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FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 5
Bill Version: SB 338
(S) Publish Date: 4/2/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
Title "An Act making certain individuals convicted of BRU Civil Division
crimes ineligible for permanent fund dividends and ..." Component Collections and Support
Sponsor Senate Finance Committee
Requester Senate Finance Committee Component No. 2210

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
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						
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CHANGE IN REVENUES (GF/Prog Rcpts)	0.0	0.0	(*****)	(*****)	(*****)	(*****)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The collections unit of the Department of Law is responsible for collecting civil and criminal judgments owed to the State of Alaska, and beginning in January 2002, restitution on behalf of victims of crimes. Criminal judgments include criminal fines, costs of incarceration, costs of appointed counsel, forfeited bonds, minor offense fines, and costs related to those fines. Civil judgments include cost and attorney fees awarded to the state in civil litigation, and APOC and OSHA penalties.

The unit's primary collection tool is the permanent fund dividend attachment. Historically, over 90 percent of the unit's collections each year are received through the attachment of defendants' permanent fund dividends. During FY 02 through January 31, 2002, the unit has collected \$3,198,282 of which \$2,938,837 was through the dividend attachment. Although the unit may use other collection tools, such as wage withholding or attachment of funds in

Prepared by: Joan M. Kasson Phone (907) 465-5370
Division: Attorney General's Office Date/Time 2/27/02 3:48 PM
Approved by: Kathryn Daughettee for Bruce M. Botelho, Attorney General Date 2/27/2002
Agency: Department of Law

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB 338 #5

ANALYSIS CONTINUATION

bank accounts, most of the judgments that the unit collects are simply not large enough to justify the cost of such collection actions. The cost of collection would exceed the amount collected. To succeed, the unit must be able to collect a high volume of relatively small judgments. The only cost-effective way to do this is through the electronic attachment process used for the permanent fund dividend attachment. As a practical matter, if the permanent fund dividend cannot be attached, most of these judgments would be uncollectible when the cost of collection is factored into the equation.

Because of the unit's reliance on the attachment of dividends, a bill that removes persons from eligibility for the permanent fund dividend will adversely affect the unit's collections. Senate Bill 338 creates several new categories of criminal defendants who are permanently or temporarily ineligible for dividends. Because approximately 85 percent of the unit's collection actions are against criminal defendants who would fall within one or more of these new categories, this bill will have a serious and substantial impact on collections.

For example, Senate Bill 338 makes persons who have been convicted of an unclassified felony (the most serious violent crimes, such as murder, sexual assault, robbery, etc.) permanently ineligible for dividends. Although this is probably a relatively small percentage of the judgments received by the unit for collection, the fines and other judgments in these cases tend to be larger. Thus, the removal of the permanent fund dividends in these cases would likely have a larger fiscal impact on the unit's collection than would otherwise be expected given the small number of cases. Fines in most of these cases would be uncollectible if Senate Bill 338 passes.

For the remaining defendants, the bill delays collection for a number of years either after sentencing or after the defendant is released from jail or prison. In these cases, the impact on collections will be attributable to the delay. The unit has found that the earlier the collection proceedings begin the more likely the judgment will be collected. Over time, defendants leave Alaska, die, are incarcerated for new crimes, or incur debts with a higher priority under the dividend priority scheme. Thus, debts that the unit could have collected during the first year or two after the defendant is released from jail may be uncollectible after the four, nine, or nineteen-year delay imposed by the bill.

It is extremely difficult to estimate the impact of this bill on the unit's collections. The impact will be masked initially because during the first several years after the bill takes effect, the unit will be collecting judgments that pre-date the bill's effective date. These earlier judgments will be unaffected by the bill's restrictions because the bill applies only to defendants convicted of crimes committed after December 31, 2002. As collections continue on older judgments, the effect of the bill will be limited. In addition, the current law precludes defendants from receiving a dividend while incarcerated. In these cases, the unit would be unable to collect the judgment until the defendant was released from jail anyway. Thus, the unit will not begin to feel the effect of the bill until these new defendants begin to be released from incarceration. At that point, we should see a sharp drop in collections, as the old judgments are paid off and the new judgments are not collectible because the defendants are ineligible for the dividend.

The only exceptions to this are the provisions which make (1) misdemeanants who are not incarcerated ineligible for the dividend for the year in which they were sentenced, and (2) first and second time misdemeanants who are incarcerated ineligible while incarcerated and for four years thereafter. These are persons who are eligible for a dividend under the current law. The impact of these provisions will be felt immediately by the unit. These are persons from whom we are usually able to collect during the first year after we receive the judgments from the court.

As illustrated in the above discussion, there are many variables that will affect the actual loss in collections related to this bill over time. There can be no doubt that the provisions of Senate Bill 338 will reduce the collections of criminal fines, restitution for crime victims, and other judgments owed to the state. The actual amount of the reduction, however, cannot be determined at this time.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: SB 338
(S) Publish Date: 4/2/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Education
Title: An Act making certain individuals convicted of BRU: ACPE
crimes ineligible for permanent fund dividends and... Component: Student Loan Operation
Sponsor: Rep. Con Bunde
Requester: Labor and Commerce Component No.: 213

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
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

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CHANGE IN REVENUES ()	0.0	0.0	(*****)	(*****)	(*****)	(*****)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Alaska Commission on Postsecondary Education is charged with administering Alaska's various education loan programs. It does so as an enterprise agency of the state, the operational costs for which are paid through recycled funds of the Alaska Student Loan Corporation.

A very few years after the inception of the Alaska Permanent Fund Dividend program, the Commission was authorized by statute to administratively garnish the dividends of defaulted borrowers who remained at least six months in arrears on their education loans. In 2001 alone the Commission asserted its claim to approximately 8,600 dividends and ultimately collected approximately \$10.5 million on defaulted loans. Since the first year of garnishment activity, the Commission has collected well over \$100 million and considers this tool to be one of its most efficient and effective collection levers.

Prepared by: Diane Barrans, Executive Director Phone 465-6740
Division: Executive Office Date/Time 2/28/02 11:36 AM
Approved by: Diana Barrans, Executive Director *Diana Barrans* Date 2/28/2002
Agency: Alaska Commission on Postsecondary Education

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB 338 #3

Analysis: (continued)

Because program managers have no way of estimating what percentage of the population potentially is effected by Senate Bill 338 that would also be in this agency's defaulted borrower population, this fiscal note is provided as an indeterminate one. However, because there will likely be some impact of diminished access to the dividend collection, it seemed prudent to bring this issue to the legislature's attention.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CS SB 338 (FIN)
(S) Publish Date: 4/2/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title "An Act making certain individuals BRU Legal and Advocacy Services
convicted of crimes ineligible for PFD...." Component Public Defender Agency
Sponsor: Senate Finance
Requestor: (S) FIN Component No. 1631

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	*	*	*	*	*	*
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

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	*	*	*	*	*	*
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2002) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached sheet.

Prepared by: Barbara Brink, Director Phone (907) 334-4416
Division: Public Defender Agency Date/Time 3/28/02 11:27 AM
Approved by: Jim Duncan, Commissioner Date 3/28/2002
Agency: Department of Administration

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CS SB 338 (FIN) #2

ANALYSIS CONTINUATION

This legislation would make a large number of people ineligible for PFDs by amending the statute to significantly increase the list of circumstances under which a person would not be eligible for a dividend.

This bill may have a fiscal impact on the Public Defender Agency. For many indigent people, the PFD is one of their primary sources of income. When indigent people convicted of and or incarcerated for felonies and misdemeanors owe fines, restitution, surcharges, and fees, and are ineligible to receive a PFD for many years, they may not be able to pay these amounts and then are in violation of their probation or parole conditions and petitions to revoke may be filed. This could significantly increase the workload of the Agency, however, it is not possible to determine the extent of that impact. The Agency represents indigent persons in both parole and probation revocations, and both may very well increase substantially if this bill becomes law, but it is not possible to determine the extent of that impact. Therefore, an indeterminate fiscal note is submitted.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSB338(FIN)
(S) Publish Date: 4/2/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Ineligibility for PFD / BRU Child Support Enforcement
Crime Victims Compensation Component Child Support Enforcement
Sponsor Senate Finance Committee
Requester Senate Finance Committee Component No. 111

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	98.4	98.4	98.4	98.4	98.4	98.4
Travel						
Contractual	30.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	128.4	98.4	98.4	98.4	98.4	98.4

CAPITAL EXPENDITURES						
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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						
1003 GF Match						
1004 GF	128.4	98.4	98.4	98.4	98.4	98.4
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	128.4	98.4	98.4	98.4	98.4	98.4

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time	2	2	2	2	2	2
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See Page 2 for explanation.

Prepared by: Barbara Miklos, Director Phone 269-6800
Division Child Support Enforcement Division Date/Time 3/26/02 7:52 PM
Approved by: Larry Persily, Deputy Commissioner Date 3/26/2002
Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CSSB338(FIN) #1

ANALYSIS CONTINUATION

Bill Analysis

Under Section 6, no custodial parents would be eligible for a grant under this program in successive years, and custodial parents who received any amount at all during the previous fiscal year would also be ineligible for any money under this program. We believe this would eliminate so many families as to be ineffective in addressing our primary concern that thousands of children would be denied a significant source of child support under this legislation.

With average arrears for incarcerated obligors exceeding \$23,000, it is apparent that the children in this caseload suffer a longstanding lack of support. It is unlikely that many of these children have received any significant support in the past year, although even the smallest amount would make them ineligible for this program.

The Permanent Fund dividend is not an alternative means of collecting child support. Rather, it is a critical enforcement tool, especially in egregious cases. Taking that tool away would serve to deprive some of Alaska's neediest children.

Under Section 5, because the aid given to the custodial parent would not meet the federal definition of child support, it would not be possible, under federal law, to reimburse the state for money paid out per AS 25.27.400 using the federal tax refund offset program. (45 CFR 303.72)

Cost of Implementing the Legislation

The primary cost to CSED for implementing the new program created by CSSB338(FIN) would be for additional staff required to carry out the assignment. The division's preliminary estimate is for one caseworker and one accounting technician. There also will be some programming expense the first year, which is shown as a contractual expense. Since this program does not meet the requirements for federal matching funds, it must be supported entirely through state general funds.

Federal and computer system requirements will make it necessary for us to set up a new and separate file for each case we approve under this program, and the funds received for the custodial parent and child(ren) would be directed to that file. Without a separate file, the funds would be credited against the non-custodial parent's debt, which is not the statutory direction of this new program.

