

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

May 3, 2001
8:37 a.m.

MEMBERS PRESENT

Representative John Coghill, Chair
Representative Jeannette James
Representative Hugh Fate
Representative Gary Stevens
Representative Peggy Wilson
Representative Harry Crawford
Representative Joe Hayes

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 193(FIN)

"An Act making a special appropriation to the Alaska Legislative Council for a study of the economic and social effects of the permanent fund dividend on the state; and providing for an effective date."

- MOVED CSSB 193(FIN) OUT OF COMMITTEE

PREVIOUS ACTION

BILL: SB 193

SHORT TITLE:STUDY:EFFECTS OF PERMANENT FUND DIVIDEND

SPONSOR(S): FINANCE

Jrn-Date	Jrn-Page		Action
04/17/01	1152	(S)	READ THE FIRST TIME - REFERRALS
04/17/01	1153	(S)	STA, FIN
04/19/01		(S)	STA AT 3:30 PM BELTZ 211
04/19/01		(S)	Moved Out of Committee
04/19/01		(S)	MINUTE(STA)
04/20/01	1194	(S)	STA RPT 3DP 1NR
04/20/01	1194	(S)	DP: THERRIAULT, PHILLIPS, HALFORD;
04/20/01	1194	(S)	NR: DAVIS
04/24/01		(S)	FIN AT 9:00 AM SENATE FINANCE

			532
04/26/01		(S)	FIN AT 6:00 PM SENATE FINANCE
			532
04/26/01		(S)	Moved CS(FIN) Out of
			Committee
04/26/01		(S)	MINUTE(FIN)
04/26/01		(S)	MINUTE(FIN)
04/27/01	1298	(S)	FIN RPT CS 8DP 1NR NEW TITLE
04/27/01	1298	(S)	DP: DONLEY, KELLY, GREEN,
			AUSTERMAN,
04/27/01	1298	(S)	OLSON, WILKEN, WARD, LEMAN;
04/27/01	1298	(S)	NR: HOFFMAN
04/27/01	1299	(S)	FN1: (LAA)
04/28/01	1329	(S)	RULES TO CALENDAR 1OR 4/28/01
04/28/01	1331	(S)	READ THE SECOND TIME
04/28/01	1332	(S)	FIN CS ADOPTED UNAN CONSENT
04/28/01	1332	(S)	ADVANCED TO THIRD READING
			UNAN CONSENT
04/28/01	1332	(S)	READ THE THIRD TIME CSSB
			193(FIN)
04/28/01	1332	(S)	PASSED Y18 N1 A1
04/28/01	1332	(S)	EFFECTIVE DATE(S) SAME AS
			PASSAGE
04/28/01	1332	(S)	ELLIS NOTICE OF
			RECONSIDERATION
04/28/01		(S)	RLS AT 2:00 PM FAHRENKAMP 203
04/28/01		(S)	MINUTE(RLS)
04/30/01	1380	(S)	RECONSIDERATION NOT TAKEN UP
04/30/01	1381	(S)	TRANSMITTED TO (H)
04/30/01	1381	(S)	VERSION: CSSB 193(FIN)
05/01/01	1423	(H)	READ THE FIRST TIME -
			REFERRALS
05/01/01	1423	(H)	STA, FIN
05/02/01		(H)	STA AT 9:00 AM CAPITOL 102
05/02/01		(H)	-- Meeting Postponed to
			5/3/01 --
05/03/01		(H)	STA AT 8:30 AM CAPITOL 102

WITNESS REGISTER

SENATOR PETE KELLY
Alaska State Legislature
Capitol Building, Room 518
Juneau, Alaska 99801
POSITION STATEMENT: Sponsor of SB 193.

ACTION NARRATIVE

TAPE 01-52, SIDE A
Number 0001

CHAIR JOHN COGHILL called the House State Affairs Standing Committee meeting to order at 8:37 a.m. Representatives Coghill, Fate, Stevens, Wilson, Crawford, and Hayes were present at the call to order. Representative James arrived as the meeting was in progress.

SB 193 - STUDY: EFFECTS OF PERMANENT FUND DIVIDEND

Number 0080

CHAIR COGHILL announced that the committee would hear CS FOR SENATE BILL NO. 193(FIN), "An Act making a special appropriation to the Alaska Legislative Council for a study of the economic and social effects of the permanent fund dividend on the state; and providing for an effective date."

Number 0097

SENATOR PETE KELLY, Alaska State Legislature, sponsor explained that SB 193 proposes to study what is going on with the permanent fund dividend (PFD), specifically in preparation for a possible gas [pipeline] boom. If Alaska experiences a boom similar to what occurred in the '70s during construction of the oil pipeline, he predicted, there would be impacts on the PFD. He then mentioned an [Alaska Superior] Court case [Lindley v. Malone] from 1990, which, he opined, narrowly left open the door to examine the possibility of instituting a two-year-residency requirement for the PFD. He reported that the court said that the state has to prove that the PFD has a negative impact on the state before a two-year-residency requirement could be imposed. All that SB 193 does, he concluded, is begin to study the socioeconomic impacts of the PFD.

SENATOR KELLY used the example of a family of five who is trying to decide whether to move to Alaska from the Lower 48: under recent PFD payouts, this is close to \$10,000; therefore, he opined, the decision to come to Alaska could be based on that \$10,000. He suggested that the question before the legislature is whether it wants the PFD drawing people to Alaska, or "opportunity" drawing people. The study proposed by SB 193 just gives the legislature information; it does not create any statutory changes. After the study, if it is then determined that the PFD is having a negative effect - he said the court

called it a magnet affect - then the legislature could implement a two-year-residency requirement.

CHAIR COGHILL noted SB 193 states that the results of the study are to be presented to the legislature on or before January 15, 2002. He asked whether this study could be completed in such a short period of time.

SENATOR KELLY said that he has talked with people who do these kinds of studies and they have indicated to him that it could be done in that timeframe.

Number 0355

CHAIR COGHILL asked Senator Kelly whether he has "the blessings of the departments" with regard to the requirements placed on them by SB 193. "Are we pushing them, or walking with them?"

SENATOR KELLY responded that rather than go for a fiscal note, SB 193 just appropriates the money [from the receipts of the Alaska Permanent Fund Corporation]. Although the departments are going to be involved, they will not be asked for their active participation other than to provide information that they should be collecting already. He explained that it would be the Alaska Legislative Council that would contract with a company for the study.

REPRESENTATIVE JAMES surmised that a list of PFD applicants could be obtained from the Permanent Fund Dividend Division and then compared with lists of people applying for welfare, food stamps, and unemployment compensation. She asked if this is how Senator Kelly envisions the study being done. She also noted that many people who advocate keeping the PFD as it is and even making it bigger are those who say that there are probably not very many people who come to Alaska just for the PFD.

SENATOR KELLY said that goal of the study is to provide hard evidence - as opposed to anecdotal evidence - of how many people come to Alaska just for the PFD.

REPRESENTATIVE JAMES mentioned that she heard testimony several years ago from a woman with a disabled child who moved to Alaska specifically because Alaska provided better programs for her child. She also mentioned that a study done regarding the Longevity Bonus Program indicated that when the residency requirement was lowered to one year, approximately 40 percent of people who applied for it had only been in Alaska for three

years or less. Thus, she surmised, there is evidence that people do come to Alaska just for the programs.

REPRESENTATIVE FATE said he is glad to see SB 193. He mentioned that a study done several years ago documented approximately how much money was leaving the state each year as what he called "ghost money," and documented approximately how many families leave Alaska every five years. He asked whether the study proposed by SB 193 would also include this sort of information.

SENATOR KELLY said it would not. Demographic changes will only be studied in relation to the PFD, he added.

REPRESENTATIVE STEVENS, returning to the example of a family of five choosing to move to Alaska for \$10,000 in PFD money, noted that Alaska would also be paying the educational costs of the three children. He also noted that since many people come to Alaska for a combination of reasons, it wouldn't be easy to determine that it is strictly because of the PFD. He asked Senator Kelly what he intends to do if the results of the study are vague.

Number 1029

SENATOR KELLY admitted that even if the study is approved, extending the residency requirements to two years might still be prohibited; it is a bit of a gamble. He added that if the study is authorized, he envisions the Alaska Legislative Council working to set the study's parameters with whichever company is chosen so that the results won't be vague. He explained that he does not have any objection to people who move to Alaska who have something to offer the community in return; he said his fear is that people who have nothing to contribute to Alaska will move up here solely because of the PFD and then start living off public assistance programs.

REPRESENTATIVE WILSON said she is glad to see that the effects of seasonal employment will also be investigated. [For the reader's information, this line of inquiry is not specifically listed in SB 193, it is merely mentioned in the sponsor statement.] As a former Tok resident, she recalled people without any assets to speak of moving in to the community in order to qualify for the PFD as well as Alaska's welfare system.

REPRESENTATIVE CRAWFORD opined that the study proposed by SB 193 will help determine what is actually going on. He recounted that he came "up the highway" 25 years ago with all his worldly

belongings in an International Scout, and that he came for the opportunities that Alaska had to offer. He added that receiving the PFD over the years has helped him and his family. He said:

I don't know how we gauge what a negative effect really is; ... what's negative and what's positive really is kind of vague here. I'm sure that a lot of us that came up the highway to work on the pipeline 25 years ago are the fathers and mothers of today's doctors and lawyers and what have you. I don't know that having people come up the highway ... [who] are in dire straights, isn't going to have some good effects as well. I know that in my trade as an ironworker, we're short of ironworkers. We don't have enough ironworkers to build a gas [pipeline]; we don't even have enough ironworkers to build a 20-story building in Anchorage this year. We're going to need more people, and it seems to me that we've been losing a lot of good people over the last few years; a lot of anecdotal evidence coming in to me is that kids are going [to school out of state] and they don't come back. So I don't know where we get tomorrow's generation from unless it is people coming up the highway, and if the dividend helps them to get up here and stay up here and ... [become] new Alaskans, I don't know that it's all bad. So I'm glad that you're going to do this study, so we can kind of decide what is a good effect and what's a bad effect.

SENATOR KELLY said: "I think you've, in some ways, hit the nail on the head; this is going to be a tough study because what you are looking at, really, is motivation. If there's an ironworker out there that wants to come to Alaska, and that dividend helps them make the decision, then I say, 'Come on up.'" He remarked that the people who came up the highway in the '70s for the pipeline came up because they had a job. He said it is going to be difficult to get clear answers from the study because the goal will be to document the number of people who are motivated by the idea of getting a PFD check rather than getting a job.

Number 1611

REPRESENTATIVE FATE moved to report CSSB 193(FIN) out of committee with individual recommendations and the accompanying fiscal note. There being no objection, CSSB 193(FIN) was reported from the House State Affairs Standing Committee.

ADJOURNMENT

Number 1642

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 8:59 a.m.