

HB

337

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/16/00

REPORTED OUT OF
SFC 4/18/00

FURTHER:

DATE TURNED
IN TO OFFICE: 4/18/00

Finance Committee considered CS FOR HOUSE BILL NO. 337(JUD)

"An Act relating to claims against permanent fund dividends to pay amounts owed to the Department of Labor and Workforce Development under the Alaska Employment Security Act and to fees for processing certain claims against permanent fund dividends; and providing for an effective date."

and recommends:

- be replaced with ✓ CSC AB 337 (FIN)
- adopt previous _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by Forthcoming nittee
- further referral to the CS nittee

- Senate Bill:**
 same title
 new title
House Bill:
 same title
 technical title
 new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<u>1000 F 1000</u>	✓	<u>John Kelly</u>	✓		
<u>Greg Webb</u>	✓	<u>Al Colman</u>	X		
<u>Loren D. Heman</u>	✓				
Co-Chair: <u>John Kelly</u>	✓	Co-Chair:			
Co-Chair: <u>Bar R. Samuel</u>	✓	Co-Chair:			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
<u>Revenue</u>	<u>2/15/00</u>	✓	
<u>Labor</u>	<u>1/12/00</u>		\$

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

Bill Vers: HB 337

STATE OF ALASKA
2000 LEGISLATIVE SESSION

REPORTED OUT OF
SFC 4/18/00

(H) Publish Date: 2/4/00

Revision Date/Time (Note if correction):
Title: An Act relating to . . . Admin collection
of Perm. Fund Div. . . for amounts owed to State
Sponsor: Rules Committee
Requestor: Governor

Department Affected: Labor
BRU: Employment Security
Component: Unemployment Insurance
COMPONENT SERIAL NO. 2276

EXPENDITURES/REVENUES: (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
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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CHANGE IN REVENUE	377.1	569.8	385.4	385.4	385.4	385.4
FUND SOURCE #	1004	1004	1004	1004	1004	1004

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY00) impact: \$ 0.0

ANALYSIS: (Attach a separate page if necessary)

(See Attached)

Prepared by: Rebecca Gamez, Director
Division: Employment Security Division

Phone: 465-2711
Date/Time: 1/12/00 11:36 AM

Approved by Commissioner: Ed Flanagan, Commissioner
Agency: Department of Labor and Workforce Development

Date: 1/12/2000

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For further distribution information call the Governor's Legislative Office

REPORTED OUT OF
SFC 4/12/00

FISCAL NOTE

No: _____
Bill Version: CSHB 337 (STA)
(H) Publish Date: 2/23/00

**STATE OF ALASKA
2000 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) _____ Dept. Affected _____ Revenue _____
Title Claims Against Permanent Fund Dividends BRU Revenue Operations
Component Permanent Fund Dividend
Sponsor Rules
Requester House State Affairs Component Serial No. 981

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
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 EXPENDITURES

CHANGE IN REVENUES ()

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year (FY2000) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill allows state agencies to file claims against Permanent Fund Dividends of individuals with unpaid debts owed to state agencies. Section 2 of this bill allows the Permanent Fund Dividend Division to collect an administrative fee to cover costs associated with processing these claims. This existing fee of \$2 per claim (as set out in regulation) is based on state agencies using electronic media to transmit any and all claims to the dividend division. The division may have to increase the fee to a particular agency if that agency is unable to transmit its claims electronically and instead creates additional paperwork and manual processing for the dividend division.

Prepared by Nanci A. Jones, Director
Division Permanent Fund Dividend
Approved by Wilson L. Condon
Commissioner Department of Revenue
Agency _____

Phone 465-2323
Date/Time February 8, 20000
Date February 8, 20000

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Phillips COMMITTEE
2000 COMMITTEE ACTION

Bill Number	<i>HB 337</i>		
Amendment	<i>#1</i>		
Motion			
<u>Motion by</u>	<i>✓ PL</i>		
<u>Objection by</u>			
Removed			
Second Objection by			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Randy Phillips			
Senator Dave Donley			
Senator Loren Lemar			
Senator Al Adams			
Senator Gary Wilken			
Senator Pete Kelly			
Senator Lyda Green			
Co-Chair Sean Parnell			
Co-Chair John Torgerson			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	<i>no objection</i>		

HB 337 TALKING POINTS

- The Employment Security Division (ESD) of the Department of Labor and Workforce Development administers the Unemployment Insurance Program.
- That entails the collection of taxes from Alaska's employers and the paying out of benefits to Alaskans who are temporarily out of work. Last year over \$129 million was paid out in benefits.
- Inherent in the responsibility of administering the program is the protection of the UI Trust Fund.
- By protection, I mean the detection, prevention, and the collection of improperly paid benefits.
- As of 12/31/99 the overpayment balances were as follows:

Fraud	\$4,912,384
Non-Fraud	\$1,516,888
Penalty	\$3,145,620 (Statutory penalty for fraud)

- This bill would speed the recovery of overpaid UI benefits that are a debt to the state.
- The overpaid benefits would be returned to the Trust Fund. This would have a beneficial effect on the employers' UI tax rates.
- The Penalty amount would be deposited in the General Fund.
- With the passage of this bill we estimate in the first year we could return over \$1.5 million to the Trust Fund, and over \$750 thousand to the General Fund.
- Every year thereafter, it is estimated between \$700 - \$800 thousand would be returned to the Trust Fund and between \$400 - \$500 thousand would be deposited in the General Fund.
- The passage of this bill is good for the UI Trust Fund, its good for the General Fund, and its good for Alaska's employers.

TONY KNOWLES

GOVERNOR

STATE OF ALASKA

OFFICE OF THE GOVERNOR

JUNEAU

February 2, 2000

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Porter:

Some state agencies are currently allowed to seek from individuals overdue payments of money due the state through a simple administrative collection of permanent fund dividends. But most state agencies still need to use a time consuming and costly court action to attach an individual's permanent fund dividend. It makes sense for all our state agencies to have access to this "fast track" method of collecting from a person who receives a permanent fund dividend while in arrears with payments lawfully due to the state. This bill I transmit today accomplishes this change in law.

Examples of agencies now able to attach permanent fund dividends with a simple administrative action include the Department of Health and Social Services, for reimbursement of certain court-ordered treatment, and the Alaska Commission on Postsecondary Education for student loans in default.

But the Department of Labor and Workforce Development, for example, must file a small claims court action or seek criminal prosecution to recover overpaid unemployment insurance benefits and fraud penalties. Partly as a result of this cumbersome method, the department estimates the state is owed \$4.5 million in outstanding benefits received by fraudulent means, \$3.6 million in statutory penalties, and \$1.6 million for overpaid benefits. Not only will this bill increase recovery rates, but because these owed benefits are paid by employer taxes, it will reduce employer tax rates within the state.

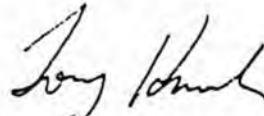
A state agency would not be required to use these new procedures for collection. Any agency that elects to use the new procedures would be required to notify the individual of the claim with a fair opportunity for a hearing at which the individual could contest the

The Honorable Brian Porter
February 2, 2000
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agency's claim to the permanent fund dividend. If a hearing is not requested or the claim is resolved in favor of the state agency, the agency may collect the money from the individual's permanent fund dividend without filing a court action.

Passage of this measure gives state agencies an additional tool to recover money that is lawfully owed to the state under existing state laws.

Sincerely,

A handwritten signature in black ink, appearing to read "Tony Knowles". The signature is written in a cursive style with a large, stylized initial "T".

Tony Knowles
Governor

SENATE FINANCE COMMITTEE

SIGN-IN

HB 337-CLAIMS AGAINST PERM FUND DIVIDENDS

NAME: Ron Hull Subject/Bill No: HB 337

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions