CASE BRIEF **Date:** May 5, 2025

Zobel v. Williams, 457 U.S. 55 (1982)

PARTIES:

Appellants: Patricia and Ronald Zobel; and other Alaska residents moved to the state after 1959.
Appellee: Bruce Williams, Commissioner of the Alaska Department of Revenue at filing.

PROCEDURAL HISTORY:

Appellants brought an action in Alaska state court challenging the statute. The trial court granted summary judgment in the appellants favor, but the Alaska Supreme Court reversed and upheld the statute. The U.S. Supreme Court then granted certiorari and reversed.

ISSUE(S):

(1) Whether Alaska's statutory scheme for distributing income from its Permanent Fund based on the length of residency violates the Equal Protection Clause of the Fourteenth Amendment.
(2) More specifically, whether using durational residency as a basis for determining the amount of a cash dividend to adult citizens constitutes unconstitutional discrimination against newer residents.

FACTS:

- In 1976, Alaska amended its constitution to create a Permanent Fund, requiring that at least 25% of mineral income be deposited annually.
- In 1980, the Alaska Legislature enacted a dividend plan that distributed a portion of the Fund's earnings to adult residents.
- The plan awarded one dividend unit per year of residency since 1959, meaning long-term residents received more money.
- The Zobels, who became residents in 1978, challenged the law as discriminatory under the Fourteenth Amendment.

RULE(S):

- **Equal Protection Clause** (14th Amendment): Requires that similarly situated individuals be treated equally under the law.
- **Rational Basis Review**: The default standard of judicial scrutiny for equal protection claims unless a fundamental right or suspect classification is involved. The government must show the law is rationally related to a legitimate government interest. While durational residency laws can implicate the right to travel, which is a fundamental right, the Court did not apply strict scrutiny here because the law did not directly penalize the right to travel, but rather differentiated economic benefits based on past residency.
- *Shapiro v. Thompson*, 394 U.S. 618 (1969)
- *Dunn v. Blumstein*, 405 U.S. 330 (1972)
- *Memorial Hospital v. Maricopa County*, 415 U.S. 250 (1974)
- *Sosna v. Iowa*, 419 U.S. 393 (1975)

HOLDING:
Yes. Alaska's 1980 dividend distribution law violates the Equal Protection Clause. The classification based on length of residency was not rationally related to a legitimate state interest.

REASONING: (Majority Opinion – Chief Justice Burger)
- The law created permanent distinctions among residents based on how long they had lived in the state, not on current or future contributions.
- Alaska's goals of encouraging long-term residency and rewarding past contributions were legitimate, but rewarding past residency was not rationally related to those goals.
- The law penalized newer residents and established unequal classes of citizens, which is inconsistent with the Equal Protection Clause.

JUDGMENT:
Reversed. The U.S. Supreme Court struck down Alaska's 1980 dividend distribution statute as unconstitutional.

Concurring Opinions: (not formal separate concurring opinions)
- Justice Brennan: Emphasized that the statute's discrimination raised broader concerns under the Equal Protection Clause and hinted that strict scrutiny might apply due to its burden on new residents.
- Justice O'Connor: Argued that while Alaska's goals may be reasonable, the specific method of distribution (based on durational residency) misfired constitutionally.

Dissent: (Justice Rehnquist)
- Asserted the state should have broad discretion in allocating economic benefits.
- Criticized the majority for departing from the usual judicial deference to economic regulation, stating that economic classification should be presumed valid under rational basis review.

NOTES:
- The Court applied rational basis review, not strict scrutiny, even though durational residency can implicate the right to travel.
- The ruling confirms that states cannot create permanent economic advantages based solely on past residency.
- This decision impacts laws that attempt to differentiate public benefits based on personal characteristics like length of residency.

HB 209 & *ZOBEL* ANALYSIS:
HB 209 appears consistent with the U.S. Constitution and the principles articulated in *Zobel v. Williams* because it does not create permanent classes based on past residency or involve a protected class. That said, while means-testing is common in other state programs, a challenge to HB 209 could still arise under the Alaska Constitution, particularly its equal protection provisions and possibly Article IX, § 15.

In *Zobel*, the U.S. Supreme Court struck down Alaska's 1980 Permanent Fund Dividend (PFD) distribution scheme because it created permanent economic classifications based on residency duration. The law awarded greater dividend amounts to longer-term residents, effectively establishing economic tiers based solely on when someone moved to Alaska. The Court found this classification irrational and not sufficiently related to legitimate state interests like promoting residency or managing state resources. The core principle in *Zobel* is that states cannot permanently advantage certain citizens based only on historical status.

By contrast, HB 209 bases eligibility on current income, a mutable characteristic subject to change over time. Income is not a suspect classification under federal or state equal protection doctrines and is reviewed under rational basis scrutiny. Under this standard, the law need only serve a legitimate government interest and be rationally related to that interest. Limiting PFD eligibility to residents earning less than $50,000 annually could be justified by several legitimate objectives—such as promoting economic equity, ensuring the fiscal sustainability of the Fund, or addressing disparities in cost of living.

Unlike the durational residency scheme in *Zobel*, HB 209 does not penalize individuals for their history or identity. It does not reward or disadvantage anyone based on when they moved to Alaska. Instead, it uses a forward-looking, universally applicable standard based on current financial need. While it results in unequal distributions, *Zobel* makes clear that inequality alone is not unconstitutional—the critical issue is whether the classification is arbitrary or permanent. HB 209's means test is neither. Moreover, *Zobel* supports the broader principle that the legislature has discretion in designing the structure of dividend distributions, provided it avoids unconstitutional classifications. HB 209 adheres to this by applying a neutral, dynamic criterion and maintaining a uniform framework for determining eligibility.

The Alaska Supreme Court's decision in *Wielechowski v. State* (2017) reinforces this legislative authority. The Court held that the legislature must appropriate PFD payments through the standard budget process, and that the 1976 amendment creating the Permanent Fund did not exempt dividend payments from the Constitution's anti-dedication clause. This means that the legislature retains broad discretion over the use of Permanent Fund earnings, including whether and how dividends are distributed.

Taken together, *Zobel* and *Wielechowski* affirm that while the PFD is a valued benefit, it is not an entitlement immune from legislative judgment. HB 209, designed to preserve legislative control over resource revenues, equitably allocate public benefits, and protect the Fund's long-term viability, seems likely to be upheld as a valid exercise of constitutional authority under Alaska law.