

HOUSE FINANCE COMMITTEE  
February 8, 2006  
1:46 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:46:54 PM](#).

MEMBERS PRESENT

Representative Kevin Meyer, Co-Chair  
Representative Bill Stoltze, Vice-Chair  
Representative Richard Foster  
Representative Mike Hawker  
Representative Jim Holm  
Representative Reggie Joule  
Representative Mike Kelly  
Representative Carl Moses  
Representative Bruce Weyhrauch  
Representative Beth Kerttula

MEMBERS ABSENT

Representative Mike Chenault, Co-Chair

ALSO PRESENT

Terry Harvey, Staff, Representative Bruce Weyhrauch; Sharon Barton, Director, Alaska Permanent Fund Division, Department of Revenue; Representative Bob Lynn; Ralph Taylor, Homer; Suzanne Cunningham, Staff, Co-Chair Meyer

PRESENT VIA TELECONFERENCE

Christopher C. Poag, Assistant Attorney General, Commercial/Fair Business Section, Civil Division, Department of Law; Duane Bannock, Director, Division of Motor Vehicles, Department of Administration; Ron Hoyt, Homer; Vi Gerrell, PhD

SUMMARY

HB 273 "An Act relating to the dividends of individuals claiming allowable absences; and providing for an effective date."

HB 273 was heard and HELD in Committee for further consideration.

HB 245 "An Act relating to registration and license plate fees for Purple Heart recipients, prisoners of war, Congressional Medal of Honor recipients, and spouses of current prisoners of war."

HB 245 CS HB 245 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal note by the Department of Administration.

HB 12 "An Act relating to televisions and monitors in motor vehicles."

HB 12 was SCHEDULED but not HEARD.

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HOUSE BILL NO. 273

"An Act relating to the dividends of individuals claiming allowable absences; and providing for an effective date."

Representative Weyhrauch, sponsor, explained that currently every Alaskan who is a resident of the state is qualified to receive a Permanent Fund Dividend (PFD). Under certain circumstances, physical presence in the state can be waived and a resident can still receive a PFD. HB 273 would make sure that a person who qualifies for a dividend is an Alaskan resident, and upon return to the state after an allowed absence, would receive a PFD. The impetus behind the bill is the \$150 million sent out of the state under absentee exceptions. Certain categories of exemptions never return to the state. HB 273 would give a PFD to everyone who qualifies, upon return to the state from an allowed absence, and would benefit the economy of the state.

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Representative Joule asked if a person whose dividend has been held for several years would receive any interest. Representative Weyhrauch said that no interest would be added.

Representative Holm inquired if there were any limits to the amount of time a person could be gone and still be eligible for a dividend. Representative Weyhrauch deferred to Mr. Harvey.

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TERRY HARVEY, STAFF, REPRESENTATIVE WEYHRAUCH, reported that there is a 10-year moratorium on absences allowed, which will go into effect in 2008.

Mr. Harvey related that the permanent fund dividend is a very touchy subject. Many arguments are demanding in tone when expressing a need for the dividend. The original

public purpose of the PFD was about physical residency in Alaska, not about need. He shared other arguments put forth by people as to Alaskan residency. The legislature has established residency as being physically present in Alaska for 185 days and the Supreme Court has backed that up. He emphasized that a person with an allowable absence is not committing fraud by collecting a dividend from outside of the state. He discussed the fairness issue regarding those who collect a dividend, but do not return to the state.

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Representative Stoltze asked for the Administration's position on the bill.

SHARON BARTON, DIRECTOR, ALASKA PERMANENT FUND DIVISION, DEPARTMENT OF REVENUE, stated the Administration's support for HB 273.

Representative Weyhrauch requested that Ms. Barton explain the Permanent Fund Dividend Division's report. Ms. Barton referred to a report entitled "HB 273, Delayed Payments Analysis, February 6, 2006" (copy on file.) A considerable number of categories were added to the samples and the data was fine-tuned at the request of the House State Affairs Committee. The rates of those absent groups not returning grew larger. The four largest groups, those accompanying someone on an allowable absence such as military or student dependants, do not return at a rate of 82 percent. College students do not return at a rate of 67 percent. Active military do not return at a rate of 72 percent. Those out receiving medical care do not return at a rate of 63 percent. The report is broken down into various categories of time spent outside of Alaska, from 1 to 10 years. Students who only go out to school for one or two years return at a higher rate. The weighted average for all absent types is 72 percent not returning after 10 years.

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Ms. Barton shared financial data on the projected costs of those who do not return to the state.

Representative Kerttula asked how the survey was organized. Ms. Barton explained how the individuals were tracked. No persons included in the group only applied one year. Representative Kerttula asked if people in previous years were included. Ms. Barton explained that they were not and that the data was done by hand. Representative Kerttula asked how many people are claiming exceptions. Ms. Barton referred to attachment one, which lists exceptions by year and by category.

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Representative Joule asked for clarification about the secondary school category on page 2. He asked if graduate students were included in the college category. Ms. Barton replied that graduate students are included in the college category.

Representative Stoltze asked if HB 2 had not passed, if there would be no need for spouses and children to be included in this bill. Ms. Barton said there would have been less of an impact if HB 2 had not passed.

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Representative Kelly asked if five years was ever considered as the limit to be absent from the state. Representative Weyhrauch said it was not considered. Representative Kelly asked if the clock could be reset if the person comes back and re-qualifies. Representative Weyhrauch said that is possible.

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Representative Kerttula asked for a definition of secondary school. Ms. Barton replied that it is high school. In response to a question from Representative Kerttula, Ms. Barton replied that the last pages of the handout are the delayed payment analysis figures requested by the House State Affairs Committee. Representative Kerttula noted a higher return rate for those gone only two years. Ms. Barton said that is true for college students and small groups. An amendment was made to allow for students to be out for two years without losing their dividends. Representative Kerttula asked if it were possible to know if students were remaining out of state longer for medical or law school. Ms. Barton replied no.

Representative Weyhrauch noted that those returning students would get a large check upon return. He clarified that many students who leave for school apply for in-state residency to get a better tuition rate, which has a far greater economic benefit to them than a PFD.

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Mr. Harvey spoke to the original purpose of this legislation. The argument heard was that there should be reasons why a resident can leave temporarily, with intent to return. That language is in the PFD application. The sponsor feels that making eligibility conditional is a return to the original intent of the bill. Over a ten-year period, 97,000 individuals applied from out of state, received \$136 million as a PFD, and never returned to Alaska.

Ms. Barton added that as the bill is currently written, college students would receive a dividend for the first 3 years, not just two. The first year students leave for school in the fall and are not "out of state" that year.

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RALPH TAYLOR, NOME, voiced appreciation for the hard work done on the bill. He related that there are a lot of checks and balances in place at this time. He shared a story of his daughter's experience in the army when she did not receive a PFD at one point. He maintained that there are checks and balances already in place, which should be used to deny those not returning to the state.

Representative Weyhrauch related that the bill does not interfere with the rights of PFD applicants. The full range of checks and balances is still intact and available to everyone.

Representative Foster thanked Mr. Taylor.

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RON HOYT, HOMER, shared that he is a WW II veteran. He spoke in support of the bill and in favor of a two-year absence limit. He suggested the time be capped at 5 years and that interest need not be paid.

VI GERRELL, PhD, spoke in opposition to HB 273. She maintained that the most recent sampling is inadequate. She suggested that the bill is unconstitutional because it targets groups, gives no proper notice, and denies the right to due process and protection under the laws. She opined that military people and students are Alaskans who intend to return to the state.

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Representative Weyhrauch asked Mr. Poag to review the legal aspects of HB 273. He maintained that the bill does not target a specific group, nor does it comment on fraud. He requested Mr. Poag address the problems associated with identifying a class as "needing a dividend" and the issue of equal treatment.

CHRISTOPHER C. POAG, ASSISTANT ATTORNEY GENERAL, CIVIL DIVISION, related that the persons who qualify for the PFD are Alaska residents. The bill provides that Alaska residents who are not physically present in the state must have a subjective intent to return to the state. The legislature has given the PFD Division broad discretion to decide the criteria regarding reasonable subjective intent.

He related a case of Church vs. State where Mr. Church did not qualify for an allowable absence. The Supreme Court expressed that the PFD is an economic interest. The objective is to encourage Alaskans to remain or to return so that only permanent Alaskan residents receive the PFD. As long as the enactment by this legislative body has this legitimate government objective, it would survive an equal protection challenge. This legislation does not target a specific group and has no "notice" issue because it applies to the future. He spoke to the due process issue regarding the bill and stated that the interest issue does not come into play.

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HB 273 was heard and HELD in committee for further consideration.

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HOUSE BILL NO. 245

"An Act relating to registration and license plate fees for Purple Heart recipients, prisoners of war, Congressional Medal of Honor recipients, and spouses of current prisoners of war."

Representative Hawker MOVED to ADOPT the proposed committee substitute (CS) for HB 245, labeled 24-LS0604\S, Luckhaupt, 2/6/06. Representative Stoltze OBJECTED for discussion purposes.

SUZANNE CUNNINGHAM, STAFF, CO-CHAIR MEYER, explained that the new CS has two changes. It includes Congressional Medal of Honor recipients under the same paragraph that provides license plates for Pearl Harbor survivors and former prisoners of war (POW). It also provides for no fee for the registration of the plates or for the plates. The second change is that the current POW and spouse eligibility for a plate was removed and an immediate effective date was added.

Representative Kerttula asked why current POWs and spouses were cut out. Ms. Cunningham related that when looking at the specialty license plates as a class, there is no eligibility for those categories. The intent of this legislation is to honor those who serve our country.

Representative Kerttula asked how many current POWs there are. Ms. Cunningham replied that she is unsure if there are any at this time.

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REPRESENTATIVE BOB LYNN, SPONSOR, shared disappointment that the POW and spouse categories were removed. He spoke of a preference to leave them in, in order to honor them.

Representative Weyhrauch asked if a Missing in Action (MIA) category should be included. Representative Lynn said he had no problem with that idea. Representative Weyhrauch asked how a MIA veteran would apply for a license. Representative Lynn replied that the spouse would apply for it.

Ms. Cunningham referred to earlier legislation in 2003 whereby anyone could purchase a commemorative license plate to support veterans. The money raised from the sale of those plates would be appropriated back to support services for veterans.

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DUANE BANNOCK, DIRECTOR, DIVISION OF MOTOR VEHICLES, DEPARTMENT OF ADMINISTRATION, opined that many of the automobiles are in the name of the veteran and the spouse. He gave an example. Under Chapter 48 when two names are on the vehicle title, either party can make an application for a license. He discussed the Commemorative Veteran's License Plate, which honors military personnel.

Representative Stoltze noted that the license plate bill has become more complicated. He asked Representative Lynn if the CS was acceptable. Representative Lynn noted a preference for the original bill, but stated acceptance of the new CS.

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Representative Stoltze WITHDREW his OBJECTION.

Co-Chair Meyer asked that the OBJECTION remain on the table.

Representative Foster noted that he had recently been in two Division of Motor Vehicle offices and did not notice the commemorative veterans display.

Mr. Bannock commented that he would be disappointed if each office did not show a display of all available license plates.

Representative Kerttula inquired if language in the current law would include those that who are currently POWs. Mr. Bannock replied that he was referring to past tense (former) prisoners of war. He understood that the statute indicates past tense.

Representative Kerttula questioned the circumstances if the person has been, and is currently, a POW. Mr. Bannock responded that if a person came in with a document that tied POW to a name that was listed on the vehicle, that customer would receive the plate. He acknowledged that it could be challenged. There are a total of 34 vehicles with POW license plates.

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Representative Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, CSHB 245 was adopted.

Representative Hawker noted concerned that the proper term for Congressional Medal of Honor should be "Medal of Honor". Representative Lynn responded that he did not know, but he offered to research it. Representative Foster stated that he also did not know.

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Discussion occurred between committee members regarding the possibility of clarifying the Prisoner of War status.

Representative Lynn offered to check with the Department of Defense regarding that language.

Co-Chair Meyer recommended that the number of amendments be limited.

Representative Hawker commented that he would vote with an "amend" recommendation.

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Representative Foster MOVED to REPORT CSHB 245 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 245 (FIN) was reported out of Committee with a "do pass" recommendation and with a new fiscal note by the Department of Administration.

ADJOURNMENT

The meeting was adjourned at 2:59 PM.