations
 individual recommendations
 additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact D.O.R.

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) _____

SIGNING DO PASS: (KIRKOLN)

SIGNING OTHER RECOMMENDATIONS:

Check appropriate column:		Do Not Pass	No Rec	Amend
<i>[Signature]</i>				
<i>[Signature]</i> (CARNEY)				
<i>[Signature]</i> (GONZALES)				
<i>[Signature]</i> (DAVIS)				
<i>Chris Davis</i> (DAVIS)	<i>Mark Hanley</i> (HANLEY)		X	
	<i>Mary Miller</i>		X	

[Signature]
CO-Chairman's Signature

MARCH 23, 1991



REP. LINCOLN, CO-CHAIR
HOUSE H.E.S.S. COMMITTEE
PO BOX V
JUNEAU, AK 99811
RE: HB 43

DEAR REP. LINCOLN AND COMMITTEE MEMBERS,
PASSAGE OF THIS BILL WILL PUT ABOUT
TWO MILLION DOLLARS INTO THE HANDS
OF CUSTODIAL FAMILIES, AND CHILDREN,
THAT WOULD OTHERWISE BE EARNED BY
GOVERNMENT TO REIMBURSE ACCRUED
AFDC DEBTS.

THE ALASKA FAMILY SUPPORT GROUP, INC.
STRONGLY SUPPORTS THIS BILL BECAUSE
WE BELIEVE CHILDREN SHOULD BE PAID
BEFORE GOVERNMENT.

ATTACHMENT 1 & 2 SHOWS THESE ISSUES ARE
RECOMMENDATIONS # 35 & # 36 OF THE
FAMILY SUPPORT TASK FORCE LAST SESSION.

SINCERELY,
Steven P. Stuber, President

P.S. PLEASE DI

P.O. Box 521155

AK Fam. Support Grp Street

ax (907) 892-7760

ATTACH #1

ALASKA'S FAMILY SUPPORT TASK FORCE

FINAL REPORT

December 1989

Co-Chairmen:
Senator Rick Uehling
Representative Johnny Ellis



Pay Family Arrearages First If AFDC Fully Funded

RECOMMENDATION 35:

TO THE EXTENT ALLOWED BY FEDERAL LAW, AND PROVIDED THAT THE LEGISLATURE APPROPRIATES ADEQUATE FUNDS, CSRD SHOULD DISTRIBUTE AMOUNTS IN EXCESS OF THE CURRENT MONTH'S CHILD SUPPORT OBLIGATION TO PAYMENT OF ARREARAGES IN THE FOLLOWING ORDER:

- (1) First, to the obligee, who is not receiving public assistance, support arrearages accrued after the obligee stopped receiving public assistance;
- (2) Second, to the State for unreimbursed public assistance; and
- (3) Third, to the obligee, support arrearages which accrued before the obligee received public assistance, and which exceed the amount of public assistance paid to the family.

RECOMMENDATION 36:

THE LEGISLATURE SHOULD APPROPRIATE FUNDS TO MAKE UP THE ESTIMATED \$1.6 MILLION SHORTFALL CAUSED BY RECOMMENDATION 35.

Issue

How should child support arrearages collected by the Child Support Enforcement Division in cases involving former AFDC recipients be distributed by the State?

PSA Requirement

Section 122 of the Family Support Act requires that states distribute child support payments and arrearages they collect within time limits to be set forth in federal regulations.

Rationale

On August 4, the federal government issued final regulations establishing the time limits for distribution of child support payments and arrearages, as required under Section 122 of the Family Support Act. Those regulations indicate that the states have discretion to distribute a portion of child support arrearages to the family before satisfying state liens for prior AFDC payments. Before the new regulations were issued, it did not appear that the states had this discretion.

REP. LINCOLN

February 28, 1991

Lee Fisher, Commissioner
Department of Revenue
P.O. Box 5
Juneau, Ak. 99811

Re: Advisory Team

Dear Commissioner Fisher,

Thank you for the letter regarding the formation of the Advisory Team for the Department of Revenue.

The issues our organization is working on relate to the policies and operations of the Child Support Enforcement Division.

We look forward to providing positive input regarding the federal requirements and the effects of wage garnishments, violations of federal law by the use of two separate child support guidelines, abuse of the KIDS telephone system, public relations problems, the establishment of an information system, implementation of the Family Support Act of 1988, visitation enforcement as an incentive for parents to make child support payments on time and in full, violations of due process and abuse of power by caseworkers, the findings of the Senate Family Law Review Task Force, the recommendations of the Family Support Task Force, the division's budget, the ongoing legislative audit, immediate wage withholding, review of cases for obligors and obligees on an equal basis, House Bill 43, reporting to credit bureau's, and other important issues.

We assure you Commissioner Fisher, these are not perceived problems. They are very serious problems for tens of thousands of Alaskan families, moms, dads, and children. Enclosed, for you and your staff, is Governor Hickel's Position Paper: "Supporting The Alaska Family".

We look forward to hearing from the Chairman of the Advisory Team.

Sincerely,

Steven P. Strube
Steven P. Strube, President

cc: Governor Hickel
Lt. Gov. Coghill
State Senate
State House



FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. HB 43

Revision Date: 3/20/91
Title: An act relating to distribution of child support arrearages collected by the CSEA
Sponsor: Representative Ulmer
Requestor: House HESS

Department Affected: Department of Revenue
BRU: Child Support Enforcement Division
Component: _____

COMPONENT SERIAL NO. | | | |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	108.3	151.4	158.2	206.5	215.8	270.5
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	36.7	38.0	40.0	40.0	40.0	40.0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	38.5	13.4	0	14.8	0	16.3
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	183.5	202.8	198.2	261.3	255.8	326.8
CAPITAL	0	0	0	0	0	0
REVENUE	(2423.5)	(2717.7)	(2967.7)	(3162.5)	(3300.0)	(3300.0)

FUNDING: (Thousands of Dollars)

GENERAL FUND	62.4	68.9	67.4	88.8	87.0	111.1
FEDERAL FUNDS	121.1	133.9	130.8	172.5	168.8	215.7
OTHER	0	0	0	0	0	0
TOTAL	183.5	202.8	198.2	261.3	255.8	326.8

POSITIONS:

FULL-TIME	3	4	4	5	5	6
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: _____

ANALYSIS: Attach a separate page for analysis.

Prepared By: Ardith Lynch Phone: 263-6277
Division: Child Support Enforcement Division Date: March 20, 1991

Approved by Commissioner: Lee E. Fisher 
Agency: Department of Revenue Date: 3-22-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

ANALYSIS FOR FISCAL NOTE
CHILD SUPPORT ENFORCEMENT DIVISION
PAGE 2 OF 3

This legislation requires a fundamental change in State revenue policy. It reverses the current order of collection of child support arrearages in those cases where child support was unpaid before, during, and after a custodial relative's receipt of AFDC grants. These cases create two debts. Current policy is to collect the State's debt first.* This means that money owed to the State of Alaska from assigned support due (but unpaid) during a child's period of receipt of AFDC benefits, and other cost recoveries, is collected by CSED before it collects any unpaid support that accrues after a custodial relative leaves the AFDC rolls.

By reversing the priority of debt collected, paying any excess over current support due to the family for post-AFDC unpaid support before paying the State for assigned (AFDC) unpaid support, the State relinquishes (in the first year) \$1,961,000 in collections and \$462,500 in prepaid Federal Incentives that are remitted to the General Fund to help pay the State's AFDC General Fund match and finance the child support program. Collection has been expanding at a rate between 12% and 15% a year in this subset of cases (3,116 post-AFDC cases out of 18,131 total AFDC cases). This fiscal note adjusts the rate of revenue loss accordingly in the three following fiscal years from FY92, and holds Incentive losses constant. These revenues are reflected in future-year budgets as Program Receipts; their loss will require additional appropriations in the AFDC program (\$1,961,000) and the Child Support Enforcement program (\$462,500) in the first year.

In addition to revenue losses, the legislation will require increased operational staffing at CSED to greatly accelerate the rate at which subrogated debt calculations must be completed. Presently, payments exceeding the current support due can be retained to the State until the accumulated amount nears the amount of the estimated subrogated debt. The legislation will necessitate a sub-debt calculation as soon as a child leaves the AFDC rolls, and each time the child leaves, in order to guarantee the correct distribution of debt between the State and the custodial relative. (A given child can go on and off the AFDC rolls, and can change custodial relationships, many times. Each of these movements, for

* When a support collection is made by CSED, Ongoing Support- the support obligation that is due in the current month- is always paid to custodial parents who are not receiving AFDC, before any arrearage payment is made.

ANALYSIS FOR FISCAL NOTE
CHILD SUPPORT ENFORCEMENT DIVISION
PAGE 3 OF 3

each child, must be tracked before a correct sub-debt can be calculated.) CSED presently has one accounting technician assigned to calculate sub-debts; approximately 45 sub-debts can be researched and accurately completed each month. The number of sub-debts that will be required to be completed each month in FY 92 under the proposed legislation is 250. The Division has already automated the sub-debt process to the maximum degree possible. Additional staff will be essential to implementing the change. Without them, the changes cannot be implemented. This fiscal note reflects the cost of additional accounting technicians who will be assigned full-time to sub-debt research and calculations: three in FY 92, increasing to four in FY 93 and FY 94, five in FY 95 and FY 96, and six in FY 97, to meet the estimated increase in CSED's caseload involving past public assistance payments. Each position in FY 92 will cost \$36,100, with associated equipment costs for computer terminals, telephones, and furniture for one person in FY 92 at \$12,800. In addition, the change in the debt priority will require CSED to forgo immediate collection of additional miscellaneous cost recoveries amounting to \$36,700 in FY 92 for expenditures such as blood-testing.

Increases in Personal Services costs in the outlying years beyond FY92 are projected at a conservative rate of 4.5 percent, and then are held constant based on turnover assumptions. Increases in equipment costs in the years after FY 92 are projected to increase at a rate of 5%.

FN: WPPADMIN-214

AAL:akj