

**ALASKA LEGISLATURE**

**2602**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004**

*A docted  
3/22/04*

23-LS1754Q  
Bannister  
3/17/04

**CS FOR HOUSE BILL NO. 494( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-THIRD LEGISLATURE - SECOND SESSION**

**BY**

*called  
1:50 p*

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVES KOTT, Hawker, Foster, Meyer**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the disbursement of money by the state, including employment**  
2 **compensation, unemployment payments, and permanent fund dividends, and to bank**  
3 **investments and deposits by the state; and providing for an effective date."**

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

5 **\* Section 1. AS 03.20.030(a) is amended to read:**

6 (a) Each agricultural and industrial fair association desiring to apply for an  
7 operation and maintenance grant shall apply to the commissioner before August 1 of  
8 the year preceding the fiscal year for which the grant is sought. It shall submit with  
9 the application a planned program of operation and maintenance of the proposed fair,  
10 the rules and regulations governing the fair, and a certificate signed by the president  
11 and secretary of the association [,] certifying that the association will spend for the  
12 proposed fair [,] a sum of money from their own funds equal in amount to the benefits  
13 requested under this chapter. When satisfied that the association is entitled to receive  
14 state aid under the provisions of this chapter, the commissioner shall make a

1        disbursement to [HAVE A WARRANT DRAWN IN FAVOR OF] the association [,]  
2        in the sum to which it is entitled. The commissioner shall pay annually the sum to be  
3        paid under the provisions of this chapter.

4        \* Sec. 2. AS 03.20.035(a) is amended to read:

5            (a) Each agricultural and industrial fair association desiring to apply for a  
6            capital improvement grant shall apply to the commissioner before August 1 of the year  
7            preceding the fiscal year for which the grant is sought. It shall submit with the  
8            application a proposed long-term capital improvement plan of the fair covering five  
9            years from the time the application is submitted, which shall be certified by the  
10           president and secretary of the association as having been reviewed and approved by  
11           the governing body of the association. When satisfied that the association is entitled  
12           to receive state aid under the provisions of this section, the commissioner shall make a  
13           disbursement to [HAVE A WARRANT DRAWN IN FAVOR OF] the association [,]  
14           in the sum to which it is entitled.

15        \* Sec. 3. AS 08.48.061(c) is amended to read:

16            (c) The board may make expenditures from appropriated funds for any  
17            purpose that is reasonably necessary for the proper performance of its duties under this  
18            chapter. This may include the expenses of the board delegates to meetings of councils  
19            of architect examiners, engineering examiners, land surveyor examiners, or landscape  
20            architect examiners, or any of their subdivisions. The total amount of disbursements  
21            [WARRANTS] issued in payment of the expenses incurred under this chapter may not  
22            exceed the amount of money appropriated by the legislature.

23        \* Sec. 4. AS 22.05.140(b) is amended to read:

24            (b) A salary disbursement [WARRANT] may not be issued to a justice of the  
25            supreme court until the justice has filed with the state officer designated to issue salary  
26            disbursements [WARRANTS] an affidavit that no matter referred to the justice for  
27            opinion or decision has been uncompleted or undecided by the justice for a period of  
28            more than six months.

29        \* Sec. 5. AS 22.07.090(b) is amended to read:

30            (b) A salary disbursement [WARRANT] may not be issued to a judge of the  
31            court of appeals until the judge has filed with the state officer designated to issue

1 salary disbursements [WARRANTS] an affidavit that no matter referred to the judge  
2 for opinion or decision has been uncompleted or undecided by the judge for a period  
3 of more than six months.

4 \* Sec. 6. AS 22.10.190(b) is amended to read:

5 (b) A salary disbursement [WARRANT] may not be issued to a superior  
6 court judge until the judge has filed with the state officer designated to issue salary  
7 disbursements [WARRANTS] an affidavit that no matter referred to the judge for  
8 opinion or decision has been uncompleted or undecided by the judge for a period of  
9 more than six months.

10 \* Sec. 7. AS 22.15.220(c) is amended to read:

11 (c) A salary disbursement [WARRANT] may not be issued to a district judge  
12 or magistrate until the judge or magistrate has filed with the state officer designated to  
13 issue salary disbursements [WARRANTS,] an affidavit that no matter referred to the  
14 judge or magistrate for opinion or decision has been uncompleted or undecided by the  
15 judge or magistrate for a period of more than six months.

16 \* Sec. 8. AS 23.10.040(a) is amended to read:

17 (a) Except as otherwise provided by AS 37.25.050, an [AN] employer of  
18 labor performing services in this state shall pay the wages or other compensation for  
19 the services with lawful money of the United States or with negotiable checks, drafts,  
20 or orders payable upon presentation without discount by a bank or depository inside  
21 the state.

22 \* Sec. 9. AS 23.20.135(a) is amended to read:

23 (a) The commissioner of revenue is ex officio the treasurer and custodian of  
24 the fund and shall administer it as directed by the department. Disbursements  
25 [CHECKS OR WARRANTS] shall be issued from [ON] the fund in accordance with  
26 AS 37.25.050 and the regulations that the department adopts. The fund has three  
27 separate accounts:

- 28 (1) a clearing account,  
29 (2) an unemployment trust fund account, and  
30 (3) a benefit account.

31 \* Sec. 10. AS 23.20.145(b) is amended to read:

1 (b) The department shall from time to time requisition from the  
2 unemployment trust fund amounts not exceeding the amounts standing to the state's  
3 account in the fund that [WHICH] it considers necessary for the payment of benefits  
4 for a reasonable future period. Upon receipt of an amount the department shall deposit  
5 the money to the benefit account. A [CHECK OR WARRANT FOR THE] payment  
6 [OF BENEFITS] may be made [ISSUED] solely from the benefit account.

7 \* Sec. 11. AS 23.20.145(c) is amended to read:

8 (c) If money in the clearing account is not sufficient to provide for refunds of  
9 contributions erroneously collected and payable under AS 23.20.225 and  
10 23.20.526(a)(11), the department shall withdraw from the unemployment trust fund  
11 the amounts not exceeding the amount standing to this state's account in the fund that  
12 [WHICH] are necessary for the payment of the refunds, but no amounts may be  
13 withdrawn from the unemployment trust fund for the refund of interest and penalty  
14 payments. Upon receipt, the department, or the designee of the department, shall  
15 deposit this money to the clearing account. A [CHECK OR WARRANT FOR THE]  
16 payment of a refund shall be made [ISSUED] from the clearing account.

17 \* Sec. 12. AS 23.20.145(d) is amended to read:

18 (d) Expenditures of the money in the benefit account and refunds from the  
19 clearing account are not subject to provisions of law requiring specific appropriations  
20 or other formal release by state officers of money in their custody. [ALL CHECKS  
21 OR WARRANTS ISSUED BY THE STATE FOR THE PAYMENT OF BENEFITS  
22 AND REFUNDS SHALL BEAR THE SIGNATURE OF THE COMMISSIONER OF  
23 ADMINISTRATION AND COUNTERSIGNATURE OF THE AUTHORIZED  
24 AGENT OF THE DEPARTMENT FOR THAT PURPOSE.]

25 \* Sec. 13. AS 26.15.040(d) is amended to read:

26 (d) Money loaned shall be disbursed [DELIVERED] to the borrower from  
27 [IN THE FORM OF A WARRANT DRAWN ON] the treasury, vouchered in the  
28 manner prescribed for state disbursing officers, and charged against the Alaska World  
29 War II veterans' revolving fund. Each voucher shall be approved by the commissioner  
30 of community and economic development or any bonded deputy authorized to act as a  
31 certifying officer. Upon repayment of loans by installments, or otherwise, in

1 accordance with the prescribed terms, or upon liquidation by foreclosure or other  
2 process, or upon receipt of interest, the money so received shall be turned over to the  
3 commissioner of revenue for deposit in the Alaska World War II veterans' revolving  
4 fund.

5 \* Sec. 14. AS 34.45.720(c) is amended to read:

6 (c) AS 34.45.110 - 34.45.780 do not apply to a disbursement [WARRANT]  
7 for the payment of a permanent fund dividend.

8 \* Sec. 15. AS 37.10.075(d) is amended to read:

9 (d) The Department of Revenue may deposit funds in banks inside or outside  
10 the state without requiring those banks in which the funds are deposited to pay interest  
11 on the deposits. It is the intention of the legislature that the department may  
12 compensate the banks for handling [CLEARING] state disbursements  
13 [WARRANTS] in a manner determined by the commissioner of revenue to be in the  
14 best interests of the state.

15 \* Sec. 16. AS 37.10.078 is amended to read:

16 **Sec. 37.10.078. Prohibited deposits and investments in certain banks.** The  
17 commissioner of revenue may not make investments or deposits with a bank doing  
18 business in Alaska that has a general practice of

19 (1) charging a fee for handling disbursements [CASHING CHECKS  
20 OR WARRANTS] issued by the state; or

21 (2) refusing to handle disbursements [CASH CHECKS OR  
22 WARRANTS] issued by the state.

23 \* Sec. 17. AS 37.10.100(b) is amended to read:

24 (b) If [HOWEVER IF] the sum recovered as described in (a) of this section  
25 belongs to a city, school district, or municipal government, the sum shall be  
26 transferred to it, less sums advanced by the state in the suit [,] and not already repaid  
27 to it. The Department of Administration may disburse [PAY] to the city, school  
28 district, or municipal corporation the sums belonging to it [, UPON WARRANTS  
29 DRAWN AS PROVIDED BY LAW]. The disbursements [WARRANTS] must be  
30 based upon vouchers approved by the attorney general.

31 \* Sec. 18. AS 37.25 is amended by adding a new section to read:

1           **Sec. 37.25.050. Methods of disbursement.** (a) Except as provided in (b) of  
2 this section, unless federal law requires otherwise, a state agency may not disburse  
3 money unless the disbursement is made

4                   (1) by an electronic funds transfer to an account in a financial  
5 institution; or

6                   (2) from an account established by the state agency by contract with a  
7 financial institution under which a person uses an electronic payment card issued by  
8 the financial institution to access the money.

9           (b) A state agency is not required to use the disbursement methods described  
10 in (a) of the section if

11                   (1) another state law or federal law requires that disbursement be made  
12 by another disbursement method;

13                   (2) use of the disbursement methods would cause substantial hardship  
14 to the recipient of the disbursement;

15                   (3) not more than five disbursements will be made to a recipient, or, on  
16 average, to each recipient entitled to disbursement under the program for which the  
17 disbursements are made;

18                   (4) a person who sells goods or services to the state agency elects not  
19 to be paid by the disbursement methods;

20                   (5) the disbursement is to a state employee and

21                           (A) is the only disbursement that the state agency will make to  
22 the employee for the employment; or

23                           (B) it is in the best interests of the state agency or the employee  
24 to use another disbursement method to pay the employee; or

25                   (6) use of another disbursement method is in the best interests of the  
26 state agency.

27           (c) The commissioner of administration shall adopt regulations to implement  
28 (h) of this section.

29           (d) A state agency is not liable to pay a fee imposed by a recipient's financial  
30 institution for a disbursement made under (a) of this section.

31           (e) In this section,

- 1 (1) "disbursement" includes wages and other employment benefits;  
2 (2) "state agency" means a department, institution, board, commission,  
3 division, authority, public corporation, committee, or other administrative unit of the  
4 executive branch of state government, including the University of Alaska.

5 \* Sec. 19. AS 43.20.030(e) is amended to read:

6 (e) The department may credit or refund overpayments of taxes, taxes  
7 erroneously or illegally assessed or collected, penalties collected without authority,  
8 and taxes that are found unjustly assessed or excessive in amount, or otherwise  
9 wrongfully collected. The department shall set limitations, specify the manner in  
10 which claims for credits or refunds are made, and give notice of allowance or  
11 disallowance. When a refund is allowed to a taxpayer, it shall be paid out of the  
12 general fund by a disbursement [ON A WARRANT] issued under a voucher  
13 approved by the department.

14 \* Sec. 20. AS 43.23.028(a) is amended to read:

15 (a) By October 1 of each year, the commissioner shall give public notice of  
16 the value of each permanent fund dividend for that year and notice of the information  
17 required to be disclosed under (3) of this subsection. In addition, the stub attached to  
18 each individual dividend disbursement [CHECK AND DIRECT DEPOSIT] advice  
19 must

20 (1) disclose the amount of each dividend attributable to income earned  
21 by the permanent fund from deposits to that fund required under art. IX, sec. 15,  
22 Constitution of the State of Alaska;

23 (2) disclose the amount of each dividend attributable to income earned  
24 by the permanent fund from appropriations to that fund and from amounts added to  
25 that fund to offset the effects of inflation;

26 (3) disclose the amount by which each dividend has been reduced due  
27 to each appropriation from the dividend fund, including amounts to pay the costs of  
28 administering the dividend program and the hold harmless provisions of  
29 AS 43.23.075;

30 (4) include a statement that an individual is not eligible for a dividend  
31 when

1 (A) during the qualifying year, the individual was convicted of  
2 a felony;

3 (B) during all or part of the qualifying year, the individual was  
4 incarcerated as a result of the conviction of a

5 (i) felony; or

6 (ii) misdemeanor if the individual has been convicted of  
7 a prior felony or two or more prior misdemeanors;

8 (5) include a statement that the legislative purpose for making  
9 individuals listed under (4) of this subsection ineligible is to

10 (A) obtain reimbursement for some of the costs imposed on the  
11 state criminal justice system related to incarceration or probation of those  
12 individuals;

13 (B) provide funds for services for and payments to crime  
14 victims and for grants for the operation of domestic violence and sexual assault  
15 programs;

16 (6) disclose the total amount that would have been paid during the  
17 previous fiscal year to individuals who were ineligible to receive dividends under  
18 AS 43.23.005(d) if they had been eligible;

19 (7) disclose the total amount appropriated for the current fiscal year  
20 under (b) of this section for each of the funds and agencies listed in (b) of this section.

21 \* Sec. 21. AS 43.23.055(8) is amended to read:

22 (8) adopt regulations that establish procedures for an individual to  
23 apply to have a dividend disbursement under AS 37.25.050(a)(2) [WARRANT]  
24 reissued if it is [RETURNED TO THE DEPARTMENT AS UNDELIVERABLE OR  
25 IT IS] not collected [PAID] within two years after [OF] the date of its issuance;  
26 however, the department may not establish a time limit within which an application to  
27 have a disbursement [WARRANT] reissued must be filed;

28 \* Sec. 22. AS 43.40.070 is amended to read:

29 Sec. 43.40.070. Refund disbursements [WARRANTS]. Upon approval of a  
30 refund claim by the department, a disbursement [WARRANT] shall be made from  
31 [DRAWN ON] the highway fuel tax account in the general fund in favor of the

1 applicant in the amount of the claim.

2 \* Sec. 23. AS 44.21.040(a) is amended to read:

3 (a) The Department of Administration shall keep books of account in  
4 permanent form of the claims presented and of the disbursements made  
5 [WARRANTS DRAWN]. These records must show

6 (1) the name of the claimant; [,]

7 (2) the amount of the claim; [,]

8 (3) the date of its presentation; [,]

9 (4) the date of its allowance or disallowance; [,]

10 (5) the date and number of each disbursement made [WARRANT  
11 DRAWN]; [,]

12 (6) the name of the payee ; [,] and

13 (7) the appropriation from [AGAINST] which the disbursement  
14 [WARRANT] is made [DRAWN].

15 \* Sec. 24. AS 44.77.040(b) is amended to read:

16 (b) The department, after the hearing, may affirm, reverse, or modify its  
17 original decision. Upon acceptance by the claimant of the decision of the department  
18 or if the claimant does not obtain judicial review as set out in (c) of this section, the  
19 department shall make [ISSUE] a disbursement from [WARRANT AGAINST] the  
20 proper appropriation for the sum the department finds due the claimant.

21 \* Sec. 25. AS 44.99.205(a) is amended to read:

22 (a) A state agency may not place a picture of an elected state official on an  
23 application form [, A WARRANT,] or a direct deposit notice provided by the agency.

24 \* Sec. 26. AS 44.99.205(b) is amended to read:

25 (b) A state agency may not place a message on or with an application form [,  
26 A WARRANT,] or a direct deposit notice provided by the agency unless the message  
27 is

28 (1) from a state agency employee who is not an elected state official;

29 and

30 (2) required by law, necessary for the operation of the document,  
31 related to seasonal health issues including flu shot reminders, or related to a program

1 or activity of a state agency.

2 \* Sec. 27. AS 45.95.020(d) is amended to read:

3 (d) Money loaned shall be delivered to the borrower as provided in  
4 AS 37.25.050 [THE FORM OF A WARRANT DRAWN ON THE TREASURY],  
5 vouchered in the manner prescribed for state disbursing officers, and charged against  
6 the small business revolving loan fund. Each voucher shall be approved by the  
7 commissioner or a bonded deputy authorized to act as a certifying officer. Upon  
8 repayment of loans by installments, or otherwise, in accordance with the prescribed  
9 terms, or upon liquidation by foreclosure or other process, or upon receipt of interest,  
10 the money so received shall be turned over to the commissioner of revenue for deposit  
11 in the small business revolving loan fund.

12 \* Sec. 28. AS 47.25.265 is amended to read:

13 Sec. 47.25.265. Cancellation of disbursements [WARRANTS]. (a)  
14 Disbursements [WARRANTS] issued to a general relief assistance recipient after the  
15 date of death of the recipient shall be [RETURNED TO THE DEPARTMENT OF  
16 ADMINISTRATION AND] canceled.

17 (b) General relief assistance disbursements made [WARRANTS ISSUED]  
18 before the death of the recipient but not collected by the recipient before  
19 [NEGOTIATED AT] death shall be [RETURNED TO THE DEPARTMENT OF  
20 ADMINISTRATION, AND SHALL BE] canceled, unless claimed by the authorized  
21 representative of the estate of the recipient within 90 days after [OF] the date of death.

22 (c) The state is not liable to the estate, heirs, or creditors of the deceased  
23 general relief assistance recipient for payment on disbursements [WARRANTS]  
24 canceled under (a) and (b) of this section.

25 \* Sec. 29. AS 47.25.460(d) is amended to read:

26 (d) Each award shall be paid on a monthly basis. In case it is impracticable by  
27 reason of slow or interrupted means of communication for a disbursement  
28 [WARRANT] covering a month's assistance to reach the recipient in due course, the  
29 department may transmit disbursements [WARRANTS] covering assistance for  
30 future months and may deliver all of them to the recipient at one time.

31 \* Sec. 30. AS 47.25.515 is amended to read:

1           Sec. 47.25.515. Cancellation of disbursements [WARRANTS]. (a)  
2           Disbursements [WARRANTS] issued to a recipient of assistance under AS 47.25.430  
3           - 47.25.615 after the date of death of the recipient shall be [RETURNED TO THE  
4           DEPARTMENT OF ADMINISTRATION AND] canceled.

5           (b) Assistance disbursements [WARRANTS] issued before the death of the  
6           recipient but not collected before [NEGOTIATED AT] death shall be [RETURNED  
7           TO THE DEPARTMENT OF ADMINISTRATION, AND SHALL BE] canceled,  
8           unless claimed by the authorized representative of the estate of the recipient within 90  
9           days after [OF] the date of death.

10           (c) The state is not liable to the estate, heirs, or creditors of the deceased  
11           assistance recipient for payment on disbursements [WARRANTS] canceled under (a)  
12           or (b) of this section.

13           \* Sec. 31. This Act takes effect January 1, 2006.

# Alaska State Legislature

*Session: (Jan-May)*  
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**Pete Kott**  
Speaker of the House

## SPONSOR STATEMENT

HB 494

**“An Act relating to the disbursement of money by the state, including employment compensation, unemployment payments, and permanent fund dividends, and to bank investments and deposits by the state; and providing for an effective date.”**

HB 494 changes how the State of Alaska disburses funds. This change will save the state costs relating to issuing checks and warrants and resolve issues pertaining to time of disbursement and undistributed collections.

In February 2004, the State of Alaska issued approximately 81,000 checks: Unemployment Insurance Benefits Division, approximately 28,000; Division of Finance vendor and non-vendor, approximately 34,500; the Child Support Enforcement Division, approximately 13,000; Division of Retirement & Benefits, approximately 2,500; State of Alaska payroll, approximately 3,000. In 2003 the Permanent Fund Dividend Division issued 150,233 dividend checks.

This legislation has the potential of saving the State of Alaska considerable funds when factoring in the reduction of check fraud, reissuing of lost or stolen checks, postage, check printing cost, reduced bank service fees, and reduced labor cost. Additionally, it could correct a problem every state faces: undistributed collections in child support payments.

**Subject: Fiscal notes for HB 494**

**Date:** Fri, 19 Mar 2004 14:03:56 -0900

**From:** Randy Ruaro <randy\_ruaro@gov.state.ak.us>

**Organization:** Alaska Office of the Governor

**To:** Louanne T Christian <louanne\_christian@legis.state.ak.us>,  
Sue Stancliff <sue\_stancliff@legis.state.ak.us>,  
Karen J Felts <karen\_felts@gov.state.ak.us>

All fiscal notes have been delivered except for a note from DOR that should be here any time and we are waiting for a response / notes from the University and AHFC.

Other than that, all agencies have either responded with a statement of "no impact" or provided fiscal notes.

Thanks

Randy

# THE FSR CARD

## Colorado's Electronic Payment Card

Leslie McGrew, Evaluation Supervisor  
Colorado Division of CSE

WICSEC, Las Vegas  
November 2003

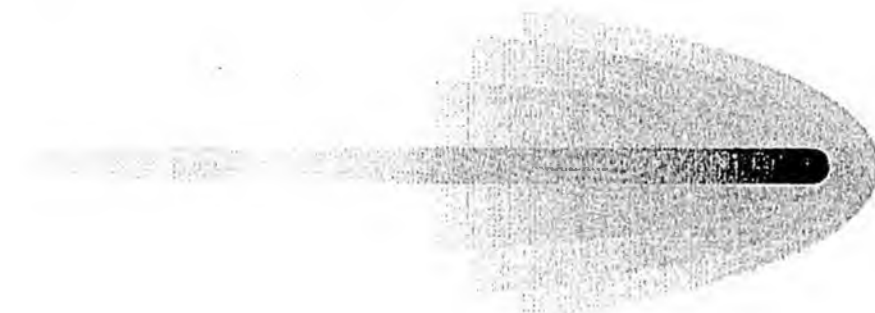
[leslie.mcgreg@state.co.us](mailto:leslie.mcgreg@state.co.us)

# Motivation to Seek Changes



- **Undisbursed collections**
- **Cost of issuing checks**
- **Cost of reissuing checks**
- **Workload impact on workers**

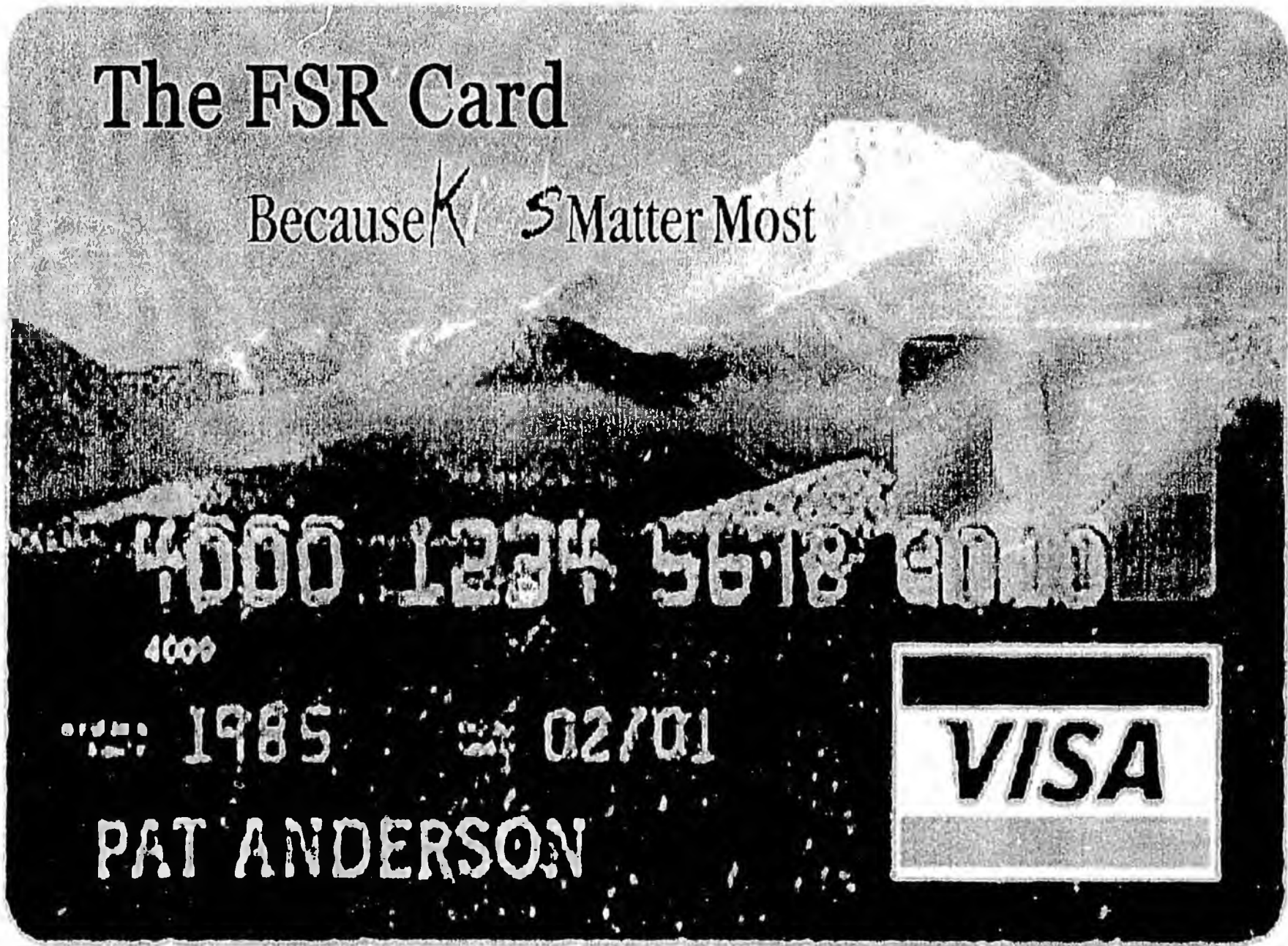
# Direct Deposit



- Promoted since 1995
- Un-bankable recipients
- Efforts to promote bank accounts to the 'cash consumer' unsuccessful.

# The FSR Card

Because *K* *S* Matter Most



4000 1234 5678 9010

4000

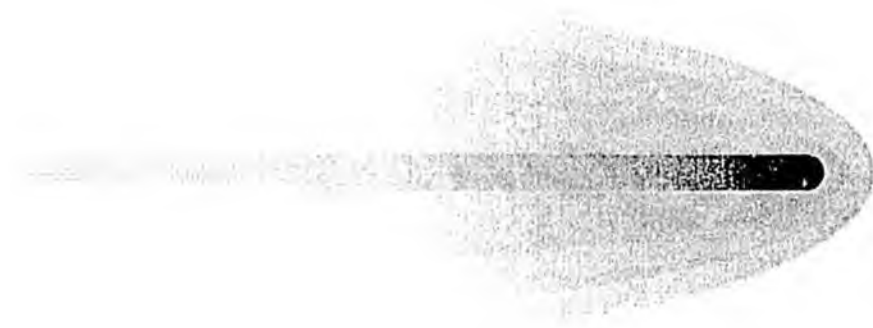
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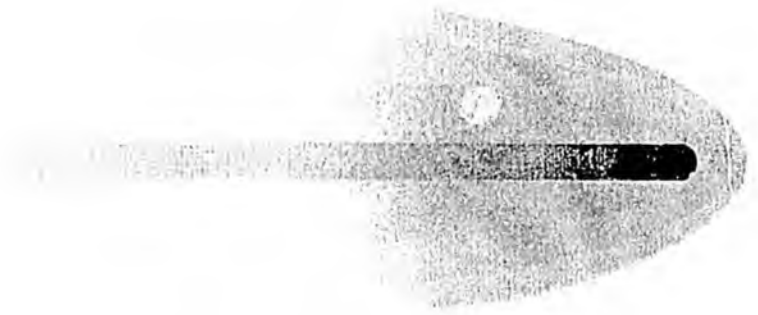
PAT ANDERSON



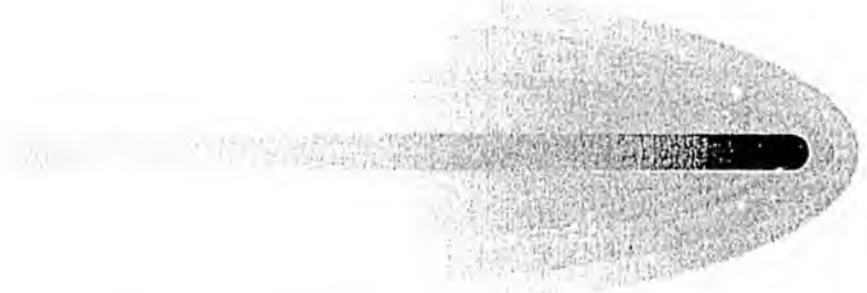
# THE FSR CARD

- **Electronic Payment Card: ReliaCard**
- **Re-loadable prepaid debit card**
- **Appearance of traditional bank card**
- **VISA branded**
- **No deposits to card/can't order checks**

- 
- **No qualification necessary**
    - **No line of credit**
    - **No traditional bank account or credit needed**



- **Loaded in same manner as direct deposits to traditional bank account**
- **Can be used at ATMs internationally, and for purchases anywhere VISA is accepted worldwide**



**Card may be acquired  
independent of State  
Disbursement Unit bank  
services vendor**

# Access to Funds

- **Point-of-sale (POS): Accepted anywhere consumer bank cards are accepted (29 million retail locations worldwide)**
- **Cash access**
  - ATM
  - Bank teller

# Benefits




- **Monthly paper statement**
- **Web access to statement**
- **Reg E compliant/zero customer fraud liability**
- **800 number on card – 24/7 bi-lingual customer service**

# Costs



- **Minimal cost to client**
  - **First withdrawal per month is free**
  - **\$1.50 ATM fee for each subsequent withdrawal**
  - **\$1.50 over-the-counter bank teller fee**
- **No cost to state agency**



**Because applications and agreements are between US Bank and cardholders, CSE agencies do not have access to detailed account information.**

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FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

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Follow these steps to get your card:

1. Fill out the attached enrollment certificate. Be sure to sign and date the certificate. Then mail it back in the enclosed envelope.
2. Watch the mail. Your card should arrive in a plain white envelope in about ten days. Activate your card by calling the toll-free number listed on the back of the card.
3. Start using your card. Future child-support payments will be loaded automatically to your new card. Use it at grocery stores, gas stations, restaurants, department stores, pharmacies, or any one of the 28 million places or 800,000 ATMs worldwide where Visa is accepted. Regular ATM fees apply.

The ReliaCard™ is issued by U.S. Bank, N.A.

## Enrollment Certificate

FSR Account Number(s) (required) \_\_\_\_\_

Name (please print) \_\_\_\_\_  
First Middle Initial Last

Street Address \_\_\_\_\_ Apt. # \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Home Phone (\_\_\_\_\_) \_\_\_\_\_ Daytime Phone (\_\_\_\_\_) \_\_\_\_\_ Date of Birth \_\_\_\_/\_\_\_\_/\_\_\_\_

Social Security Number (required) \_\_\_\_\_ Mother's Maiden Name (required) \_\_\_\_\_

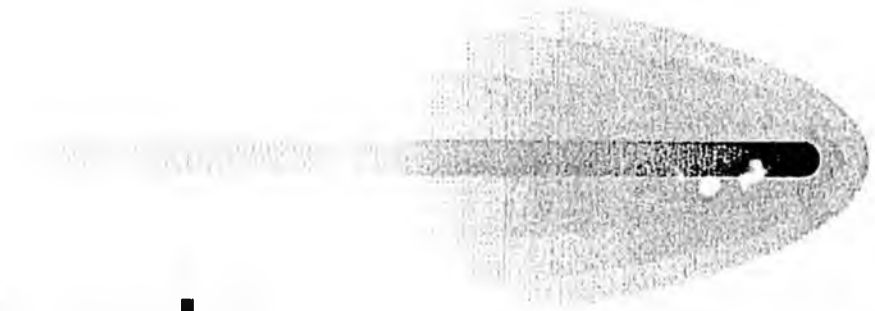
By signing this form, I authorize the State child support agency (State agency) to share with U.S. Bank, N.A., (Bank), all of the information I provide on this application. The State agency will share this information with the Bank for the purpose of establishing a ReliaCard® account for me at the Bank and to process my child support payments to the Bank. I authorize the State agency to deposit my child support payments to this account. Upon authorization of my account with the Bank, I agree to be bound by the Cardholder Agreement that I will receive with my card.

Signature (required) \_\_\_\_\_ Date (required) \_\_\_\_\_

# Pilot Program

January 2002 – January 2003

- 10,000 randomly inserted with child support checks
- Response rate = 10%+ applied
- Average 'load' = \$146
  - 26,736 loads totaling \$3.9 million

- 
- **42%: Cash withdrawals**
    - Average amount = \$79
    - 19,037 withdrawals totaling \$1.5 million
  - **58%: POS**
    - Average amount = \$24
    - 86,942 transactions totaling \$2.1 million
  - **Average balance per card = \$77**

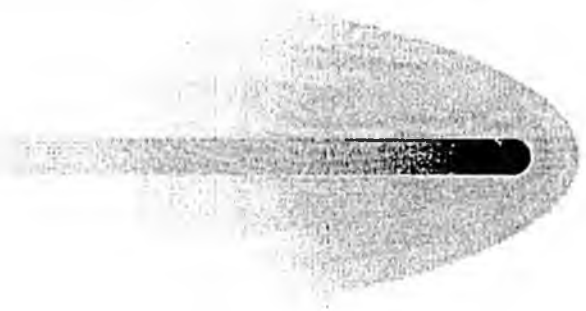
# Focus Groups

- **May 2002**
- **35 in-person interviews with current and prospective cardholders**
- **30-40 minute interview**
- **Participants received an incentive**

# Focus Groups: Current card users

- **Tangible and emotional benefits**
  - **Faster payments**
  - **Convenient**
  - **Builds self-esteem**
  - **Budgeting/tracking tool**
  - **Safe**
- **Would recommend card to others**

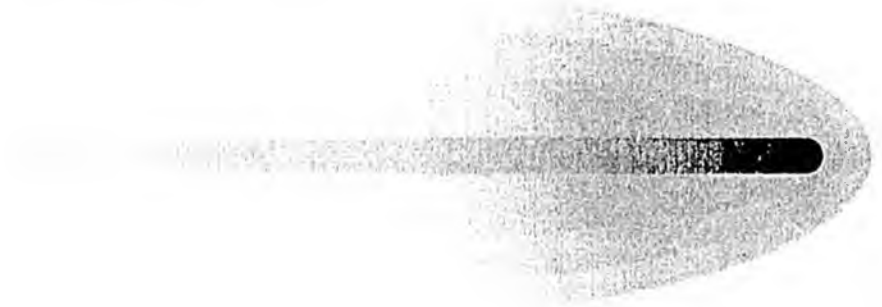
# Focus Groups: Requested Features

- 
- **Electronic bill pay**
  - **Load paycheck**
  - **Transfers to/from card**
  - **Purchase protection**
  - **Credit builder**
  - **Rewards**

# Statewide Implementation

- **Statewide offering to all parents receiving checks**
  - 80,000 check inserts Feb – May 2003
- **Goal: to increase electronic disbursements from 35% to 75% by end of 2004**

# **Only Pitfall...**



**Keeping the obligee's address current**

# Number of Cards Issued

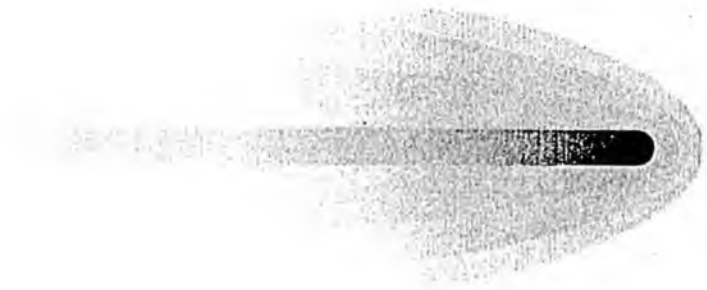
- **Pilot: Jan 02 – Jan 03: 1,500**
- **Feb 03 – Sept 03: 3,100**
- **Total thru 9/30/03 4,600**

# Market Summary

February 2003

<b>Market Segment</b>	<b># Trans</b>	<b>% Trans</b>
Supermarkets	<b>1,605</b>	30.3%
Fuel	<b>1,693</b>	12.4%
Dining	<b>935</b>	10.2%
Telecommunications	<b>146</b>	8.3%
Department Stores	<b>179</b>	4.8%
Mail/Phone Order	<b>161</b>	3.0%
Medical	<b>47</b>	1.5%

# **WIN / WIN FOR ALL**

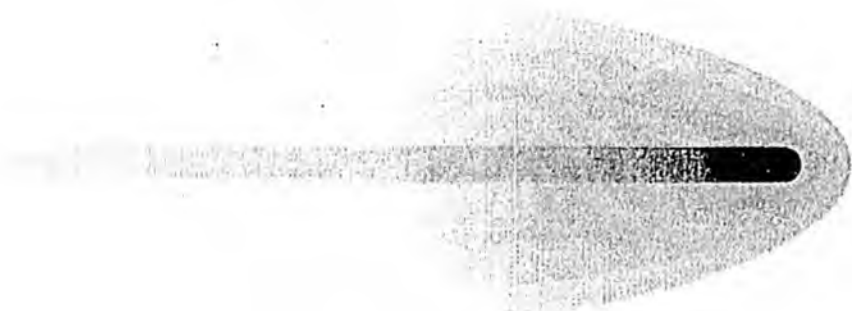


**Cardholders**  
**Merchants**  
**CSE Agencies**

## **... for Cardholders**

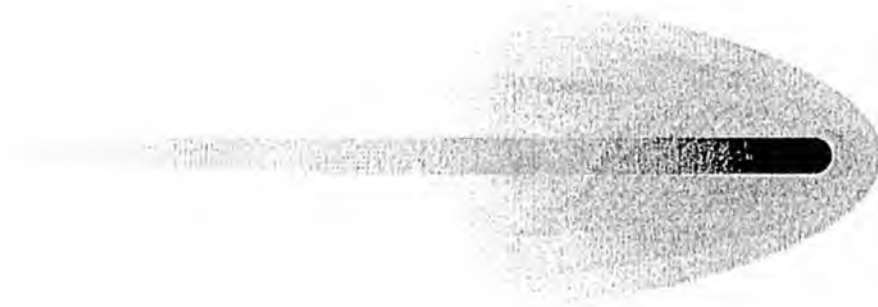
- **No bank requirements to qualify**
- **Access to money any time, any place**
- **Mainstream into commercial financial world**
- **Eliminates check-cashing fees**
- **Minimal exposure to overdraft**
- **Easy access to transaction history**
- **Money is protected if card is lost or stolen**

## **... for Merchants**

- 
- Reduces liability of check fraud**
  - Use is transparent to that of other commercial credit/debit cards**

## **... for CSE Agencies**

- Virtually no operational changes required for CSE systems; minimal system changes**
- Appears to be self-funding through merchant fees**



- **Cost savings (check stock, printing of checks, postage)**
- **Positive workload impact (eliminates check exception activities)**
- **Reduced undistributed collections**

**HB**

**494**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT  
MAY 07 2004  
SENATE FINANCE  
COMMITTEE

DATE: 04/7/04

FURTHER:

DATE TURNED IN TO OFFICE: 7 May 2004

Finance Committee considered CS FOR HOUSE BILL NO. 494(FIN), am

## HB 494 ELECTRONIC PAYMENT FOR STATE BUSINESS

"An Act relating to the methods of disbursement of money by the state, including employment compensation, unemployment payments, and permanent fund dividends, and to bank investments and deposits by the state; and providing for an effective date."

and recommends:

- be replaced with 5 CS CS HB 494 (FIN)
- adopt previous \_\_\_\_\_ CS CS forthcoming - (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

Senate Bill:  
 Same Title  
 New Title

House Bill:  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero.	FN#

APPROPRIATION - no fiscal note

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
HHS Public Asst.	3/19/04			✓	#1
HHS Info Tech	3/19/04			✓	#2
HHS Admin Support	3/19/04			✓	#3
Unempl. Labor Ins	3/16/04			✓	#4
Labor Emp Svs	3/16/04			✓	#5
Revenue	3/19/04			✓	#6
All-Admin	3/16/04			✓	#7

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	X			
COCHAIR:				
COCHAIR: <i>[Signature]</i>	✓			

MAY 07 2004

SENATE FINANCE COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 7  
Bill Version: CSHB 494(FIN)  
(H) Publish Date: 3/24/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: All  
Title A bill relating to disbursement of RDU All  
money by the state Component All  
Sponsor Rep. Kott and Hawker  
Requester \_\_\_\_\_ Component No. \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual		(46.0)	(92.0)	(92.0)	(92.0)	(92.0)
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>(46.0)</b>	<b>(92.0)</b>	<b>(92.0)</b>	<b>(92.0)</b>	<b>(92.0)</b>

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

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Various in all state agencies		(46.0)	(92.0)	(92.0)	(92.0)	(92.0)
<b>TOTAL</b>	<b>0.0</b>	<b>(46.0)</b>	<b>(92.0)</b>	<b>(92.0)</b>	<b>(92.0)</b>	<b>(92.0)</b>

Estimate of any current year (FY2004) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This analysis assumes all state payroll would be made with electronic funds transfer, except for the first and last paycheck for each employee and a limited number of hardship exceptions for payroll. All savings from payroll direct deposit is predicated on replacing printed, mailed paper advices with online presentment information.

The cost of making vendor payments using EDI is calculated for all general warrants at effectively a wash because the cost of bank services is estimated at 32.5 cents each, which is essentially the cost of printing and mailing warrants. The set up effort for state agencies and vendors can be absorbed as long as the process is not mandatory for reluctant vendors or other situations not suited for electronic payments. Quickly increasing the number of EDI-capable vendors from the current 500 to over 50,000 would require substantial staff resources in each agency, as well as the central Finance and Treasury divisions.

Prepared by: Kim J. Garner, Director Phone 465-3435/465-5615  
Division: Finance Date/Time 3/16/04 7:08 AM  
Approved by: Mike Miller, Commissioner Date 3/16/2004  
Agency: Department of Administration

## Analysis for general warrants under CSHB 494(FIN)

FY 2003 general warrants statistics

Warrants	414,496
EDI	10,793
Total	<u>425,289</u>

Analysis excludes all program specific warrant types such as PFDs, retirement, welfare payments, court warrants. Also excludes handwrite and field warrants.

### Potential savings to mailroom chargeback for reduced costs of:

Paper used in paying warrants:

Warrants	415,000	0.01825	\$ 7,574	
Envelopes	415,000	0.02063	\$ 8,561	
			<u>\$ 16,135</u>	annual usage ==> <u>\$ 16,135</u>

Postage: (first class pre-sort with bar code 27.8 cents per item) (1.5% @ 35.2 for non bar code)

Bar coded	408,775	0.278	\$ 113,639	
Not bar coded	6,225	0.352	2,191	
			<u>\$ 115,831</u>	annual usage ==> <u>\$ 115,831</u>

Total projected mailroom chargeback savings \$ 131,966

### Potential increased cost for ACH origination:

425,000 transactions at \$.325 each (estimated 2 addenda totaling 500 chars) \$ 138,125

Net potential cost on statewide basis: \$ 6,159

Analysis for payroll warrants under CSHB 494(FIN)

Average payroll statistics (based on average of August and December payrolls)

	Mailed	Delivered	Total Annualized			Mailed	Delivered	Total
Warrants	1,439	390	1,829	44,000	Warrants	9%	2%	11%
Advices	12,279	1,809	14,088	340,000	Advices	77%	11%	89%
<b>Total</b>	<b>13,718</b>	<b>2,199</b>	<b>15,917</b>	<b>384,000</b>	<b>Total</b>	<b>86%</b>	<b>14%</b>	<b>100%</b>

Assumptions:

All new employees (about 5,000 per year) get their first payroll via warrant when the prenote test is done.

500 employees continue to receive warrants under the hardship exemption.

Total warrants still needed =  $(500 * 24) + 5,000 = \underline{\underline{17,000}}$

Potential savings to mailroom chargeback for reduced costs of:

Paper used in paying payroll:

Warrants	27,000	0.01825	\$ 493	(40,000 for \$730)
Advices	340,000	0.01683	5,722	(300,000 for \$5,049)
Envelopes	367,000	0.02063	7,571	(500,000 for \$10,315)
			<u>\$ 13,786</u>	annual usage ==> <u>\$ 13,786</u>

Postage: (first class pre-sort with bar code 27.8 cents per item) (200 @ 35.2 for non bar code)

Bar coded	13,500	0.278	\$ 3,753
Not bar coded	200	0.352	70
			<u>\$ 3,823</u> for 24 pay periods = \$ 91,762

Less postage on 17,000 warrants annually = (4,760)  
\$ 87,002

Total projected mailroom chargeback savings \$100,788

Potential increased cost to Division of Finance:

Direct deposit costs: (November invoice was \$ 4,570 for 31,705 ACH txns)

New direct deposit costs:

1,329 @ 8.1 cents each = \$ 108 for 24 pay periods = \$ 2,584

Net potential savings on statewide basis: \$ 98,204

# FISCAL NOTE

REPORTED OUT  
MAY 07 2004  
SENATE FINANCE  
COMMITTEE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 6  
Bill Version: CSHB 494(FIN)  
(H) Publish Date: 3/24/04

Revision Date/Time (Note if correction):	Dept. Affected: <u>Revenue</u>
Title: <u>Electronic Payments for State</u>	RDU: <u>Revenue Programs &amp; Services</u>
<u>Business</u>	Component: <u>Treasury Division</u>
Sponsor: <u>Representative Kott</u>	
Requester: <u>House Finance</u>	Component No.: <u>121</u>

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

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

**FUND SOURCE** (Thousands of Dollars)

FUND SOURCE	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** *(Attach a separate page if necessary)*  
 Actual costs to the Treasury Division could vary significantly. If the division continues its current efforts to maximize payments made electronically, few or no additional costs may be incurred. If, however, we ensure that all payments are made electronically by 2006, an additional staff member, acting as project manager and ACH payments coordinator will be required by the division. This position would require a full time, temporary addition to the Cash Management staff, costing the division approximately \$45.0 in FY05, \$60.0 in FY06, FY07, and FY08, and \$30.0 in FY09 in additional personal services costs. Further, contractual costs for additional programming enhancements of the state's electronic fund origination system, BEACHES, would likely also be incurred. These costs are estimated to be \$25.0 in FY05, \$60.0 in FY06, and \$15.0 in each FY07, FY08, and FY09. We are assuming Treasury will cover the costs of making BEACHES ready to accept agency interfaces. The cost estimates above reflect those start-up costs. Each agency will have costs associated with modifications to their specific applications so that those applications will interface with BEACHES. We assume that the cost savings from not issuing warrants will exceed the cost of implementation of this legislation.

Prepared by: <u>Tom Boutin, Deputy Commissioner</u>	Phone: <u>465-3669</u>
Division: <u>Treasury Division</u>	Date/Time: <u>3/19/04 5:16 PM</u>
Approved by: <u>Steve Porter, Deputy Commissioner</u>	Date: <u>3/19/2004</u>
Agency: <u>Department of Revenue</u>	

MAY 07 2004

SENATE FINANCE  
COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 5  
Bill Version: CSHB 494(FIN)  
(H) Publish Date: 3/24/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Department: Labor and Workforce Development  
Title: Electronic Payment for State Business RDU: Employment Security  
Sponsor: Representative Kott Component: Employment Services  
Requester: Governor Component Number: 2275

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: None  
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See Attached Analysis.

Prepared by: Thomas W. Nelson, Director Phone 465-5933  
Division: Employment Security Date/Time 3/16/04 3:27 PM  
Approved by: Greg O'Claray, Commissioner Date 3/16/2004  
Agency: Department of Labor and Workforce Development

FISCAL NOTE #5

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL VERSION: CSHB 494(FIN)

ANALYSIS: (continued)

This legislation would make disbursements issued under AS 23.20 subject to a new section of statute, AS 37.25.050. AS 37.25.050 provides that disbursements can only be made through an electronic funds transfer (EFT) or through an electronic payment card unless doing so would cause substantial hardship to the recipient.

The use of electronic fund transfers (EFT):

Employment Services prepares Trade Readjustment Allowance (TRA) and Needs Related Payment (NRP) requests. Currently warrants are processed through the Alaska State Accounting System (AKSAS). Two warrants are issued if a claimant has a Child Support Enforcement Division (CSED) garnishment, one to the claimant and the other to CSED. AKSAS does not currently have the ability to directly deposit the payments into the workers bank account, nor withhold a portion of the payment for IRS tax reporting purposes.

TRA falls under the Federal Unemployment Benefit Act (FUBA). If the claimant did not have a bank account in which the payment could be deposited or if a cost to the claimant were involved, such payment procedure may create an administrative barrier to the receipt of full benefits when due and therefore raise an issue with Section 301(a)(1), of the Social Security Act (SSA).

In addition, Employment Services provide Individual Training Accounts (ITAs) for training and supportive services that clients need in order to complete training and secure suitable jobs. Currently, ITAs are generated, and warrants are issued directly to the vendor or client through the State of Alaska Accounting System.

The total financial impact if electronic fund transfers are used would be minimal to the division as long as the program criteria in the above paragraphs are met.

The use of a debit card:

The total financial impact if a debit card system is used is estimated to be five new Community Development Specialist II staff positions totaling \$325,000 per fiscal year. In addition, treasury systems and processes would have to be setup prior to implementation. The direct financial impacts of these systems are unknown at this time.

# FISCAL NOTE

REPORTED OUT

MAY 07 2004

SENATE FINANCE  
COMMITTEE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 4  
 Bill Version: CSHB 494(FIN)  
 (H) Publish Date: 3/24/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Department: Labor and Workforce Development  
 Title: Electronic Payment for State Business RDU: Employment Security  
 Sponsor: Representative Kott Component: Unemployment Insurance  
 Requester: Governor Component Number: 2276

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

FUND SOURCE	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: None  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

POSITIONS	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

See Attached Analysis.

Prepared by: Thomas W. Nelson, Director Phone 465-5933  
 Division: Employment Security Division Date/Time 3/16/04 3:29 PM  
 Approved by: Greg O'Claray, Commissioner Date 3/16/2004  
 Agency: Department of Labor and Workforce Development

COMMITTEE COPY

FISCAL NOTE #4

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL VERSION: CSHB 494(FIN)

ANALYSIS: (continued)

This legislation would make disbursements issued under AS 23.20 subject to a new section of statute, AS 37.25.050. AS 37.25.050 provides that disbursements can only be made through an electronic funds transfer (EFT) or through an electronic payment card unless doing so would cause substantial hardship to the recipient.

Section 3304 of the Federal Unemployment Tax Act (FUTA) prohibits the use of Unemployment Insurance Trust Fund monies for any purpose other than the actual benefit payment.

The use of electronic fund transfers (EFT):

The Unemployment Insurance Program already provides an EFT option. Estimated annual increase in cost to have all claimants move to this option would be \$30,000. This is based on set-up and monthly maintenance fees in the current direct deposit contract. The cost increase would be offset by savings from not having to produce printed benefit checks.

The use of a debit card:

Estimated initial implementation costs could be as high as \$269,500. Annual costs thereafter are estimated at \$63,000.

Other methods:

Amendments to AS 37.25.050 authorizes the Commissioner of Revenue to adopt regulations that would clarify when a state agency could use alternative disbursement methods. This provides an avenue for disbursing a paper check to a claimant if electronic disbursement would cause the claimant substantial hardship. Although it is not clear what constitutes "substantial hardship", this would not raise an issue with section 301(a)(1), of the Social Security Act.

MAY 07 2004

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 3  
Bill Version: CSHB 494(FIN)  
( H ) Publish Date: 3/24/04

SENATE FINANCE  
COMMITTEE

Revision Date/Time (Note if correction):

Dept. Affected: Health & Social Services

Title RELATING TO DISBURSEMENTS OF MONEY  
BY THE STATE

RDU Departmental Support Services

Component Administrative Support Svcs

Sponsor KOTT

Requester HOUSE (FIN)

Component No. 320

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: \_\_\_\_\_

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

CSHB 494 provides options to the vendors or clients to receive payments via electronic deposit or by receiving a state warrant for payment. No savings or additional costs will be incurred by DHSS.

Prepared by: Janet Clarke, Assistant Commissioner  
Division: Administrative Services  
Approved by: Joel S. Gilbertson, Commissioner  
Agency: Department of Health and Social Services

Phone 465-1630  
Date/Time 03/18/2004  
Date 03/19/2004

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MAY 07 2004

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSHB 494(FIN) SENATE FINANCE  
( H ) Publish Date: 3/24/04 COMMITTEE

Revision Date/Time (Note if correction):

Dept. Affected: Health & Social Services

Title RELATING TO DISBURSEMENTS OF MONEY BY THE STATE

RDU Departmental Support Services

Component Information Technology Services

Sponsor KOTT

Requester HOUSE (FIN)

Component No. 2754

**Expenditures/Revenues (Thousands of Dollars)**

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personnel Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES (0)</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: \_\_\_\_\_

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This CS for HB 494 eliminates the requirement for warrants to be used for issuance of state payments.

Currently the department's public assistance payments, e.g., portion of Adult Public Assistance caseload, all Food Stamp and Alaska Temporary Assistance benefits, are distributed via an Electronic Benefits Transfer (EBT) process. The department does not anticipate any change in the current process and will continue to process payments with state warrants for individuals who can not receive EBT payments.

There is no impact anticipated as a result of this legislative proposal.

Prepared by: Janet Clarke, Assistant Commissioner  
Division: Administrative Services  
Approved by: Joel S. Gilbertson, Commissioner  
Agency: Department of Health and Social Services

Phone 465-1630  
Date/Time 03/18/2004  
Date 03/19/2004

COMMITTEE COPY

MAY 07 2004

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: CSHB 494(FIN)  
( H ) Publish Date: 3/24/04  
Dept. Affected: Health & Social Services

SENATE FINANCE  
COMMITTEE

Revision Date/Time (Note if correction):  
Title RELATING TO DISBURSEMENTS OF MONEY  
BY THE STATE

RDU Public Assistance  
Component Public Assistance Field Svcs

Sponsor KOTT  
Requester HOUSE (FIN)

Component No. 236

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>						
<b>CHANGE IN REVENUES (0)</b>						

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: \_\_\_\_\_

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill suggests that all disbursements of state money to be carried out electronically. This may include benefits disbursed by DPA for the Adult Public Assistance Program, Heating Assistance and General Relief. Food Stamp and Alaska Temporary Assistance Program benefits are currently disbursed electronically.

Because this bill does not require all disbursements to be made electronically, we assume few if any recipients will elect to switch to electronic disbursement.

Prepared by: Angela Salerno  
Division Public Assistance  
Approved by: Joel S. Gilbertson, Commissioner  
Agency Department of Health and Social Services

Phone 465-3200  
Date/Time 03/18/2004  
Date 03/19/2004

COMMITTEE COPY

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

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Juneau, Alaska 99801-1182  
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## MEMORANDUM

May 7, 2004

**SUBJECT:** SCS CSHB 494(FIN) relating to the methods of disbursement of money by the state (Work Order No. 23-LS1754\V)

**TO:** Senator Lyda Green  
Senator Gary Wilken  
Co-Chairs, Senate Finance Committee  
Attn: Mindy

**FROM:** *TB*  
Theresa L. Bannister  
Legislative Counsel

This memo accompanies a final of the bill described above. The bill incorporates all of the changes that you requested.

Descriptive title problem. With one exception, the amendments to AS 14.40.841 raise a title issue because they are not directly related to methods of disbursement. The changes to the title of the fund (deleting "revolving") relate to the fund itself, which is a method of holding money, not a method of disbursing money. The new subsection (b)<sup>1</sup> generally does not fit because it deals with items that extend beyond methods of disbursement from the fund, including the custody of the fund, the fiduciary of the fund, reports on the fund, investments of the fund, and transfers to the corporation. The sentence allowing the corporation to make disbursements from the fund in accordance with AS 37.25.050 does fit within the title. It may be possible to argue that the fund itself is a method of disbursement to which all of these items relate, but this is a strained characterization and since the fund is also a repository for money, the changes appear to exceed what the title covers.

Adding provisions that do not fit the title raises an issue under the constitutional requirement that the title express what is in the bill. Since this bill is in the second house, a concurrent resolution to waive the applicable rules is needed so that the title can be changed to accommodate the new provisions without violating the Uniform Rules. Would you like a title resolution prepared?

If I may be of further assistance, please advise.

TLB:mdr  
04-227.mdr

Enclosure

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<sup>1</sup> This subsection is entirely new, even though the form of the amendment did not reflect this.

ADOP TED

SENATE FINANCE  
COMMITTEE

Amendment Number: #1  
Bill Number: HB 494  
Sponsor: Wilken Date: 5/14/04  
Logged In By: Mindy

Amendment

To: CS HB 494 am

Page 2, line 23

Insert new \*Sec. 4

Sponsored by Sen. Wilken  
by request

\* Sec. 4. AS 14.40.841 is amended to read:

Sec. 14.40.841. Alaska Aerospace Development Corporation [REVOLVING] fund.

(a) The Alaska Aerospace Development Corporation [REVOLVING] fund is established in the corporation. The [REVOLVING] fund consists of appropriations made to the [REVOLVING] fund by the legislature, and rents, fees or other money or assets transferred to the [REVOLVING] fund by the corporation. Amounts deposited in the [REVOLVING] fund may be pledged to the payment of bonds of the corporation or expended for the purposes of the corporation under AS 14.40.821 – 14.40.990.

(b) The corporation shall have custody of the fund, and shall be responsible for its management. The corporation is the fiduciary of the fund under AS 37.10.071 and may invest amounts in the fund in accordance with an investment policy adopted by the corporation. Notwithstanding AS 37.10.010 – 37.10.050, the corporation may make disbursements from the fund in accordance with AS 37.25.050. Notwithstanding AS 37.05.130 – 37.05.140, the corporation shall report disbursements from the fund annually in accordance with AS 14.40.866(b)(1). An appropriation made to the fund by the legislature shall be transferred from the state treasury to the corporation for deposit in the fund.

Page 11, line 12. Replace with

\* Sec. 32. Section 4 of this Act takes effect July 1, 2004. Sections 1-3 and 5-31 of this Act take effect January 1, 2006.

Explanation of Amendment to CS HB 494 am

Page 2, line 23

This amendment addresses challenges the Alaska Aerospace Development Corporation has had in responding to the financial reporting needs of its launch customers. AADC operates with no state general funds, and must account and invoice for launches in formats and timelines required by its customers. The corporation initiated a new accounting system that meets customer needs, and provides a clean audit, but must currently process all transactions on both the new system and on the State AKSAS system. OMB and the AADC attempted to address this problem through a Memorandum of Agreement earlier this year, but OMB found the memorandum would require AADC's exemption from certain state fiscal procedures and public finance provisions.

This amendment allows AADC to transact its business in-house, reporting transactions at aggregate levels on AKSAS and controlling and investing its own earned funds and making payments to its vendors from those funds. The corporation intends to continue to use state systems for payroll and benefits, and for federal transfers of funds through the state. AADC would continue to meet its reporting requirements to the legislature and administration in its annual report to the legislature.

SENATE FINANCE COMMITTEE  
5/6/2004 COMMITTEE ACTION

<b>Bill Number</b>	HB 494		
<b>Amendment</b>	#1		
<b>Motion</b>	to adopt		
<b><u>Motion by</u></b>	Wilken		
<b><u>Objection by</u></b>	Wilken		
<b><u>Removed</u></b>	✓		
<b><u>Second Objection by</u></b>			
<b><u>Committee Member</u></b>	<b>Y</b>	<b><u>Vote</u></b>	<b>N</b>
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stevens			
Senator Bunde			
Co-Chair Green			
Co-Chair Wilken			
<b><u>Tally</u></b>			
Yea			
Nay			
Absent			
<b><u>MOTION</u></b>	ADOPTED		

1 accordance with the prescribed terms, or upon liquidation by foreclosure or other  
 2 process, or upon receipt of interest, the money so received shall be turned over to the  
 3 commissioner of revenue for deposit in the Alaska World War II veterans' revolving  
 4 fund.

5 \* Sec. 14. AS 34.45.720(c) is amended to read:

6 (c) AS 34.45.110 - 34.45.780 do not apply to a disbursement [WARRANT]  
 7 for the payment of a permanent fund dividend.

8 \* Sec. 15. AS 37.10.075(d) is amended to read:

9 (d) The Department of Revenue may deposit funds in banks inside or outside  
 10 the state without requiring those banks in which the funds are deposited to pay interest  
 11 on the deposits. It is the intention of the legislature that the department may  
 12 compensate the banks for handling [CLEARING] state disbursements  
 13 [WARRANTS] in a manner determined by the commissioner of revenue to be in the  
 14 best interests of the state.

15 \* Sec. 16. AS 37.10.078 is amended to read:

16 **Sec. 37.10.078. Prohibited deposits and investments in certain banks.** The  
 17 commissioner of revenue may not make investments or deposits with a bank doing  
 18 business in Alaska that has a general practice of

19 (1) charging a fee for handling disbursements [CASHING CHECKS  
 20 OR WARRANTS] issued by the state; or

21 (2) refusing to handle disbursements [CASH CHECKS OR  
 22 WARRANTS] issued by the state.

23 \* Sec. 17. AS 37.10.100(b) is amended to read:

24 (b) If [HOWEVER IF] the sum recovered as described in (a) of this section  
 25 belongs to a city, school district, or municipal government, the sum shall be  
 26 transferred to it, less sums advanced by the state in the suit [,] and not already repaid  
 27 to it. The Department of Administration may disburse [PAY] to the city, school  
 28 district, or municipal corporation the sums belonging to it [, UPON WARRANTS  
 29 DRAWN AS PROVIDED BY LAW]. The disbursements [WARRANTS] must be  
 30 based upon vouchers approved by the attorney general.

31 \* Sec. 18. AS 37.25 is amended by adding a new section to read:

1           Sec. 37.25.050. Methods of disbursement. (a) Except as provided in (b) of  
2 this section, unless federal law requires otherwise, a state agency may not disburse  
3 money unless the disbursement is made

4                   (1) by an electronic funds transfer to an account in a financial  
5 institution; or

6                   (2) from an account established by the state agency by contract with a  
7 financial institution under which a person uses an electronic payment card issued by  
8 the financial institution to access the money.

9           (b) A state agency is not required to use the disbursement methods described  
10 in (a) of the section if

11                   (1) another state law or federal law requires that disbursement be made  
12 by another disbursement method;

13                   (2) use of the disbursement methods would cause substantial hardship  
14 to the recipient of the disbursement;

15                   (3) not more than five disbursements will be made to a recipient, or, on  
16 average, to each recipient entitled to disbursement under the program for which the  
17 disbursements are made;

18                   (4) a ~~person~~ <sup>vendor or grantee</sup> elects not to be paid by the disbursement methods;

19                   (5) the disbursement is to a state employee and

20                           (A) is the only disbursement that the state agency will make to  
21 the employee for the employment; or

22                           (B) it is in the best interests of the state agency or the employee  
23 to use another disbursement method to pay the employee; or

24                   (6) use of another disbursement method is in the best interests of the  
25 state agency.

26           (c) The commissioner of administration shall adopt regulations to implement  
27 (b) of this section.

28           (d) A state agency is not liable to pay a fee imposed by a recipient's financial  
29 institution for a disbursement made under (a) of this section.

30           (e) In this section,

31                   (1) "disbursement" includes wages and other employment benefits;

1 \* Sec. 23. AS 44.21.040(a) is amended to read:

2 (a) The Department of Administration shall keep books of account in  
3 permanent form of the claims presented and of the disbursements made  
4 [WARRANTS DRAWN]. These records must show

5 (1) the name of the claimant; [,]

6 (2) the amount of the claim; [,]

7 (3) the date of its presentation; [,]

8 (4) the date of its allowance or disallowance; [,]

9 (5) the date and number of each disbursement made; [WARRANT  
10 DRAWN,]

11 (6) the name of the payee ; [,] and

12 (7) the appropriation from [AGAINST] which the disbursement  
13 [WARRANT] is made [DRAWN].

14 \* Sec. 24. AS 44.77.040(b) is amended to read:

15 (b) The department, after the hearing, may affirm, reverse, or modify its  
16 original decision. Upon acceptance by the claimant of the decision of the department  
17 or if the claimant does not obtain judicial review as set out in (c) of this section, the  
18 department shall make [ISSUE] a disbursement from [WARRANT AGAINST] the  
19 proper appropriation for the sum the department finds due the claimant.

20 ~~\* Sec. 25. AS 44.99.205(a) is amended to read:~~

21 ~~(a) A state agency may not place a picture of an elected state official on an~~  
22 ~~application form [, A WARRANT,] or a direct deposit notice provided by the agency.~~

23 ~~\* Sec. 26. AS 44.99.205(b) is amended to read:~~

24 ~~(b) A state agency may not place a message on or with an application form [,~~  
25 ~~A WARRANT,] or a direct deposit notice provided by the agency unless the message~~  
26 ~~is~~

27 ~~(1) from a state agency employee who is not an elected state official;~~  
28 ~~and~~

29 ~~(2) required by law, necessary for the operation of the document,~~  
30 ~~related to seasonal health issues including flu shot reminders, or related to a program~~  
31 ~~or activity of a state agency~~

delete Sec.s 25 and 26

1 \* Sec. 27. AS 45.95.020(d) is amended to read:

2 (d) Money loaned shall be delivered to the borrower as provided in  
 3 AS 37.25.050 [THE FORM OF A WARRANT DRAWN ON THE TREASURY],  
 4 vouchered in the manner prescribed for state disbursing officers, and charged against  
 5 the small business revolving loan fund. Each voucher shall be approved by the  
 6 commissioner or a bonded deputy authorized to act as a certifying officer. Upon  
 7 repayment of loans by installments, or otherwise, in accordance with the prescribed  
 8 terms, or upon liquidation by foreclosure or other process, or upon receipt of interest,  
 9 the money so received shall be turned over to the commissioner of revenue for deposit  
 10 in the small business revolving loan fund.

11 \* Sec. 28. AS 47.25.265 is amended to read:

12 Sec. 47.25.265. Cancellation of disbursements [WARRANTS]. (a)  
 13 Disbursements [WARRANTS] issued to a general relief assistance recipient after the  
 14 date of death of the recipient shall be [RETURNED TO THE DEPARTMENT OF  
 15 ADMINISTRATION AND] canceled.

16 (b) General relief assistance disbursements made [WARRANTS ISSUED]  
 17 before the death of the recipient but not collected by the recipient before  
 18 [NEGOTIATED AT] death shall be [RETURNED TO THE DEPARTMENT OF  
 19 ADMINISTRATION, AND SHALL BE] canceled, unless claimed by the authorized  
 20 representative of the estate of the recipient within 90 days after [OF] the date of death.

21 (c) The state is not liable to the estate, heirs, or creditors of the deceased  
 22 general relief assistance recipient for payment on disbursements [WARRANTS]  
 23 canceled under (a) and (b) of this section.

24 \* Sec. 29. AS 47.25.460(d) is amended to read:

25 (d) Each award shall be paid on a monthly basis. In case it is impracticable by  
 26 reason of slow or interrupted means of communication for a disbursement  
 27 [WARRANT] covering a month's assistance to reach the recipient in due course, the  
 28 department may transmit disbursements [WARRANTS] covering assistance for  
 29 future months and may deliver all of them to the recipient at one time.

30 \* Sec. 30. AS 47.25.515 is amended to read:

31 Sec. 47.25.515. Cancellation of disbursements [WARRANTS]. (a)



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### FAX COVER SHEET

DATE: 7 May 2004 TIME: 9:35 am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 5

FROM: MINDY ROWLAND  
SENATE FINANCE COMMITTEE SECRETARY  
PHONE: 465-4935  
FAX: 465-2187

NOTES: Final Please

SCS CS HB 494 (FIN)

23-LS1754 \ U.A

Plus 3 amendments - attached

Thx

Mundy

**SENATE CS FOR CS FOR HOUSE BILL NO. 494(FIN)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVES KOTT, Hawker, Foster, Meyer, Dahlstrom, Lynn, Seaton**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the methods of disbursement of money by the state, including  
2 employment compensation, unemployment payments, and permanent fund dividends,  
3 and to bank investments and deposits by the state; and providing for an effective date."

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

5 \* Section 1. AS 03.20.030(a) is amended to read:

6 (a) Each agricultural and industrial fair association desiring to apply for an  
7 operation and maintenance grant shall apply to the commissioner before August 1 of  
8 the year preceding the fiscal year for which the grant is sought. It shall submit with  
9 the application a planned program of operation and maintenance of the proposed fair,  
10 the rules and regulations governing the fair, and a certificate signed by the president  
11 and secretary of the association [,] certifying that the association will spend for the  
12 proposed fair [,] a sum of money from their own funds equal in amount to the benefits  
13 requested under this chapter. When satisfied that the association is entitled to receive  
14 state aid under the provisions of this chapter, the commissioner shall make a

1            disbursement to [HAVE A WARRANT DRAWN IN FAVOR OF] the association [,]  
 2            in the sum to which it is entitled. The commissioner shall pay annually the sum to be  
 3            paid under the provisions of this chapter.

4            \* Sec. 2. AS 03.20.035(a) is amended to read:

5            (a) Each agricultural and industrial fair association desiring to apply for a  
 6            capital improvement grant shall apply to the commissioner before August 1 of the year  
 7            preceding the fiscal year for which the grant is sought. It shall submit with the  
 8            application a proposed long-term capital improvement plan of the fair covering five  
 9            years from the time the application is submitted, which shall be certified by the  
 10           president and secretary of the association as having been reviewed and approved by  
 11           the governing body of the association. When satisfied that the association is entitled  
 12           to receive state aid under the provisions of this section, the commissioner shall make a  
 13           disbursement to [HAVE A WARRANT DRAWN IN FAVOR OF] the association [,]  
 14           in the sum to which it is entitled.

15           \* Sec. 3. AS 08.48.061(c) is amended to read:

16           (c) The board may make expenditures from appropriated funds for any  
 17           purpose that is reasonably necessary for the proper performance of its duties under this  
 18           chapter. This may include the expenses of the board delegates to meetings of councils  
 19           of architect examiners, engineering examiners, land surveyor examiners, or landscape  
 20           architect examiners, or any of their subdivisions. The total amount of disbursements  
 21           [WARRANTS] issued in payment of the expenses incurred under this chapter may not  
 22           exceed the amount of money appropriated by the legislature.

23           \* Sec. 4. AS 14.40.841 is amended to read:

24           Sec. 14.40.841. Alaska Aerospace Development Corporation  
 25           [REVOLVING] fund. The Alaska Aerospace Development Corporation  
 26           [REVOLVING] fund is established in the corporation. The [REVOLVING] fund  
 27           consists of appropriations made to the [REVOLVING] fund by the legislature, and  
 28           rents, fees, or other money or assets transferred to the [REVOLVING] fund by the  
 29           corporation. Amounts deposited in the [REVOLVING] fund may be pledged to the  
 30           payment of bonds of the corporation or expended for the purposes of the corporation  
 31           under AS 14.40.821 - 14.40.990.

Amend  
#1

1 \* **Sec. 5.** AS 14.40.841 is amended by adding a new subsection to read:

2 (b) The corporation shall have custody of the fund and shall be responsible for  
 3 its management. The corporation is the fiduciary of the fund under AS 37.10.071 and  
 4 may invest amounts in the fund in accordance with an investment policy adopted by  
 5 the corporation. Notwithstanding AS 37.10.010 - 37.10.050, the corporation may  
 6 make disbursements from the fund in accordance with AS 37.25.050.  
 7 Notwithstanding AS 37.05.130 and 37.05.140, the corporation shall report  
 8 disbursements from the fund annually in accordance with AS 14.40.866(b)(1). An  
 9 appropriation made to the fund by the legislature shall be transferred from the state  
 10 treasury to the corporation for deposit in the fund.

11 \* **Sec. 6.** AS 22.05.140(b) is amended to read:

12 (b) A salary disbursement [WARRANT] may not be issued to a justice of the  
 13 supreme court until the justice has filed with the state officer designated to issue salary  
 14 disbursements [WARRANTS] an affidavit that no matter referred to the justice for  
 15 opinion or decision has been uncompleted or undecided by the justice for a period of  
 16 more than six months.

17 \* **Sec. 7.** AS 22.07.090(b) is amended to read:

18 (b) A salary disbursement [WARRANT] may not be issued to a judge of the  
 19 court of appeals until the judge has filed with the state officer designated to issue  
 20 salary disbursements [WARRANTS] an affidavit that no matter referred to the judge  
 21 for opinion or decision has been uncompleted or undecided by the judge for a period  
 22 of more than six months.

23 \* **Sec. 8.** AS 22.10.190(b) is amended to read:

24 (b) A salary disbursement [WARRANT] may not be issued to a superior  
 25 court judge until the judge has filed with the state officer designated to issue salary  
 26 disbursements [WARRANTS] an affidavit that no matter referred to the judge for  
 27 opinion or decision has been uncompleted or undecided by the judge for a period of  
 28 more than six months.

29 \* **Sec. 9.** AS 22.15.220(c) is amended to read:

30 (c) A salary disbursement [WARRANT] may not be issued to a district judge  
 31 or magistrate until the judge or magistrate has filed with the state officer designated to

1 issue salary disbursements [WARRANTS,] an affidavit that no matter referred to the  
 2 judge or magistrate for opinion or decision has been uncompleted or undecided by the  
 3 judge or magistrate for a period of more than six months.

4 \* Sec. 10. AS 23.10.040(a) is amended to read:

5 (a) Except as otherwise provided by AS 37.25.050, an [AN] employer of  
 6 labor performing services in this state shall pay the wages or other compensation for  
 7 the services with lawful money of the United States or with negotiable checks, drafts,  
 8 or orders payable upon presentation without discount by a bank or depository inside  
 9 the state.

10 \* Sec. 11. AS 23.20.135(a) is amended to read:

11 (a) The commissioner of revenue is ex officio the treasurer and custodian of  
 12 the fund and shall administer it as directed by the department. Disbursements  
 13 [CHECKS OR WARRANTS] shall be issued from [ON] the fund in accordance with  
 14 AS 37.25.050 and the regulations that the department adopts. The fund has three  
 15 separate accounts:

- 16 (1) a clearing account,  
 17 (2) an unemployment trust fund account, and  
 18 (3) a benefit account.

19 \* Sec. 12. AS 23.20.145(b) is amended to read:

20 (b) The department shall from time to time requisition from the  
 21 unemployment trust fund amounts not exceeding the amounts standing to the state's  
 22 account in the fund that [WHICH] it considers necessary for the payment of benefits  
 23 for a reasonable future period. Upon receipt of an amount the department shall deposit  
 24 the money to the benefit account. A [CHECK OR WARRANT FOR THE] payment  
 25 [OF BENEFITS] may be made [ISSUED] solely from the benefit account.

26 \* Sec. 13. AS 23.20.145(c) is amended to read:

27 (c) If money in the clearing account is not sufficient to provide for refunds of  
 28 contributions erroneously collected and payable under AS 23.20.225 and  
 29 23.20.526(a)(11), the department shall withdraw from the unemployment trust fund  
 30 the amounts not exceeding the amount standing to this state's account in the fund that  
 31 [WHICH] are necessary for the payment of the refunds, but no amounts may be

1 withdrawn from the unemployment trust fund for the refund of interest and penalty  
 2 payments. Upon receipt, the department, or the designee of the department, shall  
 3 deposit this money to the clearing account. A [CHECK OR WARRANT FOR THE]  
 4 payment of a refund shall be made [ISSUED] from the clearing account.

5 \* Sec. 14. AS 23.20.145(d) is amended to read:

6 (d) Expenditures of the money in the benefit account and refunds from the  
 7 clearing account are not subject to provisions of law requiring specific appropriations  
 8 or other formal release by state officers of money in their custody. [ALL CHECKS  
 9 OR WARRANTS ISSUED BY THE STATE FOR THE PAYMENT OF BENEFITS  
 10 AND REFUNDS SHALL BEAR THE SIGNATURE OF THE COMMISSIONER OF  
 11 ADMINISTRATION AND COUNTERSIGNATURE OF THE AUTHORIZED  
 12 AGENT OF THE DEPARTMENT FOR THAT PURPOSE.]

13 \* Sec. 15. AS 26.15.040(d) is amended to read:

14 (d) Money loaned shall be disbursed [DELIVERED] to the borrower from  
 15 [IN THE FORM OF A WARRANT DRAWN ON] the treasury, vouchered in the  
 16 manner prescribed for state disbursing officers, and charged against the Alaska World  
 17 War II veterans' revolving fund. Each voucher shall be approved by the commissioner  
 18 of community and economic development or any bonded deputy authorized to act as a  
 19 certifying officer. Upon repayment of loans by installments, or otherwise, in  
 20 accordance with the prescribed terms, or upon liquidation by foreclosure or other  
 21 process, or upon receipt of interest, the money so received shall be turned over to the  
 22 commissioner of revenue for deposit in the Alaska World War II veterans' revolving  
 23 fund.

24 \* Sec. 16. AS 34.45.720(c) is amended to read:

25 (c) AS 34.45.110 - 34.45.780 do not apply to a disbursement [WARRANT]  
 26 for the payment of a permanent fund dividend.

27 \* Sec. 17. AS 37.10.075(d) is amended to read:

28 (d) The Department of Revenue may deposit funds in banks inside or outside  
 29 the state without requiring those banks in which the funds are deposited to pay interest  
 30 on the deposits. It is the intention of the legislature that the department may  
 31 compensate the banks for handling [CLEARING] state disbursements.

1 [WARRANTS] in a manner determined by the commissioner of revenue to be in the  
2 best interests of the state.

3 \* Sec. 18. AS 37.10.078 is amended to read:

4 **Sec. 37.10.078. Prohibited deposits and investments in certain banks.** The  
5 commissioner of revenue may not make investments or deposits with a bank doing  
6 business in Alaska that has a general practice of

7 (1) charging a fee for handling disbursements [CASHING CHECKS  
8 OR WARRANTS] issued by the state; or

9 (2) refusing to handle disbursements [CASH CHECKS OR  
10 WARRANTS] issued by the state.

11 \* Sec. 19. AS 37.10.100(b) is amended to read:

12 (b) If [HOWEVER IF] the sum recovered as described in (a) of this section  
13 belongs to a city, school district, or municipal government, the sum shall be  
14 transferred to it, less sums advanced by the state in the suit [,] and not already repaid  
15 to it. The Department of Administration may disburse [PAY] to the city, school  
16 district, or municipal corporation the sums belonging to it [, UPON WARRANTS  
17 DRAWN AS PROVIDED BY LAW]. The disbursements [WARRANTS] must be  
18 based upon vouchers approved by the attorney general.

19 \* Sec. 20. AS 37.25 is amended by adding a new section to read:

20 **Sec. 37.25.050. Methods of disbursement.** (a) Except as provided in (b) of  
21 this section, unless federal law requires otherwise, a state agency may not disburse  
22 money unless the disbursement is made

23 (1) by an electronic funds transfer to an account in a financial  
24 institution; or

25 (2) from an account established by the state agency by contract with a  
26 financial institution under which a person uses an electronic payment card issued by  
27 the financial institution to access the money.

28 (b) A state agency is not required to use the disbursement methods described  
29 in (a) of the section if

30 (1) another state law or federal law requires that disbursement be made  
31 by another disbursement method;

1 (2) use of the disbursement methods would cause substantial hardship  
2 to the recipient of the disbursement;

3 (3) not more than five disbursements will be made to a recipient, or, on  
4 average, to each recipient entitled to disbursement under the program for which the  
5 disbursements are made;

6 (4) a vendor or grantee elects not to be paid by the disbursement #2  
7 methods;

8 (5) the disbursement is to a state employee and

9 (A) is the only disbursement that the state agency will make to  
10 the employee for the employment; or

11 (B) it is in the best interests of the state agency or the employee  
12 to use another disbursement method to pay the employee; or

13 (6) use of another disbursement method is in the best interests of the  
14 state agency.

15 (c) The commissioner of administration shall adopt regulations to implement  
16 (b) of this section.

17 (d) A state agency is not liable to pay a fee imposed by a recipient's financial  
18 institution for a disbursement made under (a) of this section.

19 (e) In this section,

20 (1) "disbursement" includes wages and other employment benefits;

21 (2) "state agency" means a department, institution, board, commission,  
22 division, authority, public corporation, committee, or other administrative unit of the  
23 executive branch of state government, including the University of Alaska.

24 \* Sec. 21. AS 43.20.030(e) is amended to read:

25 (e) The department may credit or refund overpayments of taxes, taxes  
26 erroneously or illegally assessed or collected, penalties collected without authority,  
27 and taxes that are found unjustly assessed or excessive in amount, or otherwise  
28 wrongfully collected. The department shall set limitations, specify the manner in  
29 which claims for credits or refunds are made, and give notice of allowance or  
30 disallowance. When a refund is allowed to a taxpayer, it shall be paid out of the  
31 general fund by a disbursement [ON A WARRANT] issued under a voucher

1 approved by the department.

2 \* Sec. 22. AS 43.23.028(a) is amended to read:

3 (a) By October 1 of each year, the commissioner shall give public notice of  
4 the value of each permanent fund dividend for that year and notice of the information  
5 required to be disclosed under (3) of this subsection. In addition, the stub attached to  
6 each individual dividend disbursement [CHECK AND DIRECT DEPOSIT] advice  
7 must

8 (1) disclose the amount of each dividend attributable to income earned  
9 by the permanent fund from deposits to that fund required under art. IX, sec. 15,  
10 Constitution of the State of Alaska;

11 (2) disclose the amount of each dividend attributable to income earned  
12 by the permanent fund from appropriations to that fund and from amounts added to  
13 that fund to offset the effects of inflation;

14 (3) disclose the amount by which each dividend has been reduced due  
15 to each appropriation from the dividend fund, including amounts to pay the costs of  
16 administering the dividend program and the hold harmless provisions of  
17 AS 43.23.075;

18 (4) include a statement that an individual is not eligible for a dividend  
19 when

20 (A) during the qualifying year, the individual was convicted of  
21 a felony;

22 (B) during all or part of the qualifying year, the individual was  
23 incarcerated as a result of the conviction of a

24 (i) felony; or

25 (ii) misdemeanor if the individual has been convicted of  
26 a prior felony or two or more prior misdemeanors;

27 (5) include a statement that the legislative purpose for making  
28 individuals listed under (4) of this subsection ineligible is to

29 (A) obtain reimbursement for some of the costs imposed on the  
30 state criminal justice system related to incarceration or probation of those  
31 individuals;

1 (B) provide funds for services for and payments to crime  
2 victims and for grants for the operation of domestic violence and sexual assault  
3 programs;

4 (6) disclose the total amount that would have been paid during the  
5 previous fiscal year to individuals who were ineligible to receive dividends under  
6 AS 43.23.005(d) if they had been eligible;

7 (7) disclose the total amount appropriated for the current fiscal year  
8 under (b) of this section for each of the funds and agencies listed in (b) of this section.

9 \* Sec. 23. AS 43.23.055(8) is amended to read:

10 (8) adopt regulations that establish procedures for an individual to  
11 apply to have a dividend disbursement under AS 37.25.050(a)(2) [WARRANT]  
12 reissued if it is [RETURNED TO THE DEPARTMENT AS UNDELIVERABLE OR  
13 IT IS] not collected [PAID] within two years after [OF] the date of its issuance;  
14 however, the department may not establish a time limit within which an application to  
15 have a disbursement [WARRANT] reissued must be filed;

16 \* Sec. 24. AS 43.40.070 is amended to read:

17 **Sec. 43.40.070. Refund disbursements [WARRANTS].** Upon approval of a  
18 refund claim by the department, a disbursement [WARRANT] shall be made from  
19 [DRAWN ON] the highway fuel tax account in the general fund in favor of the  
20 applicant in the amount of the claim.

21 \* Sec. 25. AS 44.21.040(a) is amended to read:

22 (a) The Department of Administration shall keep books of account in  
23 permanent form of the claims presented and of the disbursements made  
24 [WARRANTS DRAWN]. These records must show

25 (1) the name of the claimant; [,]

26 , the amount of the claim; [,]

27 (3) the date of its presentation; [,]

28 (4) the date of its allowance or disallowance; [,]

29 (5) the date and number of each disbursement made; [WARRANT  
30 DRAWN ,]

31 (6) the name of the payee ; [,] and

1 (7) the appropriation from [AGAINST] which the disbursement  
2 [WARRANT] is made [DRAWN].

3 \* Sec. 26. AS 44.77.040(b) is amended to read:

4 (b) The department, after the hearing, may affirm, reverse, or modify its  
5 original decision. Upon acceptance by the claimant of the decision of the department  
6 or if the claimant does not obtain judicial review as set out in (c) of this section, the  
7 department shall make [ISSUE] a disbursement from [WARRANT AGAINST] the  
8 proper appropriation for the sum the department finds due the claimant.

9 \* Sec. 27. AS 45.95.020(d) is amended to read:

10 (d) Money loaned shall be delivered to the borrower as provided in  
11 AS 37.25.050 [THE FORM OF A WARRANT DRAWN ON THE TREASURY],  
12 vouchered in the manner prescribed for state disbursing officers, and charged against  
13 the small business revolving loan fund. Each voucher shall be approved by the  
14 commissioner or a bonded deputy authorized to act as a certifying officer. Upon  
15 repayment of loans by installments, or otherwise, in accordance with the prescribed  
16 terms, or upon liquidation by foreclosure or other process, or upon receipt of interest,  
17 the money so received shall be turned over to the commissioner of revenue for deposit  
18 in the small business revolving loan fund.

19 \* Sec. 28. AS 47.25.265 is amended to read:

20 Sec. 47.25.265. Cancellation of disbursements [WARRANTS]. (a)  
21 Disbursements [WARRANTS] issued to a general relief assistance recipient after the  
22 date of death of the recipient shall be [RETURNED TO THE DEPARTMENT OF  
23 ADMINISTRATION AND] canceled.

24 (b) General relief assistance disbursements made [WARRANTS ISSUED]  
25 before the death of the recipient but not collected by the recipient before  
26 [NEGOTIATED AT] death shall be [RETURNED TO THE DEPARTMENT OF  
27 ADMINISTRATION, AND SHALL BE] canceled, unless claimed by the authorized  
28 representative of the estate of the recipient within 90 days after [OF] the date of death.

29 (c) The state is not liable to the estate, heirs, or creditors of the deceased  
30 general relief assistance recipient for payment on disbursements [WARRANTS]  
31 canceled under (a) and (b) of this section.

#3  
← deleted  
two  
sections

1 \* Sec. 29. AS 47.25.460(d) is amended to read:

2 (d) Each award shall be paid on a monthly basis. In case it is impracticable by  
3 reason of slow or interrupted means of communication for a disbursement  
4 [WARRANT] covering a month's assistance to reach the recipient in due course, the  
5 department may transmit disbursements [WARRANTS] covering assistance for  
6 future months and may deliver all of them to the recipient at one time.

7 \* Sec. 30. AS 47.25.515 is amended to read:

8 Sec. 47.25.515. Cancellation of disbursements [WARRANTS]. (a)  
9 Disbursements [WARRANTS] issued to a recipient of assistance under AS 47.25.430  
10 - 47.25.615 after the date of death of the recipient shall be [RETURNED TO THE  
11 DEPARTMENT OF ADMINISTRATION AND] canceled.

12 (b) Assistance disbursements [WARRANTS] issued before the death of the  
13 recipient but not collected before [NEGOTIATED AT] death shall be [RETURNED  
14 TO THE DEPARTMENT OF ADMINISTRATION, AND SHALL BE] canceled,  
15 unless claimed by the authorized representative of the estate of the recipient within 90  
16 days after [OF] the date of death.

17 (c) The state is not liable to the estate, heirs, or creditors of the deceased  
18 assistance recipient for payment on disbursements [WARRANTS] canceled under (a)  
19 or (b) of this section.

20 \* Sec. 31. Sections 4 and 5 of this Act take effect July 1, 2004. #1

21 \* Sec. 32. Except as provided by sec. 31 of this Act, this Act takes effect January 1, 2006.

# Alaska State Legislature

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**Pete Kott**  
Speaker of the House

## SPONSOR STATEMENT

### CSHB 494

**"An Act relating to the methods of disbursement of money by the state, including employment compensation, unemployment payments, and permanent fund dividends, and to bank investments and deposits by the state; and providing for an effective date."**

CSHB 494 makes necessary changes to the methods of how the State of Alaska disburses funds. This change will save the state costs of issuing checks and warrants and resolve issues pertaining to time of disbursement and undistributed collections.

Currently, the state issues approximately 96,500 checks and warrants per month:

Unemployment Insurance Benefits:	28,000
Division of Finance to vendors & non-vendors:	50,000
Child Support recipients:	13,000
PERS & TERS Retirees:	2,500
Payroll-Active employees	3,000

This legislation has the potential of saving the State of Alaska considerable funds when factoring in the reduction of check fraud, reissuing of lost or stolen checks, postage, check printing cost, reduced bank service fees, and reduced labor cost.

In addition, this would benefit businesses and citizens who receive funds direct deposit vs. mail delivery, no check cashing fees, reduces liability of check fraud, and customers may use Electronic Payment Cards like debit/credit card at businesses.

# **ELECTRONIC DISBURSEMENT OPTIONS**

**White Paper**

**Version 1.0**

November 2003

**ELECTRONIC DISBURSEMENT OPTIONS WORK GROUP  
ELECTRONIC BENEFITS AND SERVICES COUNCIL**

**NACHA – THE ELECTRONIC PAYMENTS ASSOCIATION**

Provided by Rep. Kott