

**HB**

**386**

HOUSE COMMITTEE ON STATE AFFAIRS

RECAP OF  
HB 386

Eligibility for Permanent Fund Dividends

Received January 8, 1990  
by Rep. Finkelstein

Heard March 14, 1990  
Heard April 5, 1990

Passed Out of Committee April 5, 1990  
4 Do Pass  
1 No Recommendation

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# HOUSE COMMITTEE REPORT

(7)

Date Referred: January 8, 1990

FURTHER REFERRALS: JUDICIARY  
FINANCE

Date of Committee Action: \_\_\_\_\_

The STATE AFFAIRS Committee considered:

HB 386

HOUSE BILL NO. 386

ELIGIBILITY FOR PERMANENT FUND DIVIDENDS

"An Act relating to eligibility for permanent fund dividends; and providing for an effective date."

### RECOMMENDATIONS:

- [ ] be replaced with \_\_\_\_\_ [ ] the same title  
[ ] a new title  
[ ] have attached amendment(s)  
[X] do pass  
[ ] do not pass  
[ ] no recommendation  
[ ] individual recommendations  
[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(s):  
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- 2[X] fiscal impact DOR  
[ ] zero fiscal note \_\_\_\_\_  
[ ] zero with analysis \_\_\_\_\_

- [ ] fiscal note(s) \_\_\_\_\_  
[ ] zero fiscal note(s) \_\_\_\_\_  
[ ] zero fn/analysis \_\_\_\_\_

### SIGNING DO PASS:

*[Handwritten signatures]*

### SIGNING:

(Check approp. column)

|                                | Do Not Pass | No Rec | Amend |
|--------------------------------|-------------|--------|-------|
| <i>[Handwritten signature]</i> |             | ✓      |       |
| <del>_____</del>               |             |        |       |
| _____                          |             |        |       |
| _____                          |             |        |       |
| _____                          |             |        |       |
| _____                          |             |        |       |
| _____                          |             |        |       |
| _____                          |             |        |       |

*[Handwritten signature]*  
Chairman's Signature

Item 1

Introduced: 1/8/90  
Referred: State Affairs, Judiciary, and Finance

6-1666A

BY REP. FINKELSTEIN

1 IN THE HOUSE

2 HOUSE BILL NO. 386

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to eligibility for permanent fund  
7 dividends; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 43.23.005(a) is amended to read:

10 (a) An individual is eligible to receive one permanent fund  
11 dividend each year in an amount to be determined under AS 43.23.025 if  
12 the individual applies to the department, and if

13 (1) on the date of application the individual is a state  
14 resident;

15 (2) the individual was a state resident for a period of at  
16 least 24 consecutive months immediately preceding April 1 of the  
17 current dividend year; and

18 (3) the individual has been physically present in the state  
19 at some time during the period beginning July 1 two years before the  
20 date of application and ending on the date of application, or the  
21 commissioner determines that it has not been practical for the indi-  
22 vidual to return to the state due to job requirements, educational  
23 pursuits, military obligations, health considerations, or other sig-  
24 nificant factors.

25 \* Sec. 2. AS 43.23.015(b) is amended to read:

26 (b) The department shall prescribe and furnish an application  
27 form for claiming a permanent fund dividend. The application must  
28 contain a statement of eligibility and a certification of residency in  
29 substantially the following form:

show change to return / opens the door

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I certify that

( ) I am a state resident on the date of this application, I have been a state resident for at least 24 months immediately preceding April 1 of the current dividend year, and

( ) I have been physically present in the State of Alaska at some time during the period beginning July 1 two years before the date of application and ending on the date of this application; or

( ) it has not been practical for me to return to the state due to the following significant factors:

\_\_\_\_\_  
\_\_\_\_\_ ; or

( ) (name), the individual on whose behalf I am applying, is a state resident on the date of this application, has been a state resident for at least 24 months immediately preceding April 1 of the current dividend year, and

( ) has been physically present in the State of Alaska at some time during the period beginning July 1 two years before the date of application and ending on the date of this application; or

( ) it has not been practical for the individual to return to the state due to the following significant factors:

\_\_\_\_\_  
\_\_\_\_\_ .

I understand that a false claim of eligibility to obtain a permanent fund dividend for myself or for another is a criminal offense, that if convicted I will forfeit future dividends, and that I must repay all dividends that have been paid to me. I understand that if I wilfully misrepresent, exercise gross negligence, or recklessly disregard a material fact regarding my eligibility for a permanent fund dividend I will forfeit the dividend, be subject to a civil fine of up

1 to \$5,000, and lose my eligibility for the next five dividends. I  
2 understand that these penalties are in addition to any criminal penal-  
3 ties imposed.

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(signature of individual,  
parent, guardian, or other  
authorized representative)

\* Sec. 3. This act takes effect January 1, 1991.

FISCAL NOTE

REQUEST

Revision Date: \_\_\_\_\_  
Title: An Act relating to eligibility  
for permanent fund dividends  
Sponsor: FINKELSTEIN  
Requestor: \_\_\_\_\_

Agency Affected: Revenue  
BRU: Commissioner's Office  
Components: Commissioner's Office

EXPENDITURES/REVENUES: (Thousands of Dollars)

|                        | FY 91 | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 |
|------------------------|-------|-------|-------|-------|-------|-------|
| <b>OPERATING</b>       |       |       |       |       |       |       |
| PERSONAL SERVICES      | -0-   | 636.7 | 636.7 | 636.7 | 636.7 | 636.7 |
| TRAVEL                 | -0-   | 5.0   | 5.0   | 5.0   | 5.0   | 5.0   |
| CONTRACTUAL            | -0-   | 50.7  | 50.7  | 50.7  | 50.7  | 50.7  |
| SUPPLIES               | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |
| EQUIPMENT              | -0-   | 112.1 | -0-   | -0-   | -0-   | -0-   |
| LANDS & STRUCTURES     | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |
| GRANTS, CLAIMS         | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |
| MISCELLANEOUS          | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |
| <b>TOTAL OPERATING</b> | -0-   | 804.5 | 692.4 | 692.4 | 692.4 | 692.4 |
| <b>CAPITAL</b>         | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |
| <b>REVENUE</b>         | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |

FUNDING: (Thousands of Dollars)

|               |     |       |       |       |       |       |
|---------------|-----|-------|-------|-------|-------|-------|
| GENERAL FUND  | -0- | -0-   | -0-   | -0-   | -0-   | -0-   |
| FEDERAL FUNDS | -0- | -0-   | -0-   | -0-   | -0-   | -0-   |
| OTHER (PFD)   | -0- | 804.5 | 692.4 | 692.4 | 692.4 | 692.4 |
| <b>TOTAL</b>  | -0- | 804.5 | 692.4 | 692.4 | 692.4 | 692.4 |

POSITIONS:

|           |     |     |     |     |     |     |
|-----------|-----|-----|-----|-----|-----|-----|
| FULL-TIME | -0- | 13  | 13  | 13  | 13  | 13  |
| PART-TIME | -0- | -0- | -0- | -0- | -0- | -0- |
| TEMPORARY | -0- | -0- | -0- | -0- | -0- | -0- |

ANALYSIS: See attached.

Prepared By: Deborah Vogt  
Division: Commissioner's Office

Phone: 465-2300  
Date: March 13, 1990

Approved by Commissioner: \_\_\_\_\_  
Agency: Revenue

Date: 3/14/90

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

*See letter to*

Department of Revenue  
 Commissioner's Office  
 Fiscal Note Analysis  
HB 386  
 March 13, 1990

Analysis:

If this bill becomes law, it is estimated that approximately 5,500 additional applicants will appeal to the formal hearing level as a result. Since there are often several applicants in a household, 5,500 applications means approximately 2,400 cases to be reviewed. Discretionary decisions by the division result in a higher (90%) percent rate of appeal.

Summary judgment motions would not be appropriate and would not be utilized. This means that in each case, a formal hearing would be held. In the interest of economy, most hearings would be by correspondence or by telephone, but would be long distance.

If the hearing officer is expected to do actual review of the specific facts to determine practicality in each case, it is my estimate that a hearing officer could complete a caseload of approximately 230 cases per year. This fact alone renders the situation ridiculous. We would need approximately 10 hearing officers and a staff of 1 paralegal assistant and clerical support to keep up with the volume on a year to year basis without impacting our ability to hold hearings on other Permanent Fund Dividend cases, Child Support cases, and more importantly, tax cases.

| <u>1. Personal Services</u>   | <u>FY 91</u> | <u>FY 92</u>       |
|---|--------------|--------------------|
| 10 Hearing Officers, R19<br>@ \$4,445.52/mo including salary<br>and benefits for 12 months      | = -0-        | \$533.5            |
| 1 Paralegal Assistant II, R16<br>@ \$3,683.96/mo including salary<br>and benefits for 12 months | = -0-        | \$44.2             |
| 1 Clerk IV, R9, @ \$2517.60/mo<br>including salary and benefits<br>for 12 months                | = -0-        | \$30.2             |
| 1 Clerk Typist III, R8<br>@ \$2,397.48/mo including salary<br>and benefits for 12 months        | = -0-        | <u>\$28.8</u>      |
| <br>Total Personal Services   | <br>-0-      | <br><u>\$636.7</u> |
| <br><u>2. Travel</u>  |              |                    |
| To hold a limited number of hearings<br>in Anchorage.   | = -0-        | \$5.0              |

Department of Revenue  
Commissioner's Office  
Fiscal Note Analysis  
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3. Contractual Services

|                                      |   |            |               |
|--------------------------------------|---|------------|---------------|
| a) Telephone Costs for long distance | = | -0-        | \$40.7        |
| b) Westlaw legal research            | = | <u>-0-</u> | <u>\$10.0</u> |
| Total Contractual Services           |   | <u>-0-</u> | <u>\$50.7</u> |

4. Equipment

|   |   |            |                |
|---|---|------------|----------------|
| a) System furniture for 13 employees<br>@ \$4,000/each employee | = | -0-        | \$52.0         |
| b) Telephone system upgrade                                     | = | -0-        | \$25.0         |
| c) Computer Equipment:  |   |            |                |
| 13 Wang PC 240 terminals for employees<br>@ \$2,700/each        | = | <u>-0-</u> | <u>\$35.1</u>  |
| Total Equipment   |   | <u>-0-</u> | <u>\$112.1</u> |
| TOTAL COST  |   | <u>-0-</u> | <u>\$804.5</u> |



Department of Revenue  
Permanent Fund Dividend Division  
Fiscal Note Analysis  
HB 386  
March 13, 1990

Analysis:

The two-year return rule [AS 43.23.005(a)(3)], is a good law. It is a workable law because it is a test which can be met and which can be measured.

The proposed modification in HB 386 requires the department to make a decision on a question which is not subject to reasonable standard setting: is it "practical" for an individual to return to the state?

In 1989, approximately 8,000 individuals were not eligible for the dividend because they had been gone from Alaska for over two years. Those are people who would otherwise claim to be Alaskan residents, but who had not seen Alaska since at least July 1, 1987. We have heard from many of these individuals claiming that it would be cost-prohibitive to visit their "home state" for the value of two years worth of dividends (three years if they visit in June and July). Some have argued that they cannot get away from school or their job during the two year period. The point is, given the opportunity to claim hardship, impracticality, financial drain, etc., most people will make the claim. We believe we will see an increase of approximately 10,000 claims.

Once this bill becomes law, the division would be inundated with calls and letters from all over the world, wanting advance determination by the division on their particular hardship reason. We do not give advance approval on eligibility because the circumstances always seem to turn out a little different than first described, and then the public is outraged that "we changed our mind." Nonetheless, there would be a great deal of pressure for this type of determination. We now know what we always suspected, that the vast majority of persons who leave the state on allowable absences do not return, at least not in two years. The pressure on the division by the applicants and by all the national, state, and local officialdom whom they will recruit as allies and character witnesses will be intense.

In the initial document processing, the applications which claim such hardships will have to be identified and sorted for further review. This incremental effort is expected to require six seasonal permanent part-time document processors during the three month filing period.

There is no standard provided in the bill which will allow the department to resolve these claims easily. Like most hardship type programs, each case will have to be examined on its own merits, with the final judgment being perceived as arbitrary.

Department of Revenue  
Permanent Fund Dividend Division  
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The current caseload for a PFD Specialist is approximately 1,500 cases. Adding hardship determinations for another 10,000 cases will require another eight specialists plus two clerical staff to get out the determination letters and keep the computer records up to date. This results in a doubling of our current review staff, and will result in expanded equipment and space needs. It is likely that the Permanent Fund Dividend Division will have to move from the State Office Building to private leased space to accommodate the increased staff.

I estimate that 7,000 will be denied with approximately 6,300 appealing. Our experience has shown that where the public perceives the decision as one based on judgment, and as discretionary, they almost always appeal all the way to formal hearing. The increase of 6,300 cases to the informal conference staff will result in a tripling of current workload. We will need an additional eight conferees, two clerk typists, and related equipment and space. These conferees also represent the division at formal hearings of which we expect approximately 5,500 per year. Again, experience has shown that the public will take advantage of a free appeal process when the decision is perceived as discretionary. There would be no motions, so each hearing would result in preparation and an actual hearing, a very time-consuming process. Since most of these hearings would be telephonic, we can expect our long-distance contractual costs to go up as well.

In summary, there are two factors which will drive the costs of administering this change.

1. The test to be applied is one which cannot be standardized. Each case will represent a unique set of family, job, transportation and financial problems which will have to be weighed.
2. The decision by the division will naturally be seen as one which involves a great deal of discretion, leading to a high percentage of appeals.

Department of Revenue  
 Permanent Fund Dividend Division  
 Fiscal Note Analysis  
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1. Personal Services FY 91 FY 92

Public Information

4 PFT Document Processor II's, R8  
 @ 2,397.48/mo including salary  
 and benefits for 12 months = \$115.1 \$115.1

These positions, assigned to the Dividend Information Offices in Anchorage, Fairbanks, and Juneau, will field general questions from the public about the applicability of the new hardship clause to their particular set of circumstances.

Document Processing

6 PPT Document Processor I's, R7  
 @ 2,340.37/mo including salary  
 and benefits for 3 months = \$42.1 \$42.1

These positions will assist in the initial identification and selection of the hardship cases. They will also mail questionnaires to the applicants, and process the responses before assignment to the PFD Specialists for review.

Review

8 PFT PFD Specialists I, R13  
 @ \$3,086.97/mo including salary  
 and benefits for 12 months = -0- \$296.3

These positions will review the hardship claims and make the initial determination on eligibility.

1 PFT PFD Specialist III, R18  
 @ \$4,230.65/mo including salary  
 and benefits for 12 months. = -0- \$50.8

This position would become the supervisor of the 8 new PFD Specialists I, above.

Department of Revenue  
 Permanent Fund Dividend Division  
 Fiscal Note Analysis  
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| 1. <u>Personal Services (continued)</u>   | <u>FY 91</u>     | <u>FY 92</u>   |
|---|------------------|----------------|
| <u>Appeals</u>  |                  |                |
| 8 PFT PFD Specialists I, R13<br>@ \$3,086.97/mo including salary<br>and benefits for 12 months  | = -0-            | 296.3          |
| These positions will hold informal conferences on all denied applicants who appeal the initial decision, and will represent the divisions and the formal hearing requested by approximately 5,500 applicants. They will be part of the Dividend Appeals Unit in Juneau. |                  |                |
| 1 PFT PFD Specialist III, R18<br>@ \$4,230.65/mo including salary<br>and benefits for 12 months.  | = -0-            | \$50.8         |
| This position would become the team leader for the 8 new PFD Specialists I holding appeals, and the current PFD Specialist III would continue to supervise the 8 PFD Specialists as currently staffed.  |                  |                |
| 1 PFT PFD Specialist IV, R20<br>@ \$4,771.19/mo including salary<br>and benefits for 12 months  | = -0-            | \$57.3         |
| This position would oversee the expanded Dividend Appeals Unit.   |                  |                |
| <u>Clerical support</u>   |                  |                |
| 4 PFT Clerk Typist IIIs, R8<br>@ \$2,397.48/mo including salary<br>and benefits for 12 months   | = -0-            | <u>\$11.4</u>  |
| Two of these clerical positions will provide clerical, word processing and computer support for the new initial review team. The other two will serve as support for the new informal conferees in the Dividend Appeals Unit in Juneau.                                 |                  |                |
| <b>Total Personal Services</b>  | = <u>\$157.2</u> | <u>\$920.1</u> |

Department of Revenue  
 Permanent Fund Dividend Division  
 Fiscal Note Analysis  
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|   | <u>FY 91</u>   | <u>FY 92</u>   |
|---|----------------|----------------|
| 2. <u>Travel</u>  |                |                |
| Administrative Travel by the Field Services Manager to oversee the initial start-up of this new function in Anchorage                               | = \$2.0        | -0-            |
| 3. <u>Contractual Services</u>  |                |                |
| a) Telephone Costs:   | -0-            | \$28.2         |
| All of the contacts with this class of applicant will be out-state and many will be overseas. Telephone costs will rise dramatically.               |                |                |
| b) VERY IMPORTANT NOTE: The cost of providing leased space in Anchorage and Juneau is not included at this time (see analysis).                     |                |                |
| 4. <u>Supplies</u>  |                |                |
| General office supplies will increase due to increase in staff. Form letters, questionnaires, etc. will be used in this process.                    | \$5.0          | \$5.0          |
| 5. <u>Equipment</u>   |                |                |
| a) <u>System Furniture</u> for 31 employees @ \$4,000/employee including desks, chairs, partitions, file cabinets, etc.                             | = \$124.0      | -0-            |
| b) <u>Computer Access:</u>  |                |                |
| 4 Wang PC 240 computer terminals with emulator boards for the additional clerk typists who will be doing both word processing and file maintenance. | = \$13.2       | -0-            |
| 27 Telex or equivalent dumb terminals for file look-up with no word processing requirement.   | = \$23.0       | -0-            |
| One time costs of providing access to mainframe at \$1,600 per address for 31 addresses   | = \$49.6       | -0-            |
| c) <u>Telephone System Upgrade</u> , in both Anchorage and Juneau   | = \$40.0       | -0-            |
| Total Equipment   | <u>\$249.8</u> | <u>-0-</u>     |
| TOTAL COST  | <u>\$414.0</u> | <u>\$953.3</u> |

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P.O. BOX 5  
JUNEAU, ALASKA 99811-0400  
PHONE: (907) 465-2300  
TELEFAX: (907) 465-2389

March 14, 1990

The Honorable David Finkelstein  
Alaska State House  
P.O. Box V  
Juneau, AK 99811

Dear Representative Finkelstein:

The department estimates that HB 386 will cost reduce the size of the average dividend check by about \$8.00 to \$10.00 (estimating 8000 non-returnees outside Alaska will be receiving checks under the bill at say \$1000 per check is \$8 million. Administrative costs will cut about another million dollars from the amount available in the dividend fund to pay to people here in Alaska).

In addition, the administrative difficulties raised by the bill are severe. There is no good way of estimating the costs of administering the proposal, but there is no doubt that the effort will meet no one's satisfaction, creating a perception of unfairness in the program.

The legislation requires the department to be able to read folk's minds, which is not always an easy task (for this reason the fiscal notes are a very rough "blue-sky" estimate, but I think they do reflect the practical problems involved).

The present law is straight-forward. Extended absence from the state requires that a person forgo the benefits available to people who live here.

I would recommend that it be maintained.

Sincerely,



Hugh Malone  
Commissioner

HM:m11  
SC-58

Item 3



# Alaska State Legislature

Official Business

P.O. Box V  
State Capitol  
Juneau, Alaska 99811

## MEMORANDUM

TO: Representative Red Boucher  
Chairman, House State Affairs Committee

FROM: Rep. David Finkelstein

A handwritten signature in black ink, appearing to be "DF", written over the name "Rep. David Finkelstein".

DATE: February 27, 1990

RE: HB 386, Eligibility for Permanent Fund Dividends

I hope you will be able to schedule HB 386 at your earliest convenience.

HB 386 would allow persons with legitimate reasons for extended absences from the state to remain eligible to receive permanent fund dividends. Individuals could be determined to have allowable absences by the Commissioner of Revenue in cases where a military absence, particular ailment treatable only outside Alaska, or other valid reason for absence is found to exist. All other requirements regarding the dividend application including civil and criminal penalties are unaffected by this bill.