

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 2897

HB

273

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CS HB 273(STA)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Delayed PFD Dividends RDU: Revenue Programs & Support
Sponsor: Weyhrauch, et al Component: Permanent Fund Dividend
Requester: _____ Component No. 981

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (GF)	331.2	*	*	*	*	*
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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)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 273 delays payments of dividends for Alaskans who are out of state for more than two years on an allowable absence of more than 180 days until the individual returns to Alaska for one year without an absence of more than 180 days.

PFD Division will review all applications for applicants with allowable absences exceeding 180 days for more than two years. If otherwise eligible, the application will be conditionally approved and paid only if the individual returns to Alaska for one year without an absence exceeding 180 days.

Each year, the division will calculate and reserve in the Permanent Fund Dividend Fund the amount

Prepared by: Sharon Barton Phone 465-4785
Division: Permanent Fund Dividend Date/Time 2/7/06 12:00 AM
Approved by: Jerry Burnell Date _____
Agency: Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. CS HB 273(STA)

ANALYSIS CONTINUATION

projected to be necessary to pay conditionally approved dividends.

Interest earned on funds held for delayed payments is projected at the 2005 dividend amount, \$845, and the current interest rate of 3.7%. The Interest amount in 2008 and beyond depends on too many variables to project with any accuracy: amount of the dividend, interest rate, number of new absentees, and number who do not return from prior years and continue to apply. Interest earned will be deposited in the General Fund.

Implementation costs will be minimal and can be covered within the PFD 2007 budget.

withdrawn

2/15/06

24-LS0871\F.4
Cook
2/6/06

AMENDMENT

OFFERED IN THE HOUSE
TO: CSHB 273(STA)

BY REPRESENTATIVE JOULE

1 Page 4, line 2, following "(c)":

2 Insert "and (f)"

3

4 Page 4, following line 27:

5 Insert a new subsection to read:

6 "(f) The dividend for a current year shall be paid under AS 43.23.055(2)
7 during the current year to an otherwise qualified individual claiming an allowable
8 absence under AS 43.23.008(a)(1) or (2) if a parent of the individual is also qualified
9 to receive payment of the current year dividend during the current year. For purposes
10 of this subsection, "parent" means

11 (1) a natural or adoptive parent;

12 (2) a stepparent;

13 (3) for an individual who is not emancipated, a guardian or other
14 individual with legal custody."

2-15-06

Failed 4-3

24-LS0871\F.5
Cook
2/7/06

AMENDMENT



OFFERED IN THE HOUSE
TO: CSHB 273(STA)

BY REPRESENTATIVE JOULE

1 Page 4, line 2, following "(e)":

2 Insert "and (f)"

3

4 Page 4, following line 27:

5 Insert a new subsection to read:

6 "(f) The dividend for a current year shall be paid under AS 43.23.055(2)
7 during the current year to an otherwise qualified individual claiming an allowable
8 absence under AS 43.23.008(a)(1) or (2) if the individual was present in the state for at
9 least 90 days during the qualifying year."

2-15-06

24-LS0871\F.10

Cook

2/14/06

adopted N/O

AMENDMENT 3

OFFERED IN THE HOUSE
TO: CSHB 273(STA)

BY REPRESENTATIVE KELLY

1 Page 3, following line 29:

2 Insert a new bill section to read:

3 **** Sec. 3.** AS 43.23.008(c) is amended to read:

4 (c) An otherwise eligible individual who has been eligible for the immediately
5 preceding five [10] dividends despite being absent from the state for more than 180
6 days in each of the related five [10] qualifying years is only eligible for the current
7 year dividend if the individual was absent 180 days or less during the qualifying year.
8 This subsection does not apply to an absence under (a)(9) or (10) of this section or to
9 an absence under (a)(13) of this section if the absence is to accompany an individual
10 who is absent under (a)(9) or (10) of this section."
11

12 Renumber the following bill sections accordingly.

13

14 Page 5, following line 21:

15 Insert a new bill section to read:

16 **** Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 APPLICATION. An otherwise eligible individual who is not eligible for a permanent
19 fund dividend for 2007 because of the amendment to AS 43.23.008(c) in sec. 3 of this Act,
20 but who would have been eligible for the 2007 dividend under AS 43.23.008(c) as it read
21 before the effective date of the amendment remains eligible for the 2007 dividend. In
22 addition, AS 43.23.008(c), as it read before the effective date of the amendment of that
23 subsection by sec. 3 of this Act, applies for purposes of determining that individual's

- 1 eligibility for the 2008, 2009, 2010, and 2011 permanent fund dividends."
- 2
- 3 Renumber the following bill section accordingly.

2-15-06

Failed 4-3

AMENDMENT

H

OFFERED IN THE HOUSE
TO: CSHB 273(STA)

BY REPRESENTATIVE KERTTULA

- 1 Page 4, line 19:
- 2 Delete "the year"
- 3 Insert "the two years"

ALASKA STATE LEGISLATURE

Representative Bruce Weyhrauch

HOUSE DISTRICT 4



Sponsor Statement

HB 273

ALASKA
STATE CAPITOL
JUNEAU, ALASKA
99801-1182

(907) 465-3744
FAX (907) 465-2273

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

The Alaska Permanent Fund Dividend was initiated to provide Alaskans with a share of the state's resource wealth, primarily derived from oil. As dividend values increase, the number of allowable absences also has increased. While receiving dividends out of state, many valuable Alaskans continue to receive dividends under many exemptions authorized by the Legislature. To encourage those who live out of state and receive PFD checks to return to the state, HB 273 simply asks individuals to return in order to collect their dividends.

Individuals collecting dividends out of state, leave little in net return to Alaska. In 2004, roughly 18489 dividends were paid to people living out of state, removing \$17,006,921.76 directly from the state's economy. With a dividend in the amount of \$1963 in 2000, roughly \$30 million left the state.

The system for paying dividends out of state is based on statutory absences created by the legislature. All that is necessary for individuals to receive approval for an allowable absence is that they make a simple statement that they intend to return to the state. Essentially, its an 'honor system.'

But does this really work? Recently, the PF Division issued an estimate that the average rate of return for individuals out of state on an allowable absence was 30%. Over a nine-year period the PF Division estimates the sum of dividends paid to those absent more than 180 days who never returned to the state at approximately \$86.1 million dollars.

Distributing dividends in Alaska through HB 273's requirement for return, suggests that more money will be spent in Alaska. Knowing that a sizable nest egg had accrued in absence, HB 273 might encourage college students and our valuable military personnel to also return to Alaska. By distributing more dividends in state, HB 273 seeks to remedy the situation where a person collects Alaska PFD checks but doesn't live here, while potentially pumping more money into the state's economy.

Contact: Linda Sylvester

Revised: May 3, 2005

ALASKA STATE LEGISLATURE

REPRESENTATIVE BRUCE WEYHRAUCH



ALASKA
STATE CAPITOL
JUNEAU, ALASKA
99801-1182

(907) 465-3744
FAX (907) 465-2273

Sponsor Statement

HB 273

“An act relating to the Permanent Fund Dividends of individuals claiming allowable absences; and providing for an effective date.”

To qualify for a Permanent Fund Dividend (PFD) an individual must establish residency in Alaska by being physically present for a minimum of 185 days in a calendar year. The Alaska Legislature has recognized that under certain circumstances, however, physical presence in our state could be waived and an individual would still qualify to receive a PFD. There are currently 13 excused absences that allow individuals and their dependents to leave the state and still receive a PFD. The individual Alaskan resident who applies for an allowable absence with the PFD Division must declare their intent to return after a temporary absence. Essentially, it's an honor system. Military service and secondary education are the most common reasons individuals apply for an allowable absence. As the categories of allowable absences have increased over the years so have the number of individuals who live outside of Alaska and continue to receive a PFD.

But how many of the individuals who leave temporarily and continue to receive a PFD actually return to live in Alaska? According to a ten-year review of those receiving PFD's who are out of state, most recipients, in fact, never return. Individuals collecting dividends out of state leave little in net return to Alaska. Permanent Fund Dividend Division research indicates that in the last ten years over 97 thousand dividends totaling 136 million dollars were paid to out of state individuals who never returned to live in Alaska.

To encourage those who live out of state, and receive PFD checks, to return to the state, HB 273 simply asks individuals to return in order to collect their dividends.

Distributing dividends in Alaska through HB 273's requirement for return, suggests more money will be spent in Alaska. Knowing that a sizable nest egg had accrued in their absence, HB 273 might encourage college students and our valuable military personnel to return to Alaska. By distributing more dividends in state, HB 273 seeks to remedy the situation where a person collects Alaska PFD checks but doesn't live here, and will not be returning. Those who do return will receive all dividends that have been held for them while away from Alaska for an allowable absence.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 273(STA)
(H) Publish Date: 1/30/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title PFD: Delayed payments for eligible ab RDU Revenue Programs & Support
Component Permanent Fund Dividend
Sponsor Weyhrauch, et al
Requester _____ Component No. 981

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 273 delays payment of dividends for Alaskans who are out of state on allowable absences until the individual returns to Alaska for one year without allowable absences. If an individual fails to otherwise maintain eligibility for any year, the individual's eligibility for the delayed dividends is terminated and the delayed dividends will not be paid.

PFD will review all applications for those with allowable absences exceeding 180 days, determine eligibility, and pend payment for those who are otherwise eligible. In 2004, approximately 17,000 applicants were out of state for more than 180 days on allowable absences.

Prepared by: Sharon Barton Phone 907-465-4785
Division Permanent Fund Dividend Date/Time 1/6/06 3:19 PM
Approved by: Jerry Burnett Date 1/6/2006
Agency Department of Revenue

FISCAL NOTE # 1

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. CSHB 273(STA)

ANALYSIS CONTINUATION

PFD will calculate and reserve in the Permanent Fund Dividend Fund the amount needed to pay delayed dividends each year. Funds for delayed payments for those who do not return to the state will be released each year as appropriate and included in the dividend calculation for that year.

Interest earned on funds held for delayed payments will be deposited in the General Fund.

PFD records indicate "failure to return" rates for the four largest absentee groups as follows:

Accompanying others	81%
Active military	66%
Students	64%
Medical	40%

Over a ten year period, 1996-2005, PFD projects that the total of \$181.8 million was paid to individuals who did not or will not return to the state.

Incremental costs will be minimal and can be covered within the PFD 2006 budget.

**Permanent Fund Dividend
HB 273
2005 Absentee Return Study
Methodology & Summary**

Using a 1996 statistically valid applicant sample (95% confidence level and interval level of five) of individuals in four allowable absence categories who were absent from the state for more than 180 days, the division determined the percent of individuals who did not return to Alaska by 2005.

The respective percentages by category were applied to all individuals in each absence category for the years 1996-2005 to project the total cost of dividends paid to individuals who would not return to Alaska.

A ten year period is used for the study because Alaskans may only continue to receive the PFD for ten years while allowably absent from the state.

The "did not return" percentages for the sample are as follows:

Accompanying	81%
Students	64%
Active Military	66%
Medical	40%

Applying these percentages to each year 1996-2005 indicates that a total of \$154,206,323 was paid over the ten year period to individuals who have not or will not return to the state, an average of \$15.4 million each year.

**Permanent Fund Dividend
2005 Projection**

Individuals absent for more than 180 days who will not return over a ten year period

Absence Category/Year	Individuals Absent	% did not return in sample	Calculated total did not return	Dividend Amount	Total paid
Accompanied					
1996	4,105	0.81	3,325	\$1,131	\$3,760,632
1997	4,127	0.81	3,343	\$1,297	\$4,334,155
1998	4,248	0.81	3,441	\$1,541	\$5,301,983
1999	5,335	0.81	4,321	\$1,770	\$7,648,098
2000	7,011	0.81	5,679	\$1,964	\$11,152,584
2001	7,680	0.81	6,221	\$1,850	\$11,510,222
2002	7,525	0.81	6,095	\$1,541	\$9,391,317
2003	7,633	0.81	6,182	\$1,108	\$6,847,744
2004	7,506	0.81	6,080	\$920	\$5,582,498
2005	6,864	0.81	5,560	\$846	\$4,703,625
Total	62,034		50,248		\$70,242,868
Students					
1996	4,142	0.64	2,651	\$1,131	\$2,997,297
1997	4,446	0.64	2,845	\$1,297	\$3,689,227
1998	4,773	0.64	3,055	\$1,541	\$4,706,957
1999	5,085	0.64	3,254	\$1,770	\$5,759,767
2000	5,443	0.64	3,484	\$1,964	\$6,841,146
2001	5,611	0.64	3,591	\$1,850	\$6,644,429
2002	5,659	0.64	3,622	\$1,541	\$5,580,263
2003	5,534	0.64	3,542	\$1,108	\$3,922,712
2004	5,200	0.64	3,328	\$920	\$3,061,228
2005	4,873	0.64	3,119	\$846	\$2,638,437
Total	50,766		32,490		\$45,841,462
Active Duty					
1996	2,601	0.66	1,717	\$1,131	\$1,940,993
1997	2,813	0.66	1,857	\$1,297	\$2,407,130
1998	2,992	0.66	1,975	\$1,541	\$3,042,807
1999	3,437	0.66	2,268	\$1,770	\$4,014,740
2000	4,308	0.66	2,843	\$1,964	\$5,583,804
2001	4,805	0.66	3,171	\$1,850	\$5,867,793
2002	4,684	0.66	3,091	\$1,541	\$4,763,167
2003	4,901	0.66	3,235	\$1,108	\$3,582,580
2004	4,826	0.66	3,185	\$920	\$2,929,838
2005	4,920	0.66	3,247	\$846	\$2,747,131
Total	40,287		26,589	\$13,966	\$36,879,983
Medical					
1996	144	0.4	58	\$1,131	\$65,127
1997	138	0.4	55	\$1,297	\$71,569
1998	131	0.4	52	\$1,541	\$80,742
1999	134	0.4	54	\$1,770	\$94,863
2000	221	0.4	88	\$1,964	\$173,605
2001	261	0.4	104	\$1,850	\$193,169
2002	285	0.4	114	\$1,541	\$175,647
2003	299	0.4	120	\$1,108	\$132,464
2004	349	0.4	140	\$920	\$128,410
2005	374	0.4	150	\$845	\$126,412
Total	2,336		934	\$13,965	\$1,242,009
Total - All Categories/Ten years					\$154,206,323

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Legislative Research Services

HB 273

Alaska State Legislature
Legislative Affairs Agency
Division of Legal & Research Services



130 Seward Street, Suite 218
Juneau, Alaska 99801-2196
Phone: (907) 465-3991
Fax: (907) 463-3351

February 17, 1997

MEMORANDUM

TO:

FROM: Maria Gladziszewski *MG*
Legislative Analyst/Manager

RE: Permanent Fund Dividend Scenario
Research Request 97.053

You asked us to develop a worst case scenario in which a person may qualify for an "allowable absence" and continue to receive a Permanent Fund Dividend (PFD) after leaving the state. You also asked for the estimated additional annual PFD payments that would be necessary if House Bill 2 became law.

SUMMARY

The attachment to this memorandum is the scenario you requested. It involves a hypothetical family of seven, all away from Alaska on allowable absences. The scenario ends after eight years, although the family may continue to receive dividends for many more years. Between 1998 and 2005, the family receives 57 PFDs -- worth about \$54,000 -- although the parents lived in Alaska for about six months, three children for 20 days, two children for 15 days and a grandchild never lived here at all. Officials with the Permanent Fund Dividend Division estimate an additional one-time payment of approximately \$14 million in dividends should House Bill 2 become law. Additional annual payments necessary as a result of the passage of HB 2, dividends to an estimated additional 2,500 PFD recipients, would have minimal impact on the PFD checks of individual Alaskans (an additional 2,500 recipients is less than 1 percent of the total annual PFD recipients and so has a fiscal impact of less than 1 percent per PFD check).

Additional PFD Payments Necessary Should House Bill 2 Become Law

House Bill 2 adds an allowable absence for applicants who accompany another eligible resident out of state (as the spouse, minor dependent, or disabled dependent of the eligible resident). In addition, it retroactively re-opens the filing period for the years 1992 through 1997 for applicants

who would have been previously denied PFDs for being absent to accompany their spouse. As you can see from the following table, Permanent Fund Dividend Division employees estimate that approximately 14,000 new and denied applicants would now qualify for the years 1992 through 1998 if House Bill 2 becomes law. Because the bill specifically requires that eligibility for 1992-1997 is dependent upon qualification for the 1998 dividend, the payment to those previously denied and new filing applicants would occur after the end of the 1998 filing period. The one-time payment to these newly-qualified applicants would be approximately \$14 million.

You also wanted to know about the impact to annual PFD checks should House Bill 2 become law. Approximately 544,000 Alaskans qualify for PFDs each year. If an additional 2,500 Alaskans qualified for a PFD in a year in which each of 544,000 Alaskans would have received a \$1,000 PFD check, the new group of 564,500 Alaskans would each receive a check of \$995.43. In other words, the fiscal impact to each PFD check would be less than one half of one percent (i.e., 2,500 is less than one half of one percent of 544,000).

Estimated Number of Additional PFD Recipients Should HB 2 Become Law

Year	Estimated Number of Recipients	Comments, Source
1992	25	On record with PFD Division
1993	1,052	On record with PFD Division
1994	1,987	On record with PFD Division
1995	1,436	On record with PFD Division
1996	1,360	Estimated by PFD Division
1997	2,500	Estimated by PFD Division
1998	2,500	Estimated by PFD Division
1992-98	3,000	Persons who may qualify but have never filed, estimated by PFD Division
TOTAL	14,000	
Each Subsequent Year	2,500	Estimated by PFD Division

The Scenario

Permanent Fund Dividend Division officials who gave suggestions for this narrative say it illustrates what could happen if, by luck and forethought, one family took advantage of the laws and regulations governing allowable absences. Everyone with whom we spoke said it is unlikely that all of the events in this hypothetical "worst case" example would take place in real life exactly as they are described here.

The scenario begins with a summary. It is followed by a narrative describing how this family qualifies for allowable absences. The scenario shows these circumstances:

Joe Jones is a newcomer who looks for work in Alaska for six months, with little success. He joins the Marines and the family leaves Alaska. Because he is on active military duty, Mr. Jones qualifies for a PFD for himself, for his two children and his three stepchildren. (As we explain in the narrative, this scenario assumes House Bill 2 will pass the legislature in 1997, reinstating PFDs to spouses who accompany recipients on allowable absences.) Every year Mr. Jones is away from Alaska on an allowable absence, he and his dependents receive PFDs. When the Jones children reach age 18, they apply for and receive their own allowable absences. When the children have children, *their* children also receive PFDs.

The Jones family continues to qualify for allowable absences for many years. They do so by enrolling in higher education, serving on active military duty, working in Washington, D.C. on the Alaska congressional staff, and joining the Peace Corps. Under Alaska law, PFD recipients away on allowable absences who wish to continue receiving PFDs must be physically present in Alaska once every two calendar years; must maintain "ties indicative of . . . residency" in Alaska and nowhere else (15 AAC 23.143(a)); and after five years' absence, must rebut the presumption that they no longer intend to return to and remain in Alaska. The Jones family fulfills these requirements by returning to Alaska on vacation every two calendar years; by keeping their Alaska driver's licenses and identification cards to document Alaska residency; by voting absentee in Alaska elections; and by submitting the title to their Alyeska cabin to document their intent to return to and remain in Alaska.

In addition to the narrative, we attach statutes and regulations used by the Permanent Fund Dividend Division and a questionnaire required of individuals absent from Alaska for more than five years.

.....

I hope this information is useful to you. If you have any further questions please do not hesitate to call.

Attachments

PAYING PERMANENT FUND DIVIDENDS
OUT OF STATE:
A WORST-CASE SCENARIO

SYNOPSIS

Joe Jones and his wife live in Alaska for six months, during which they receive an unexpected inheritance and buy an Alyeska ski cabin. Mr. Jones joins the Marines, with orders to report to California the first week in July. The three children from Mrs. Jones' first marriage arrive in Alaska June 25; the family moves away June 30. In California, Mrs. Jones gives birth to twins. The family returns to Alaska twice on vacation. Mr. Jones remains in the Marines until retirement. Mr. Jones' active military duty is an allowable absence, permitting Permanent Fund Dividends (PFDs) to Mr. Jones, his spouse (see note below), his three stepchildren and the twins born after the family left Alaska.

This scenario ends in the year 2005, eight years after the Joneses leave Alaska, although Mr. and Mrs. Jones, all of their children *and the children's children* may continue to receive PFDs for years into the future. In the eight years of this scenario, the family receives 57 Permanent Fund Dividends.

The Jones family receives their PFDs by remaining on active military duty or in college, working on Alaska congressional staff and serving in the Peace Corps. They keep their Alaska driver's licenses or other Alaska identification, vote absentee in Alaska elections, and return to the state briefly every two calendar years. After five years, they use the title to their Alyeska cabin, which carries the names of all seven Joneses, to prove that they intend to return to and remain in Alaska someday.

NOTE: This scenario assumes the passage of House Bill 2 (20th Legislature), which would bring back a provision (struck down by the court in 1992) that spouses may receive PFDs when they accompany recipients on allowable absences. If House Bill 2 does not pass, Mrs. Jones will not receive PFDs, although all five children will.

THE SCENARIO

When Joe Jones had trouble finding work as a heavy equipment operator in Alabama, he decided to try his luck in Alaska. He arrived in Anchorage in the dead of winter, December 30, 1996, and immediately bought bunny boots, a parka and a car with a good heater. All this kept him busy, but he found the time on December 31 to get his Alaska driver's license. Although Joe did not know it at the time, his future wife Sally had arrived in Anchorage three days earlier.

trying to recover from a divorce. Sally had never learned to drive, but she needed identification to cash checks, so before the new year made its appearance, she had obtained an Alaska identification card.

Sally rented a big house so she would have room for her three children from her former marriage (teenage twin girls named Samantha and Tamantha and an 7-year-old boy named Tommy). Although Sally had custody of the children, they did not arrive in Alaska until their Seattle schools let out for the summer.

In the meantime, to make ends meet, Sally sublet one room in her house. Her first tenant was Joe, who had found a job as an attendant at a nearby parking lot. One thing led to another and . . . the kids arrived in Alaska on

June 25 to find they had a stepfather. Suddenly responsible for a family, Joe signed on with the Marines. His orders: report to San Diego July 1.

Joe's Alaska driver's license and Sally's identification card are both indicators of Alaska residency. In order to receive a PFD in 1998, Joe and Sally must have obtained these documents before January 1, 1997. (An individual is eligible to receive a PFD if "the individual was a state resident for at least the calendar year immediately preceding January 1 of the current dividend year", A.S. 43.23.005(a)(3))

A person who establishes residency in Alaska remains a resident during an absence unless the person establishes or claims residency elsewhere. (Alaska Statutes 1.10.055)

Allowable absences include absences for (among other things) education, military service, Peace Corps service, and medical treatment, as well as absence to represent Alaska in the U.S. House or Senate, or to serve as Congressional staff to an Alaska senator or representative.

A couple of days before the family was to leave, Joe opened his mail to find an inheritance check from an eccentric rich uncle, a ski enthusiast. He and Sally took time from their many moving chores to honor Uncle Bob's memory by buying a ski cabin with all the amenities at Alyeska. When the little family left Alaska on the last day of June, visions of Christmas holidays at the cabin danced in their heads.

Life was good in San Diego and Mr. and Mrs. Jones had another set of twins (Chet and Brett), born December 28, 1997. Joe, who liked reading legal documents in his spare time, was perusing Alaska's Administrative Code, 15 AAC 23.163, while lounging beside the Marine compound's pool one warm evening in the spring of 1998, when he discovered that he and all the children were eligible for a Permanent Fund Dividend (PFD) because Joe's military service is an *allowable absence*.

An adult claiming an allowable absence must have been an Alaska resident for at least the 180 consecutive days immediately before leaving Alaska in order to remain eligible for a dividend (15 AAC 23.163).

When the Jones family left Anchorage, Joe had been in Alaska for 182 days, Sally for 185 days and Joe's three stepchildren for 5 days.

Spouses accompanying PFD recipients on allowable absences were eligible for PFDs before a 1992 Anchorage court case ended the practice (*Zeiler v. State of Alaska* 3AN-92-1567 Civ). House Bill 2 would reinstate the pre-1992 practice.

Children in a full-, half-, or stepchild relationship with a PFD recipient, and who accompany that recipient on an allowable absence, are eligible for a PFD.

Joe called a friend in Juneau with this good news. The friend reminded him Sally would also be eligible for a PFD if the legislature were to pass House Bill 2 allowing PFDs to spouses who accompany PFD recipients on allowable absences. *For the purposes of this scenario, we assume House Bill 2 will pass the legislature and Sally will receive a PFD.* If House Bill 2 fails, Sally will not receive a PFD, but all her children will because Joe, whose allowable absence makes him eligible for a PFD, is the stepparent of three children and the full parent of two.

On a lark, Joe and Sally filled out the PFD application in the spring of 1998, citing their six month's residency and Joe's allowable absence on active military duty. They were delighted when, that October, the family received seven PFDs. In 1998, PFDs were paid to Joe, Sally, both sets of twins (including the babies who had never been to Alaska) and 8-year-old Tommy.

About this time, Joe and Sally decided to show their devotion to the Great Land by voting absentee in Alaska elections. This was a little awkward because their main interest was the Permanent Fund Dividend program -- especially the allowable absence provision -- and they weren't always sure about other issues that popped up on the ballots. The Joneses applied for PFDs again in the spring of 1999. In October, the family received seven PFDs. In 1999, PFDs were paid to Joe, Sally, both sets of twins and 9-year-old Tommy.

The title to their Alyeska cabin and the fact that they voted in Alaska state and local elections will come in handy when (after five years' absence) the state tells the Joneses that in order to continue receiving PFDs, they must rebut the presumption that they don't intend to return to and remain in Alaska (15 AAC 23.163(g)).

Joe did well in the Marine Corps. He was promoted and transferred to Washington, D.C. in December 1999. Joe and Sally had a hankering to see again the city in which they had fallen in love, so they took the whole family for a visit to Anchorage on the way to Washington, D.C., traveling on a military transport flight.

Children born outside Alaska whose parents are PFD recipients with allowable absences, may receive PFDs even if they have never been in Alaska. However, they must set foot in Alaska within two years of their birth in order to continue to receive PFDs.

They arrived December 27, 1999, the day before the toddlers' second birthday. From the first minute, the kids adored the Alyeska cabin. Seeing this, Joe and Sally decided to place the names of all five children on the cabin title, since these were good kids with high moral values who never gave their parents a lick of trouble. Meanwhile, Tam and Sam, who had turned 18 that October,

got Alaska driver's licenses in the hopes of showing them off in their new high school in Washington, D.C. The family left Anchorage January 1, 2000.

The twins graduated from high school in June 2000. They were bright girls and one was accepted at the Naval Academy in Annapolis, MD and the other received a scholarship to Georgetown University in Washington, D.C., where she planned to study ethics. Tommy entered the fifth grade. Like their parents, Tam and Sam loved the Northland which had been so good to them, and they showed this love by voting in Alaska's state and local elections.

In the spring of 2000, Joe and Sally applied for PFDs for themselves, Tommy and the younger twins. Tam and Sam, now 18 and entering college, applied on their own. In October, the family received seven PFDs. In 2000, PFDs were paid to Joe, Sally, 10-year-old Tommy, the younger twins and Tam and Sam.

At age 18, Tam and Sam are no longer minor children and cannot receive PFDs as Joe's dependents. Tam and Sam continue to receive PFDs by using their Alaska driver's licenses to claim Alaska residency and by claiming their own allowable absences (in their case, their college enrollment).

To continue receiving a PFD, a recipient away on an allowable absence must return to Alaska every two calendar years (Alaska Statutes 43.23.005(a)(4)).

By being in Alaska in January 2000, Joe's family may stay away from the state until December 2002 (the end of the second calendar year) and continue to receive dividends. The family will next vacation in Alaska between December 23, 2002 and January 2, 2003. Because they will be present in Alaska in calendar year 2003, they may continue to receive PFDs without revisiting Alaska until the end of the second calendar year -- 2005.

In the spring of 2001, Joe and Sally applied for PFDs for themselves, Tommy and the younger twins. Tam and Sam, now 19 and in their first year of college that spring, applied on their own. In October, the family received seven PFDs. In 2001, PFDs were paid to Joe, Sally, 11-year-old Tommy, the younger twins and Tam and Sam.

In 2002, Joe and Sally applied for PFDs for themselves, Tommy and the younger twins. Tam and Sam, now 20 and in their second year of college that spring, applied on their own. In October, the family received seven PFDs. In 2002, PFDs were paid to Joe, Sally, 12-year-old Tommy, the younger twins and Tam and Sam.

Joe, who continued to advance in the Marine Corps, was promoted to a new position and sent to Texas. He was to report on January 15, 2003.

Feeling nostalgic for their winter wonderland, the whole family made a trip to Alaska by military transport on the way to the new

An individual whose allowable absence totals more than five years is presumed to have no intention of returning to Alaska and remaining in Alaska. To be eligible for a PFD, the individual must provide documentation that shows an intent at all times during the absence to return to Alaska and remain permanently in Alaska. (15 AAC 23.163(f))

station in Texas. They had a family Christmas at the Alyeska cabin from December 23, 2002 to January 2, 2003. Tam, the twin who had been studying at Georgetown University, decided to move to Texas A&M University, not far from her parents, changing her major from ethics to pre-law. She entered her new school in January 2003. She was beginning the second semester of her third year in college. In 2003, Joe and Sally applied for PFDs for themselves, Tommy and the younger twins. Tam and Sam, now 21 and in their third year of college, applied on their own.

The family had now been absent from Alaska for more than five years and Alaska officials asked them to prove that they all intended to return to Alaska and remain there. Joe and Sally are a very

romantic couple with a soft spot for the state which had given them so much happiness, so they quickly found the title to their Alyeska home (which luckily carried the names of all seven Joneses) and sent a copy to the Permanent Fund Division. That October, the family received seven PFDs. In 2003, PFDs were paid to Joe, Sally, 13-year-old Tommy, the younger twins and Tam and Sam.

When determining whether an individual intends to return to and remain in Alaska, the PFD Division considers:

- the length of absence compared to the time the individual spent in Alaska before departing
- the frequency and duration of return trips to Alaska
- whether the intent to return is conditioned upon future events beyond the individual's control, such as economics or finding a job
- any ties the individual has outside Alaska, such as vehicle registration, voter registration, payment of resident taxes or receipt of benefits in another state
- the priority the individual gave Alaska on an employment assignment preference list
- whether the individual's career choice allows him or her to reside in Alaska

In the spring of 2004, Joe and Sally applied for PFDs for themselves, Tommy and the younger twins. Tam and Sam, now 22 and seniors in college, applied on their own. Upon graduation from college in 2004, Tam married a fellow Aggie, the man of her dreams. That fall, she entered law school at the University of Texas at Austin. In October, the family received seven PFDs. In 2004, PFDs were paid to Joe, Sally, 14-year-old Tommy, the younger twins and Tam and Sam.

Joe's career choice -- the Marines -- does not allow him to reside in Alaska and that is a mark against his claim to continue receiving PFDs. However, there are several points in the family's favor, among them, their Alaska voter registration, their participation in state and local elections, and their title to the Alyeska ski cabin.

Tam wanted a career, but being a modern woman, she also wanted a family. During spring break of 2005, she gave birth to a bouncing baby boy. Struggling with bottles and diapers, but determined to become a lawyer, Tam remained in school. Meanwhile, Sam graduated from the Naval Academy and entered active military duty.

In the spring of 2005, Joe and Sally applied for PFDs for themselves, Tommy and the younger twins. Tam and Sam, now 23, applied on their own. Tam applied for a PFD for her baby, who qualifies as a dependent of a recipient with an allowable absence. That October, that family

received eight PFDs. In 2005, PFDs were paid to Joe, Sally, 15-year-old Tommy, the younger twins and Tam and Sam, and to Tam's baby.

The PFD distribution to the Jones family does not end in 2005. It may continue for years:

- Sam continues to receive a PFD during her allowable absence while pursuing her career in the Navy (she makes sure to request assignment in Alaska).
- Tam continues to receive a PFD during her allowable absences while in school and during her career in Washington, D.C. as legal counsel to the Alaska congressional staff.
- Joe and Sally continue to receive PFDs during their allowable absences while Joe is in the military and when, after retirement, the couple joins the Peace Corps, advising third world governments how to stop graft.
- The children of Tam, Sam, Tommy, Brett and Chet receive PFDs as dependents of recipients with allowable absences. They collect PFDs after they turn 18 by emulating their parents and meeting the requirements for allowable absences.

By the year 2005, the Jones family has been away from Alaska for eight years and received 57 PFDs totalling \$54,150 (assuming future dividends at \$950 each year).

Joe has been physically present in Alaska for 197 days; Sally for 200 days; Tommy for 20 days; Tam and Sam (the older twins) for 20 days; and Brett and Chet (the younger twins) for 15 days. Tam's baby has never been in Alaska.

While they are away from Alaska on allowable absences, each recipient must retain his or her Alaska residency. Each must set foot in Alaska once every two years (even if it is on a stopover on the way to a Hawaiian vacation); and each child born outside Alaska must set foot in Alaska two years after his or her birth. After five years, each recipient must prove annually that he or she intends to return to and remain in Alaska. Perhaps the Jones children will buy cabins near the original Jones family cabin, remembering to place the names of their children on the titles.

Louie Flora

From: POMS@legis.state.ak.us
Sent: Monday, January 30, 2006 10:41 AM
To: Louie Flora
Subject: New Pom:HB 273 Pfd: Delay Payment For Allowable Absences

Clifford Boner
Hc 60 Box 2465

Copper Center 99573-9801,
822-3806

College students I agree with for employment opportunities make it slim that they will return. Our Federal Delegation should give up the right to collect a PFD until they have returned to the state if we expect to have our active duty military do so.

Louie Flora

From: POMS@legis.state.ak.us
Sent: Monday, January 30, 2006 9:10 AM
To: Louie Flora
Subject: New Pom:HB 273 Pfd: Delay Payment For Allowable Absences

Clifford Boner
Hc 60 Box 2465

Copper Center 99573-9801,
822-3806

Just leave the Military and their dependents alone. Deployed military and their families are giving up enough already with service to the country. Focus on fixing the oil tax instead.

Louie Flora

From: POMS@legis.state.ak.us
Sent: Friday, January 27, 2006 8:26 PM
To: Louie Flora
Subject: New Pom:HB 273 Pfd: Delay Payment For Allowable Absences

Harvey Harms
Po Box 670071

Chugiak 99567-0071,
alaskatrophy@yahoo.com
907 696 2484

Dear Sir

I agree that all effort should be made to stop permanent fund fraud, but HB 273 would be very damaging to students who return to Alaska. I have two daughters who are Doctors who returned to Alaska to practice and the Alaska Permanent Fund helped greatly.

Louie Flora

From: POMS@legis.state.ak.us
Sent: Friday, January 27, 2006 7:00 PM
To: Louie Flora
Subject: New Pom:Permanent Fund

Michelle Tabler
13241 Vern Dr

Anchorage 99516-2650,
mtabler@alaska.net
9073458568
9073458568

I am opposed to any restriction on Permanent Fund dividends to college students. My daughter, a lifelong Alaskan, will need the money from her dividends while in college. Think about incentives to bring these students back - like the 50% forgiveness clause of the Ak student loans which I had 30 years ago!

Louie Flora

From: POMS@legis.state.ak.us
Sent: Friday, January 27, 2006 2:42 PM
To: Louie Flora
Subject: New Pom:Permanent Fund

Constance Boquist
2723 Snug Harbor Cir

Anchorage 99507-4909, cboquist
cboquist@gci.net
9072697843
9073381232

Money held should accrue interest. Doesn't holding money present more problems related to distributing the money if the person dies during the time the money is held? What happens to money that isn't distributed some way? Do you re-invest it or re-distribute amongst the group? Vote NO, re-think this.

Louie Flora

From: POMS@legis.state.ak.us
Sent: Friday, January 27, 2006 10:39 AM
To: Louie Flora
Subject: New Pom:HB 273 Pld: Delay Payment For Allowable Absences

Brenda Gower
Po Box 3347

Valdez 99686-3347,

Please pass HB 273.

Also:

I am happy with Senator Lisa Murlowski, but unhappy with Governor Murkowski.

Louie Flora

From: POMS@legis.state.ak.us
Sent: Friday, January 27, 2006 8:45 AM
To: Louie Flora
Subject: New Pom:HB 273 Pfd: Delay Payment For Allowable Absences

Suzanne Miles
Po Box 772196

Eagle River 99577-2196,

I do not support this bill. It takes money away from students at a critical time and it is a slap in the face to the military. Kudos to Rep. Bob Lynn for doing the right thing and voting no.

Louie Flora

From: Dewey Youngerman [dfy@sphosp.com]
Sent: Thursday, January 26, 2006 4:42 PM
To: Louie Flora
Subject: Comment on HB 273

As a medically released Alaskan US service member I have some very strong feelings regarding holding service members PFD disbursements until returning to the state. Unlike Alaskan students or workers who are exposed to employment opportunities outside, service members have a very high ratio of returns to the state following service. Part of this reason is that the military is contractually bound to pay to move them back to their State of Record (State of enlistment) after their active duty is completed.

These individuals have a Federal contract to move them back. This benefit was worth almost \$20,000.00 in my case, there was no way I was going to lose that benefit. While it is true the State of Record may be changed once in a service persons career, it is not likely to occur. Compounding the issue is the low income of our enlisted troops, sailors, and marines who often have families to support (\$15,000 -19,000/year) and the PFD becomes very important.

Currently the degree of difficulty of just proving you qualify while outside on active duty is enormous. An example I am very familiar with was mine. I reestablished residency in calendar year 95 after moving back to the state in 94. From PFD years 95 to 2002 I was denied my PFD

while on active duty. Each year the clerk(s) I dealt with after filing responded in writing and later on the phone by saying that since I was not in state over 6 months of the year I was not eligible. I did spend between 15 and 30 days each year here on leave. After my medical discharge a sympathetic clerk told me to reapply, expect denial, and then contest the findings since I applied on time, returned each year on leave, and consummated my Federal contract by moving back to Alaska. I did so to be told that even though I was informed of each year's denial by the State, I was ineligible since I didn't file my rebuttal within 30 days of each year's denial. The current system has plenty of caveats in favor of the state.

If you would accept a compromise, please consider with-holding the PFDs of those who statistically do not return (i.e. snowbirds, students, or transient workers) and having Alaskan service members and those who statistically return sign a 'Return or Repay' agreement. Repayment would include interest and the State's cost of recovery. Considering the ease of finding someone in the current electronic age, this would create a contractual agreement up front to discourage fraud and set up recovery of dishonest individuals stolen State monies. Garnishing a fraudulent claimants wages, VA benefits, or retirement wouldn't be too hard and if they have to pay for all costs incurred you could actually break even on the cost of garnishment.

Frankly, since it is so hard to prove you qualify, if you with-hold students and service members PFDs many would question 'why should we go back to a place where legislators making it difficult to get what we deserve?'. Please do not financially penalize our honest service members when it is difficult enough to prove residency and any extra income is desperately needed while performing their patriotic duties, or students who could bring back valuable skills to Alaska.

Thank you for your time and consideration.
Dewey F. Youngerman III , former

Rep. Paul Seaton

From: Rep. Bruce Weyhrauch
Sent: Monday, January 23, 2006 10:41 AM
To: Ryan Fahey
Cc: Rep. Peggy Wilson; Rep. Paul Seaton
Subject: RE: PFD

Thanks Ryan

I hope it can move from committee soon.

Bruce

From: Ryan Fahey [mailto:rfahey@ptialaska.net]
Sent: Monday, January 23, 2006 10:26 AM
To: Rep. Bruce Weyhrauch
Subject: PFD

Dear Rep. Weyhrauch,

Just a short email to let you know that I support your legislation of withholding PFD from people who leave the state. Alaska has been bilked for millions of dollars from people who keep their residency with no intention of returning to Alaska. I hope you can get this legislation passed.

Ryan Fahey/ Sitka, AK

Louie Flora

From: POMS@legis.state.ak.us
Sent: Tuesday, January 17, 2006 4:25 PM
To: Louie Flora
Subject: New Pom:Permanent Fund

Lary Kuhns
Po Box 2694

Homer 99603-2694,lkuhns

Dear Legislators,

We long time Alaskans depend on these constitutionally mandated payments for the support of our college students. If anything, re-work the bill to only include those students in their senior year. Defeat this bill.

Louie Flora

From: POMS@legis.state.ak.us
Sent: Tuesday, January 17, 2006 7:22 AM
To: Louie Flora
Subject: New Pom:Permanent Fund

Vicki Janz
310 W Arlington Ave

Soldotna 99669,
tomj@gci.net

262-1635

Rep Weyhrauch and Sen Seekins would withhold the Perm Fund to students who are attending college outside of Alaska. Students depend upon the permanent fund, and worry that when they graduate they will not be able to find a job in Alaska.

Louie Flora

From: POMS@legis.state.ak.us
Sent: Wednesday, January 18, 2006 10:51 AM
To: Louie Flora
Subject: New Pom:HB 273 Pfd: Delay Payment For Allowable Absences

David Mccargo
Po Box 100767

Anchorage 99510-0767,

PFD reform is long over due. In addition, it should be restricted to U.S. citizens and put in trust for minors.

Louie Flora

From: POMS@legis.state.ak.us
Sent: Tuesday, January 17, 2006 8:36 PM
To: Louie Flora
Subject: New Pom:Permanent Fund

John Gimarc
11155 Bluff Creek Cir

Anchorage 99515, agimarc
agimarc@ak.net
345-0629
345-0629

Ladies & Gentlemen - So you follow a seat belt law with an attack on students and soldiers? This is not a particularly good message from people who call themselves conservatives. The current laws / rules on PFD checks to students and military are adequate. Simply enforce them honorable and equally. Please.

Louie Flora

From: POMS@legis.state.ak.us
Sent: Tuesday, January 17, 2006 6:43 PM
To: Louie Flora
Subject: New Pom:Permanent Fund

Courtney Pederson
19816 N Mitkof Lp

Eagle River 99577,
cp003g@hotmail.com

Please support students and don't withhold the PFD! Alaska students are returning to Alaska to work, many of us are needing to complete professional programs before we can return. This may be 3-6 or even more years after schooling is completed. The PFD is an extremely important addition to tuition.

Louie Flora

From: POMS@legis.state.ak.us
Sent: Tuesday, January 17, 2006 6:33 PM
To: Louie Flora
Subject: New Pom:Permanent Fund

Constance Boquist
2723 Snug Harbor Cir

Anchorage 99507-4909, cboquist
cboquist@gci.net
9072697843
9073381232

Please find a way to let Students have their PFD checks while they are in school. The extra money is used for school, every little bit helps. How can people get checks and not prove they are in Alaska? Doesn't everyone have to show proof of returning to Alaska?

Louie Flora

From: POMS@legis.state.ak.us
Sent: Tuesday, January 17, 2006 3:37 PM
To: Louie Flora
Subject: New Pom:HB 273 Pfd: Delay Payment For Allowable Absences

Kim Smith
Po Box 3235

Homer 99603-3235,krsmith
krsmith@gci.net
907-235-6703

I ask you legislators supporting this legislation; did your children attend college outside? Did they return; if not, will you refund their PFD amounts to the State? Did your family need that help desperately?? Our families need these funds while the kids are in college!

Louie Flora

From: POMS@legis.state.ak.us
Sent: Tuesday, January 17, 2006 3:30 PM
To: Louie Flora
Subject: New Pom:HB 273 Pfd: Delay Payment For Allowable Absences

Kim Smith
Po Box 3235

Homer 99603-3235,krsmith

With one son in Yale, another son at Connecticut College we believe your logic is flawed, simply wrong regarding HB 273. We struggle paying tuition, they live and work here, and they are Alaskans. Remove hard working college students from this Bill and punish those committing fraud.

Louie Flora

From: Vince Yelmene [vinni@gci.net]
Sent: Thursday, January 12, 2006 4:03 PM
To: Rep. John Harris; Rep. John Coghill; Rep. Ethan Berkowitz; Rep. Tom Anderson; Rep. Mike Chenault; Rep. Sharon Cissna; Rep. Harry Crawford; Rep. Eric Croft; Rep. Nancy Dahlstrom; Rep. Jim Elkins; Rep. Richard Foster; Rep. Les Gara; Rep. Berta Gardner; Rep. Carl Gatto; Rep. Max Gruenberg; Rep. David Guttenberg; Rep. Mike Hawker; Rep. Jim Holm; Rep. Reggie Joule; Rep. Mary Kapsner; Rep. Mike Kelly; Rep. Beth Kerttula; Rep. Vic Kohring; Rep. Pete Kott; Rep. Gabrielle LeDoux; Rep. Bob Lynn; Rep. Lesil McGuire; Rep. Kevin Meyer; Rep. Carl Moses; Rep. Mark Neuman; Rep. Kurt Olson; Rep. Jay Ramras; Rep. Norman Rokeberg; Rep. Woodie Salmon; Rep. Ralph Samuels; Rep. Paul Seaton; Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Bruce Weyhrauch; Rep. Peggy Wilson; Sen. Ben Stevens; Sen. Gary Stevens; Sen. Johnny Ellis; Sen. Con Bunde; Sen. John Cowdery; "Senator_Fred_Dyson"@legis.state.ak.us; Sen. Kim Elton; Sen. Hollis French; Sen. Lyda Green; Sen. Gretchen Guess; Sen. Lyman Hoffman; Sen. Charlie Huggins; Sen. Albert Kookesh; Sen. Donny Olson; Sen. Ralph Seekins; Sen. Bert Stedman; Sen. Gene Therriault; Sen. Tom Wagoner; Sen. Gary Wilken
Subject: PFD 'volunteers'

hello,

Given the recent reports of excessive abuse of the PFD system by "volunteers", it seems quite obvious the bill sponsored by Rep. Bruce Weyhrauch is a must pass. With over 70% of those volunteers lying and not returning to Alaska, it is quite obvious we need to implement this legislation. If you care at all about honesty and fairness, you will vote yes on this non-partisan legislation.

The PFD program was intended to assist 'residents'.

respectfully,
Vince Yelmene
Registered: Non-partisan

Louie Flora

From: Wendy Gardner [gerwen@ptialaska.net]

Sent: Monday, May 09, 2005 10:00 PM

To: Rep. Paul Seaton

Subject: Wendy Gardner

Dear Paul,

Please do not group college students and military together in this decision for individuals returning to AK for a PFD. I believe there are more military personnel getting PFD's with no intention of returning to the state then college students.

Hope all your family is well. Greet them for us.

Sincerely,

Wendy Gardner

Louie Flora

From: Larry and Susan [lsemmens@ptialaska.net]
Sent: Monday, May 09, 2005 9:37 PM
To: Rep. Paul Seaton; Rep. Mike Chenault; Rep. Kurt Olson
Subject: HB 273

Rep. Seaton, Chenault, Olson

My 23 year old son is Alaskan born and raised.

He will leave for a year tour of duty in Iraq in August as a member of the Alaska Army Guard. Yes, Guard not regular Army. He is ready and willing to go.

His young wife will remain here, trying to pay the bills and finish college. Somehow it seems to me that of all people, he should be eligible for this dividend! Certainly more could be demanded of him than of Murkowski, Young and Stevens! Not that their service should be discounted. Yet if he does give the ultimate sacrifice, his wife wouldn't collect his dividend would she? This is not right is it?

I am sorry there are those who collect and never return to Alaska. But honestly I am ashamed that our State is poised to work a financial hardship on our military members who are clearly Alaskans. There should be a better way to save a few bucks.

Please rethink this. It isn't right.

Sincerely,

Larry Semmens
Veteran

Louie Flora

From: Nancy Osborne [petero@gci.net]
Sent: Monday, May 09, 2005 9:10 AM
To: Ian Laing
Subject: Re: New Pom:HB 273 Pfd: Delay Payment For Allowable Absences

Good Day to you Ian.

No doubt as the legislature tries to conclude it's yearly work, you have a lot on your plate and I really appreciate your taking time to update us. The information was helpful and your consideration is certainly above and beyond.

We are glad to hear that the bill will not likely get any where this year. We do agree with the intent of the bill, we just think there needs to be some way to not penalize college students who need the money for their education. They don't need it after they finish school. They need it while they are in school. There must be a way to address both concerns and I appreciate all the time and effort our legislatures and staff put into meeting the needs and concerns of Alaskans.

We have tracked the bill several times on BASIS and was relieved to begin thinking that it might not get any where this year. We will indeed keep track of it in future sessions.

Thanks again for your time, effort and thoughtfulness.

Two Thankful Constituents.

Nancy and Tom Osborne
Box 2375
Seward, AK 99664

----- Original Message -----

From: "Ian Laing" <Ian_Laing@legis.state.ak.us>
To: <petero@gci.net>
Sent: Sunday, May 08, 2005 8:57 PM
Subject: RE: New Pom:HB 273 Pfd: Delay Payment For Allowable Absences

Nancy,

We spoke about this a couple weeks ago and I just wanted to let you know the bill is not likely to go anywhere this year. After you called, I looked at the bill a bit more and spoke to the Legal department. I will likely be submitting an amendment to the bill when it is heard in State Affairs next session. The way it is currently written, if, for instance, a student were to claim their dividend while away from the state for several years, and was then to get a job out of state for a year or two, they would not be able to claim their previous dividends at all. The amendment I would like to offer would allow them to claim their dividends the next year they return to Alaska and qualify for a dividend.

Representative Seaton still believes in the intent of the bill - to prevent brain drain, and people claiming dividends who have no intention of returning to the state. As it is now, only 20% of military return to the state, and 40% of college students. I would encourage you to follow the bill on BASIS, beginning next year and testify if you're interested. I'll look forward to talking with you more about this when we take it up again next year. And thanks again for taking the time to write in.
Ian.

Ian Laing
Rep. Paul Seaton

Legislative Staff
(800) 665-2689

-----Original Message-----

From: POMS@legis.state.ak.us [mailto:POMS@legis.state.ak.us]
Sent: Thursday, April 28, 2005 9:43 AM
To: Ian Laing
Subject: New Pom:HB 273 Pfd: Delay Payment For Allowable Absences

Nancy Osborne
PO Box 2375

Seward 99664-2375, petero
petero@gci.net
907-224-8006
907-224-8006

We implore you to reconsider withholding the PFD after graduation from college students. This is unfair. Why penalize young Alaskans trying to pay for a quality education? This is robbery and we ask you to eliminate this provision. Also, give the PFD to the noble Alaskans in the Peace Corps.

Louie Flora

From: POMS@legis.state.ak.us
Sent: Thursday, April 28, 2005 9:43 AM
To: Ian Laing
Subject: New Pom:HB 273 Pfd: Delay Payment For Allowable Absences

Nancy Osborne
PO Box 2375

Seward 99664-2375,petero
petero@gci.net
907-224-8006
907-224-8006

We implore you to reconsider withholding the PFD after graduation from college students. This is unfair. Why penalize young Alaskans trying to pay for a quality education? This is robbery and we ask you to eliminate this provision. Also, give the PFD to the noble Alaskans in the Peace Corps.

Louie Flora

From: Rieta Rule [brr@alaska.net]
Sent: Wednesday, April 20, 2005 10:17 AM
To: Rep. Bruce Weyhrauch; Rep. Paul Seaton; Rep. Norman Rokeberg; Rep. Bob Lynn; Rep. Richard Foster
Subject: Permanant Fund Dividend

Mr. Wehrauch,

I have been studying the article that Larry Persily had in April 19th Anchorage Daily News, about House Bill 273, concerning absent residents and the Permanent Fund Dividend. I understand that a lot of these are sent to residents who are absent from the state for special reasons, most being legitiment, but I believe that the Military who are serving our country in Iraq, or at a war zone, and have always been residents in Alaska should not be in this category. Obviously you do not have a son or daughter over there.

I do. Our grandson was born and raised in Alaska, as were his parents, he has been raised to support our country in every way, and joined the Marine Guard right out of High School, and was sent to Iraq in January of this year, where he is proudly and bravely trying to do his duties, as are many other Alaskan men and women, and I really do not believe he or the other Alaska Military should be punished in this way.

If you feel you must hold their permanent fund checks until they get back, they should then receive them with the interest they would have received, had their checks been deposited in the banks. I also feel they are residents of Alaska during their service and upon return should receive these checks, not wait and set up residency again. If they stay here for another year or more they are entitled to continue to receive them, without the waiting period of a new Alaska resident. These people have not given up their residency when they go to serve our country, and until they return they should continue to receive their checks just like you and I do.

A lot of these men and women have their on families staying here trying to make a living while their spouses are supporting our country, and they probably need every cent they can get to take care of food, rent, ect. This check would help them out a lot.

I know there are some people who abuse their residency in Alaska, and still receive the check, and for those I think something needs to be done. I just do believe the Military, particularly at the war zones, should be exempt from this bill.

I hope you will give this great consideration before pushing House Bill any further.

Thanks for listening to me, Norieta Rule
1727 Bartlett Dr.
Anchorage, AK 99507

phone: 907-563-7445
cell:907-229-1509
email: brr@alaska.net

Louie Flora

From: Ann Bayes [bayes@xyz.net]
Sent: Wednesday, January 18, 2006 12:25 PM
To: Rep. Paul Seaton; Louie Flora
Subject: Fwd: PFD Proposal

Hello,

As the concern for PFD checks going to people during absences is again in the news, and as I am doing a much needed clean out of my computer files, I am resending you these comments. I have no problem with holding checks during absences, but I think the recipients deserve the dividends, plus earnings, when they make their return to Alaska.

Thanks for all your efforts; and good luck holding onto some of our current windfall from high oil prices for the future!

Ann

Begin forwarded message:

From: Ann Bayes <bayes@xyz.net>
Date: Thu Apr 1, 2004 7:07:05 AM US/Alaska
To: Paul Seaton <representative_Paul_Seaton@legis.state.ak.us>
Cc: Chris_Knight@Legis.state.ak.us
Subject: PFD Proposal

Hi Paul,

Your proposal to withhold dividends from college students and others until they return to Alaska has merit, but I strongly object that there would be no interest or investment earnings attached when they return and become eligible to receive them.

Why not pool those funds and create an investment share, the value of which would fluctuate based on earnings/losses of the pooled PFD \$\$'s being held and invested? You would then also teach them how investing for the future really works. If the average student spends 5 years Outside, he/she will have enough years of investing to weather the historical average for stock market dips. When interest rates are as low as they are now, conservative investors don't make but a few percentage points worth of interest on certificates of deposit, but that has not been nor will it always be the case. Like the fund itself, there would be years of potential losses.

Our two daughters chose to return to Alaska after college; David plans to do the same. During their college years, Michelle's and Erica's PFD's were allowed to earn for them so that they had money to payoff student loans when they graduated. This in turn is allowing them to become taxpaying home owners while accepting whatever jobs the local economy has to offer. David has invested his money in the startup of his Alaska-based fishing charter business while still in school. In the past 12 months, the State of Alaska has received an amount in licensing and fees equal to or greater than his PFD of 2003, the Kenai Borough has received sales tax revenue, and the local economy has seen purchasing of goods and

services equal to his lifetime worth of PFD's.

Do not punish the students/residents who do want to come back and use their PFD funds wisely while tightening up on those who don't.

Thanks,
Ann and Bruce

Permanent Fund Dividend Division

HB 273

Delayed Payments Analysis

February 6, 2006

This report expands and corrects the January report sent to Representative Weyhrauch and the House State Affairs Committee.

Changes include:

- The total sample size was increased from 367 to 1,905 to provide reliable samples of each absence group for more detailed analysis. The larger sample size results in somewhat higher did-not-return rates in every category.
- The expanded report includes all absence groups. The December report included only the four largest groups of absentees.
- Two secondary questions were explored.
 - Do more individuals return if they are only out one or two years, and does the return rate after one or two years vary by absence type?
 - How do the return rates of accompanying family members vary by absence type of their sponsor?
- The Individuals Absent count used in the projection of dividends paid to absentees over the 10 year period was corrected. The January report erroneously used the numbers of all applicants who had requested approval for an absence over 180 days when only those approved and paid should have been used. This error only affected the projected cost data and did not affect the rates of return.

Rate of Return Summary (expressed as the percentage that did NOT return)

Absence Type	Paid Absentees	Sample	10 year Did Not Return Rate	5 year Did Not Return Rate	Out only one year	Out only two years
Accompanying/child	2400	332	82%	79%	76%	82%
Military sponsor		295	84%	91%	96%	97%
Student sponsor		33	82%	79%	79%	91%
Accompanying/Spouses*	879	221	68%	70%		
Military sponsor		189	69%	73%	91%	94%
Student sponsor		30	67%	47%	77%	90%
College	3532	317	67%	65%	39%	39%
Active Military	2232	328	72%	74%	75%	68%
Medical	51	46	63%	n/a	26%	43%
Care for Ill Family	44	44	**n/a	43%	n/a	19%
Settling an Estate	6	6	**n/a	33%	n/a	25%
Care for Terminally ill	39	39	**n/a	36%	n/a	23%
Merchant Marine	10	10	**n/a	50%	n/a	25%
Secondary School	213	213	n/a	67%	34%	45%
Congressional	33	33	76%	85%	n/a	100%

* Spouses were not eligible in 1996, the base year for this analysis. A sample of 221 spouses, who nevertheless applied in 1996 and would have been paid if spouses had been authorized as an allowable absence, were selected to track for these projections.

** Allowable absence established after 1996; based on 2000-2005 data.

The weighted average did-not-return rate for all absence types is 72%

Projection of Dividends Paid (Attachment 1)

The data indicates that over the 10 year period almost \$137 million was paid to absentees who did not return. Projected amounts by year are as follows:

Year	Total
1996	\$7,149,354
1997	\$8,513,172
1998	\$12,123,444
1999	\$16,256,033
2000	\$20,985,180
2001	\$20,994,350
2002	\$17,912,737
2003	\$13,204,640
2004	\$10,865,196
2005	\$8,950,856
	136,954,963

Overview of Absence Types (Attachments 1 and 2)

Accompanying/child (2,400)

This group includes dependent children of individuals out on an allowable absence. This group has the highest ten year did-not-return rate (82%). After five years the rate is 79%.

89% of the absence group are military dependents, 10% are college student dependents and 1% is a mix of the other absence types.

The children of students do-not-return at 82% after ten years and children of military at 84%. After five years, children of college students return at a higher rate than children with military sponsors. The children of other absence types was too small for further analysis.

Children who claim the absence for only one year indicate an overall did-not-return rate of 76% and for two years is 82%. Military sponsored children out for only one year have a 96% did-not-return rate and 97% for two years. Children sponsored by college students only out for one year did-not-return at 79% and at 91% after two years.

Accompanying/spouse (875)

The overall did-not-return rate after ten years for spouses was 68% and after five years is 70%.

Military spouses made up 86% of the group; 14% were college student spouses; and 1% was a mixture of other absence types.

Spouses of students and military return at approximately the same rate at 10 years; at five years student spouses return at a higher rate. Student spouses only out for one year return at a higher rate than military. When spouses are out only for two years, the return rate between the groups is similar. The sample of spouses of other absentee types was too small for analysis.

Attending College (3,532)

Paid applicants attending college indicated a did-not-return rate of 67% after ten years. At five years the overall rate was 65%.

Students who claim the absence for only one or two years have a significantly lower did-not-return rate at 39% for both years.

Active Duty Military (2,232)

Active duty military indicate a did-not-return rate of 72% after ten years. The overall rate at five years is 74%

Active military who claim the absence for only one year, do-not-return at 75% and for two years 68%.

Medical Care (51)

The group of applicants claiming an absence to pursue medical care have a ten year do-not-return of 63%. No applicants in this group were absent for five years.

The Medical Care group included only 51 individuals in 1996. 67% (34) of this group claim the absence for only one year and the did-not-return rate at one year is 26% and after a two year absence is 43%.

Congressional (33)

The Congressional group included only 33 individuals in 1996. The did-not-return rate at 10 years is 76% and at 5 years is 76%. Only one individual in this group was absent for only one or two years, and did not return.

Attending Secondary School (213)

The did-not-return rate after five years for this group is 67%. Individuals who were absent only one year have a did-not-return rate of 34% and after two years of 45%.

Note: The following groups are newer allowable absence types and were established after 1996, the base year for the other groups. These groups are only tracked from 2000-2005.

Caring for Ill Family (40)

The did-not return rate for this small group at five years is 43%. 68% (27) were absent two years or less and the did-not return rate is 19%.

Settling an Estate (12)

The did-not-return rate for this very small group at five years is 33%. Individuals who were absent only two years did-not-return at 25%.

Caring for Terminally Ill Family (39)

The did-not-return rate for this small group at five years is 38%. Individuals who were absent two years or less have a did-not-return rate of 23%. Individuals who were absent for only 2 years, did-not-return at the rate of 23%.

Merchant Marine (10)

The five year did-not-return rate for this very small group is 50% and of those who were only absent two years or less, 25% did not return.

Conclusions

- No absence group returns at more than 50% after 10 years. The did-not-return rate for the largest absence groups varies from 67-82%.
- Approximately \$135 million was paid to individuals who did not return over a ten year period.
- College and Secondary School Students return at a higher rate than other absence types if they are only out one or two years; and they return at a much higher rate after one or two years than when they stay out on longer absences.
- Active Military do not return at substantially higher rates if only absent one or two years.
- Accompanying college spouses return at approximately the same rate as spouses of military at 10 years. At five years military spouses return at a higher rate than college spouses. Student spouses only out for one year return at a higher rate than military spouses. At two years, both groups return at about the same rate.
- Accompanying children of students and military return at about the same rate at 10 years. At one or two years, military children return at a somewhat higher rate than children of students.
- Other absence types, except for Congressional, tend to be out only one or two years.

**Permanent Fund Dividend
2005 Projection**

Individuals absent for more than 180 days who will not return over a ten year period

Congressional					
1996	23	0.76	17	\$1,131	\$19,764
1997	21	0.76	16	\$1,297	\$20,693
1998	18	0.76	14	\$1,541	\$21,079
1999	20	0.76	15	\$1,770	\$26,902
2000	19	0.76	14	\$1,964	\$28,358
2001	21	0.76	16	\$1,850	\$29,530
2002	23	0.76	17	\$1,541	\$26,932
2003	26	0.76	20	\$1,108	\$21,885
2004	28	0.76	21	\$920	\$19,574
2005	21	0.76	16	\$845	\$13,486
					\$228,205
Cared for Ill Family					
1996	1	0.43	0	\$1,131	\$486
1997	10	0.43	4	\$1,297	\$5,575
1998	31	0.43	13	\$1,541	\$20,540
1999	29	0.43	12	\$1,770	\$22,070
2000	40	0.43	17	\$1,964	\$33,778
2001	30	0.43	13	\$1,850	\$23,859
2002	35	0.43	15	\$1,541	\$23,188
2003	18	0.43	8	\$1,108	\$8,573
2004	28	0.43	12	\$920	\$11,075
2005	15	0.43	6	\$845	\$5,450
					\$154,604
Settled an Estate					
1996		0.33	-	\$1,131	\$0
1997		0.33	-	\$1,297	\$0
1998	2	0.33	1	\$1,541	\$1,017
1999	12	0.33	4	\$1,770	\$7,009
2000	6	0.33	2	\$1,964	\$3,888
2001	2	0.33	1	\$1,850	\$1,221
2002	4	0.33	1	\$1,541	\$2,034
2003	3	0.33	1	\$1,108	\$1,096
2004	7	0.33	2	\$920	\$2,125
2005	2	0.33	1	\$845	\$558
					\$18,948
Care of Terminally Ill					
1996	1	0.38	0	\$1,131	\$430
1997		0.38	-	\$1,297	\$0
1998		0.38	-	\$1,541	\$0
1999	29	0.38	11	\$1,770	\$19,504
2000	39	0.38	15	\$1,964	\$29,104
2001	38	0.38	14	\$1,850	\$26,718
2002	30	0.38	11	\$1,541	\$17,565
2003	31	0.38	12	\$1,108	\$13,047
2004	46	0.38	17	\$920	\$16,079
2005	38	0.38	14	\$845	\$12,202
					\$134,648

**Permanent Fund Dividend
2005 Projection**

Individuals absent for more than 180 days who will not return over a ten year period

Mechant Marine					
1996		0.5	-	\$1,131	\$0
1997		0.5	-	\$1,297	\$0
1998		0.5	-	\$1,541	\$0
1999		0.5	-	\$1,770	\$0
2000	10	0.5	5	\$1,964	\$9,819
2001	12	0.5	6	\$1,850	\$11,102
2002	11	0.5	6	\$1,541	\$8,474
2003	8	0.5	4	\$1,108	\$4,430
2004	11	0.5	6	\$920	\$5,059
2005	18	0.5	9	\$845	\$7,605
					\$46,490
Secondary School					
1996		0.67	-	\$1,131	\$0
1997		0.67	-	\$1,297	\$0
1998		0.67	-	\$1,541	\$0
1999		0.67	-	\$1,770	\$0
2000	213	0.67	143	\$1,964	\$280,262
2001	272	0.67	182	\$1,850	\$337,195
2002	278	0.67	186	\$1,541	\$286,982
2003	251	0.67	168	\$1,108	\$186,258
2004	427	0.67	286	\$920	\$263,157
2005	504	0.67	338	\$845	\$285,340
					\$1,639,194
Mixed Absence*					
1996	435	0.72	313	\$1,131	\$354,129
1997	432	0.72	311	\$1,297	\$403,276
1998	539	0.72	388	\$1,541	\$597,985
1999	614	0.72	442	\$1,770	\$782,411
2000	513	0.72	369	\$1,964	\$725,371
2001	491	0.72	354	\$1,850	\$654,111
2002	520	0.72	374	\$1,541	\$576,861
2003	555	0.72	400	\$1,108	\$442,581
2004	552	0.72	397	\$920	\$365,581
2005	417	0.72	300	\$845	\$253,703
					\$5,156,008
* Percentage of did not return derived from weighted average of all other categories					
Total - All Categories/Ten years					
					\$136,668,518

Permanent Fund Dividend Division
 HB 273
 Delayed Payments Analysis

Years = years applicant requested allowable absence					
Yes = applicant returned					
No = Applicant did not return					
Accompanying/Child					
	Yes	No	total	% yes	% no
Years					
1	20	65	85	24%	76%
2	16	71	87	18%	82%
3	18	22	40	45%	55%
4	16	33	49	33%	67%
5	7	26	33	21%	79%
6	4	10	14	29%	71%
7	4	6	10	40%	60%
8	0	5	5	0%	100%
9	2	2	4	50%	50%
10		2	2	0%	100%
11	1		1	100%	0%
12			0		
13		1	1	0%	100%
14			0		
15		1	1	0%	100%
Accompanying/Spouse					
	Yes	No	total	% yes	% no
Years					
1	26	77	103	25%	75%
2	27	37	64	42%	58%
3	12	15	27	44%	56%
4	3	7	10	30%	70%
5	1	2	3	33%	67%
6	4	1	5	80%	20%
7			0		
8	1		1	100%	0%
9			0		
10		1	1	0%	100%

Permanent Fund Dividend Division
 HB 273
 Delayed Payments Analysis

Attending College					
Years	Yes	No	total	% yes	% no
1	34	22	56	61%	39%
2	23	15	38	61%	39%
3	27	44	71	38%	62%
4	17	36	53	32%	68%
5	12	34	46	26%	74%
6	8	15	23	35%	65%
7	3	9	12	25%	75%
8	2	3	5	40%	60%
9	1	3	4	25%	75%
10	1	1	2	50%	50%
11			0		
12		3	3	0%	100%
13	1		1	100%	0%
14		1	1	0%	100%
15			0		
16	1		1	100%	0%
17			0		
18		1	1	0%	100%
Active Military					
Years	Yes	No	total	% yes	% no
1	15	45	60	25%	75%
2	24	52	76	32%	68%
3	16	20	36	44%	56%
4	23	24	47	49%	51%
5	10	35	45	22%	78%
6	7	11	18	39%	61%
7	10	11	21	48%	52%
8	1	5	6	17%	83%
9	5	3	8	63%	38%
10		5	5	0%	100%
11	1	2	3	33%	67%
12			0		
13	1	1	2	50%	50%
14	1		1	100%	0%

Permanent Fund Dividend Division
 HB 273
 Delayed Payments Analysis

Medical Care					
Years	Yes	No	total	% yes	% no
1	25	9	34	74%	26%
2	4	3	7	57%	43%
3		2	2	0%	100%
4	1		1	100%	0%
6	1		1	100%	0%
10		1	1	0%	100%
Congressional					
Years	Yes	No	total	% yes	% no
2		1	1	0%	100%
3	2	3	5	40%	60%
4	1		1	100%	0%
5	1	3	4	25%	75%
6	1	1	2	50%	50%
7	1	3	4	25%	75%
8		1	1	0%	100%
9	1	1	2	50%	50%
10		1	1	0%	100%
11	1		1	100%	0%
13	1	1	2	50%	50%
14		1	1	0%	100%
15		2	2	0%	100%
17		1	1	0%	100%
19		1	1	0%	100%
20		1	1	0%	100%
22	1		1	100%	0%
24		2	2	0%	100%
Caring for Ill Family					
Years	Yes	No	total	% yes	% no
2	22	5	27	81%	19%
3	10	2	12	83%	17%
4	4		4	100%	0%

Permanent Fund Dividend Division
 HB 273
 Delayed Payments Analysis

Settling an Estate					
Years	Yes	No	total	% yes	% no
2	3	1	4	75%	25%
3		1	1	0%	100%
4	1		1	100%	0%
Caring for Terminally Ill Family					
Years	Yes	No	total	% yes	% no
2	17	5	22	77%	23%
3	9	4	13	69%	31%
4	1		1	100%	0%
5			0		
6		2	2	0%	100%
7			0		
8		1	1	0%	100%
Merchant Marine					
Years	Yes	No	total	% yes	% no
2	3	1	4	75%	25%
3	1	1	2	50%	50%
4	1		1	100%	0%
7		1	1	0%	100%
8		1	1	0%	100%
Attending Secondary School					
Years	Yes	No	total	% yes	% no
2	48	25	73	66%	34%
3	28	23	51	55%	45%
4	15	20	35	43%	57%
5	9	16	25	36%	64%
6	3	6	9	33%	67%
7	2	7	9	22%	78%
8	1	7	8	13%	88%
9		1	1	0%	100%
10		1	1	0%	100%

HB

274

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSSHB 274(L&C)
(H) Publish Date: 2/3/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title: Public Accountants RDU: Corp. Bus & Prof Licensing (117)
Sponsor: Hawker Component: Corp. Bus & Prof Licensing
Requester: Labor & Commerce Component No.: 2360

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1155 Receipt Supported Services						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

SSHB 274 makes changes to AS 08.04 governing the licensure and practice of accountants in Alaska. New funds are not required to implement the provisions of this bill.

Prepared by: Jennifer Strickler, Chief
Division: Corporations and Licensing
Approved by: William C. Noll, Commissioner
Agency: Commerce, Community and Economic Development

Phone: (907) 465-2144
Date/Time: 1/30/06 11:57 AM
Date: 1/30/2006

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSSHB 274(L&C)
(H) Publish Date: 2/3/06

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Title: Public Accountants RDU: Corp. Bus & Prof Licensing (117)
Sponsor: Hawker Component: Corp. Bus & Prof Licensing
Requester: Labor & Commerce Component No.: 2360

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 20.2
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GI/Program Receipts						
1037 GF/Mental Health						
1156 Receipt Supported Services						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

SSHB 274 makes changes to AS 08.04 governing the licensure and practice of accountants in Alaska. New funds are not required to implement the provisions of this bill.

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Agency: Commerce, Community and Economic Development

Phone: (907) 465-2144
Date/Time: 1/30/06 11:57 AM
Date: 1/30/2006

adopted 2/9/06

AMENDMENT 1

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSSSHB 274 (Work draft 24-LS0176\C)

- 1 Page 10, line 29 following "AS 08.04.420 or 08.04.420"
- 2 DELETE "(b)"
- 3 INSERT "(c)"
- 4
- 5 Page 15, line 6 AND Page 15, line 16 following "quality review"
- 6 DELETE "required by"
- 7 INSERT "under"
- 8
- 9 Page 17, line 21 following "Revocation"
- 10 INSERT "[OR SUSPENSION]"

2/9/06 - adopted

24-LS0176(C)
Bannister
2/8/06

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 274()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE HAWKER

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the practice of accounting; and providing for an effective date."

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

3 * Section 1. AS 06.26.020(a)(9) is amended to read:

4 (9) has a certified public accountant license [CERTIFICATE] issued
5 under AS 08.04.105 or 08.04.195 [AS 08.04], the person is acting within the scope of
6 the license [CERTIFICATE], and the person and any accounting firm of the person
7 are not trustees of more trusts than the number established for the person and
8 accounting firm by the department by regulation or order; in this paragraph,
9 "accounting firm" means a partnership, a professional corporation organized under
10 AS 10.45, or another association organized for the practice of public accounting and in
11 which the person practices public accounting;

12 * Sec. 2. AS 08.04.005 is amended to read:

13 Sec. 08.04.005. Purpose. It is the policy of the state and the purpose of this
14 chapter to promote the reliability of information that is used for guidance in financial
15 transactions or assessing the financial status or performance of commercial,

1 noncommercial, and governmental enterprises. The public interest requires that

2 (1) persons professing special competence in accountancy or who offer
3 assurance as to the reliability or fairness of presentation of financial information
4 should demonstrate their qualifications to do so, and that persons who have not
5 demonstrated and maintained adequate qualifications should not be permitted to hold
6 themselves out as having special competence or to offer assurance about their actions;

7 (2) the professional conduct of persons licensed as having special
8 competence in accountancy should be regulated in all aspects of the practice of public
9 accounting [ACCOUNTANCY];

10 (3) a public authority competent to prescribe and assess the
11 qualifications and to regulate the professional conduct of practitioners of public
12 accounting [ACCOUNTANCY] should be established; and

13 (4) the use of titles relating to the practice of public accounting
14 [ACCOUNTANCY] that are likely to mislead the public as to the status or
15 competence of the persons using these titles should be prohibited.

16 * Sec. 3. AS 08.04.020(b) is amended to read:

17 (b) Except for public members, an individual [NO ONE] may not be
18 appointed unless the individual holds [WHO DOES NOT HOLD] a current
19 [CERTIFICATE OR] license [AND WHO IS NOT ELIGIBLE TO RECEIVE
20 PERMITS UNDER THIS CHAPTER]. Public members may not be employed by a
21 person holding a license, permit, or practice privilege [LICENSED] under this
22 chapter [OR BY A BUSINESS ENTITY HOLDING A PERMIT UNDER THIS
23 CHAPTER]. Notwithstanding AS 08.01.025, an accountant who does not hold a
24 license [IS NOT CERTIFIED OR LICENSED] under this chapter and is not engaged
25 in the practice of public accounting [ACCOUNTANCY] in violation of this chapter is
26 eligible for appointment as a public member under this section.

27 * Sec. 4. AS 08.04.030 is amended to read:

28 Sec. 08.04.030. Removal of members. The governor shall remove any
29 member of the board whose [CERTIFICATE OR] license has been revoked or
30 suspended. The governor may, after hearing, remove any member for neglect of duty
31 or other just cause.

1 * Sec. 5. AS 08.04 is amended by adding a new section to read:

2 **Sec. 08.04.075. Substantial equivalency.** Upon request of an applicant for a
3 practice privilege under AS 08.04.420(a), or on the board's own motion, the board
4 shall determine whether the qualifications of another state or the applicant are
5 substantially equivalent to the national standard or to another standard established by
6 the board to protect the public interest. The board may adopt by regulation the
7 qualifications established by a nationally recognized professional organization for
8 accountants as the national standard or for another standard established by the board to
9 protect the public interest. The board may accept the determination of a nationally
10 recognized professional organization for accountants of whether the qualifications of
11 the other state or the applicant are substantially equivalent to the national standard or
12 to another standard established by the board to protect the public interest.

13 * Sec. 6. AS 08.04.080 is amended to read:

14 **Sec. 08.04.080. Adoption of rules.** The board may adopt rules of professional
15 conduct to establish and maintain a high standard of integrity and dignity in the
16 profession of public accounting [ACCOUNTANCY]. At least 60 days before
17 [PRIOR TO] the adoption of any rule or amendment, the board shall mail copies of the
18 proposed rule or amendment together with a notice of its effective date [BY
19 CERTIFIED MAIL, WITH RETURN RECEIPT REQUESTED,] to each holder of a
20 license or permit issued under this chapter to the address of the license or permit
21 holder last known to the board.

22 * Sec. 7. AS 08.04 is amended by adding a new section to article 1 to read:

23 **Sec. 08.04.085. Regulations regarding attest functions.** Under AS 08.04.080,
24 the board shall adopt regulations that identify what activities constitute attest
25 functions. To identify activities as attest functions, the board may adopt the criteria
26 established by a nationally recognized professional organization for accountants.

27 * Sec. 8. AS 08.04.100 is amended to read:

28 **Sec. 08.04.100. Certificate granted.** The certificate of "Certified Public
29 Accountant" shall be granted by the board to any person who meets the requirements
30 of AS 08.04.110 - 08.04.130. The holder of a certificate issued under this section is
31 not authorized to engage in the practice of public accounting in the state unless

1 the holder also has a current license, permit, or practice privilege issued under
2 this chapter.

3 * Sec. 9. AS 08.04. is amended by adding a new section to read:

4 **Sec. 08.04.105. License for individual to practice as a public accountant.**

5 (a) The board shall issue a license to engage in the practice of public accounting to an
6 individual who meets the requirements of AS 08.04.110 - 08.04.130. The license is
7 valid for the remainder of the biennial licensing period during which the initial license
8 was granted.

9 (b) The board may renew a license granted under this section if the licensee

10 (1) maintains all of the licensee's offices as required by AS 08.04.360 -
11 08.04.380;

12 (2) complies with the continuing education requirements of
13 AS 08.04.425 and the quality review requirements of AS 08.04.126; and

14 (3) complies with the requirements of this chapter.

15 * Sec. 10. AS 08.04.110 is amended to read:

16 **Sec. 08.04.110. Personal requirements.** An applicant for a [THE] certified
17 public accountant license [CERTIFICATE] shall be at least 19 years of age and of
18 good moral character.

19 * Sec. 11. AS 08.04.120 is amended to read:

20 **Sec. 08.04.120. Educational and experience requirements.** (a) The education
21 and experience requirements for an applicant are [AS FOLLOWS:

22 (1)] a baccalaureate degree or its equivalent conferred by a college or
23 university acceptable to the board and additional semester hours of post-baccalaureate
24 study so that the total educational program includes at least 150 hours, with an
25 accounting concentration or equivalent as determined by the board by regulation to be
26 appropriate, and two years of accounting experience satisfactory to the board [; OR

27 (2) A BACCALAUREATE DEGREE OR ITS EQUIVALENT
28 CONFERRED BY A COLLEGE OR UNIVERSITY ACCEPTABLE TO THE
29 BOARD AND ADDITIONAL SEMESTER HOURS OF POST-BACCALAUREATE
30 STUDY SO THAT THE TOTAL EDUCATIONAL PROGRAM INCLUDES AT
31 LEAST 150 HOURS, AND THREE YEARS OF ACCOUNTING EXPERIENCE

1 SATISFACTORY TO THE BOARD].

2 (b) Notwithstanding (a) of this section, the board may grant a license
3 [CERTIFICATE] to an applicant who has not completed the 150-hour educational
4 program required by (a) of this section if the applicant has received a baccalaureate
5 degree, or its equivalent, before January 1, 2001, from a college or university
6 acceptable to the board, and if the applicant satisfies the other criteria established by
7 the board by regulation for receiving the license [CERTIFICATE].

8 * Sec. 12. AS 08.04.130 is amended to read:

9 **Sec. 08.04.130. Examination.** An applicant shall pass an examination in
10 accounting and reporting, in auditing, and in other related subjects that the board
11 determines appropriate. The examination shall be designated in advance by the board
12 as the examination for the license [CERTIFICATE] of certified public accountant.
13 The board shall use the Uniform Certified Public Accountant Examination of the
14 American Institute of Certified Public Accountants and the institute's advisory grading
15 service, if available. The board shall, by regulation, establish what constitutes a
16 passing grade on the examination for purposes of licensure under AS 08.04.105 -
17 08.04.240 [AS 08.04.100 - 08.04.240].

18 * Sec. 13. AS 08.04.180 is amended to read:

19 **Sec. 08.04.180. Prior applicants.** An applicant who, before April 26, 1960,
20 applied to take an examination for the certificate of certified public accountant, or held
21 a valid license as a public accountant, or was regularly enrolled in a college or
22 correspondence course in accounting, or a person whose registration under this chapter
23 is accepted by the board, shall receive a license [CERTIFICATE] when the applicant
24 has met either the requirements of this chapter, or the requirements that were effective
25 at the time the applicant's first application was filed, at the option of the applicant.

26 * Sec. 14. AS 08.04.195 is amended to read:

27 **Sec. 08.04.195. Reciprocity with other states [JURISDICTIONS].** (a)
28 Notwithstanding AS 08.04.110 - 08.04.190 [AS 08.04.100 - 08.04.130], the board may
29 issue a license to engage in the practice of public accounting [CERTIFICATE] to
30 an applicant who holds a license [CERTIFICATE], or its equivalent, issued by another
31 state [JURISDICTION] if the applicant

1 (1) passed the Uniform Certified Public Accountant Examination of
2 the American Institute of Certified Public Accountants in order to receive the
3 applicant's initial license [CERTIFICATE] from the other state [JURISDICTION];

4 (2) has four [FIVE] years of experience outside the state in the
5 practice of public accounting or meets equivalent requirements established by the
6 board by regulation; the four [FIVE] years must occur after the applicant passes the
7 examination required in (1) of this subsection and within the 10 years immediately
8 preceding the applicant's application under this chapter;

9 (3) is not the subject of review procedures, disciplinary proceedings, or
10 unresolved complaints related to the applicant's license [CERTIFICATE] from
11 another state [JURISDICTION]; and

12 (4) is of good moral character.

13 (b) An applicant for the initial issuance of a license [CERTIFICATE] under
14 this section shall list in the application all states where the applicant has applied for or
15 holds a license [CERTIFICATE], or its equivalent, and shall notify the board in
16 writing within 30 days after a denial, revocation, or suspension of a license
17 [CERTIFICATE], or the [ITS] equivalent, by another state [JURISDICTION].

18 (c) The board may by regulation establish the education and continuing
19 education requirements for the issuance of a license [CERTIFICATE] under this
20 section.

21 * Sec. 15. AS 08.04.195 is amended by adding a new subsection to read:

22 (d) The board may renew a license issued under this section if the licensee

23 (1) maintains all of the licensee's offices as required by AS 08.04.360 -
24 08.04.380;

25 (2) complies with the continuing education requirements established
26 under (c) of this section; and

27 (3) complies with the requirements of this chapter.

28 * Sec. 16. AS 08.04.200 is amended to read:

29 Sec. 08.04.200. Use of title "certified public accountant" by individual. An
30 individual [" A PERSON] who has [RECEIVED] a license [CERTIFICATE] from
31 the board as a certified public accountant or [AND WHO] holds a practice privilege

1 or an out-of-state permit [CURRENT PERMIT ISSUED] under AS 08.04.420
2 [AS 08.04.390 - 08.04.440] shall be known as a certified public accountant and may
3 use the abbreviation "CPA."

4 * Sec. 17. AS 08.04.210 is amended to read:

5 Sec. 08.04.210. Effect on [EXISTING] certificates existing on April 26,
6 1960. A person who, on April 26, 1960, held a certificate as a certified public
7 accountant issued under the laws of the Territory or State of Alaska is not required to
8 obtain a license [CERTIFICATE] under this chapter but is otherwise subject to this
9 chapter. Certificates issued before April 26, 1960, shall be considered licenses
10 [CERTIFICATES] issued under this chapter.

11 * Sec. 18. AS 08.04.240 is amended to read:

12 Sec. 08.04.240. Application [REGISTRATION] of partnerships, limited
13 liability companies, [AND] corporations, and other legal entities for permits
14 [COMPOSED OF CERTIFIED PUBLIC ACCOUNTANTS]. (a) The board shall
15 grant a permit to engage in the practice of public accounting as a partnership to
16 a [A] partnership that applies to [ENGAGED IN THIS STATE IN THE PRACTICE
17 OF PUBLIC ACCOUNTING MAY REGISTER WITH] the board as a partnership of
18 certified public accountants if the partnership [IT] meets the following requirements:

19 (1) at least one general partner shall [MUST] be a certified public
20 accountant of this state in good standing;

21 (2) each partner shall [MUST] be a certified public accountant of some
22 state in good standing; and

23 (3) except as otherwise provided in this chapter, each resident manager
24 in charge of an office of a partnership [FIRM] in this state [,] and each partner
25 personally engaged in this state in the practice of public accounting as a member of
26 that partnership shall [FIRM MUST] be a certified public accountant of this state in
27 good standing.

28 (b) The board shall grant a permit to engage in the practice of public
29 accounting as a corporation to a [A] corporation organized for the practice of public
30 accounting that applies to [MAY REGISTER WITH] the board as a corporation of
31 certified public accountants if the corporation [IT] meets the following requirements:

1 (1) the sole purpose and business of the corporation must be to furnish
2 to the public services not inconsistent with this chapter or the regulations adopted
3 under it by the board; however, the corporation may invest its funds in a manner not
4 incompatible with the practice of public accounting;

5 (2) each shareholder of the corporation shall [MUST] be a certified
6 public accountant of some state in good standing and must be principally employed by
7 the corporation or actively engaged in its business; no other person may have any
8 interest in the stock of the corporation; the principal officer of the corporation and any
9 officer or director having authority over the practice of public accounting by the
10 corporation must be a certified public accountant of some state in good standing;

11 (3) at least one shareholder of the corporation shall [MUST] be a
12 certified public accountant of this state in good standing;

13 (4) except as otherwise provided in this chapter, each resident manager
14 in charge of an office of the corporation in this state and each shareholder or director
15 personally engaged in this state in the practice of public accounting must be a certified
16 public accountant of this state in good standing;

17 (5) to facilitate compliance with the provisions of this section relating
18 to the ownership of stock, there must be a written agreement binding the corporation
19 or the qualified shareholders to purchase shares offered for sale by, or not under the
20 ownership or effective control of, a qualified shareholder and binding a holder not a
21 qualified shareholder to sell these shares to the corporation or the qualified
22 shareholders; the agreement must be noticed on each certificate of corporate stock; the
23 corporation may purchase any amount of its stock for this purpose, notwithstanding
24 any impairment of capital, so long as one share remains outstanding;

25 (6) the corporation shall [MUST] be in compliance with those other
26 regulations pertaining to corporations practicing public accounting in this state that the
27 board may adopt.

28 (c) Application [REGISTRATION APPLICATION] for a permit under this
29 section [REGISTRATION] shall be made upon the affidavit of a general partner,
30 member, or shareholder who is a certified public accountant of this state in good
31 standing. The board shall, in each case, determine whether the applicant is eligible for

1 a permit under this section [REGISTRATION]. A partnership, limited liability
 2 company, [OR] corporation, or other legal entity that is issued a permit under this
 3 section [SO REGISTERED AND THAT HOLDS A PERMIT ISSUED UNDER
 4 AS 08.04.400] may use the words "certified public accountants" or the abbreviation
 5 "CPAs" in connection with the name of the [ITS] partnership, limited liability
 6 company, corporation, or other legal entity [CORPORATE NAME]. The
 7 [NOTIFICATION SHALL BE GIVEN THE] board shall be notified within one
 8 month after the admission or withdrawal of a partner, member, or shareholder from a
 9 partnership, limited liability company, [OR] corporation, or other legal entity issued
 10 a permit [REGISTERED] under this section.

11 (d) The board shall grant a permit to engage in the practice of public
 12 accounting as a limited liability company to a [A] limited liability company
 13 engaged in this state in the practice of public accounting that applies to [MAY
 14 REGISTER WITH] the board as a limited liability company of certified public
 15 accountants if

16 (1) the [THE] sole purpose and the sole business of the company are to
 17 furnish to the public services that are consistent with this chapter or the regulations
 18 adopted under this chapter, except that the company may invest its money in a manner
 19 that is compatible with the practice of public accounting;

20 (2) at least one member is a certified public accountant of this state in
 21 good standing;

22 (3) each member of the company is a certified public accountant in
 23 good standing of this or another state of the United States; and

24 (4) except as otherwise provided in this chapter, each resident manager
 25 in charge of an office of the company in this state and each member personally
 26 engaged in this state in the practice of public accounting are certified public
 27 accountants of this state in good standing.

28 * Sec. 19. AS 08.04.240 is amended by adding new subsections to read.

29 (e) The board may grant a permit to engage in the practice of public
 30 accounting to a legal entity, other than a partnership, corporation, or limited liability
 31 company, if the legal entity applies to the board on a form provided by the board and

1 satisfies other application requirements and conditions for the legal entity that are
2 established by the board by regulation to protect the public interest.

3 (f) An initial permit issued under (a), (b), (d), or (e) of this section lasts for the
4 remainder of the biennial licensing period during which the initial permit was granted.

5 (g) The board shall renew a permit granted under (a), (b), (d), or (e) of this
6 section or a renewal issued under this subsection if

7 (1) the permittee maintains all of the licensee's offices as required by
8 AS 08.04.360 - 08.04.380;

9 (2) each individual who is required by (a), (b), (d), or (e) of this section
10 to be a certified public accountant complies with the continuing education
11 requirements of AS 08.04.425 and the quality review requirements of AS 08.04.426;
12 and

13 (3) the permittee complies with the requirements of this chapter.

14 (h) A partnership holding a permit issued under former AS 08.04.530 -
15 08.04.340 on June 29, 1980, qualifies for a permit under this section as long as each
16 partner personally engaged in the practice of public accounting in this state holds a
17 license or permit under AS 08.04.661.

18 * Sec. 20. AS 08.04.360 is amended to read:

19 Sec. 08.04.360. **Supervision required.** Each office established or maintained
20 in this state for the practice of public accounting shall be under the direct supervision
21 of an individual [A PERSON] in residence who holds a license or a practice
22 privilege [PERMIT UNDER AS 08.04.390 - 08.04.440]. The supervisor may be
23 [EITHER] a sole proprietor, partner, principal, member, or staff employee. A
24 supervisor may serve in this capacity at one office only.

25 * Sec. 21. AS 08.04.370 is amended to read:

26 Sec. 08.04.370. Use of title "certified public accountant" by
27 [REGISTERED] office of organization. The title "certified public accountant" or the
28 abbreviation "CPA" may not be used in connection with an office of an organization
29 holding a permit [REGISTERED] under AS 08.04.240 or 08.04.420(b) [THIS
30 CHAPTER] unless the supervision requirement of [PERSON IN RESIDENCE
31 REQUIRED BY] AS 08.04.360 is satisfied [A CERTIFIED PUBLIC

1 ACCOUNTANT IN THIS STATE].

2 * Sec. 22. AS 08.04.380 is amended to read:

3 Sec. 08.04.380. Waiver of requirements. The board may waive the
4 requirements of AS 08.04.240(a)(3), (b)(4), and (d)(4), and 08.04.360 and 08.04.370 if

5 (1) the community has a population of 2,000 or less; and

6 (2) the individual, partnership, corporation, limited liability
7 company or other legal entity that opens [FIRM OPENING] or maintains
8 [MAINTAINING] the office maintains another office in the state that meets the
9 requirements outlined in AS 08.04.360 and 08.04.370.

10 * Sec. 23. AS 08.04.410 is amended to read:

11 Sec. 08.04.410. Inactive [CERTIFICATE OR] license for person not
12 engaged in practice. Notwithstanding AS 08.04.105 or 08.04.195, an individual [A
13 PERSON] holding a [CERTIFICATE OR] license who is not engaged in the practice
14 of public accounting may maintain the [CERTIFICATE OR] license in good standing
15 by notifying [REGISTERING WITH] the board that the individual is inactive and
16 paying the required [REGISTRATION] fee.

17 * Sec. 24. AS 08.04.420 is repealed and reenacted to read:

18 Sec. 08.04.420. Practice privileges and out-of-state permits. (a) An
19 individual whose principal place of business is in another state who is authorized to
20 practice public accounting in the other state but who is not licensed under
21 AS 08.04.105 or 08.04.195 may engage in the practice of public accounting in this
22 state under an out-of-state practice privilege if

23 (1) the individual submits to the board

24 (A) an application on a form provided by the board; and

25 (B) any fee required by the board; and

26 (2) the board

27 (A) verifies the individual's current authorization to practice
28 public accounting in the other state; and

29 (B) determines under AS 08.04.075 that

30 (i) the qualifications required by the other state are
31 substantially equivalent to the national standard or to another standard

1 established by the board to protect the public interest; or

2 (ii) the individual's qualifications are substantially
3 equivalent to the national standard or to another standard established by
4 the board to protect the public interest.

5 (b) Notwithstanding (a) of this section, an individual who has satisfied (a)(1)
6 of this section may engage in the practice of public accounting in this state while the
7 board is making the verification and determinations under (a)(2) of this section. If the
8 board denies a practice privilege under (a) of this section, the individual shall stop
9 engaging in the practice of public accounting in this state when the individual receives
10 the notice provided by the board under (d) of this section.

11 (c) A partnership, corporation, limited liability company, or other legal entity
12 whose principal place of business is in another state, that is authorized to practice
13 public accounting in the other state, and that does not have a permit under
14 AS 08.04.240 may engage in the practice of public accounting in this state under an
15 out-of-state permit if the practice does not involve opening an office in this state and if
16 the partnership, corporation, limited liability company or other legal entity

17 (1) submits to the board

18 (A) a written notice on a form provided by the board;

19 (B) the fee required by the board; and

20 (C) verification of the current authorization of the partnership,
21 corporation, limited liability company, or other legal entity to practice public
22 accounting in the other state; and

23 (2) satisfies any other requirements that the board establishes by
24 regulation to protect the public interest.

25 (d) If the board denies an individual a practice privilege under (a) of this
26 section or denies a partnership, corporation, limited liability company, or other legal
27 entity an out-of-state permit under (c) of this section, the board shall provide notice of
28 the denial to the individual, partnership, corporation, limited liability company, or
29 other legal entity.

30 (e) If a person engages in the practice of public accounting under an out-of-
31 state permit authorized by (c) of this section, the permit does not authorize an

1 individual who is working for the person to hold the individual out to the public as
2 available to provide public accounting work in the state.

3 (f) Notwithstanding AS 08.01.100(b), the board shall establish by regulation
4 how long a practice privilege authorized by (a) of this section and an out-of-state
5 permit authorized by (c) of this section last before they expire and require renewal,
6 except that the initial term of a practice privilege and an out-of-state permit may not
7 exceed three years. The board may renew a practice privilege or an out-of-state permit
8 and shall establish by regulation the terms for and length of a renewal.

9 (g) An individual, partnership, corporation, limited liability company, or other
10 legal entity that engages in the practice of public accounting under this section

11 (1) consents to the jurisdiction and disciplinary authority of the board;

12 (2) agrees to comply with state law, including the regulations adopted
13 by the board; and

14 (3) consents to the appointment of the board as the person's agent for
15 the service of process upon whom process may be served in an action or a proceeding
16 against the individual, partnership, corporation, limited liability company, or other
17 legal entity arising out of a transaction or an operation connected with or incidental to
18 public accounting services performed by the individual, partnership, corporation,
19 limited liability company, or other legal entity while engaging in the practice of public
20 accounting in this state.

21 * Sec. 25. AS 08.04 is amended by adding a new section to read:

22 **Sec. 08.04.423. Competency requirement after licensing.** If, at any time
23 after receiving a license, a licensee decides to perform attest functions, the licensee
24 shall meet the competency requirements established by the board by regulation.

25 * Sec. 26. AS 08.04.425 is amended to read:

26 **Sec. 08.04.425. Continuing education.** (a) The board shall by regulation
27 prescribe requirements for continuing education for individuals with licenses
28 [PERSONS LICENSED TO PRACTICE AS CERTIFIED PUBLIC
29 ACCOUNTANTS] under this chapter. In adopting these regulations, the board may

30 (1) use and rely upon guidelines and pronouncements with respect to
31 continuing education issued by recognized educational and professional associations

1 in the field; and

2 (2) prescribe content, duration, and organization of courses or
3 programs that will satisfy the continuing education requirements.

4 (b) Each [AFTER THE EXPIRATION OF TWO YEARS IMMEDIATELY
5 FOLLOWING THE EFFECTIVE DATE OF REGULATIONS ADOPTED BY THE
6 BOARD UNDER (a) OF THIS SECTION, EVERY] application for renewal of a
7 license [PERMIT] to practice as a certified public accountant by an individual [A
8 PERSON] who has held a license [CERTIFICATE] as a certified public accountant
9 for two years or more shall be accompanied or supported by documents or other
10 evidence indicating satisfaction of the continuing education requirements prescribed
11 by the board during the two years immediately preceding the application.

12 (c) Failure by an applicant for renewal of a license, [PERMIT TO
13 PRACTICE] to furnish the evidence required under (b) of this section constitutes
14 grounds for revocation, suspension, or refusal to renew the license [PERMIT] under
15 AS 08.04.450 unless the board determines that failure to have been due to reasonable
16 cause or excusable neglect. However, the board may renew a license [PERMIT TO
17 PRACTICE] despite failure to furnish evidence of satisfaction of the continuing
18 education requirements established under (a) of this section if the applicant agrees to
19 follow a particular program or schedule of continuing education prescribed by the
20 board.

21 (d) In adopting regulations under (a) of this section, or in issuing individual
22 orders under (c) of this section, the board

23 (1) shall consider

24 (A) the accessibility of applicants to the continuing education
25 courses or programs that it may require; and

26 (B) any impediments to interstate practice of public accounting
27 [ACCOUNTANCY] that may result from differences in continuing education
28 requirements prescribed by other states; and

29 (2) may relax or suspend the continuing education requirements

30 (A) for applicants who certify that they do not intend to engage
31 in the practice of public accounting [ACCOUNTANCY]; or