

HB

331

SENATE COMMITTEE REPORT

DATE: 3/14/94

FURTHER: Judiciary
Finance

DATE TURNED INTO OFFICE: 4/8/94

HESS Committee considered HOUSE BILL NO. 331 am

"An Act relating to claims on permanent fund dividends for defaulted public assistance overpayments."

and recommends:

replace with _____ CS _____ ()

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

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal
DOR	2/22/94	✓	
DHSS	2/22/94		✓
DHSS	2/22/94		✓

Appropriation No Fiscal Note

DO PASS:

Steven A. Seman
Scott Sharp
Mike Miller

OTHER RECOMMENDATIONS:

John Ellers No Rec.

Steve Kim No Rec
Chair: Signature and Recommendation



Official Business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

REPRESENTATIVE CYNTHIA TOOHEY

State Capitol
Juneau, AK 99801-1182

DISTRICT 13

SPONSOR STATEMENT

House Bill 331

"An Act relating to claims on permanent fund dividends for defaulted public assistance overpayments"

House Bill 331 would give the Department of Health and Social Services the administrative authority to garnish permanent fund dividends of individuals who have received public assistance overpayments and are delinquent in repaying the debt.

Frequently persons receiving overpayments agree to repay the debt, but fail to do so. If a person is still on public assistance, the person's benefit can be reduced as a means of collection, but if a person is off assistance, collection becomes difficult. There is currently over half a million dollars in outstanding debt due the Department.

Collection through the court system can be time-consuming and costly. House Bill 331 would allow the Department to pursue collection in the same manner that delinquent student loans are pursued.

The bill has the support of the Department and two positive fiscal notes from DHSS. It has an additional zero fiscal note from the Department of Revenue.

Your co-sponsorship and support would be appreciated.

INTERIM ADDRESS: 716 West 4th Avenue, Suite 330, Anchorage, 99501-2133

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. HB 331 (AM)

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act relating to claims on PFD's for BRU: Public Assistance Administration
defaulted public assistance overpayments Component: PA Administration
 Sponsor: Toohy
 Requestor: _____ COMPONENT SERIAL NO. 233

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	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	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE FUND SOURCE	3.4	4.1	11.3	9.0	9.0	8.1

FUNDING: (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/MHTA	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

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: NONE

ANALYSIS: (Attach a separate page if necessary)

SEE ATTACHED

Prepared by: Jan L. Hansen, Director
 Division: Division of Public Assistance
 Approved by Commissioner: Margaret R. Lowe, M.Ed., Ed.S
 Agency: Department of Health & Social Services

Phone: 465-2680
 Date: 1/25/94
 Date: 1-25-94

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ANALYSIS (cont.):

HB 331 amends existing statutes to provide authority for the Department of Health and Social Services to collect delinquent public assistance overpayment debts by administrative garnishment of Permanent Fund dividends. This legislation results in increased debt collection by the Division of Public Assistance

Food Stamp Program overpayment collections generate revenue to the State. Although food stamps are 100 percent federally funded, states are allowed to retain collection incentives of 10 percent of recoveries of overpayments caused by inadvertent household error and 25 percent of recoveries of payments caused by recipient fraud. These recovery incentives will increase to 25 and 50 percent respectively in October, 1995.

Assumptions:

- All revenues are collected against prior years' costs
- Average state retention rate = 15 percent in FY95 and FY96
- Average state retention rate = 30 percent in FY97 through FY00
- State retentions are applied as GF receipts
- Balance after state retention is returned directly to the federal government
- State portion of recoveries is applied against prior years' costs for Public Assistance Administration
- Collections will rise in the first 3 years, then decline as backlog of existing claims is cleared

Collections:

	FY95	FY96	FY97	FY98	FY99	FY00
Claims collections	90	90	125	100	100	90
Total Collected	22.5	27.0	37.5	30.0	30.0	27.0
Increased GF Receipts	3.4	4.1	11.3	9.0	9.0	8.1

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. HB 331 (AM)

Revision Date: _____ Dept. Affected: Health and Social Services
 Title: An Act relating to claims on PFDs for defaulted public assistance overpayments BRU: Public Assistance Administration
 Sponsor: Toobey Component: AFDC
 Requestor: _____ COMPONENT SERIAL NO. 0220

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	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	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE FUND SOURCE	16.5	24.7	27.5	22.0	22.0	20.6
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FUNDING:

(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

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: NONE

ANALYSIS: (Attach a separate page if necessary)

SEE ATTACHED

Prepared by: Jan L. Hansen, Director
 Division: Division of Public Assistance
 Approved by Commissioner: Margaret R. Lowe, M.Ed., Ed.S
 Agency: Department of Health & Social Services

Phone: 465-2680
 Date: 1/25/94
 Date: 1-25-94

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ANALYSIS (cont.):

HB 331 amends existing statutes to provide authority for the Department of Health and Social Services to collect delinquent public assistance overpayment debts by administrative garnishment of Permanent Fund dividends. This legislation results in increased debt collection by the Division of Public Assistance.

AFDC benefits are 50 percent state/50 percent federally funded. When the State recovers AFDC overpayments, it returns the federal share to the federal government and retains the state share.

Assumptions:

- All revenues are collections against prior years' costs
- The state retains 50 percent of AFDC collections as General Fund receipts
- 50 percent of AFDC collections are returned directly to the federal government
- Average claim collection via PFD garnishment = \$550
- Collections will rise in the first 3 years, then decline as backlog of delinquent claims is cleared.

Calculations:

	FY95	FY96	FY97	FY98	FY99	FY00
Claims collections	60	90	100	80	80	75
Total collected	33.0	49.5	55.0	44.0	44.0	41.3
Increased GF Receipts	16.5	24.7	27.5	22.0	22.0	20.6

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. HB 331(AM)

Revision Date: _____ Dept. Affected: Revenue
 Title: Use PFD's to recover welfare overpayments BRU: Permanent Fund Dividend
 Component: Permanent Fund Dividend
 Sponsor: TOOHEY
 Requestor: House Judiciary COMPONENT SERIAL NO. 981

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						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-

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						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

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

ANALYSIS:

This Legislation would establish a procedure for serving attachments against dividends that is virtually identical to the process currently in place under AS 43.23.067 for the Alaska Commission on Postsecondary Education. Accordingly, the Division does not anticipate any significant additional costs to implement this legislation if enacted.

Prepared by: Thomas C. Williams *Thomas C. Williams* Phone: 465-2323
 Division: Permanent Fund Dividend Date: 01/19/94
 Approved by Commissioner: [Signature] Date: 1/21/94
 Agency: Department of Revenue

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Sectional Summary of House Bill 331 (am)

Section 1. The Alaska Exemptions Act (AS 09.38) does not apply to permanent fund dividends taken to satisfy the balance due on a defaulted public assistance overpayment claim. The provisions dealing with execution on claims do not apply and a method of executing on a dividend is set out.

Section 2. The permanent fund dividend of a former recipient of a public assistance program may be taken to satisfy the balance due on a defaulted overpayment claim.

POSITION PAPER

STATE OF ALASKA ★ DEPARTMENT OF HEALTH & SOCIAL SERVICES

POSITION PAPER

House Bill 331

"An Act relating to claims on permanent fund dividends for defaulted public assistance overpayments."

House Bill 331 provides authority for the Department of Health and Social Services to collect delinquent public assistance overpayment debts by administrative garnishment of Permanent Fund dividends.

Section 1 of the bill adds a new section 43.23.068 to the Permanent Fund dividend statutes to establish procedures for the execution of claims. Section 2 adds a new subsection to the public assistance statutes to provide the authority to make claims against dividend payments in order to recover public assistance overpayments that have fallen into default.

When an individual receives more food stamps or Aid to Families with Dependent Children than they are entitled to, the Division of Public Assistance establishes a claim to recover the debt. The majority of overpayment claims are due to non-fraudulent client errors. Some are due to fraud or agency mistakes. Most overpayments are recovered by reducing the household's monthly benefits by a fixed percentage until the debt is repaid. When a person goes off public assistance while still owing on a claim, debt collection often becomes difficult.

Claiming all or part of the Permanent Fund dividend is a cost-effective way to recover overpayments from persons who refuse to agree to a repayment plan, or fail to make scheduled payments. This is a proven collection method used successfully by other agencies to collect debts such as delinquent child support and student loan payments.

The ability to claim dividends on delinquent accounts will increase collections and generate revenue for the state, and gives DHSS a stronger hand in dealing with delinquent debt collection. Some individuals may choose to resume regular debt payment rather than lose their dividends. The bill assures ample protection of the rights of individuals whose dividends may be taken.

No additional DHSS staff will be needed to initiate claims on dividends. The process promises to be a simpler and cheaper debt collection method than small claims court or civil litigation. HB 331 gives the Department a simple and effective tool to improve welfare program accountability. It offers a better way to collect debts from former recipients who fail to repay the state for the benefits they received incorrectly.

POSITION PAPER
STATE OF ALASKA ★ DEPARTMENT OF HEALTH & SOCIAL SERVICES

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HB 331
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The Department of Health and Social Services strongly supports
House Bill No. 331.

Jan L. Hansen
Jan L. Hansen, Director
Division of Public Assistance
Department of Health and
Social Services

1/25/94
Date

Margaret R. Lowe
Margaret R. Lowe, M.Ed., Ed.S.
Commissioner
Department of Health and
Social Services

1-25-94
Date