

SB

318

During Session, January - May:
State Capitol, Room 115
Juneau, Alaska 99801
(907) 465-2095
465-3810 FAX

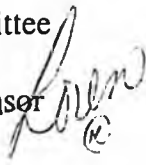
During Interim, June - December:
716 W 4th Ave, Suite 520
Anchorage, Alaska 99501
(907) 269-0240
269-0242 FAX



Senator Loren Leman

MEMORANDUM

TO: Senator Gene Therriault, Chairman
Senate State Affairs Committee

FROM: Senator Loren Leman, Sponsor 

DATE: February 20, 2002

RE: Scheduling a hearing for Senate Bill 318
Assignment of Permanent Fund Dividend

Please schedule a hearing for SB 318: Assignment of Permanent Fund Dividend at your earliest convenience.

SB 318, The Good Neighbor Act, allows a Permanent Fund Dividend to be assigned to an organization that qualifies for nonprofit status, or is exempt from federal taxation. Alaskans who regularly contribute to nonprofits and religious organizations requested this option to assign a dividend directly to these entities.

Attached is a copy of the bill and sponsor statement. Russ Kelly in my office will provide the packet information at your request. Please contact him at x3841 with any questions you have regarding this matter.

BENEFITS OF THE GOOD NEIGHBOR ACT

***Testimony of Ted and Françoise Gianoutsos
Before the Alaska State Senate
State Affairs Committee Hearings on SB 318
On Thursday, March 14, 2002***

Thank you so much, Mr. Chairman, for inviting us to testify today, by teleconference from Anchorage, on SB318, "The Good Neighbor Act," introduced by Senate Majority Leader Loren Leman.

The benefits of the "Good Neighbor Act" are many, but the principal benefit is that it will facilitate and encourage PFD gift assignment philanthropy for the Alaska common good. It will motivate average Alaskans to become PFD gift assignment philanthropists directly to the 501(c)(3) Alaskan non-profit of their choice.

Of course Alaskans can already cash their PFD check and give all, or a portion of it, to anyone or anything they wish - and many Alaskans do. They can also use a portion or all of their PFD checks to save for college expenses. Yet, the PFD "College Savings Plan" check-off facilitates and encourages saving for college to benefit Alaskans through higher education and thus ultimately benefit the Alaska common good. Even if some Alaskans choose to use the college savings plan to attend college Outside and even if some graduates of our University of Alaska choose to live and work Outside, the PFD "College Savings Plan" is nonetheless a worthwhile program for the Alaska common good - so too is the "Good Neighbor Act".

The "Good Neighbor Act" can lead to the creation of the "Alaska Common Good Fund" at the Permanent Fund division. The name "Alaska Common Good Fund" would identify the program just as the "College Savings Plan" identifies that worthy effort. And just as the administration of the "College Savings Plan" is contracted-out by competitive bid - currently to T. Rowe Price, a for-profit corporation in Baltimore, Maryland - so too could the administration of the "Alaska Common Good Fund" be contracted-out, by competitive bid, to hopefully Foraker, that was established last year by the United Way to help all Alaskan non-profits, or to another Alaskan non-profit corporation such as the Community Foundation, Catholic Foundation, Homer Foundation or any other successful bidder.

The Permanent Fund division would then deduct a nominal \$2.00 administration fee from the PFD assignment donor's gift - as it already does for other assignments - and make only one bulk electronic transfer to the "Alaska Common Good Fund" administrator. The program administrator could then in turn deduct a small administration fee from the donor's gift or receive an administration reimbursement fee from the recipient non-profit. Thus the program costs would be born by the donor, or non-profits, and not by the taxpayer.

Of course PFD gift assignment philanthropists would choose the Alaskan non-profits that would be the recipients of their gifts. The philanthropists could also ask the recipient non-profits to establish a U.S. Treasury Direct family endowment account with their gift assignment as we ourselves did at the Alaska SeaLife Center last year with our first PFD gift assignments.

This would further enhance the beneficial effect of the the program as it gives the donor an "ownership" interest in the donor's chosen non-profit. Obviously, such a family endowment account has many advantages and benefits such as encouraging further giving with leveraged gifts, security of investment, no-cost investment of gifts up to \$100,000 per account, encouragement of a family tradition of philanthropy for the Alaska common good, etc.

The federal income tax considerations of the "Good Neighbor Act" can easily be worked out

with cooperation from our Alaska congressional delegation. Already for those who itemize their deductions there is no problem as the increase in the taxpayers' income is off-set by the deduction of the charitable gift contribution.

Also a list of eligible Alaskan non-profits can be posted on the Permanent Fund division's web site with their name and federal non-profit identification number. Alaskans can also be made aware of the "Alaska Common Good Fund" on the PFD web site as well as with a page in the PFD application booklet. Indeed the "College Savings Plan" has 4 pages in the booklet, which also amounts to free advertisement for T. Rowe Price's brokerage business. Surely, if the PFD application booklet provides 4 pages of advertisement for an Outside brokerage house's business, it can provide one page of publicity for an Alaska non-profit administrator, whose sole function is to enhance our Alaska common good.

Most importantly, the "Good Neighbor Act" will result in a very significant increase in Alaskan philanthropy for the common good. We firmly believe that with the enthusiastic promotion of the "Alaska Common Good Fund" thousands of our fellow Alaskans will choose to follow our PFD gift assignment example. These gift assignments can be matched in several ways and the resulting increased capital can be securely invested in U.S. Treasury Direct family endowment accounts which will provide a solid long-term source of funding for Alaskan non-profits to benefit our Alaska common good - and that certainly can only be a good thing!

We hope that all five of you members of the Senate State Affairs Committee will sign on as co-sponsors of SB318 at the conclusion of today's hearings. As all of you know, we have personally contacted every member of the Senate and House by letter and also by telephone asking for their co-sponsorship of SB318 - HB493. We believe that the "Good Neighbor Act" is quite simply good legislation that obviously benefits the Alaska common good and thus merits the co-sponsorship of all 60 members of our Alaska legislature. Please add your names to the 10 who have already co-sponsored both bills. Please encourage your colleagues to add their names as well.

The best philanthropists have always been those average Americans who have little, but give much. They are the backbone of American philanthropy, giving far more than the rich. We are doubly blessed as Americans and Alaskans, receiving a yearly Permanent Fund Dividend from the "Great Land" of Alaska which enables each of us to become continuing PFD gift assignment philanthropists for our Alaska common good. Let us do all we can to facilitate and encourage this philanthropy to our Alaskan non-profits of our choice to make Alaska an even better place to live!

**Department of Revenue
Permanent Fund Dividend Division**

Bill Analysis

Senate Bill 318

**An Act Relating to Assignments of Permanent Fund Dividends
"The Good Neighbor Act"**

This bill would allow dividend applicants the opportunity to assign all or part of their dividends to nonprofit organizations approved by the Internal Revenue Service as a 26 U.S.C. 501(c)(3) organization (able to receive charitable contributions from the public).

The amendment to statute would not change how the Dividend Division receives and processes assignments.

The legislation would not mandate a check-off system for dividend recipients to donate part of their annual dividend to nonprofits, and would not require the Dividend Division to publish a list in the annual application booklet of approved nonprofits or in any other way promote or encourage Alaskans to donate all or part of their dividends. Instead, the legislation simply would expand the list in statute of entities eligible to receive assignments of the dividend. That list, at AS 43.23.069(b), currently limits Alaskans to assigning their dividends to only federal, state or municipal agencies or to a court.

Assignment forms are available on the division's web site or can be requested through the dividend offices in Anchorage, Fairbanks or Juneau. Only adults can assign their dividends, and adult sponsors cannot assign dividends issued on behalf of a child.

Under this legislation, the division would add Charitable Organization 501(c)(3) to the eligible list on the assignment form. In addition to the applicant's name and other personal identifying information, the division would request the nonprofit's name, address, telephone number and IRS exempt status number.

The filing period for assignments begins the day after the dividend application period closes, and ends when the dividend is paid (August is the cut-off date for organizations to submit bulk assignments.) An assignment can be processed at any time before a dividend is issued. Therefore, it makes no difference if the dividend is in review or appeals — the assignment will be paid only after the dividend is approved for payment.

In order to verify that a designated nonprofit is registered with the Internal Revenue Service, the division would check the name and exemption number against a computer tape of exempt organizations supplied by the IRS. Once the exemption number is verified, the assignment would be processed for payment to the nonprofit. At the time the applicant's dividend is paid, the division would issue a payment to the nonprofit.

If the exemption number is not verified against the IRS tape, the division would void the assignment and notify the applicant that nothing will be deducted from the dividend. Verification would be based on strict compliance with the IRS tape. Nonprofits in the process of obtaining IRS approval would not be considered eligible for assignments.

It would be the responsibility of each applicant to obtain the names and exemption numbers of nonprofit organizations. There is a \$2 fee for each assignment processed, even if it is not paid (the same fee is charged for each garnishment received against a dividend). Once an assignment is submitted to the division, it cannot be retracted.

Associated Costs/Revenue

- Rather than depend on temporary, seasonal staff to key in assignments, the division would hire a full-time Accounting Technician, Range 10, at \$37.0 including benefits.

This position would be responsible for maintaining address changes and updating the information on nonprofits in the payment system. In addition, this position would key in the assignments for the nonprofits and answer inquiries from the public as well as questions from nonprofit organizations.

The position would need to be in place by January 2003 to receive the new assignments and the fiscal note shows the position for half of the year in Fiscal 2003. The position would be year-round in subsequent fiscal years. The division believes the volume of assignments will require a dedicated full-time position. There were 423,173 adult applications for the 2001 dividend. If at least 20% participate with at least one assignment, that would be 84,600 new assignments to handle. Multiple assignments per dividend would add to that number.

- The division would incur additional costs simply in the mailing (or electronic fund transfer) of payments to nonprofits. The division is charged for each financial transaction, in addition to any mailing costs. Although the costs would be minimal if only a few hundred Alaskans participate in this expanded assignment program, the annual costs could grow into the thousands of dollars if 20% of the adult applicants sign up for the program. These costs cannot be estimated accurately in advance due to the unknown number of assignments and the possibility that multiple payments could go to the same nonprofit.
- To deal with the potential cost of processing tens of thousands of assignments each year, the legislature could give the Dividend Division receipt authority to apply the revenue from the \$2 processing fee to offset the cost of the financial transactions and staff necessary to keep up with the volume of assignments. The division would request that the authority to receive and expend these funds be in addition to its annual appropriation, in order to accommodate the unknown costs of assignments that are filed in the summer after the budget is adopted each spring.

Recommendations

We see three changes that would help in the initiation and administration of the new assignment provision.

- Change the legislation's effective date from January 1, 2003, to January 1, 2004. The current date of 2003 will not give the division enough time to change from the old assignment process to the new process. Moving back the date to 2004 would allow the division enough time to reprogram its mainframe system and test IRS data transmission. The later effective date also would give nonprofits time to apply for exempt status and to advertise for assignments among dividend applicants.
- Limit the number of nonprofit assignments that can be designated by an individual to five or less. Since we would need to key in each assignment, it would be reasonable to place a limit to prevent a dividend recipient from dividing the dividend into an endless number of assignments. We can, by regulation, place a minimum dollar limit on the amount of the designated contributions, but we would need statutory authority to limit the number of assignments per dividend.
- Take steps to ensure that Alaskans do not assign more money to nonprofits than will be available from their dividend each fall.

This is a possibility because applicants would need to complete their assignment forms before the amount of the dividend is announced each year. For example, an applicant could assign \$1,500 from the dividend, yet the dividend could be announced in September at \$1,400.

Rather than adopt a statute to prorate among multiple dividend assignments in such cases, the division would prefer one of two options:

1. The Dividend Division could adopt a regulation to require that applicants assign their dividends as a percentage of the payment instead of a specific dollar amount. No total of assignments could exceed 100%. (This would be preferable to the second option.)
2. Or, the division could adopt by regulation a requirement that dividend recipients assign a priority order for their assignments. The last name or names on the list would be at risk of being dropped off the assignment list or short-funded if the amount of the dividend is insufficient to pay all of the assignments.

SENATE BILL NO. 318

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION**

BY SENATORS LEMAN, Ellis, Olson

Introduced: 2/19/02

Referred: State Affairs, Judiciary, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to assignments of permanent fund dividends; and providing for an**
2 **effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 **SHORT TITLE.** This Act may be known as the Good Neighbor Act.

7 * **Sec. 2.** AS 43.23.069(b) is amended to read:

8 (b) A person may assign the right to receive a permanent fund dividend to a
9 federal, state, or municipal government agency, [OR] to a court, or to an
10 organization that qualifies for nonprofit status and is exempt from federal
11 taxation under 26 U.S.C. 501(c)(3) (Internal Revenue Code).

12 * **Sec. 3.** This Act takes effect January 1, 2003.

ALASKA COMMON GOOD FUND

*Testimony of Ted and Francoise Gianoutsos
at the Anchorage Legislative Caucus,
on Saturday, February 23, 2002*

We wish to thank Senator Loren Leman and Rep. Lisa Murkowski for introducing their "Good Neighbor Act" legislation - SB318 and HB493 - last Tuesday in support of our year-long effort to change the PFD law to allow any Alaskan to assign their PFD rights to any Alaskan non-profit to benefit the Alaska Common Good. We are very grateful for their leadership on this needed legislation that facilitates and encourages giving, especially at a time when so many bills focus on taking more of Alaskans' money in new or increased taxes. We commend them both for their strong support of giving for the Alaska Common Good.

Philanthropy is as American as apple pie. Americans have always been a generous people. And while one often hears about the biggest American philanthropists and their large gifts, it is well-known that the best philanthropists are those average Americans who have little, but give much. They, in their multitudes, are the backbone of American philanthropy, giving far more than the rich.

As Alaskans, we feel blessed receiving a substantial Permanent Fund Dividend each year. We have done no work to earn it. We view it as a gift from the "Great Land" of Alaska. Indeed, Alaska has given us the means to be continuing philanthropists for the Alaska Common Good. We did just that by assigning our first Permanent Fund Dividends last year to the Alaska SeaLife Center through the City of Seward as the pass-through agency. We asked that our gift be used to establish a U. S. Treasury Direct family endowment account in our names at the SeaLife Center. Obviously, with several thousand dollars a year of our PFD gift assignments, it won't take long before a significant amount of money is invested in Treasury securities in our little endowment account providing yearly interest to support the SeaLife Center's work for the Alaska Common Good.

We believe that thousands of our fellow Alaskans would also assign their PFD rights if the law were changed to facilitate and encourage their assignment to any Alaska non-profit of their choice. The "Good Neighbor Act" will enable the Permanent Fund division to establish the "Alaska Common Good Fund" whose administration could be contracted-out, by competitive bid - perhaps to the Foraker Group which was established last year to aid all Alaskan non-profits. There would be no cost to the taxpayer for this program, as the entire cost would be borne by the donor in the form of a small administration fee deducted from the donor's assignment. The University of Alaska's "College Savings Plan" as a PFD check-off is currently administered under a 10-year contract by T. Rowe Price in Baltimore, Maryland.

Foraker is also in a perfect position to facilitate matching money for the donor's assignment where possible. Thus, PFD assignment philanthropists working with their chosen non-profit recipients and Foraker, could see their PFD assignment gifts invested in U.S. Treasury Direct family endowment accounts, and perhaps leveraged with matching money, to benefit the Alaska Common Good.

Again, we thank Loren Leman and Lisa Murkowski for their leadership in being the prime sponsors of the "Good Neighbor Act". We will personally write every member of the Alaska Senate and House to ask them to co-sponsor their bill. We hope our fellow Alaskans will add their voices to ours urging all of our legislators to co-sponsor and pass this unique and beneficial legislation unanimously, as it deserves to be, enabling any Alaskan to become PFD assignment philanthropists for the benefit of our Alaska Common Good!

Gianoutsos Testimony I

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465-3810 FAX



During Interim, June - December:
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Senator Loren Leman

Sponsor Statement for SB 318 Assignment of Permanent Fund Dividend

Senate Bill 318, the Good Neighbor Act, allows a Permanent Fund Dividend to be assigned to an organization that qualifies for nonprofit status, or is exempt from federal taxation.

Alaskans who regularly contribute to nonprofits and religious organizations requested this option to assign a dividend directly to these entities. Currently, Permanent Fund Dividends may be assigned to a federal, state, or municipal government agency, or to a court.

SB 318 promotes the spirit of charitable giving by Alaskans.

Contact: Russ Kelly, Legislative Intern to Senator Loren Leman, at (907) 465-3841
Released: February 19, 2002

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 318
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title OK to Assign Permanent Fund BRU Revenue Operations
Dividend to Non-Profit Corporations Component Permanent Fund Dividend
 Sponsor Senator Leman
 Requester Senate State Affairs Committee Component No. 981

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	18.5	37.0	37.0	37.0	37.0	37.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	18.5	37.0	37.0	37.0	37.0	37.0

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 (Dividend Fund)	18.5	37.0	37.0	37.0	37.0	37.0
TOTAL	18.5	37.0	37.0	37.0	37.0	37.0

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	1	1	1	1	1	1
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would allow dividend applicants to assign all or part of their dividends to nonprofit organizations approved by the Internal Revenue Service as a 26 U.S.C. 501(c)(3) tax-exempt organization.

The Dividend Division believes it would incur additional operating costs to handle the volume of anticipated assignments.

See attached pages for further explanation.

Prepared by: Nanci A. Jones, Director Phone 465-2323
 Division: Permanent Fund Dividend Division Date/Time 3/10/02 11:39 AM
 Approved by: Larry Persily, Deputy Commissioner Date 3/10/2002
 Agency: Department of Revenue

**Department of Revenue
Permanent Fund Dividend Division**

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