

SCOMM

#9:158

COMMITTEE REPORT

5-5-77

FINANCE

HOUSE

_____ Date

Mr. Speaker:

The Committee on SPECIAL COMMITTEE ON THE ALASKA PERMANENT FUND has had HB 525

under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that CS for _____ do pass
- (and) recommends it be referred to the _____ committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

_____ Chairman

Introduced: 5/5/77
Referred: Special Committee on
the Alaska Permanent Fund and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 525

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the distribution of income from
7 the Alaska Permanent Fund; amending rules of procedure;
8 and providing for an effective date."

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

10 * Section 1. AS 37 is amended by adding a new chapter to read:

11 CHAPTER 18. DISTRIBUTION OF INCOME FROM ALASKA PERMANENT FUND.

12 Sec. 37.18.010. POLICY, FINDINGS, AND PURPOSE. (a) It is the
13 duty and policy of the state with respect to the natural resources
14 belonging to it and the income derived from them to provide for their
15 utilization, development, and conservation for the maximum benefit of
16 its people.

17 (b) The legislature finds that there exists in Alaska a serious
18 problem of population turnover. A substantial portion of the state's
19 population is comprised of individuals who reside in Alaska for only a
20 relatively short period of time. This is especially true in the
21 state's larger cities. This constant turnover in population leads to
22 political, economic, and social instability and is harmful to the
23 state. It is in the public interest for the state to promote a stable
24 resident population.

25 (c) The legislature also finds that the demands on and costs of
26 state government have increased over the past few years at an excessive
27 rate and that this increase has been permitted to occur, at least in
28 part, by a feeling on the part of much of the electorate that those
29 demands and costs do not have a significant economic impact upon them

COMMITTEE COPY

1 personally. It is in the public interest for the state to promote the
2 involvement of its citizens in the budget making process by providing
3 them with a more personal and direct stake in the outcome of budget
4 decisions.

5 (d) The legislature finds that establishment of a mechanism for
6 direct distribution to the people of at least half of the annual
7 income of the Alaska Permanent Fund, and by which an individual's
8 portion of that distribution will increase the longer he continues to
9 be an Alaska resident, will promote the purposes of encouraging a
10 stable resident population, and of providing the people with a more
11 personal and direct stake in the outcome of the state's budget decisions
12 and ensure an equitable distribution of at least a portion of Alaska's
13 resource wealth among Alaska's citizens, who are its equitable owners.

14 Sec. 37.18.020. TOTAL AMOUNT OF ANNUAL DISTRIBUTION. No later
15 than the second day of each regular session of the legislature, the
16 commissioner shall report to the governor and the legislature on the
17 income from the Alaska Permanent Fund deposited in the general fund
18 during the fiscal year which ended on the preceding June 30. The
19 legislature shall appropriate at least 50 per cent of that amount to
20 the department for distribution under sec. 80 of this chapter.

21 Sec. 37.18.030. AMOUNT OF ANNUAL PAYMENTS. Each of the annual
22 payments to be distributed under sec. 80 of this chapter shall be
23 equal to the quotient of the amount appropriated pursuant to sec. 20
24 of this chapter divided by the total number of duly credited shares as
25 of December 31 of the year last preceding the year in which the appro-
26 priation was made.

27 Sec. 37.18.040. ELIGIBILITY FOR SHARES. (a) As of December 31,
28 1979, each eligible resident of Alaska who makes timely application
29 under sec. 70 of this chapter shall be credited by the commissioner

1 with one share under this chapter for each five-year period since
2 January 1, 1974, in which he has been an eligible resident, as defined
3 in sec. 100 of this chapter, or would have been but for being too
4 young by five years or less to register to vote.

5 (b) Shares are not transferable in any way whatsoever, and no
6 payments may be made, other than as expressly provided in sec. 80 of
7 this chapter, to anyone other than the eligible resident. Shares do
8 not survive the death of their holder, and any alienation is void as
9 against public policy. If a share should be declared or ordered by a
10 court to be alienated in any way, it ceases to exist for purposes of
11 this chapter until and unless it is restored to the person from whom
12 it was alienated.

13 Sec. 37.18.050. ELIGIBILITY FOR ANNUAL PAYMENTS. Each eligible
14 resident of Alaska, who has one or more shares under this chapter, and
15 who makes timely application under sec. 70 of this chapter, shall
16 receive one annual payment for each share to which he is entitled
17 under sec. 40 of this chapter.

18 Sec. 37.18.060. DETERMINATION OF ELIGIBILITY. (a) Any person
19 who applies for a share or for an annual payment or payments must make
20 proof of eligibility satisfactory to the commissioner. The commis-
21 sioner may not credit any person with a share or make a payment to any
22 person until and unless proof of that person's eligibility sufficient
23 to satisfy a reasonable person has been made to the commissioner

24 (b) Proof of eligibilty may be made by applicants from school
25 attendance records, state and local tax and licensing records, voter
26 registration records, birth and marriage certificates, selective
27 service records, sworn affidavits from others having knowledge of a
28 person's residence, and other forms of documentary evidence which a
29 reasonable person would rely on in the conduct of his own affairs. An

1 affidavit from an applicant without supporting evidence of eligibility
2 is not satisfactory proof of eligibility.

3 (c) A person may attempt to make proof by waiving his right to
4 privacy and authorizing the commissioner to make a search of any and
5 all local, state, and federal records and any private employment
6 records which may tend to prove his eligibility. The commissioner's
7 making any search of records is entirely discretionary, and he is
8 under no duty to make the search or to exercise reasonable care in
9 making the search, if he does so; the entire risk is upon the applicant.

10 (d) Upon his determination of a person's eligibility for a share
11 or for an annual payment, the commissioner shall, by first class mail,
12 notify the person of that determination. If the person is determined
13 to be ineligible, he shall be informed by certified mail, of the
14 following:

15 (1) the reason for his ineligibility;

16 (2) that he may file additional proof and/or file a request
17 for a hearing before the commissioner at which to present proof of his
18 eligibility; and

19 (3) that his failure to do one or the other within 30 days
20 makes the decision final and unappealable.

21 (e) If a person does not file additional proof or file a request
22 for a hearing with the commissioner within 30 days after his receipt
23 of the commissioner's notice of the determination, the commissioner's
24 decision becomes final as to the period involved and there can be no
25 further appeal. This time limit is jurisdictional.

26 (f) If a person files additional proof or files a request for a
27 hearing with the commissioner within 30 days after he receives the
28 commissioner's notice of the determination and, after the additional
29 evidence has been considered or the hearing held, he is still a cer-

1 mined to be ineligible, he may appeal to the superior court within 30
2 days after he receives notice of the final decision. This time limit
3 is jurisdictional, and no suit may be brought after it has elapsed.
4 In considering the appeal, the superior court is to review solely on
5 the record which was before the commissioner and to use the reasonable-
6 basis test on factual matters and its own judgment on the law. The
7 same standard of review shall apply, if a further appeal is taken to
8 the supreme court. This requirement is substantive, not procedural.

9 (g) A person not eligible as of December 31 in any year may
10 establish or reestablish eligibility as of December 31 in subsequent
11 years.

12 Sec. 37.18.070. APPLICATION PERIOD. (a) In order to receive a
13 payment or to be credited with a share, an eligible person must first
14 apply for one or both on the Alaska net income tax form or on another
15 form provided by the commissioner.

16 (b) The application covers the last preceding period ending on
17 December 31 in which the applicant was eligible for a payment or to be
18 credited with a share or both.

19 (c) The application, together with the proof of eligibility
20 required by sec. 60 of this chapter, for the year or five-year period
21 claimed as of December 31 must be filed with the commissioner or, if
22 mailed, postmarked no later than the following April 15. This filing
23 date is mandatory. Any applications not timely filed or postmarked
24 will be returned and the applicant is not eligible for the year for
25 which the late application was made. This provision does not bar
26 subsequent presentation of additional proof of eligibility so long as
27 the application was timely filed. A year for which a person would
28 have been eligible but for his failure to file a timely application
29 may subsequently be counted toward a five-year period to be eligible.

1 for a share under this chapter.

2 Sec. 37.18.080. ANNUAL PAYMENTS. (a) Payments shall be made as
3 soon as practical after January 1 of the year following the application.

4 (b) If the payment is to a person presently incarcerated as
5 punishment for committing a crime, it shall be made to the Department
6 of Health and Social Services to offset the expense to the state of
7 the incarceration.

8 (c) At the request of the person to whom payments are to be
9 distributed and to the extent allowed under federal law, distribution
10 of payments may be deferred or otherwise set aside so as to defer the
11 payment of income taxes. Payments may also be made as tax credits or
12 rebates at the request of the person to whom payments are to be
13 distributed.

14 Sec. 37.18.090. PENALTIES. (a) Any person who wilfully submits
15 false or misleading information to the commissioner in making proof of
16 his eligibility or of the eligibility of another is guilty of a mis-
17 demeanor.

18 (b) In addition to any criminal penalties imposed, any person
19 convicted of violating (a) of this section whose conviction is not
20 reversed is not, and can never become, an eligible resident under this
21 chapter, forfeits any shares with which he may have been credited, and
22 is not, and can never become, eligible to be credited with any shares
23 or to receive any payments.

24 Sec. 37.18.100. DEFINITIONS. In this chapter, unless the context
25 requires otherwise,

26 (1) "commissioner" means the commissioner of revenue or his
27 designee;

28 (2) "department" means the Department of Revenue;

29 (3) "eligible resident" means any person who is registered

1 to vote under the Election Code, is a resident of Alaska under AS
2 15.05.020, filed (or whose parent or parents filed) a resident Alaska
3 income tax return for the year preceding his application, and was
4 physically present in Alaska for more than one-half the period between
5 January 1 and December 31 last preceding his application for one or
6 more payments, for a share, or both, or who, if not so physically
7 present was temporarily absent for reasons of professional, vocational
8 or other special education for which a comparable program was not
9 reasonably available in Alaska, post-secondary education, military
10 service, medical treatment, or service in Congress;

11 (4) "five-year period" includes any cumulation of periods
12 within a span of no more than 10 years which totals five full years;

13 (5) "share" means a right to receive payment from the
14 annual distribution made under this chapter and credited by the
15 department to an eligible resident.

16 Sec. 37.18.110. NONSEVERABILITY. If the residency requirements
17 of this chapter are invalid, the provision is nonseverable, and the
18 entire chapter is invalid and of no force or effect.

19 * Sec. 2. In sec. 1 of this Act, the enactment of AS 37.18.060(e) and
20 (f) has the effect of imposing a jurisdictional limitation on the operation
21 of Appellate Rule 45, Alaska Rules of Court Procedure, in that an appeal
22 under the rule (having to do with appeals from administrative decisions to
23 the superior court) must be brought from the commissioner's decisions as to
24 eligibility within 30 days or the courts will have no jurisdiction to hear
25 it. This is an exercise of the legislature's authority over the jurisdic-
26 tion of the courts, but because it also effects an implied, narrow amend-
27 ment to Appellate Rule 45 by imposing this jurisdictional time limit instead
28 of the procedural time limit of the same duration which will continue to
29 apply to other appeals, this section has also been included.

1 * Sec. 3. This Act takes effect immediately, the first distribution
2 shall be made as soon as practicable after January 1, 1980, based on income
3 received during the fiscal years 1977 through 1979 to persons eligible as
4 of January 1, 1979.
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HB 525

ALASKA STATE LEGISLATURE

TENTH Legislature FIRST Session

HOUSE BILL NO. 525

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act relating to the distribution of income from the Alaska Permanent Fund; amending rules of procedure; and providing for an effective date."

Distr. of income / Ak. Perm. Fund

Introduced in the House 5-5-19-77

HISTORY IN THE HOUSE

19 77

May 5

Read first time and referred to Committee on AK. Permanent Fund; and Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by Speaker
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by President
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Concurred in Senate amendment thus adopting:

Failed to concur in Senate amendment; asked Sen. to recede

Senate receded from amendment

Senate failed to recede from amendment

FCC appointed by House

FCC appointed by Senate

FCC adopted

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No.

74B 525

May 4, 1977

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting for your consideration proposed legislation to provide for the annual distribution of at least one-half of the income from the Alaska Permanent Fund directly to Alaskans. The proposal is submitted at this time primarily for discussion, something that the legislature, the administration and the public can consider and refine during the interim between the 1977 and 1978 sessions of the Tenth State Legislature.

While the concept is often characterized as "Alaska, Inc.," (since it reflects the principle that all Alaskans are "shareholders" in our mineral wealth), no corporation -- as such -- is proposed. The corporate concept of "dividends" is reflected in the bill, though, since Alaskans simply receive annual payments from the state based on the length of time that they have resided here.

In assence, anyone who has reached 18 years of age by December 31, 1979, and who has resided here since January 1, 1974, will be credited with one "share" and be eligible to receive one payment. More people will become eligible each year as they too achieve five years of residence. Thereafter, for each additional five-year period of residence, they are credited with still another share. Actual physical residence, with certain exceptions, for more than half the year is required.

The amount of the annual payment will equal the number of "shares" divided into the amount of the money which the legislature appropriates to the program from the income earned from the Permanent Fund. A person with more than one "share" will receive more than one payment. Thus, the longer a person resides here, and the more the legislature appropriates, the more money he or she will receive.

The objectives of making a direct distribution of a portion of our mineral wealth are severalfold. First and foremost, we seek to give Alaskans a direct dividend, as it were, from the harvest of Alaska's mineral wealth. This not only gives them a share of that wealth but also a direct stake in the decisions which determine how that wealth will be managed. Second, we seek to promote a stable, resident population; and toward that end, require the minimum five-year period of residence and actual, physical residence for eligibility. We promote continued residence by making Alaskans eligible for more shares at five-year intervals of continued residence. Finally, we seek to promote voter registration for 100 per cent of our eligible population; for we want Alaskans to have their say -- as voters -- in how their wealth is administered. Toward this end, registration as a voter is required for eligibility.

The provisions of the bill are, in part, somewhat complex, but they are necessary to protect against fraud and provide for fair and systematic administration of the program. We will need to mount an extensive educational campaign, particularly in rural Alaska, to ensure that all eligible Alaskans are able to participate. I do not doubt that it can be done.

Let me emphasize that this distribution of income will involve only a small portion of total oil income, the remainder of which will be available for general government appropriation. However, I am convinced that giving to the people of Alaska a portion of the earnings produced from permanent fund investments is the most sensible and equitable distribution possible. It is very much theirs, and it is they, rather than we, who can best determine how it is to be spent.

Sincerely,

Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HA 525 An Act providing for the distribution of income
 Title from the Alaska Permanent Fund; amending rules of procedure and providing for an
 Requested by _____ Date _____ effective date.

II. FISCAL DETAIL
 Agency Affected Department of Revenue
 Program Category Affected General Government
 Budget Request Unit(s) Affected Treasury Management

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		250.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		250.0				

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify) <u>Permanent Fund</u>		250.0				

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This fiscal note is limited to consultant charges for determination of accounting procedures, records to be used, legal restrictions and requirements, recommendation of personnel and administrative costs, and specification of reporting requirements in regards to distribution of permanent fund income. Reporting requirements are anticipated to include the reporting to the Administration, Legislature, and the general public.

IV. DATE May 3, 1977 PREPARED BY Jim Edenso
 AGENCY Department of Revenue
 PHONE 465-2350
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)