

SB

161

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/25/94

FURTHER:

DATE TURNED INTO OFFICE: 4-28-94

The Finance Committee considered SENATE BILL NO. 161

"An SB 161 INTEREST RATES ON JUDGMENTS, TAXES AND ROYALTIES rees
ate."
and ...

and recommends:

replace with CS SB 161 (FINANCE)
or adopt previous CS ()
 attaches amendment(s)

same title
 new title
 technical title change
(HB only)

adopts Letter of Intent

further referral to the

- do pass
- do not pass
- no recommendation
- individual recommendations

Marie
FYI -> FYI info to follow
CS (Fin)
and add final

NEW FISCAL NOTES

Department	Date	Zero	Fiscal
AR Court Sys	4/28/94		\$27.6
Revenue	4/28/94	✓	
Admin # 59	4/28/94	✓	
Admin # 71	4/28/94	✓	

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal
DOT & PF	11/24/93	✓	
Law	12/16/93	✓	
 	 	✓	
Previous	 	✓	
 	 	✓	

Appropriation No Fiscal Note

DO PASS:

Teri Kelly

Scott Sharp

OTHER RECOMMENDATIONS:

Alvin King No Recommendation
J. K. ... Do Not Pass

Tom ...
Co-Chair: Signature/Recommendation

Frank ...
Co-Chair: Signature/Recommendation

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSSB 161 (FIN)

Revision Date: 04/27/94 Dept. Affected: Alaska Court System
 Title: An Act relating to interest rates and calculations of BRU: Trial Courts
Interest under certain judgments and decrees... Components: _____
 Sponsor: By request of the Governor
 Requestor: _____ COMPONENT SERIAL NO. 768

EXPENDITURES/REVENUES

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	7.8	15.6	15.6	15.6	15.6	15.6
TRAVEL						
CONTRACTUAL	5.0					
SUPPLIES	14.9					
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
TOTAL OPERATING	27.6	15.6	15.6	15.6	15.6	15.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)



1002 Federal Receipts						
1003 GF Match						
1004 GF	27.6	15.6	15.6	15.6	15.6	15.6
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	27.6	15.6	15.6	15.6	15.6	15.6

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY 94) cost: \$ None

ANALYSIS: (Attach a separate page if necessary)
See attached analysis.

Prepared by: C. S. Christensen III, Staff Counsel  Phone: 264-8228
 Agency: Alaska Court System Date: 04/28/94
 Approved by: Arthur H. Snowden, III, Administrative Director 
 Agency: Alaska Court System Date: 04/28/94

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ALASKA COURT SYSTEM
CSSB 161 (FIN)
FISCAL ANALYSIS

At the present time, prejudgment and postjudgment interest on civil judgments is fixed in statute at a rate of 10.5 percent per year. Because the rate is fixed in statute and is the same for both prejudgment and postjudgment interest, only one interest calculation per case is required.

CSSB 161 (FIN) provides that the rate of interest will change annually, to reflect a specific market rate. Because the rate for prejudgment interest will be a rate that was in effect years earlier at the time of the injury or harm, the court system will need to keep track of interest rates over time. This also means that the bill will require multiple interest calculations per defendant, rather than the current single calculation. The exact number of calculations will depend on how many years passed between the time of the injury or harm, and the payment of the final judgment; there will be a separate calculation for each year. Any increase in the number or complexity of interest calculations is significant, because the court system currently performs over 10,000 such calculations per year. Additional clerical time will be necessitated by CSSB 161 (FIN) because of the increased volume of interest calculations.

Alaska Court System
CSSB 181 (FIN)
Fiscal Analysis

The proposed annual revision of statutory interest rates will require the reissue and updating of public information pamphlets, internal-use instructional manuals and forms. In the past, the cost of revisions was minimal because interest rates changed infrequently.

The court system provides informational pamphlets to litigants. At present, these manuals refer to the current statutory interest rate. Passage of this bill will necessitate deleting references to specific interest rates in these pamphlets. To avoid an annual reissuance of the pamphlets, interest rate information will be provided as a single sheet attachment to the pamphlets.

Court system desk manuals and forms will also have to be revised annually to reflect current interest rates.

Personal Services \$15,580

Overtime for clerical staff using salary and benefits for an Anchorage range 10A for an additional 4 minutes for approximately 10,000 computations per year. (Effective date 1/1/95 - 1/2 cost 1st year)

Contractual *(one-time cost)* 5,000

Programming costs to add a multiple interest rates and expanded reporting capabilities to the interest calculation program.

Supplies *(one-time cost)* 14,850

Revision of "Execution Procedure for Judgment Creditor" pamphlet 7,400
 One-time reissue of pamphlet, 44 pages, at estimated cost of 1¢ per page, 10,000 pamphlets and mailing costs

Revision of "Judgment Debtor Booklet" 6,200
 One-time reissue of pamphlet, 32 pages, at estimated cost of 1¢ per page, 10,000 pamphlets and mailing costs

Revision of "Executions" and "Small Claims" manuals 750
 One-time reissue of manuals to add instructions on annual recalculation of interest

Revision of Pre-judgment Computation and Small Claims Default Cases forms 500

Estimated Total On-going Cost	<u>\$15,580</u>
Estimated Total First Year Cost	<u>\$27,640</u>

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSB 161 (FIN)

Revision Date: _____ Dept. Affected: Revenue
 Title: Interest Rates: Judgments/Taxes/Royalties BRU: Revenue Operations
 Component: Income & Excise Audit
 Sponsor: (S) Rules by Request of Governor
 Requestor: (S) FIN COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0.0

ANALYSIS: (Attach a separate page if necessary.)

See Attached

Prepared by: Larry E. Meyers *LEM* Phone: 465-2320
 Division: Income and Excise Audit Date: April 28, 1994
 Approved by Commissioner: Darrel J. Rexwinkel *DJR* Date: April 28, 1994
 Agency: Department of Revenue

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FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSSB 161 (Fin)

Revision Date: _____ Dept. Affected: Administration
 Title: Fin Act relating to interest rates and calculation BRU: Finance
of interest under certain judgments Component: Finance
 Sponsor: Rules Committee
 Requestor: (S) Fin COMPONENT SERIAL NO. 59

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year (FY94) cost: none

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)

Prepared by: Don Wanie, Director Phone: 465-2240
 Division: Finance Date: _____
 Approved by Commissioner: Nancy Bear Usura Date: 4/28/94
 Agency: Administration

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FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSSB 161 (FIN)

Revision Date:	Dept. Affected: <u>Revenue</u>
Title: <u>Interest Rates: Judgments/Taxes/Royalties</u>	BRU: <u>Revenue Operations</u>
	Component: <u>Income & Excise Audit</u>
Sponsor: <u>(S) Rules by Request of Governor</u>	
Requestor: <u>(S) FIN</u>	COMPONENT SERIAL NO. <u>113</u>

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0.0

ANALYSIS: (Attach a separate page if necessary.)

See Attached

Prepared by:	Larry E. Meyers <i>LM</i>	Phone: 465-2320
Division:	Income and Excise Audit	Date: April 28, 1994
Approved by Commissioner:	Darrel J. Rexwinkel <i>DJR</i>	Date: April 28, 1994
Agency:	Department of Revenue	

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CSSB 161 (FIN)

Interest Rates: Judgments/Taxes/Royalties

April 28, 1994

Page 2 of 2

Bill Analysis

This legislation would change the interest rate paid by the State for underpayment and overpayment of taxes, royalty or net profit shares. The current interest rate used by the State is 11% compounded quarterly (AS 43.05.225 provides interest at 5 percentage points above the federal reserve discount rate to member banks or 11%, whichever is greater). This legislation would reduce that to 2 percentage points above the federal reserve rate for overpayments (refunds) and 5 percentage points above the federal reserve rate for underpayments (delinquencies). This bill repeals the minimum rate of 11 percent provision currently in statute.

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSSB 161 (Fin)

Revision Date: _____ Dept. Affected: Administration
 Title: "An Act relating to interest rates and calculation BRU: Finance
of interest under certain judgments" Composer I: Finance
 Sponsor: Rules Committee
 Requestor: (S) Fin COMPONENT SERIAL NO. 59

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year (FY94) cost: none

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)

Prepared by: Don Wanie, Director Phone: 465-2240
 Division: Finance Date: _____
 Approved by Commissioner: Nancy Bear Usara Date: 7/28/94
 Agency: Administration

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FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSSB 161 (FIN)

Revision Date: _____
Title: "An Act relating to interest rates and calculation of interest under certain judgements . . ."
Sponsor: Rules Committee
Requestor: (S) FIN

Department Affected: Administration
BRU: Risk Management
Component: Risk Management
COMPONENT SERIAL NO. 71

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL EXPENDITURES	0	0	0	0	0	0
CHANGE IN REVENUES ()	0	0	0	0	0	0

FUNDING SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
TOTAL	0	0	0	0	0	0

Estimate of any current year (FY 94) cost: \$ 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: J. Brad Thompson, Director Phone: 465-5723
Division: Risk Management Date: _____

Approved by Commissioner: Nancy Bear Usura *NBCU*
Agency: Department of Administration Date: 4/28/94

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FISCAL NOTE

Revision Date: 04/08/93
Title: Interest Rates: Judgments/Taxes/Royalties

Department Affected: DOT&PF
BRU:

Sponsor: Rules
Requestor: Governor

Component: All 3 Regional D&Cs
Component Serial Number:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
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
REVENUE FUND SOURCE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL FUNDING:	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

Estimate of current year (FY94) impact: \$0

ANALYSIS: (Attach a separate page if necessary)

While there would be some fiscal benefit, it would have no net decrease or increase to departmental operating budgets. The benefit would be in the form of lower overall costs on capital projects. As we currently receive the majority of our capital funds in annual federal appropriations (highway and aviation), savings in any particular project are simply reassigned to other projects. It is very difficult to anticipate which projects would incur claims which might lead to interest payments, or to estimate the magnitude of these payments on a program basis. For this reason, we have prepared a zero fiscal note.

Prepared by: Jeffrey C. Ottesen

Phone: 465-2951

Division: Engineering & Operations Standards

Date: November 23, 1993

Approved by Commissioner: 
Bruce A. Campbell

Phone: 465-3901

Agency: Department of Transportation and Public Facilities

Date: November 24, 1993

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FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSFB 161 (FIN)

Revision Date: _____
 Title: 'An Act relating to interest rates and calculation of interest under certain judgements . . .'
 Sponsor: Rules Committee
 Requestor: (S) FIN

Department Affected: Administration
 BRU: Risk Management
 Component: Risk Management
 COMPONENT SERIAL NO. 71

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL EXPENDITURES	0	0	0	0	0	0
CHANGE IN REVENUES ()	0	0	0	0	0	0

FUNDING SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
TOTAL	0	0	0	0	0	0

Estimate of any current year (FY 94) cost: \$ 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: J. Brad Thompson, Director
 Division: Risk Management

Phone: 465-5723
 Date: _____

Approved by Commissioner: Nancy Bear Usura
 Agency: Department of Administration

Date: 4/28/94

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FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSSB 161 (FIN)

ANALYSIS: (continued)

Amending the rate of prejudgment interest from the present 10.5 percent rate to the market rate for fifty-two week United State Treasury bills will reduce future settlements and judgments paid by Risk Management on tort claims filed against state agencies.

The extent of future interest savings on tort claims not yet filed is not possible to predict. Setting the interest rate to prevailing market conditions will also remove any economic incentives to either party to delay the ultimate resolution of the claim or civil action.

Risk Management loss funding is collected through interagency receipts of premiums assessed each agency. In future years, Risk Management liability premium assessments will reflect the savings realized as our premiums are based on actual claims expenses incurred.

FISCAL NOTE

Revision Date: 04/08/93 Department Affected: DOT&PF
 Title: Interest Rates: Judgments/Taxes/Royalties BRU:
 Sponsor: Rules Component: All 3 Regional D&Cs
 Requestor: Governor Component Serial Number:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
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
REVENUE FUND SOURCE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL FUNDING:	0	0	0	0	0	0

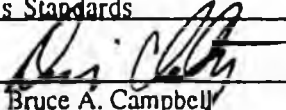
POSITIONS

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

Estimate of current year (FY94) impact: \$0

ANALYSIS: (Attach a separate page if necessary)

While there would be some fiscal benefit, it would have no net decrease or increase to departmental operating budgets. The benefit would be in the form of lower overall costs on capital projects. As we currently receive the majority of our capital funds in annual federal appropriations (highway and aviation), savings in any particular project are simply reassigned to other projects. It is very difficult to anticipate which projects would incur claims which might lead to interest payments, or to estimate the magnitude of these payments on a program basis. For this reason, we have prepared a zero fiscal note.

Prepared by: Jeffrey C. Ottesen Phone: 465-2951
 Division: Engineering & Operations Standards Date: November 23, 1993
 Approved by Commissioner:  Phone: 465-3901
 Agency: Department of Transportation and Public Facilities Date: November 24, 1993

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12/23/93 5(Jud)
FIA

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSSB 161 (STA)

Revision Date: December 16, 1993
Title: "An Act relating to interest rates and calculation of interest... judgments..."
Sponsor: Rules Committee/Reg. of the Governor
Requestor: Governor's Office

Department Affected: Department of Law
BRU: Legal Services
Component: Operations
COMPONENT SERIAL NO. 0093

EXPENDITURES/REVENUES:

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND &						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING:

1002 Federal						
1003 GF Match						
1004 GF						
1005 GF/Program						
1006 GF/MHTIA						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

Estimate of current year (FY94) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)
Please see the attached analysis.

Prepared by: Richard I. Pegues, Director Phone: 465-3672
 Division: Administrative Services Division Date: December 16, 1993
 Approved by Commissioner: Richard I. Pegues / FOR
Charles E. Cole, Attorney General
 Agency: Department of Law Date: December 16, 1993

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FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSSB 161 (STA)

ANALYSIS CONTINUATION:

The State Affairs Committee Substitute for SB 161 would amend AS 09.30 by changing the rate of prejudgment interest and interest paid on judgments and decrees, issued by Alaska Courts, from 10.5 percent to the market rate for fifty-two week United States Treasury bills. The bill would also lower the rate of interest payable by the state on overpayments of taxes under AS 43 and royalty and net profit shares under AS 38, and the bill would set standards for the payment of interest on the refund of tax overpayments paid by municipalities. These changes should have substantial cost savings for the state.

For instance, last year's supplemental appropriation to the Department of Law to pay judgments included \$80,513.69 in interest costs at the existing 10.5 percent rate. However, the average market rate for 52-week treasury bills, for calendar year 1992, was 3.75 percent. Thus, the state would have saved more than \$51,000 if the interest paid on judgments had been based on real world market rates, rather than the arbitrary amount that is now set by statute. Even greater savings would accrue to the Division of Risk Management and the Department of Transportation and Public Facilities if market rate interest was applied to judgments and settlements growing out of personal injury claims, and eminent domain and construction claims disputes.

You will note that this analysis does not show a cost savings because the Department of Law's budget does not contain funds to pay judgments and because it is impossible to predict the amount of the supplemental appropriations that will be needed to pay future years' judgments.

Please amend CSSB 161(FIN) work draft 8-GS1024\I Luckhaupt 4/28/94
by the following amendments:

offered by Senator Rieger -

conceptual amendment 2:

pg 3, lines 2 and pg 3, line 15
underpayments at index plus 5 and
In sections 4 and 6
overpayments at index plus 2.

Senator Sharp amended that amendment by:

delete on pg 3, line 4 & 5

"at the annual rate of 11 percent, whichever is greater"

delete the same phrase on page 3, line 17

*added to
legale
11/25/94*

§ GS1024N
Luc:brupt
4/28/94

*Adopted 4/28/94
(Rieger moved)*

*amend #2
passed*

CS FOR SENATE BILL NO. 161()

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to interest rates and calculation of interest under certain
2 judgments and decrees and on refunds of certain taxes, royalties, or net profit
3 shares; and providing for an effective date."

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

5 * Section 1. AS 09.30.070 is repealed and reenacted to read:

6 Sec. 09.30.070. INTEREST ON JUDGMENTS; PREJUDGMENT INTEREST.

7 (a) Interest shall accrue on judgments and decrees for the payment of money. Interest
8 for each calendar year shall be calculated from the date of entry of the judgment or
9 decree, at the rate determined by the commissioner of revenue under (b) of this section
10 for that calendar year, except that a judgment or decree founded on a contract in
11 writing, providing for an interest rate not exceeding the legal rate of interest for that
12 type of contract, bears interest at the rate specified in the contract if the interest rate
13 is set out in the judgment or decree.

14 (b) Not later than December 15 of each year the commissioner of revenue shall

1 determine the interest rate to be applied to judgments and decrees for the payment of
2 money for the following calendar year. The rate shall be set at an amount equal to the
3 average coupon issue yield equivalent, as determined by the secretary of the United
4 States Treasury, of the average accepted auction price for auctions of 52-week United
5 States' Treasury bills settled during the immediate December through November before
6 the determination, rounded to the nearest 1/100 percent. The commissioner of revenue
7 shall communicate this rate to the administrative director of the Alaska court system
8 and to the revisor of statutes. The Alaska court system shall distribute notice of the
9 interest rate.

10 (c) Except when the court finds that the parties have agreed otherwise,
11 prejudgment interest shall be awarded on a money judgment. Prejudgment interest
12 accrues from the date of injury or harm. Prejudgment interest for each calendar year
13 from the date of injury or harm to the date of judgment shall be calculated at the rate
14 determined by the commissioner of revenue under (b) of this section for that calendar
15 year.

16 (d) Interest shall be computed daily to the date of payment and may not be
17 compounded.

18 * Sec. 2. AS 29.45.500(b) is amended to read:

19 (b) If, in payment of taxes legally imposed, a remittance by a taxpayer through
20 error or otherwise exceeds the amount due, and the municipality, on audit of the
21 account in question, is satisfied that this is the case, the municipality shall refund the
22 excess to the taxpayer. The refund of the excess shall include payment of [WITH]
23 interest on the excess tax payment computed from the date the municipality
24 received the excess tax payment to the date the municipality paid the refund. at
25 a rate equal to the average closing market yield equivalent of 52-week United
26 States' Treasury bills as of the last business day of the calendar quarter
27 immediately preceding the date the refund is made rounded to the nearest 1/100
28 percent [AT EIGHT PERCENT FROM THE DATE OF PAYMENT]. A claim for
29 refund filed one year after the due date of the tax is forever barred.

30 * Sec. 3. AS 38.05.135(d) is amended to read:

31 (d) If a royalty or net profit share payment to which the state is entitled under

1 AS 38.05.135 - 38.05.181 is not paid when it becomes due under (c) of this section,
2 the royalty or payment bears interest in a calendar quarter at the rate of two [FIVE]
3 percentage points above the annual rate charged member banks for advances by the
4 12th Federal Reserve District as of the first day of that calendar quarter, or at the
5 annual rate of 11 percent, whichever is greater, compounded quarterly as of the last
6 day of that quarter.

7 * Sec. 4. AS 38.05.135(e) is repealed and reenacted to read:

8 (e) If a royalty or net profit share payment to which the state is entitled under
9 AS 38.05.135 - 38.05.181 is overpaid, the amount overpaid bears interest in a calendar
10 quarter at the rate of two percentage points above the annual rate charged member
11 banks for advances by the 12th Federal Reserve District as of the first day of that
12 calendar quarter, compounded quarterly as of the last day of that quarter.

13 * Sec. 5. AS 43.05.225(1) is amended to read:

14 (1) when a tax levied in this title becomes delinquent, it bears interest
15 in a calendar quarter at the rate of two [FIVE] percentage points above the annual rate
16 charged member banks for advances by the 12th Federal Reserve District as of the first
17 day of that calendar quarter, or at the annual rate of 11 percent, whichever is greater,
18 compounded quarterly as of the last day of that quarter;

19 * Sec. 6. AS 43.05.280(a) is repealed and reenacted to read:

20 (a) If a tax levied under this title is overpaid, the amount overpaid bears
21 interest in a calendar quarter at the rate of two percentage points above the annual rate
22 charged member banks for advances by the 12th Federal Reserve District as of the first
23 day of that calendar quarter, compounded quarterly as of the last day of that quarter.

24 * Sec. 7. AS 45.45.010(a) is amended to read:

25 (a) The rate of interest in the state is the rate determined annually by the
26 commissioner of revenue under AS 09.30.070 [10.5 PERCENT A YEAR] and no
27 more on money after it is due except as provided in (b) of this section.

28 * Sec. 8. Beginning on January 1, 1995, postjudgment interest accrues under judgments or
29 decrees entered on or after January 1, 1995, at the rate and in the manner specified in
30 AS 09.30.070 as repealed and reenacted by sec. 1 of this Act. Postjudgment interest accrues
31 under judgments or decrees entered before January 1, 1995, at the rate and in the manner

1 specified under law in effect at the time that judgment or decree was entered.

2 * **Sec. 9.** For claims or causes of action for which judgment has not been entered before
3 January 1, 1995, prejudgment interest accrues before January 1, 1995, at the rate and in the
4 manner specified under law in effect at the time that claim or cause of action accrued. On
5 or after January 1, 1995, prejudgment interest accrues on that claim or cause of action at the
6 rate and in the manner specified in AS 09.30.070 as repealed and reenacted by sec. 1 of this
7 Act.

8 * **Sec. 10.** Beginning on the effective date of this section, interest accrues on overpayments
9 or underpayments of royalties, net profit share payments, taxes, and on interest accrued on
10 them before the effective date of this Act, at the rates and in the manner specified in
11 AS 29.45.500(b), as amended by sec. 2 of this Act, in AS 38.05.135(d), as amended by sec.
12 3 of this Act, in AS 38.05.135(e), as repealed and reenacted by sec. 4 of this Act, in
13 AS 43.05.225(1), as amended by sec. 5 of this Act, and in AS 43.05.280(a), as repealed and
14 reenacted by sec. 6 of this Act.

15 * **Sec. 11.** Notwithstanding AS 09.30.070, the commissioner of revenue, by December 15,
16 1994, shall determine the interest rate to be applied on judgments and decrees by the method
17 provided in AS 09.30.070, as amended by sec. 1 of this Act, for calendar year 1995, and shall
18 communicate that determination to the administrative director of the Alaska Court System and
19 the revisor of statutes.

20 * **Sec. 12.** Except for secs. 1, 7, 8, and 9 of this Act, this Act takes effect immediately
21 under AS 01.10.070(c).

22 * **Sec. 13.** Sections 1, 7, 8, and 9 of this Act take effect January 1, 1995.

4/20/94
Vogt

**DIVISION OF LEGAL SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

April 15, 1994

SUBJECT: Interest Rates - CSSB 161(JUD)
(Work Order No. 8-GS1024\U.1)

TO: Senator Drue Pearce
Attn: Billy Miles

FROM: Jerry Luckhaupt *JLP*
Legislative Counsel

Enclosed is the amendment you requested. It clarifies that the interest rate on those matters affected by this bill will be "five percentage points above the 12th Federal Reserve discount rate." The Judiciary CS uses the language "five percent above the 12th Federal Reserve discount rate" which, while seemingly meaning the same thing as the new language, could be construed to mean that the interest rate will be five percent of the discount rate added on to the discount rate (e.g., if the discount rate is 3 percent, five percent of 3 percent is .15, hence a rate of 3.15 percent). The amendment would eliminate any potential confusion in the determination of the applicable interest rate.

GPL:lmb
94-127.lmb

Enclosure

SENATE FINANCE
COMMITTEE ²

Amendment Number: _____
Bill Number: SB 161
Sponsor: _____ Date: 4/25/94
Logged In By: *[Signature]*

*Requested by Law +
leg. legal*

A M E N D M E N T

OFFERED IN THE SENATE
TO: CSSB 161(JUD)

Page 1, line 9:

Delete "percent"

Insert "percentage points"

Page 2, line 6:

Delete "percent"

Insert "percentage points"

Page 2, line 23:

Delete "percent"

Insert "percentage points"

Page 3, line 3:

Delete "percent [PERCENTAGE POINTS]"

Insert "percentage points"

Page 3, line 15:

Delete "percent"

Insert "percentage points"

Page 3, lines 22 - 23:

Delete "percent [PERCENTAGE POINTS]"

Insert "percentage points"

Page 4, line 3:

Delete "percent"

Insert "percentage points"

Page 4, line 9:

Delete "percent"

Insert "percentage points"

4-26-94

Chris
Christensen
noted need to
change Jan 1
to Jan 2.

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 161 (STA)

Page 4, line 15:

Delete "the effective date of this Act"

Insert "January 1, 1995"

Page 4, line 16:

Delete "the effective date of this Act"

Insert "January 1, 1995"

Page 4, lines 18 - 19:

Delete "the effective date of this Act"

Insert "January 1, 1995"

Page 4, line 22:

Delete "the effective date of this Act"

Insert "January 1, 1995"

Page 4, lines 22 - 23:

Delete "the effective date of this Act"

Insert "January 1, 1995"

Page 4, line 24:

Delete "the effective date of this Act"

Insert "January 1, 1995"

SENATE FINANCE
COMMITTEE

Amendment Number: _____

Bill Number: 32763

Sponsor: _____

Date: 4/25/94

Logged In By: _____

not offered

Page 5, line 3:

Delete all material and insert:

"Sec. 11. Except for sections 1, 7, 8, and 9 of this Act, this Act takes effect immediately under AS 01.10.070(c).

Sec. 12. Sections 1, 7, 8, and 9 of this Act take effect January 1, 1995."

4/12/93

STA Men JUD, FIN



*Department of Transportation
and Public Facilities*

POSITION PAPER

BILL NO: SB 161

APPROVED:

A handwritten signature in black ink, appearing to read "J. J. ...".

TITLE: Interest Rates: Judgments/
Taxes/Royalties

DATE: March 31, 1993

This legislation will benefit the department in the payment of construction and property acquisition claims and judgements, where interest is due the claimant. Under current market conditions, a mandatory 10.5 percent rate creates a significant windfall and could conceivably encourage procedural delays for the sole purpose of increasing the interest payment.

The linkage of interest to national market rate for borrowing, creates a fair and equitable system for all parties. While the interest payments would be fair they will encourage timely settlements, for most parties would see no benefit to delaying the process in view of more attractive, but speculative rates which the money might be reinvested.

While there would be some level of fiscal benefit, it would have no net decrease or increase to departmental operating budgets. The benefit would be in the form of lower overall construction costs on capital projects. As we currently receive the majority of our capital funds in annual federal appropriations, savings in any particular project are simply reassigned to future projects. On a program basis, these savings would not be significant. Further, it is very difficult to anticipate which projects would incur claims which might lead to interest payments, or to estimate the magnitude of these payments on a program basis. For this reason, we have not prepared a fiscal note.

SB 161

For Further Information contact Kat, McHugh at 465-3900.

Municipality of Anchorage



OFFICE OF THE MAYOR

5B 161
P.O. BOX 196650
ANCHORAGE, ALASKA 99519-
(907) 343-4431

TOM FINK,
MAYOR

MAYOR LETTER
+ AMENDMENT

April 26, 1994

By FAX 364-3360

Bob Evans
P.O. Box 20493
Juneau, AK 99802

Re: CS for Senate Bill No. 161 (JUD)

Dear Bob:

Please see the attached issue paper with regard to the interest rate municipalities must pay on tax overpayments.

The Municipality of Anchorage is vigorously opposed to the amendment to SB 161 requiring interest to be paid on tax refunds at 5% above the Federal Reserve District Discount Rate. This could require municipalities to pay an even higher rate than the 8% fixed in AS 39.45.550(b) now!

The Municipality should not be required to pay interest on refunds at a higher rate than it receives for its own funds, and it would be difficult if not impossible for a municipality to realize this kind of return on its investments without substantially increasing its investment risk.

Anchorage supports Section 2 of the bill as written in CS for Senate Bill No. 161 (STA).

There is an additional issue I'd like to address in this same bill:

Section 1 of this bill requires interest to be paid on money judgments and describes the rate of interest to be paid. It also excepts judgments founded on a written contract from the statutory rate of interest. We would like an additional exception to be made for money judgments granted for money owed to a municipality. Sample language as follows:

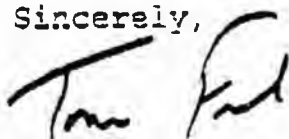
If a municipality, by ordinance or resolution, has provided that interest be charged on delinquent municipal taxes, fees, fines or other charges, a judgment or decree for municipal taxes, fees, fines or

Bob Evans
April 26, 1994
Page 2

other charges bears interest at the rate established by the municipality and in effect at the time the judgment is entered. This rate applies to prejudgment and postjudgment interest.

As written, this portion of the bill will change the interest rate charged to debtors after the municipality has filed suit and obtained judgment resulting in disparate treatment among individuals owing the same type of debt, the only difference being whether or not a municipality has obtained judgment. For example, AS 29.45.250 sets the maximum interest rate municipalities may charge for delinquent taxes. Changing pre-and postjudgment interest rates would result in unequal treatment of delinquent taxpayers and at current interest rates would favor the most resistant and evasive ones. It would also penalize municipalities for following due process to collect their delinquent revenues.

Sincerely,



Tom Fink

Att.

MUNICIPALITY OF ANCHORAGE
 1994 LEGISLATIVE PROGRAM

LEGISLATIVE ISSUES

TITLE: A.S.29.45.500(b) Paying Interest on Tax Remittance Refunds

To reduce expenditures by eliminating the requirement to pay interest on certain overpayments made by taxpayers.

Amend A.S.29.45.500(b): "If, in payment of taxes legally imposed, a remittance by a taxpayer through error or otherwise exceeds the amount due, and the municipality, on audit of the account in question, is satisfied that this is the case, the municipality shall refund the excess to the taxpayer with interest from the date of payment at a rate equal to the average percent of return on the municipality's investments during the three months prior to the date the refund is made. [AT EIGHT PERCENT FROM THE DATE OF PAYMENT].

In 1993, the Municipality paid in excess of \$20,500 in interest on tax overpayments. It is estimated that 36% of this amount was through taxpayer errors, i.e., duplicate remittances by different parties, e.g., lending institutions and individuals. We feel that the Municipality should not be required to pay excessive interest on what is essentially a voluntary overpayment by the taxpayer.

At current rates of interest, this requirement technically allows taxpayers to "bank" funds with the Municipality and receive a higher than market rate of return.

Contact: Jerry Anderson
 Chief Fiscal Officer
 Phone: 343-6610

MUNICIPALITY OF ANCHORAGE
1994 LEGISLATIVE PROGRAM

LEGISLATIVE ISSUES

TITLE: A.S.29.45.500(b) Paying Interest on Tax Remittance Refunds

To reduce expenditures by eliminating the requirement to pay interest on certain overpayments made by taxpayers.

Amend A.S.29.45.500(b): "If, in payment of taxes legally imposed, a remittance by a taxpayer through error or otherwise exceeds the amount due, and the municipality, on audit of the account in question, is satisfied that this is the case, the municipality shall refund the excess to the taxpayer with interest from the date of payment at a rate equal to the average percent of return on the municipality's investments during the three months prior to the date the refund is made. [AT EIGHT PERCENT FROM THE DATE OF PAYMENT].

In 1993, the Municipality paid in excess of \$20,500 in interest on tax overpayments. It is estimated that 36% of this amount was through taxpayer errors, i.e., duplicate remittances by different parties, e.g., lending institutions and individuals. We feel that the Municipality should not be required to pay excessive interest on what is essentially a voluntary overpayment by the taxpayer.

At current rates of interest, this requirement technically allows taxpayers to "bank" funds with the Municipality and receive a higher than market rate of return.

SENATE FINANCE
COMMITTEE

Amendment Number: ①

Bill Number: SB 161

Sponsor: Kelly Date: 4/29/94

Logged In By: (P.M.)

Contact: Jerry Anderson
Chief Fiscal Officer
Phone: 343-6610

H-26-94
SFC
Vogt.

PREJUDGMENT AND POSTJUDGMENT INTEREST
UNDER CSSB 161(JUD) AND SB 161

Year (January)	Federal Discount Rate	CSSB(JUD) 161 (Discount Rate Plus 5%)	SB 161 (Coupon Yield Equivalent)
1994	3.00%	8.00%	3.49%
1993	3.00%	8.00%	3.93%
1992	3.50%	8.50%	6.08%
1991	6.50%	11.50%	7.75%
1990	7.00%	12.00%	7.66%
1989	6.50%	11.50%	7.20%
1988	6.00%	11.00%	7.20%
1987	5.50%	10.50%	5.93%
1986	7.50%	12.50%	7.57%
1985	8.00%	13.00%	9.08%

WALTER J. HICKEL
GOVERNOR



P. O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 12, 1993

161

*The Honorable Rick Halford
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182*

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to statutory interest rates. This bill would change the rate of prejudgment interest and interest paid on judgments and decrees, issued by Alaska courts, from 10.5 percent to the market rate for certain investments. The bill would also lower the rate of interest payable by the state on overpayments of taxes under AS 43 and royalty and net profit shares under AS 38. Both changes should have substantial cost savings for the state.

As to interest on court judgments and decrees, AS 09.30.070 presently requires that the rate of interest is 10.5 percent a year, unless a different lawful rate was established by written contract between the parties. Additionally, prejudgment interest is also paid at the 10.5 percent rate. Currently, these statutory rates substantially exceed the present market rate for investments. The result is a bonanza for individuals who receive a favorable judgment. Also, with the statutory interest rate being fixed, the rate does not automatically respond to market rate increases during periods of high inflation, exceeding the 10.5 percentage rate. The result is that the individual who prevails suffers an additional loss when a judgment or decree is not timely paid or is paid in installments.

Section 1 of the bill remedies these problems by requiring that interest rates on judgments and prejudgment interest be set at the market rate for the sale of federal

*The Honorable Rick Halford
Page 2*

treasury bills. The bill would continue to allow individuals to establish a different interest rate on judgment by agreement, so long as the rate is not usurious, under state law. Section 1 of the bill also makes changes relating to the calculation of interest.

Section 2 of the bill changes the interest rate payable by the state on refunds of overpaid taxes under AS 43 and natural resources royalties and net profit shares under AS 38. The bill amends AS 38.05.135(e) and AS 43.05.280(a) by reducing the interest rate payable by the state on refunds of these overpaid taxes, royalties, and net profit shares from five points to two points over the quarterly Federal Reserve discount rate. The present five percentage points over the Federal Reserve discount rate for both underpayment and overpayment was designed as an across-the-board interest rate increase to discourage underpayment of these sums by those obligated to make those payments. While having that intended effect, it is also establishing the state as a favorable depository of investment funds yielding a much higher rate of interest than any other savings in banking institutions. The payment of those high yields is coming directly out of the state treasury and is not a prudent use of state resources in these years of declining available state revenue.

This bill would leave in place the provisions that discourage underpayment to the state, while removing the incentive to achieve high yields by overpaying. Also, the bill protects taxpayers in that if the overpayment was made in response to a correction made by the applicable department, the state would pay a higher interest rate, as already provided in statute.

I urge your prompt consideration and passage of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Walter J. Hickel". The signature is written in a cursive, flowing style with a large initial "W".

*Walter J. Hickel
Governor*

John

LEGISLATIVE COMMITTEE REPORT

DATE: 4/7/93

FURTHER: FINANCE

DATE TURNED INTO OFFICE: 4/25/94

JUDICIARY Committee considered SENATE BILL NO. 161

"An Act relating to interest rates and calculation of interest under certain judgments and decrees and on refunds of certain taxes, royalties, or net profit shares; and providing for an effective date."

and recommends it be replaced with

and recommends:

- replace with _____ CS SB 161 (SAD)
- or adopt previous _____ CS _____
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

and report it back as follows

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

Phil's

NEW FISCAL NOTES

Department	Date	Zero	Fiscal
Admin - FIN	4/25/94	✓	
Admin - Risk	4/25/94	✓	
Rew	4/25/94	✓	
DOT	4/25/94	✓	

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal
DOT	3-4-93	✓	
DOR	3-2-93	✓	
DOA - RISK	3-2-93	✓	
DOA - FIN	3-2-93	✓	

Appropriation No Fiscal Note

DO PASS:

OTHER RECOMMENDATIONS:

Stefanne Little No Rec

Mike Halford NO REC

John Taylor

John Taylor DO Pass

Chair, Signature and Recommendation

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 3/12/93

FURTHER: JUDICIARY
FINANCE

Date of 5-Day Notice: 3.18.93
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4-7-93

STATE AFFAIRS Committee considered SB 161

"An Act relating to interest rates and calculation of interest under certain judgments and decrees and on refunds of certain taxes, royalties, or net profit shares, and providing for an effective date."

and recommends it be replaced with

and recommends:

replace with _____ CS SB 161 (STA)
 attaches amendment(s) 8 rpts bk as file

same title
 new title
 technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

4 φ/KW's

FISCAL NOTE INFORMATION

Department	Date	Zero	Fiscal	Department	Date	Zero	Fiscal
DOT	3.4.93	<input checked="" type="checkbox"/>	previous applies to CS				
DOR	3.2.93	<input checked="" type="checkbox"/>	"				
DOA-RISK	3.2.93	<input checked="" type="checkbox"/>	"				
DOA-FIN.	3.2.93	<input checked="" type="checkbox"/>	"				

Appropriation No Fiscal Note



Governor's Bill with Previous Fiscal Notes (enter information above)

DO PASS:

OTHER RECOMMENDATIONS:

Chris L. Taylor, H. Rep.
By Sellers No Rec

Steven J. Lerner Amend

Chair: Signature and Recommendation

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. SB 161

Revision Date: January 3, 1994
 Title: Rates of Interest on Judgements and Tax Overpayments

Dept. Affected: Revenue
 BRU: Revenue Operations
 Component: Oil & Gas & Income & Excise Audit

Sponsor: Governor
 Requestor: Senate Judiciary

COMPONENT SERIAL NO. 115 & 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE FUND SOURCE:						
-----------------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0.0

ANALYSIS: (Attach a separate page if necessary.)

SEE ATTACHED

Prepared by: Larry E. Meyers
 Division: Income and Excise Audit Division
 Approved by Commissioner: Darrel J. Rexwinkel
 Agency: Department of Revenue

Phone: 465-2320
 Date: January 3, 1994
 Date: January 3, 1994

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ANALYSIS OF REDUCED INTEREST FOR OVERPAYMENT OF TAXES, ROYALTIES AND NET PROFIT SHARE

This legislation would reduce the interest rate paid by the State for overpayment of taxes, royalty or net profit shares. The interest rate currently paid is 5 percentage points above the federal reserve discount rate to member banks or 11%, whichever is greater. This legislation would reduce that to 2 percentage points above the federal reserve rate. This bill also repeals a minimum rate of 11 percent paid on overpayment.

The revenue impact of this legislation would be determined by the savings that will result from the difference which would be paid under the lower market interest rates rather than the previously prescribed minimum interest rate. The current minimum interest paid could be considered an attractive investment in today's economy. The savings in interest payments on a \$1 million overpayment for a single fiscal year could range from \$32.2 to \$129.3 depending upon the interest rates at the time.

3115/94
(S)JUD, FIN

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSSB 161 (STA)

Revision Date: _____ Dept. Affected: Administration
 Title: "An Act relating to interest rates and calculation BRL: Finance
of interest under certain judgments" Component: Finance
 Sponsor: Rules Committee
 Requestor: (S) Jud COMPONENT SERIAL NO. 59

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year (FY94) cost: none

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)

Prepared by: Don Wanie, Director
 Division: Finance
 Approved by Commissioner: Nancy Bear Usher
 Agency: Administration

Phone: 465-2240
 Date: _____
 Date: 3/14/94

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FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSSB 161 (JUD)

Revision Date: _____ Dept. Affected: Alaska Court System
 Title: An Act relating to interest rates and calculations of BRU: Trial Courts
Interest under certain judgments and decrees... Components: _____
 Sponsor: _____
 Requestor: _____ COMPONENT SERIAL NO. 768

EXPENDITURES/REVENUES (Thousands of Dollars)

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	19.5	19.5	19.5	19.5	19.5	19.5
TRAVEL						
CONTRACTUAL	5.0					
SUPPLIES	14.9					
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
TOTAL OPERATING	39.3	19.5	19.5	19.5	19.5	19.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

Updated 4/28/94

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	39.3	19.5	19.5	19.5	19.5	19.5
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	39.3	19.5	19.5	19.5	19.5	19.5

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY 94) cost: \$ None

ANALYSIS: (Attach a separate page if necessary)
 See attached analysis.

Prepared by: C. S. Christensen III, Staff Counsel *[Signature]* Phone: 264-8228
 Agency: Alaska Court System Date: 04/25/94

Approved by: Arthur H. Snowden, II, Administrative Director *[Signature]* BY
 Agency: Alaska Court System Date: 04/25/94

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

ALASKA COURT SYSTEM
CSSB 161 (JUD)
FISCAL ANALYSIS

At the present time, prejudgment and postjudgment interest on civil judgments is fixed in statute at a rate of 10.5 percent per year. Because the rate is fixed in statute and is the same for both prejudgment and postjudgment interest, only one interest calculation per case is required.

CSSB 161 (JUD) provides that the rate of interest will change annually, to reflect the 12th Federal Reserve District discount rate plus five percent. Because the rate for prejudgment interest will be a rate that was in effect years earlier at the time of the injury or harm, the court system will need to keep track of interest rates over time. This also means that the bill will require multiple interest calculations per defendant, rather than the current single calculation. The exact number of calculations will depend on how many years passed between the time of the injury or harm, and the payment of the final judgment; there will be a separate calculation for each year. In addition, amounts owed under the constantly changing rates will now be compounded, complicating the calculations. Any increase in the number or complexity of interest calculations is significant, because the court system currently performs over 10,000 such calculations per year. Additional clerical time will be necessitated by CSSB 161 (JUD) because of the increased volume and complexity of interest calculations.

Alaska Court System
CSSB 161 (JUD)
Fiscal Analysis

The proposed annual revision of statutory interest rates will require the reissue and updating of public information pamphlets, internal-use instructional manuals and forms. In the past, the cost of revisions was minimal because interest rates changed infrequently.

The court system provides informational pamphlets to litigants. At present, these manuals refer to the current statutory interest rate. Passage of this bill will necessitate deleting references to specific interest rates in these pamphlets. To avoid an annual reissuance of the pamphlets, interest rate information will be provided as a single sheet attachment to the pamphlets.

Court system desk manuals and forms will also have to be revised annually to reflect current interest rates.

Personal Services \$19,475

Overtime for clerical staff using salary and benefits for an Anchorage range 10A for an additional 5 minutes for approximately 10,000 computations per year.

Contractual *(one-time cost)* 5,000

Programming costs to add a multiple interest rates, interest compounding and expanded reporting capabilities to the interest calculation program.

Supplies *(one-time cost)* 14,850

Revision of "Execution Procedure for Judgment Creditor" pamphlet 7,400
 One-time reissue of pamphlet, 44 pages, at estimated cost of 1¢ per page, 10,000 pamphlets and mailing costs

Revision of "Judgment Debtor Booklet" 6,200
 One-time reissue of pamphlet, 32 pages, at estimated cost of 1¢ per page, 10,000 pamphlets and mailing costs

Revision of "Executions" and "Small Claims" manuals 750
 One-time reissue of manuals to add instructions on compounding of interest and recomputation of principal amount

Revision of Pre-Judgment Computation and Small Claims Default Cases forms 500

Estimated Total First Year Cost \$39,325

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. CSSB 161 (JUD)

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 Title: An Act relating to interest rates and calculations of BRU: Trial Courts
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CONTRACTUAL	5.0					
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GRANTS & CLAIMS						
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CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)


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1004 GF	39.3	19.5	19.5	19.5	19.5	19.5
1005 GF/Program Receipts						
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Other						
TOTAL	39.3	19.5	19.5	19.5	19.5	19.5

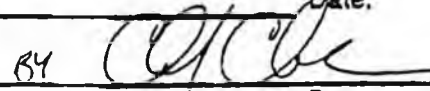
POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY 94) cost: \$ None

ANALYSIS: (Attach a separate page if necessary)
See attached analysis.

Prepared by: C. S. Christensen III, Staff Counsel  Phone: 264-8228
 Agency: Alaska Court System Date: 04/25/94

Approved by: Arthur H. Snowden, II, Administrative Director  BY AS
 Agency: Alaska Court System Date: 04/25/94

PREPARED TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

ALASKA COURT SYSTEM
CSSB 161 (JUD)
FISCAL ANALYSIS

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CSSB 161 (JUD)
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Estimated Total First Year Cost \$39,325

A M E N D M E N T

OFFERED IN SENATE

BY SENATOR _____

TO: SB 161 (STA)

Page 2, lines 9-14: Delete

Page 2, lines 9-14, replace with:

(c) Except when the court finds that the parties have agreed otherwise, prejudgment interest shall be awarded on a money judgment. In a personal injury case, prejudgment interest accrues from the date a written demand for payment for an injury or harm occurs or when the initial summons was issued or the initial counter claim or cross-claim was filed, whichever is earlier. In all other cases, prejudgment interest accrues from the date the initial summons was issued ^{or} the initial counter claim or cross-claim filed. Prejudgment interest shall be calculated at the rate determined by the commissioner of revenue under (b) of this section.

4/26/94

This amendment
is incorporated within
CS (Jud). Believe it
was made part of
bill transmittal by
mistake. Call to Joyce
to clarify - this date.