# ALASKA STATE LEGISLATURE

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June 27, 2006

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

RESIDENCY REQUIREMENTS OF
STATE BENEFIT PROGRAMS
VARIOUS DEPARTMENTS

February 28, 2006

Audit Control Number

04-30032-06

This report discusses residency eligibility criteria for state benefit programs. Many inconsistencies exist in statutes and regulations governing residency requirements of state benefit programs. Agencies are applying residency requirements as designed by law and regulation. The degree of verification of residency status differs among benefit programs.

The audit was conducted in accordance with generally accepted government audit standards. Fieldwork procedures utilized in the course of developing the findings and discussion presented in this report are discussed in the Objectives, Scope, and Methodology.

Pat Davidson

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# OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, we conducted an audit of the residency requirements for State of Alaska benefit programs and analyzed how the various state departments apply the program rules.

## Objectives

The specific objectives of the audit were:

1. To contrast the design of residency requirements governing state benefit programs.
2. To evaluate the extent of verification performed by the agencies on residency requirements in the state benefit programs.
3. To determine if the agencies are applying the eligibility requirements as designed by law and regulation in each of the programs.

## Scope

Our audit focused on the statutes, regulations, and departmental policies—currently and historically if applicable—for determination of residency status at ten state benefit programs. We define state benefit programs broadly in this report. A benefit can be a financial advantage or an exclusive opportunity offered to a resident. Examples include participation in a program or a cost differential in the price of a license, permit, or tuition. Reduction to residents in fees for licenses, permits, or tuition is more accurately described as a surcharge on the nonresident instead of a benefit to the resident. However, for this report, they will be referred to generically as benefits.

Our assessment of the application of eligibility requirements was generally based on decisions related to 2003 and 2004 applications. However, we also reviewed 2005 applicants at the University of Alaska for student tuition and the Washington Wyoming Alaska Montana Idaho (WWAMI) program. Benefit programs considered in this analysis, and the agency which administered the program, are as follows:

- permanent fund dividend at the Department of Revenue;
- student tuition at the University of Alaska;
- WWAMI program at the University of Alaska;

- commercial fishing loans from the Department of Commerce, Community, and Economic Development's Commercial Fishing Revolving Loan Fund;
- student loans from the Department of Education's Alaska Commission on Postsecondary Education;
- land disposal programs, including auction sales and remote cabin sites, from the Department of Natural Resources;
- sport fishing and hunting licenses from the Department of Fish and Game;
- commercial fishing licenses and permits from the Department of Fish and Game;
- pioneer homes program at the Department of Health and Social Services; and
- the former longevity bonus program administered by the Department of Health and Social Services.[1]

Methodology

In the course of our audit, we reviewed information from a variety of sources which included the following:

- Alaska Statutes (AS)
- Alaska Administrative Code (AAC)
- Legislative bill files and research reports
- Attorney General (AG) opinions
- Departmental policies and procedures
- Department budgetary documents
- University of Alaska's Board of Regents policies
- Alaska Supreme and Superior Court Cases
- United States Supreme Court Cases
- Other state programs with benefits to residents

We conducted on-site visits, interviewed individuals, and reviewed documents in the agencies administering current programs identified in the scope.

For all the programs listed under the scope, except for the longevity bonus program, we obtained identifying information for individuals applying for benefits in calendar years 2003

[1] The Longevity Bonus program was operated under the Department of Administration until 2003 when Governor Frank Murkowski issued an executive order moving the program to the Department of Health and Social Services. The program was gradually being phased out and eventually cut through a line-item veto by Governor Murkowski in the 2004 budget.

or 2004. We also obtained identifying information for 2005 from the University of Alaska for student tuition and the WWAMI program. Applicant data was most often from data maintained on the agency computer systems. To review the program design elements and understand the level of verification performed, we selected a sample of applicants for each program. Our sample methodology compared qualifying years for applicants in the various programs to those applying for a permanent fund dividend. This methodology isolated individuals eligible for one program however ineligible, or approved under an allowable absence, for another program. Due to ongoing litigation, alternative procedures were used to evaluate commercial fishing licenses and permits.

We randomly selected samples of participants for file review. The review focused on the evidence gathered by the agency to ensure that the participant was an Alaskan resident according to the program's rules. At each program we reviewed between 40 and 180 files, depending on program size and risk factors. From these reviews we were able to gather sufficient evidence about the degree of verification performed at each program. This information allowed us to make comparisons among the programs with regard to the consistency in application of the residency requirements.

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# ORGANIZATION AND FUNCTION

Ten state benefit programs selected for analysis have residency eligibility criteria. As discussed in the Objective, Scope, and Methodology section of the report, the term "benefit" can be a financial advantage or an exclusive opportunity offered a resident. Benefit programs with residency requirements can be found in a number of agencies in the State of Alaska. The Organization and Function of the agencies determining eligibility for state benefit programs are as follows:

**Department of Commerce, Community, and Economic Development (DCCED)**

Commercial Fishing Loans

Loans are granted from the Commercial Fishing Revolving Loan Fund (CFRLF) to provide Alaska residents additional financing opportunities for the purchase and/or maintenance of commercial fishing vessels. The benefit is the ability to participate in this long-term, low-interest loan program. The statutory purpose of the program is to help Alaska residents enter or remain in commercial fisheries. CFRLF makes loans available for limited entry permits, vessels, gear, and individual fishing quotas. CFRLF may also make loans to improve quality and to refinance vessels originally financed through other institutions.

CFRLF is administered by the Division of Investments (DOI) in DCCED. DOI's regulations require the agency to ensure that other financing is unavailable before approving a loan request for specific loans such as vessel loans, quota share loans, and certain permit loans.

**Department of Education and Early Development (DEED)**

Student Loans

Alaskan residents attending a qualified institution outside of Alaska and students, receiving an education at an approved institution in Alaska, can participate in the Alaska student loan program which provides low-interest school loans. Alaska's student loan program is the responsibility of two separate entities both of which are set up under Title 14 Chapter 42 of the Alaska Statutes - the Alaska Student Loan Corporation (corporation) and the Alaska Commission on Postsecondary Education (ACPE or commission).

**Department of Fish and Game (DFG)**

Sport Fishing and Hunting Licenses

An Alaska sport fishing license and/or hunting license with appropriate tags must be purchased for residents from ages 16 through 59 to fish or hunt in Alaska. A sport fishing

and/or hunting license is also required of residents 60 years, and above, and is provided at no cost.

All nonresidents, regardless of age, must purchase an Alaska nonresident hunting license to hunt in Alaska. Nonresidents age 16 and over must purchase an Alaska nonresident sport fishing license to fish in Alaska. Nonresidents paid an additional $85 for an annual fishing license in calendar year 2005 and an additional $60 for an annual hunting license in 2005.

DFG's Division of Administrative Services (DAS) is responsible for the administration of the fish and game licensing program. Funding for these licensing activities is provided from the fish and game fund. DFG relies on the Alaska Bureau of Wildlife Enforcement, part of the Alaska State Troopers in the Department of Public Safety, for enforcement of residency validation and illegal sport fishing and hunting; as well as, enforcement of commercial fishing regulations.

Commercial Fishing Licenses and Permits

An individual engaged in commercial fishing must obtain a commercial fishing license. A commercial fishing license includes an entry permit and an interim use permit issued under AS 16.43 and a crewmember fishing license under AS 16.05. An entry permit or interim use permit entitles the holder to participate as a gear operator in the fishery for which the permit is issued and to participate as a crew member in any fishery. The annual renewal fee of an entry permit or interim use permit is also less for a resident than it is for a nonresident. A crewmember fishing license is not transferable and entitles the holder to participate as a crew member in any fishery. In calendar year 2005, residents paid $115 less for an entry permit, interim use permit, or crewmember fishing license than nonresidents paid.[2]

The Commercial Fisheries Entry Commission (CFEC) issues entry permits and interim-use permits for commercial fishermen. CFEC's mission is "*to limit entry into commercial fisheries and provide annual licensing and permitting of fisheries to facilitate the management and development of fishery resources for maximum benefit of those dependent upon them.*" The Commission was given the statutory authority under AS 16.43 to provide regulation of fees and issuance of interim use and limited entry permits.

DAS' Licensing Section is responsible for processing crewmember license applications. The mission of DAS is to provide efficient and cost-effective professional support to the programs of DFG. Included in DAS' services is administration of the fish and game licensing program.

[2] The license fee differential is currently being reviewed under the Carlson v. State of Alaska, Commercial Fishing Entry Commission. See description of the case outlined in Exhibit 6.

## Department of Health and Social Services (DHSS)

Pioneer Homes Program

Admission to Alaska Pioneer Homes is a benefit provided to a resident of Alaska.[3] Admission is considered a benefit because by statute, if the Pioneer Homes resident is unable to pay, the resident will not be forced to leave; instead, the monthly payment will be subsidized by the State. Additionally the cost per month, set forth in regulation, is less than it would be in a private assisted living home or nursing facility. The Pioneer Homes at this time do not charge the full cost of care for individuals in the home.

The Division of Alaska Pioneer Homes, in DHSS, is responsible for the administration of the homes. The Alaska Pioneer Homes' mission is "to assist older Alaskans and Veterans to have the highest quality of life by providing assisted living in a safe home environment." The homes are located in Sitka, Fairbanks, Palmer, Anchorage, Ketchikan, and Juneau. The Alaska Pioneer Homes' program began in 1913 with the opening of the first home in Sitka.

Longevity Bonus Program

Now a discontinued program, the Longevity Bonus program was created in 1972 by the Alaska legislature. A person who is 65 years of age, or over, who resided in the State for at least one year immediately preceding application, was eligible to receive a monthly cash benefit. The longevity bonus was gradually increased over the years until the monthly benefit reached its peak of $250 in 1981.

In 1993, the legislature passed legislation to phase-out the longevity bonus program. The legislation provided lesser monthly amounts to individuals the later they applied to the program, with no new applications being accepted after January 1, 1997. Individuals on the program received the bonus until they were no longer eligible or until they died.

The Longevity Bonus program operated under the Department of Administration until 2003 when Governor Murkowski issued an executive order moving the program to DHSS. The program was eliminated through a line-item veto by Governor Murkowski in the 2004 budget.

[3] Occupancy of Pioneer Homes fluctuates, but systemwide as of February 2006 there are 437 residents. Of the 437 residents, 265 require the high levels of professional care available 24-hours a day. Another 120 residents need assistance with basic living skills at some time during the day, and 52 residents are fairly independent, occasionally requiring emergency assistance.

**Department of Natural Resources (DNR)**

Land Disposal Programs including auction sales and remote cabin sites

DNR's Division of Minerals, Land, and Water Management (DMLW) acts as the primary manager of Alaska's land holdings. Land offerings and sales occur through two types of programs: land auctions and the remote recreational cabin site program. Both of these programs statutorily require applicants to be residents of the State for 12 months immediately preceding application to the program in order to participate in the program.

Individuals participating in land auctions submit sealed bids to DMLW for specific parcels of land. DMLW then awards each parcel of land to the highest bidder. Individuals participating in the Remote Recreational Cabin Site Program apply for authorization to stake a parcel of land in an area designated by the DMLW for recreational use. Applicants are picked by lottery drawing and are then allowed to stake the land. This land is then leased from the State until a fair market value can be assessed; then the land may be bought at this value by the lessor from the State.

**Department of Revenue (DOR)**

Permanent Fund Dividend (PFD)

The Permanent Fund Dividend Division (PFDD), within DOR, administers the PFD program which provides Alaskan residents with an annual monetary benefit. The main responsibility of the PFDD is to pay PFD-eligible applicants and deny ineligible applicants. To accomplish this task, PFDD educates the public about eligibility and filing requirements, distributes applications, and provides public assistance in completing and filing the applications. The Division also operates a fraud investigation section to ensure only eligible residents receive a dividend. The central operational responsibility is the review and processing of PFD applications.

**University of Alaska (UA)**

Student Tuition

Students attending the UA pay either resident tuition or nonresident tuition, unless the student qualifies under the Western Undergraduate Exchange program.[4] Tuition is a fee charged by a learning institution for instruction services. The benefit to those paying resident tuition is their tuition is significantly reduced from nonresident tuition. For 2005,

[4] Western Undergraduate Exchange (WUE) students pay 150% of UA's resident tuition, plus any fees that all students are required to pay. WUE tuition rates are available to students who retain residency in Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming.

nonresident, undergraduate tuition for students taking greater than four credit hours was $231 more per credit than the cost of resident, undergraduate tuition.

UA was established by the Alaska Constitution, Article VII section 2, and by AS 14.40 as the state university. A Board of Regents, appointed by the governor, serves as the governing body. The University's policy and management is governed by the University's Board of Regents. The Board of Regents sets the amount for tuition.

WWAMI Program

The WWAMI Program is an affiliate of the University of Washington's School of Medicine (UWSM), a cooperative agreement between the University of Washington and the states of Wyoming, Alaska, Montana, and Idaho (WWAMI). Support of WWAMI by the State of Alaska allows ten qualified Alaska residents admission to the UWSM each year. A significant benefit of being accepted into the WWAMI program is that Alaskan students are admitted into UWSM and they pay the much lower in-state, rather than out-of-state, tuition at UWSM.

Under the WWAMI program, students attend their first year of medical school in their "home" states. In effect under the WWAMI program, UWSM has "satellite" campuses in each of the participating states. In Alaska, the University of Alaska/Anchorage's (UAA) Biomedical Program has been established to provide first-year medical school classes for the State's UWSM students accepted under the WWAMI program.

As part of their role in administering the program, UAA's Biomedical Program determines eligibility of applicants and works with UWSM staff in determining who is ultimately accepted into the program each year. In conjunction with UAA, the Alaska Commission on Postsecondary Education acts as the loan servicer for the loan portion of the program.

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# BACKGROUND INFORMATION

State benefit programs require an individual to be an Alaskan resident, in order for the individual to be eligible for the benefit. In this report we use the word "benefit" broadly. We recognize the financial advantage given residents in reduced fees for purchase of a license, permit or tuition, is more accurately described as a surcharge on the nonresident instead of a benefit to the resident. General state revenues, in conjunction with user fees, financially support program operations; therefore, the surcharge is a mechanism used to equalize, or balance, the charge for both resident and nonresident. So whether it is an exclusive opportunity given to residents, such as participating in the WWAMI program or a cost differential in the price of a license or permit, our report will refer to them generically as a "benefit."

Each state benefit program has unique statutes and regulations guiding their administration. Departments have developed policies and procedures to implement and ensure adherence to applicable statutes and regulations governing the programs.

Durational residency requirements are integral for eligibility of benefits

Nine state benefit programs analyzed in this report have current durational residency requirements. A tenth program, the Longevity Bonus program, was discontinued in 2003 and had a durational residency requirement. See Exhibit 1 for a list of the programs and a brief description of benefits received by Alaska residents who participate in the programs.

**Exhibit 1**

| Program | Benefit Received |
|---|---|
| 1. Permanent Fund Dividend Program | Annual Cash Payment |
| 2. Student Tuition | Reduced Tuition Rates |
| 3. WWAMI Program | Attend UWSM and Pay Reduced Tuition Rates |
| 4. Commercial Fishing Loans | Obtain Long-term, Low-interest Loan |
| 5. Student Loans | Obtain Low-Interest Loan |
| 6. Land Disposal Program | Allowed to Submit Bid or Participate in Lottery |
| 7. Sport Fishing and Hunting Licenses | Reduced License Fees |
| 8. Commercial Fishing Licenses and Permits | Reduced License Fees |
| 9. Pioneer Homes Program | Admission to State-Owned Pioneer Homes |
| 10. Longevity Bonus Program | Monthly Cash Payment |

As described in the background information, various departments within the State administer the different benefit programs. All of the programs have residency requirements of one year or more and varying degrees of benefit and number of participants. By far, the Permanent Fund Dividend program has the largest number of

participants with just under 600,000 participants in 2005. The second largest program, in terms of participants, is the sport fishing and hunting license program where residents purchased nearly 290,000 licenses in 2005. The other programs are much smaller in comparison when considering the number of participants as shown in Exhibit 2 below.

**Exhibit 2**

| Benefit Program: | Department | 2005 Benefit | Number of Resident[5] Participants | Length of Residency Requirement |
|---|---|---|---|---|
| Permanent Fund Dividend | DOR | $846 | 594,804[6] | 1 year |
| Student Tuition | UA | $2,772[7] | 23,471[8] | 2 years |
| WWAMI Program | UA | $18,000 | 10 | 2 years |
| Commercial Fishing Loans | DCCED | Obtain long-term low-interest loan | 132 | 2 years |
| Student Loans | DEED | Obtain low interest loan | 8,252 | 1 year[9] |
| Land Disposal Program | | | | |
| • Land Auction Sales | DNR | Submit bid | 67[10] | 1 year |
| • Remote Cabin Permits | DNR | Enter lottery | 285[10] | 1 year |
| Sport Fishing and Hunting Licenses | DFG | $85/$60 | 283,656[10] | 1 year |
| Commercial Fishing Licenses and Permits | | | | |
| • Entry Permit or Interim Use Permit | DFG | $115 | 16,886[10] | 1 year |
| • Crewmember Fishing License | DFG | $115 | 10,221[10] | 1 year |
| Pioneer Homes Program | DHSS | Admission | 333 | 1 year |
| Longevity Bonus Program | DHSS | None | None | 1 year |

[5] Some participants qualified as a "resident" due to an exemption to the residency eligibility requirements, see Program Profiles section of this report.
[6] In 2005, there were 627,205 applicants for a PFD, of which 594,804 were deemed eligible for payment.
[7] Full-time undergraduate taking 12 credits a semester.
[8] This number reflects the number of students taking at least five credit hours, who paid resident tuition rates for Academic Year 2005. Nonresident students who register for no more than four credits each semester are charged resident tuition, however are not included in this number.
[9] There is no student loan residency requirement for students receiving an education at an approved institution in Alaska.
[10] For land auction sales, 67 is the number of parcels sold; for remote cabin permits, 285 is the number of stakings; for sport fishing and hunting licenses, 283,656 is the number of licenses issued; for entry permit or interim use permits, 16,886 is the number of permits; for crewmember fishing licenses, 10,221 is the number of licenses issued.

Residency requirements are governed by statutes and regulations

Under AS 01.10.055, general provisions provide a basis for establishment of residency status in Alaska. In addition to the general residency statute, state benefit programs have specific laws and regulations used in interpreting and applying residency status as it relates to eligibility for benefits derived from those programs. A brief description of eligibility requirements for each of the programs is shown in Appendix A – Program Profiles.

Elements of residency requirements involve durational criteria, qualifying periods, allowable absences, and/or exemptions to the requirements.

1. Duration and Measurement Date – Seven of the ten programs have a one-year residency requirement. For most programs, one year is the longest residency deemed constitutional. According to Superior court case Hillgardner v. State of Alaska:

   *"It is well settled that a state can condition receipt of some benefits upon length of residence but both federal and Alaska courts with its relaxed level of scrutiny have determined the outside limit of durational residency requirements to be one year."*

   Three of the ten programs have a two-year residency requirement. Those programs are as follows: (1) resident student tuition; (2) the WWAMI program at the University of Alaska; and (3) the commercial fishing loans at the Department of Commerce, Community, and Economic Development. The theory behind the two-year residency in these programs is applicants (students and commercial fishermen) are deemed to be transient in nature and, thus, require a longer period to determine residency.[11]

**Exhibit 3**

| Program | Residency Measurement Date |
|---|---|
| Permanent Fund Dividend | December 31 |
| Student Tuition | First day of class |
| WWAMI Program | Date of enrollment |
| Commercial Fishing Loans | Date of application |
| Student Loans | Date of application |
| Land Auction and Remote Cabin Lottery | Date of auction and application |
| Sport Fishing and Hunting Licenses | License purchase date |
| Commercial Fishing Licenses and Permits: | |
| • Limited Entry and Interim-Use Permits | Date of renewal or purchase |
| • Crewmember Licenses | Date of application |
| Pioneer Homes Program | Date of application |
| Longevity Bonus Program | Date of application |

[11] Committee minutes and information contained in the bill file for CH 7 SLA 1983—compared students and fishermen, noting they are both transient in nature and therefore a two-year residency requirement would pass constitutional scrutiny. Additionally, an Attorney General Opinion dated December 6, 1982 stated, *"a good faith argument could be made that two years is permissible because of the highly transient nature of fishermen…"*

In addition to differing durational requirements, the measurement date varies among programs. For most of the programs, the application date marks the point where length of residency is calculated. However, for resident tuition at the University of Alaska, the first day of class is the measurement date. DNR land auctions, under the land disposal program, use the date of the auction as the measurement date. The PFD uses December 31 as the measurement date for permanent fund dividends. These differences are reasonable considering when benefits would be available to applicants. For example, students cannot receive a benefit until class starts and the benefit of land is not available until the date of the auction. Also, PFD uses a calendar year, primarily due to ease of processing applications, for every resident in the State of Alaska. Varying measurement dates for PFD would likely result in an administrative backlog. See Exhibit 3, on the previous page, for a summary of residency measurement dates by program.

2. Allowable Absences – Allowable absences permit an individual to be gone from Alaska for a period of time for good cause. Each program has specific allowable absences applicable to that individual program in statute or regulations. (See Exhibit 5) There are similar types of absences with differing definitions. Also, there are absences unique to specific programs:

   A. Similar Types of Absences

   There are several allowable absences such as those for military, medical, and educational purposes permitted while participating in most programs. However, the degree of specificity in the statutes and regulations varies by program. For instance, the permanent fund dividend and pioneer home programs generally have more detailed guidance in the statutes and/or regulations. Conversely, commercial fishing loans[12] and land disposal programs have less-defined guidance in their governing statutes and regulations.

   Additionally, some of the similar allowances are defined differently between programs. As an example, two of the programs—student loans[13] and the permanent fund dividend—use the term "armed forces" to describe their allowable absences for military personnel. The permanent fund dividend program uses this term because the allowable absence then applies solely to military personnel that carry weapons and who could be put in harm's way. Previously, the permanent fund dividend program had used the term "military service" in their allowable absence. However, use of "military service" allowed employees of the United States Public Health Service and National Oceanic Atmospheric Administration to qualify under the absence.

[12] Commercial Fishing Loan personnel use personal judgment to take into account all situations with regard to different kinds of schooling and/or medical absences from that state.
[13] This pertains to the Memorial Education Revolving Loan, Teacher Education Loan, and Alaska Family Education Loan.

B. Absences Unique to Certain Programs:

Certain programs, such as some student loan programs, allow serving up to three years as a full-time volunteer under the Peace Corps Act. Land disposal programs at DNR allow absences for a period of up to one year, as long as the applicant held real property in Alaska, paid all applicable state and local taxes, and maintained his Alaska residency for voting purposes.

The Pioneer Homes admission program allows an individual to be absent from the State and maintain their residency when confined in an out-of-state correctional institution by order of a court. However, the individual must have been a resident of the State before the confinement began.

3. Exemptions to the Requirement – Some programs allow individuals to be exempt from meeting the established residency requirements. The University of Alaska (UA) and the Alaska Student Loan program allow nonresidents to participate in their programs and get the same benefit as an Alaska resident while claiming residency in another state or country.[14] As an example, UA allows nonresidents in the military, from a sister city, or—if they are a dependent child of a person who graduated and holds a degree from UA—to pay resident tuition. The student loan program allows students physically present and attending an institution, that is located in the State, to qualify for an Alaska student loan.

Some program eligibility requirements prohibit residents from program participation

In the PFD program, individuals are not eligible for a dividend when, during the qualifying year, the individual was sentenced as a result of a conviction, in this state, of a felony. Individuals are also not eligible for a dividend when:

> *(2) during all or part of the qualifying year, the individual was incarcerated as a result of the conviction in this state of a:*
>
> *(A) felony; or*
>
> *(B) misdemeanor if the individual has been convicted of*
>
> *(i) a prior felony as defined in AS 11.81.900; or*
>
> *(ii) two or more prior misdemeanors as defined in AS 11.81.900.*

For the 2004 dividend (based upon residency during CY 2003), nearly 5,670 felons and misdemeanors applied for, and were denied, a PFD.

[14] The Alaska Student Loan Program requires that students either be U.S. citizens or permanent resident aliens attending in Alaska to be eligible for loans.

The Alaska Commission on Postsecondary Education (ACPE) will not approve a loan if the applicant has a past-due child support obligation established by the court or by the child support enforcement division at the time of application or loan disbursement. Additionally, poor credit may eliminate eligibility for an Alaska student loan, Commercial Fishing loan, or a loan from the DNR Land Disposal Program.

Resident hunting and sport fishing licenses do not specify allowable absence duration

Requirements for resident hunting and fishing licenses require Alaskans to certify maintenance of their domicile in the State for 12 consecutive months immediately preceding the application for a license. Unlike the PFD program, the rules for sport hunting or fishing licenses do not specify how much time a person is allowed to be absent from Alaska and still be able to claim residency.

Alaska Statute 16.05.415 states that a domicile is a "true and permanent home of a person from which the person has no present intention of moving and to which the person intends to return when the person is away." The law also states the resident needs to keep their "primary permanent home" in Alaska and has made no effort to obtain benefits of residency elsewhere for 12 months prior to applying for the license. Exhibit 4 summarizes a recent case involving interpretation of this statute.

**Exhibit 4**

**Summary of Recent Case Involving False Claim of Residency**

In 2005, a jury in Juneau District Court convicted an individual of falsely claiming residency on sport hunting and fishing licenses between 1999 and 2004. The individual has two homes, one in Alaska and one in the lower-48 states.

The defendant stated he had been a resident of the State of Alaska since 1968 and has maintained his domicile in Alaska since that date. He had not claimed the benefits of any other state. The defendant argued that, even though he currently owns property outside of Alaska and spends part of the year outside of Alaska, he still maintains his domicile in Alaska and returns here each time he is absent, and intends to do so as long as he lives. The jury decision is currently under appeal.

WWAMI program encourages students to come back to Alaska

One of the goals of the WWAMI program is to increase the number of program graduates practicing medicine in Alaska.

A significant benefit of being accepted into the WWAMI program is that up to ten Alaskan students are accepted into UWSM and they pay the much lower in-state, rather than out-of-state, tuition. The 1998 legislature adopted a measure that requires students to sign a promissory note with ACPE for the amount of the difference between out-of-state and in-state tuition.

Students are required to pay back the difference between resident and nonresident tuition at the contracting postsecondary institution, plus interest, including any differential for the first

year of the program delivered at the University of Alaska. However, if the successful medical student returns to Alaska upon graduation and is employed in their field of study, the 'differential' loan is forgiven in 20% increments each year. After five years, the student would have the full loan differential forgiven. In 2005, the annual tuition differential was $18,000 per student.

Most state benefit programs have a process for applicants to appeal residency determinations

Most of the analyzed benefit programs have a process for appealing denial of benefits. Appeals are governed by statute and regulations applicable to the programs. In general, applicants can appeal denial for benefits through the department or agency administering the program. If the applicant is not satisfied with the departmental decision, they may ultimately appeal to the Alaska Superior Court. The majority of the benefit programs require appeals be made in writing. Statutes and regulations over the Commercial Fishing Entry Commission allow an applicant to request an oral or written administrative hearing by filing a request for a hearing with the commission.

The appeal process is absent from the sport fishing and hunting license program. Since vendors sell sport fishing and hunting licenses, based upon self-certification by individuals, there is no need for an individual to appeal this type of decision. However, if a person gets ticketed for providing false information on a license, this person can dispute the ticket in the Alaska District Court and try to prove their residency status.

**Exhibit 5**
**ALLOWABLE ABSENCES CHART**
**BY PROGRAM**

| Absence Due To | Permanent Fund Dividend | Student Tuition | WWAMI | Commercial Fishing Loans | Student Loans | Land Disposal | Sport Fishing and Hunting Licenses | Commercial Fishing Permits | Commercial Fishing Licenses | Pioneer Home Program | Longevity Bonus |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Military | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Education | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ |
| Good Cause/ Vacation/Other | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Did not receive benefits in another state/do anything inconsistent | ✓ | ✓ | | | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| Medical | ✓ | ✓ | | | ✓ | ✓ | | | | ✓ | ✓ |
| Congress/staff of a congressman | ✓ | | | | ✓ | | | | | ✓ | ✓ |
| Accompanying an eligible individual gone on an allowable absence | ✓ | | | | ✓ | | | | | ✓ | ✓ |
| Official State Business | ✓ | | | | ✓ | | | | | ✓ | ✓ |
| Volunteer | | | | | ✓ | | | | | | ✓ |
| Incarceration | | | | | | | | | | ✓ | ✓ |

# REPORT CONCLUSIONS

Each of the ten state benefit programs (the programs) has specific rules established in statute, regulation and/or University of Alaska Board of Regent's Policy governing residency requirements. As discussed in the Background Information section, we use the term "benefit" broadly in this report. A benefit is a financial advantage or an exclusive opportunity offered a resident. However, some benefits are more accurately described as a surcharge[15] on the nonresident instead of a benefit to the resident.

Our review and analysis of the programs concludes that inconsistencies in the residency requirements are prevalent. These are due to:

1. the amount of and type of benefit,
2. level of interest by the legislature, the governor and stakeholders, and
3. public policy issues.

These inconsistencies are reasonable due to the benefit differences.

Program design differences also affect the amount of information required from the applicant and the level of verification performed by state officials.

Court decisions help clarify durational residency requirements and fee differentials in state benefit programs

There are many court cases surrounding durational residency requirements of state benefit programs. The length of duration is dependent on the benefit received. The United States Supreme Court has ruled that some programs are so basic, or the rights involved are so fundamental, that the State may impose only the shortest residential period necessary to determine intent. This is the rationale used by the courts to declare 30-day residency requirements to be the maximum allowed for voting registration and the receipt of public assistance and medical care. Other programs that do not infringe on an individual's fundamental rights may have longer durational residency requirements.

In key residency cases, three criteria were typically considered when analyzing durational residency requirements:

1. Whether the benefit was fundamental[16] or not;

[15] General state revenues, in conjunction with user fees, financially support program operations; therefore, the surcharge is a mechanism used to equalize, or balance, the charge for both resident and nonresident.

[16] In Lindly v. Malone, the Superior Court noted that benefits such as: *the right to vote, the ability to work or obtain employment, medical benefits for the needy, and public assistance benefits are deemed fundamental benefits*.

**Exhibit 6**

| Case | Description |
|---|---|
| Zobel v. State of Alaska, Department of Revenue (1982) | The United States Supreme court struck down the Alaskan dividend distribution plan adopted in 1980. This case resulted in changes to residency requirements and individuals' permanent fund dividend amounts were no longer based on the length of their residence in Alaska. A new residency requirement was set at six months (SLA 1989, Ch 107 that later increased the duration to two years which was deemed unconstitutional in 1990, see Lindly v. Malone below). The majority opinion of the court opined that if a State distributes benefits to its residents unequally, the distinctions that it makes are subject to scrutiny under the Equal Protection Clause of the Fourteenth Amendment. States must show that the distinction furthers a legitimate state purpose. Ultimately, the State was unable to prove that the State's purpose was furthered by the structure of dividend payouts. |
| Schaffer v. Vest (1984) | The Alaska Supreme Court decided the 25-year residency requirement for the Longevity Bonus program was unconstitutional. In this case, the Court said that despite the State's effort of breaking down the legislation's statement of purpose into three parts, the basic purpose of the legislation is to provide a limited group of residents a monetary incentive to continue uninterrupted residency in the State. Thus, it creates an exclusive class that is to receive special benefits due to length of the class member's residence in Alaska. The court concluded that such a goal is impermissible for a state. |
| Lindly v. Malone (1990) | The Alaska Superior Court ruled that the two-year requirement for residency under the PFD and Longevity bonus was unconstitutional. This resulted in a one-year residency requirement for both programs. In this case, the Judge concluded that the two-year residency requirement was not fairly and substantially related to the State's purpose of establishing bona fide residence. |
| Hillgardner v. State of Alaska, Commission Postsecondary Education (1993) | The Alaska Superior Court struck down the two-year durational residency requirement for the student loan program. The Judge concluded that the right to borrow money to attend school is not a fundamental right, and therefore only a 'relaxed scrutiny' of residency duration was applicable. However, the State ultimately could not show a fair and substantial relation between the two-year requirement and the objective or purpose of the legislation. Therefore, the Judge concluded two years was unconstitutional and violated the equal protection clause of the Alaskan Constitution. However, he further concluded that a one-year requirement was constitutional and should be used by the program. |
| Carlson v. State of Alaska, Commercial Fisheries Entry Commission (originally filed in 1984) | The lawsuit, filed by commercial fishermen, charged that the difference in fees paid for commercial fishing licenses and permits by nonresidents as opposed to residents is unconstitutional and without statutory authority. They advanced that the fee differential could be a violation of both the Commerce Clause and the Privileges and Immunities Clause.<br><br>Ultimately, the Alaska Supreme Court ruled that the Commerce Clause is not applicable and a fee differential is permissible under the Privileges and Immunities Clause. However, the size of the differential would influence whether or not it is constitutional. A formula for determining the fee differential was determined and it was found that the fee differential previously used was too high for some licenses and permits and too low for others. As a result, it was determined that some commercial fishermen had been overcharged while others had been undercharged. Currently, the issue in dispute is how the amount of commercial fishing fees for those individuals who were overcharged or undercharged will be handled. |

2. The purpose of the program; and

3. Whether the length of residency required, further the goals or intended purpose of the State.

Some programs, such as student tuition and commercial fishing loans, have participants that are more transient in nature which supports a longer residency duration. In these programs, a longer duration is necessary to determine the applicants' intent to remain in the State.

Additionally, fee differentials have also been challenged in the courts. Over the past 20 years, there has been ongoing litigation surrounding nonresidents being charged a higher fee for commercial crewmember licenses and commercial fishing permits.

See Exhibit 6, on the following page, for decisions on some court cases affecting durational residency requirements and fee differentials in Alaska's state benefit programs.

Degree of verification required by agencies reasonably differs among benefit programs

The proof of residency required from applicants varies in each program. Some of the programs list the acceptable evidence for proof of residency directly in their statutes or regulations while others are silent. Most program requirements for verification of applicant eligibility are commensurate with the benefits received. The degree of verification performed in determining applicant eligibility is reasonable in all but one of the programs when considering the benefit received. The Pioneer Homes have a high benefit but low verification of applicant residence status. (See Recommendation No. 1)

Programs with a higher benefit such as PFD (see Background Information section) require the applicant to provide proof of residency status through submission of documents supporting their intent to remain in Alaska indefinitely. Some programs[17] also perform cross matches with other programs to help identify applicants who may have misreported residency status on their application.

In contrast, the sport fishing and hunting license program simply relies on self-certification by the applicant to the vendors selling the licenses. However, the cost of a more thorough applicant verification could dissuade vendors from selling the permits and the cost of a more stringent verification outweigh the benefit being received with the license.

[17]PFD uses records maintained by the Division of Motor Vehicles. DNR's land program uses public information showing voter registration, motor vehicle and driver licensing, fish and game licensing, and permanent fund dividends.

DNR land disposal programs use many means including hunting and fishing licenses and voter registration as proof of resident eligibility

DNR's regulations over land disposal programs specify the types of documents an applicant may submit to support their claim of residency. Specifically, regulations at 11 AAC 67.010 state:

> "*For proof of residency the applicant may submit any proof acceptable to the director, including: voter registration and voting records; hunting, fishing, driver's, or other licenses; school records; rent receipts, or proof of home ownership or a home purchase contract; motor vehicle registration; tax records; employment, unemployment, or military records; court or other government agency records; birth or other vital statistic records; affidavits of persons acquainted with but not related to the applicant; such affidavits may be used as corroborative evidence, but unless otherwise specified, will not be accepted as the sole proof of residence.*"

As noted above, sport fishing and hunting licenses are currently accepted for proof of resident status. These licenses are administered by the Department of Fish and Game (DFG), who uses retail vendors or charter operators to issue resident licenses. DFG does not require proof of residency status to obtain a sport fishing or hunting license. Verification of residency status is limited to applicants' self-certifying their residency by signing a statement. Since there is no verification of residency status on sport fish and hunting licenses, they should not be relied on for proof of residency status. (See Recommendation No. 1)

Agencies are applying residency requirements as designed by law and regulation.

Aside from the University of Alaska/Southeast (UAS) and the WWAMI program (see conclusions below), programs in our analysis[18] are applying residency requirements as designed for their particular program. As shown in the Background Information and in Appendix A – Program Profiles, those requirements vary significantly by program.

The University has improved procedures requiring better documentation for use in making resident tuition decisions, however, weaknesses still exist at UAS

The University has improved their process for determining which students are eligible for resident tuition. For fall 2005, undergraduate resident students paid approximately one-third that of a nonresident. The University Board of Regents modified Regulation R05.10.05 (March 19, 2004) which addresses residency for tuition purposes. All campuses modified

[18] The longevity bonus program, commercial fishing licenses, and sport hunting and fishing licenses program were not included in our analysis of the application of residency rules. Commercial fishing licenses are not going through any evaluation at this time due to the Carlson v. State of Alaska, Commercial Fisheries Entry Commission. Sport hunting and fishing licenses were not included because only a self-certification is made by applications with no verification by agency staff. The longevity bonus program had been discontinued.

their applications by developing separate and unique forms to support student claims for residency.

Insufficient support and errors were identified in resident tuition decisions at UA/Anchorage (UAA) and UA/Fairbanks (UAF) for Spring 2003 and Spring 2004. Fall 2005 resident tuition decisions were fully supported which was a direct result of tightening of the internal controls at these two campuses.

**Exhibit 7**

| Regional University | Semester Tested | Total Reviewed | Insufficient Support for Residency Status |
|---|---|---|---|
| UAA | Spring 2003/Spring 2004 | 180 | 77[19] |
| | Fall 2005 | 10 | 0 |
| UAF | Spring 2003/Spring 2004 | 85 | 16[20] |
| | Fall 2005 | 10 | 0 |
| UAS | Spring 2003/Spring 2004 | 34 | 11 |
| | Fall 2005 | 5 | 2 |

However, as shown in Exhibit 7, insufficient support for residency decisions existed at the UAS campus for all three years. Adequate support should be requested by UAS, from the student, to ensure proper tuition decisions are made. (See Recommendation No. 2)

WWAMI application does not follow Board of Regents policies and regulations

Applicants must meet certain residency requirements prior to being accepted in the program. Currently, the application form used by the agency allows absences that are not provided for under the University of Alaska's Board of Regents Policies or regulations. Additionally, the current application process allows applicants to meet residency requirements with the duration of only 12 consecutive months. However, Board of Regents' Policy and regulations requires a residency duration of two consecutive years. (See Recommendation No. 3)

We examined all ten of the applicants accepted for 2005 and found all had been residents of Alaska for more than two consecutive years. Additionally, of the ten applicants accepted, seven had absences from the State during the qualifying period. All of the absences were for postsecondary education, which is allowable under the current regulations.

[19] Four students at UAA were allowed to pay resident tuition when they should have paid nonresident tuition.
[20] Three students at UAF were allowed to pay resident tuition when they should have paid nonresident tuition.

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# FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

Program managers responsible for Pioneer Homes admission, land disposal programs, and university tuition should improve procedures used to verify residency status.

Three programs, Department of Health and Social Services' (DHSS) Pioneer Homes admission, Department of Natural Resources' (DNR) land disposal programs, and University of Alaska's (UA or University) tuition, should improve its review of applicants' eligibility for benefit programs. Weaknesses were found as follows:

- Verification of Pioneer Homes' admission information is limited.

  Minimal verification of individuals' residency is performed by Pioneer Homes' officials when approving individuals to be waitlisted for admission to a pioneer home. In the majority of cases, the basis for the applicants' eligibility was a self-certification of residency status and an affidavit signed by two individuals, often a family member, spouse and/or friend(s). Recertification is performed on an annual basis for individuals on the Pioneer Homes' waitlist. Waitlisted individuals are, again, required to self-certify their residency status and submit a similar affidavit signed by two individuals.

- Department of Fish and Game (DFG) sport fishing and hunting licenses should not be used by other benefit programs as proof of residency.

  DFG only requires a self-certification by an applicant as proof of the applicant's residency status for sport fishing and hunting licenses. No verification is performed by DFG staff prior to issuance of the fishing or hunting license. DNR land managers and UA staff accept DFG sport fishing and hunting licenses as support for resident status. DNR and UA officials were unaware of the lack of residency verification done on behalf of DFG staff.

Because agency staff performs little verification, or uses proof from an agency that performs no verification, adequate support was unavailable for some eligibility determinations. As described in the background information, applicants must meet specific eligibility requirements for the various programs. Minimal verification, or use of data from programs that provide no verification, may cause nonresidents to be considered eligible for program participation.

Program managers, for certain programs such as Pioneer Homes' admission benefit, DNR land disposals, and UA resident tuition (bona fide residency determination) should consider

utilizing available information such as the Permanent Fund Dividend (PFD)[21] to assist in verification of residency status.

Although effective dates and allowable absences are different for these programs, use of the PFD information could be beneficial in the evaluation of the applicant's residency when the effective dates and allowable absences for PFD are more restrictive. PFD's information should not be used to deny an individual, due to less restrictive and differing criteria for programs. The PFD Division performs a high degree of verification on applicant's residency status.

We recommend these programs strengthen verification and evaluation procedures for applicant residency. Specifically, Pioneer Homes' officials should perform a higher level of verification for an applicant's compliance with the residency requirement; land disposal and UA resident tuition program managers should discontinue acceptance of sport fishing and hunting licenses as proof of applicants' resident status.

Recommendation No. 2

The University of Alaska/Southeast's (UAS) Vice Chancellor for Student Services and Enrollment Management should ensure that students receiving resident tuition meet the University's residency requirements.

We tested applicants to UAS in 2003, 2004, and 2005. Insufficient support was found for 2 of 17 students in Spring 2003, 9 of 17 students tested in Spring 2004, and 2 of 5 students in Fall 2005 semesters.

Without adequate verification of residency, students may be allowed to pay resident tuition in lieu of nonresident tuition. This would be a benefit of $2,772 per semester for a full-time student taking 12 credits during Fall 2005.

Students eligible for Alaska resident tuition are those students physically present in Alaska for two years; apart from documented absences due to illness, vacations, attending another educational institution while maintaining Alaska residency. Students can also apply for resident tuition after one year under the one year bona fide residency[22] provision.

[21] The Permanent Fund Dividend Division (PFDD) has, under AS 43.23.017, a free download available to all state, local, and federal agencies. This download contains 48 fields of information for each individual that applies for a permanent fund dividend.

[22] UA Board of Regents Regulation R05.10.05 allows a student, who initially registered as a nonresident, to apply for resident status after living in the State for one year if they prove they are a 'bona fide resident.' Bona fide resident status is based on satisfying, through documented support, at least five of seven conditions such as: voter registration in Alaska, vehicle registration in Alaska for at least nine months, and ownership of real property in Alaska.

UAS should fully implement Regent Policy 05.10.02(G) and require students to provide adequate proof of the two-year residency requirement or support for the bona fide residency requirements. This will ensure that only residents, and those nonresidents exempt from paying nonresident tuition, are allowed to pay the lower tuition rate.

Recommendation No. 3

The University of Alaska/Anchorage WWAMI Program Director should develop eligibility criteria in accordance with UA policy and regulations.

The WWAMI program is presently allowing applicants to meet residency requirements with a shorter durational period than required by UA's Board of Regents policy and regulations. Additionally, absences are being allowed that are not supported by UA's Board of Regents Policy or regulations.

The current procedures for WWAMI applicants include filling out a Resident Status Eligibility form. The Resident Status Eligibility form is used by UA's WWAMI Program staff as a tool in determining resident status of applicants. The form indicates a durational residency requirement of only 12 consecutive months and permits several allowable absences. UA's Board of Regents policy and regulations stipulate WWAMI participants must physically reside in Alaska for at least two consecutive years. Regulations further identify only one type of allowable absence for full-time education outside of Alaska for the applicant or applicants spouse.

The current procedures could allow applicants to participate in the WWAMI program when they ultimately do not meet the durational residency requirements, in accordance with established policies and regulations.

The WWAMI Program Director should work with UA Statewide to develop eligibility criteria for WWAMI applicants in accordance with UA policy and regulations.

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# PROGRAM PROFILES

Program Profiles are described here to provide a brief summary of the purpose, benefits received and number of participants for each program. Additionally, the profiles summarize the eligibility criteria to bring out similarities and uniqueness of each of the programs reviewed.

Program Profiles: Page


Permanent Fund Dividend Program ..... 31

Student Tuition Program, *UA Board of Regents Policy* ..... 33

WWAMI Program ..... 35

Commercial Fishing Loan Program ..... 37

Student Loan Program, *AlaskAdvantage and Alaska Supplemental Education Loan* ..... 39

Student Loan Program, *Memorial Education Revolving Loan, Teacher Education Loan, Alaska Family Education Loan* ..... 41

Land Disposal Programs ..... 43

Sport Fishing and Hunting Licenses Program ..... 45

Commercial Fishing Licenses and Permits Program ..... 47

Pioneer Homes Program ..... 49

Longevity Bonus Program ..... 51

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## PERMANENT FUND DIVIDEND PROGRAM
## AS 43.23

Purpose of the Program: To distribute a portion of the Alaska Permanent Fund investment earnings to qualified Alaskan residents each year.

Background: In 1976, a constitutional amendment established a dedicated fund: the Alaska Permanent Fund. Through the amendment a percentage of all mineral lease rentals, royalties, royalty sales proceeds, federal mineral revenue-sharing payments, and bonuses received by the State are placed in the permanent fund, the principal of which may only be used for income-producing investments.

Benefit Received: Annual cash dividend. In calendar year (CY) 2005, qualified Alaskan residents received $846.

Number of Participants during CY 05: 627,205 applicants, of which 594,804 were eligible for payment.

Requirements for Eligibility:

**Durational Requirement** – one year

**Qualifying Period** – January to December calendar year; an individual must be physically present in the state with the intent to remain indefinitely in the state under the requirements of AS 01.10.055 or, if the individual is not physically present in the state, intends to return to the state and remain indefinitely in the state under the requirements of AS 01.10.055.

**Allowable Absences** –

- **Education** - Receiving secondary or postsecondary education on a full-time basis; receiving vocational, professional, or other specific education on a full-time basis for which, a comparable program is not reasonably available in the State;

- **Military** - Serving on active duty as a member of the armed forces of the United States or accompanying—as that individual's spouse, minor dependent, or disabled dependent—an individual who is:

  - ✓ serving on active duty as a member of the armed forces of the United States;

  - ✓ eligibility for a current year dividend; and

  - ✓ serving under foreign or coastal articles of employment aboard an oceangoing vessel of the United States merchant marine;

- **Medical** - Receiving continuous medical treatment recommended by a licensed physician or convalescing as recommended by the physician that treated the illness if the treatment or convalescence is not based on a need for climatic change; providing care for a parent, spouse, sibling, child, or stepchild with a critical life-threatening illness whose treatment plan, as recommended by the attending physician, requires travel outside the State for treatment at a

**Allowable Absences – Medical** (*continued)*

medical specialty complex; providing care for the individual's terminally ill family member; settling the estate of the individuals deceased parent, spouse, sibling, child or stepchild, provided the absence does not exceed 220 cumulative days;

- **Other** - Serving as a member of the United States Congress; serving on the staff of a member from the State of the United States Congress; serving as an employee of the State in a field office or other location; accompanying a minor who is absent under the medical allowance above; accompanying another eligible resident who is absent for a reason permitted under allowable absences as stated on the previous page; for any reason consistent with the individual's intent to remain a state resident, provided the absence or cumulative absences do not exceed specified lengths.

Exemptions to Eligibility Requirements:

None

Conditions that Terminate Eligibility:

An individuals eligibility is temporarily terminated for a permanent fund dividend for a dividend year if they:

1. No longer meet eligibility requirements.
2. Were sentenced during the qualifying year as a result of a conviction, in this state, of a felony.
3. Were incarcerated, during all or part of the qualifying year, as a result of the conviction in this state of a:
   a. Felony; or
   b. Misdemeanor if the individual has been convicted of
      i. A prior felony as defined in AS 11.81.900; or
      ii. Two or more prior misdemeanors as defined in AS 11.81.900.
4. Claim residency outside the state or obtain benefits under a claim of residency outside the state.
5. Fail to comply with the military selective service registration requirements imposed under 50 U.S.C. App. 453 (Military Selective Service Act), if those requirements were applicable to the person.

An individuals eligibility is *permanently* terminated for a permanent fund dividend if they:

1. Are convicted of making false statements on their PFD application certification, and the conviction is not reversed. The individual forfeits all PFDs paid and is not eligible for future permanent fund dividends.

## STUDENT TUITION PROGRAM
## UA BOARD OF REGENTS POLICY P05.10.01

Purpose of the Program: Tuition revenues are used primarily to maintain and expand the educational opportunities provided to students, to preserve and improve the quality of existing programs and support services, to respond to enrollment trends, and to implement new programs.

Benefit Received: Reduced tuition fees. In 2005, full-time undergraduates taking 12 credits a semester paid $2,772 dollars less for the semester than nonresidents.

Number of Participants during FY 05: 23,471 (took at least five credits and received the benefit of paying resident tuition at UA)

Requirements for Eligibility:

**Durational Requirement –** two years

**Qualifying Period –** At the time of class registration, has been physically present in Alaska for two years. A resident must declare the intent to remain in Alaska indefinitely.

**Allowable Absences –**

- **Education –** Attendance at another educational institution while maintaining Alaska residency.
- **Military –** See exemption to eligibility requirements below.
- **Medical –** Documented absences due to illness.
- **Other –** Documented absences due to vacation or other absence for periods not exceeding an aggregate of 120 days.

Exemptions to Eligibility Requirements:

- Military personnel on active duty in Alaska, their spouses and dependent children, regardless of their state residency status;
- Members of the Alaska National Guard, their spouses and dependent children, regardless of whether they yet qualify as residents of the State under any other requirements;
- Dependent children of a person who graduated and holds a degree from the University of Alaska;
- Students participating in the Western Regional Graduate Program (WRGP) of the Western Interstate Commission on higher Education (WICHE);
- Students enrolled for four or fewer credit hours during a semester;

## STUDENT TUITION PROGRAM
## UA BOARD OF REGENTS POLICY P05.10.01
## (continued)

Exemptions to Eligibility Requirements (*continued*):

- Students who are residents of British Columbia or the Yukon, Northwest, and Nunavut Territories;
- Students from other states or provinces whose public universities waive nonresident tuition surcharges for Alaska residents, as may be approved by the university president;
- Students from foreign cities and provinces which establish sister city or sister province relationships with the State of Alaska, or Alaskan municipalities, and which have been approved by the university president.
- Students participating in the UA Scholars Program;
- Participants of the University of Alaska College Savings Program who meet eligibility criteria as may be established by the Alaska Trust.

Conditions that Terminate Eligibility:

An individual's eligibility is temporarily terminated for resident tuition if they:

1. No longer meet eligibility requirements.
2. Within two years of class registration, have declared residency in another state, voted in another state, or done any act inconsistent with Alaska residence will be deemed a nonresident for purposes of tuition assessment, unless otherwise exempted by this policy or university regulation.

## WWAMI PROGRAM
## UNIVERSITY OF ALASKA and STUDENT LOAN PROGRAM
## UA Board of Regents Policy P10.05.04; AS 14.42.030(d); and AS 14.43.510

Purpose of the Program: To enhance the quality of health care by providing access to and delivering medical training in Alaska to qualified Alaskan students. Also, to provide access to medical education not available in Alaska.

Benefit Received: Ten Alaskan are guaranteed admittance to the University of Washington, School of Medicine (UWSM) and pay resident tuition rates at UWSM. In 2005, the differential between resident and nonresident tuition rates was approximately $18,000. However, if a student chooses not to return to Alaska and practice in their chosen field upon graduation, they are required to pay to the State the amount of the differential in tuition rates received. For each year a graduate of the WWAMI program does reside in Alaska and practices in their chosen field, a 20% reduction in the tuition differential is granted. After five years of residing and working in Alaska, the tuition differential would be fully forgiven.

Number of Participants during 2005: 10 students

Requirements of Eligibility:

**Durational Requirement –** two years

**Qualifying Period –** Must physically reside in Alaska for at least two consecutive years, with the intent to continue residing in Alaska indefinitely, immediately before matriculation at the University of Washington, School of Medicine. Also, must maintain at all times an intent to return to Alaska upon completion of the program.

**Allowable Absences –**

- **Education –** Absent due to the applicant's, or the applicant's spouse's status as a full-time student outside of Alaska and have physically resided in Alaska for at least two consecutive years immediately before the absence.
- **Military –** Not mentioned.
- **Medical –** Not mentioned.
- **Other –** Not Mentioned.

Exemptions to Eligibility Requirements:

None

Conditions that Terminate Eligibility:

An individuals eligibility is temporarily terminated for the WWAMI program if they:

1. No longer meet eligibility requirements.

(Intentionally left blank)

## COMMERICAL FISHING LOAN PROGRAM
## AS 16.10.310

Purpose of the Program: To promote the rehabilitation of the state's fisheries, the development of a predominantly resident fishery, and the continued maintenance of commercial fishing gear and vessels throughout the state by means of long-term low interest loans.

Benefit Received: Obtain a low-interest loan in high risk industry

Number of Loans Issued during FY 05: 132 loans

Requirements for Eligibility:

**Durational Requirement** – two years

**Qualifying Period** – A continuous period of two years, immediately preceding the date of application for a loan with the intent to remain indefinitely and make a primary and permanent home in the state.

**Experience –** If certain fishing related experience requirements are not met an applicant may not be eligible.

**Allowable Absences** –

- **Education** – Attendance at an educational institution
- **Military** – Brief intervals of military service
- **Medical** – Not mentioned
- **Other** – Absence for good cause

Exemptions to Eligibility Requirements:

None

Conditions that Terminate Eligibility:

An individuals eligibility is temporarily terminated for a commercial fishing loan if:

1. They no longer meet eligibility requirements.

(Intentionally left blank)

## STUDENT LOAN PROGRAM
## AlaskAdvantage and Alaska Supplemental Education Loan
## AS 14.43.091 – AS 14.43.710

Purpose of the Program: To promote, support, and provide access to postsecondary education for Alaskans.

Benefit Received: Reduced loan rates and fees.

Number of Loans Issued during FY 05:

| Loan Program: | Loans Issued: |
|---|---|
| AlaskAdvantage Federally Guaranteed Loans | 5,551 |
| Alaska Supplemental Education Loan | 6,362 |
| Grand Total | 11,913 (includes individuals with multiple loans) |

Requirements for Eligibility:

**Durational Requirement** – one year

**Qualifying Period** – Physically reside and maintain a domicile in Alaska during the 12 consecutive months before the date of application. However, the borrower may be absent from this state for up to 60 days during that 12-month period.

**Allowable Absences** –

- **Education** – Full- or part-time attendance at an educational or training institution.
- **Military** – Military service
- **Medical** – Not mentioned
- **Other** – Demonstrated good cause as determined by the commission.

Exemptions to Eligibility Requirements:

The student loan program allows students physically present and attending an institution, that is located in the State, to qualify for an Alaska student loan.

## STUDENT LOAN PROGRAM
## AlaskAdvantage and Alaska Supplemental Education Loan
## AS 14.43.091 – AS 14.43.710
## (continued)

Conditions that Terminate Eligibility:

An individuals eligibility is temporarily terminated for a student loan if the person:

1. No longer meets eligibility requirements.

2. Is delinquent in payment on a loan previously awarded by the commission.

3. Has bad credit

4. Has past due child support established by court order or by the child support services agency under AS 25.27.160 - 25.27.220.

5. Fails to comply with the military selective service registration requirements imposed under 50 U.S.C. App. 453 (Military Selective Service Act), if those requirements were applicable to the person.

6. Declared or established residency in another state; or received residency or a benefit based on residency from another state.

## STUDENT LOAN PROGRAM
## Memorial Education Revolving Loan;
## Teacher Education Loan; Alaska Family Education Loan
## AS 14.43.091 – AS 14.43.710

Purpose of the Program: To promote, support, and provide access to postsecondary education for Alaskans.

Benefit Received: Reduced loan rates and fees.

Number of Loans Issued during FY 05:

| Loan Program: | Loans Issued: |
|---|---|
| Memorial Education Revolving Loan | 29 |
| Teacher Education Revolving Loan | 139 |
| Alaska Family Education Loan | 174 |
| Grand Total | 342 (includes individuals with multiple loans) |

Requirements for Eligibility:

**Durational Requirement** – one year

**Qualifying Period** – Physically present in Alaska at least one year immediately before the time of application with the intent to remain indefinitely.

**Allowable Absences** –

- **Education** – Enrolled as a full-time student in a career education, associate, baccalaureate, or graduate degree program.
- **Military** – Serving an initial period of up to three years on active duty as a member of the armed forces of the United States; (includes accompanying spouse).
- **Medical** – Required medical care for the applicant or the applicant's immediate family.
- **Other** – Applicant or applicant's spouse, serving for up to three years as a full-time volunteer under the Peace Corps Act or the Domestic Volunteer Service Act of 1973; participating in a foreign exchange student program recognized by the commission; full-time employment by the State; being a member of, or employed full-time by, the State's congressional delegation; (all include accompanying spouse).

## STUDENT LOAN PROGRAM
## Memorial Education Revolving Loan;
## Teacher Education Loan; Alaska Family Education Loan
## AS 14.43.091 – AS 14.43.710
## (continued)

Exemptions to Eligibility Requirements:

None

Conditions that Terminate Eligibility:

An individuals eligibility is temporarily terminated for a student loan if the person:

1. No longer meets eligibility requirements.
2. Is delinquent in payment or has defaulted on a loan previously awarded by the commission.
3. Has bad credit
4. Has past due child support established by court order or by the child support services agency under AS 25.27.160 - 25.27.220.
5. Fails to comply with the military selective service registration requirements imposed under 50 U.S.C. App. 453 (Military Selective Service Act), if those requirements were applicable to the person.
6. Has declared or established residency in another state.

## LAND DISPOSAL PROGRAMS
## AS 38.05.055 and AS 38.05.600

Purpose of the Program: To encourage the settlement of State land and development of resources by making land available for maximum use consistent with the public interest.

Benefit Received:

Land Auction – allowed to submit bid

Remote Cabin Sites – allowed to participate in lottery

Number of Participants during FY 05:

Land Auction Sales – 67 Parcels

Remote Cabin Permits – 285 Stakings

Requirements for Eligibility:

**Durational Requirement** – one year

**Qualifying Period**: – At least one year immediately preceding the date of the auction, application, or bid.

**Allowable Absences** –

- **Education** – School attendance by the applicant or the applicant's spouse, if school records show an Alaskan home address and the applicant resided in Alaska one year before the absence and immediately returned to Alaska following the school attendance.

- **Military** – Military service by the applicant or the applicant's spouse, if the military discharge papers show an Alaskan home address and the applicant resided in Alaska one year before the absence and immediately returned to Alaska following the military service.

- **Medical** – Medical treatment, if medical records show an Alaskan home address and the applicant resided in Alaska one year before the absence and immediately returned to Alaska following the medical treatment.

- **Other** – Any other reason for a period of up to one year, during which the applicant held real property in Alaska, paid all applicable state and local taxes, and maintained his Alaska residency for voting purposes;

Exemptions to Eligibility Requirements:

None

## LAND DISPOSAL PROGRAMS
## AS 38.05.055 and AS 38.05.600
## (continued)

Conditions that Terminate Eligibility:

A person is temporarily ineligible to participate in the program if the person:

1. No longer meets eligibility requirements.
2. Held a contract or lease that was administratively terminated for cause within the past three years;
3. Is currently in default for nonpayment; or
4. Is currently in default for nonpayment of municipal taxes or assessments after the municipality notifies the division of nonpayment.

## SPORT FISHING AND HUNTING LICENSES PROGRAM
## AS 16.05.415; AS 16.05.940(27); 15 AAC 116.310

Purpose of the Program: To manage, protect, maintain, improve, and extend the fish, game, and aquatic plant resources of the State in the interest of the economy and general well-being of the State.

Benefit Received: Reduced sport fishing and hunting license fees for residents. In calendar 2005, qualified residents paid $85 dollars less for an annual fishing license and $60 dollars less for an annual hunting license than nonresidents.

Number of Licenses issued during CY 05:

| | |
|---|---|
| Resident Sport Fishing Licenses -- | 191,022 |
| Resident Hunting Licenses -- | 92,634 |
| Total Licenses | 283,656 |

Requirements for Eligibility:

**Durational Requirement** – one year

**Qualifying Period** – Has maintained the person's domicile in the state for the 12 consecutive months immediately preceding the application for license, with the intent to remain in the state indefinitely and to make a home in the state.

**Allowable Absences** –

- **Education** – Not specifically mentioned, however, see 'Other' below
- **Military** – A person who is a member of the military service or the United States Coast Guard is a resident if the person has lived in the State for the 12 consecutive months immediately preceding the application for a license. Also, a person who is the dependent of a resident member of the military service or the United States Coast Guard is a resident, if the person has lived in the State for the 12 consecutive months immediately preceding the application for a license.
- **Medical** – Not specifically mentioned, however, see 'Other' below
- **Other** – A person who is an alien is a resident if the person: (1) is physically present in the State with the intent to remain in the State indefinitely and to make a home in the State; (2) has maintained the person's domicile in the State for the 12 consecutive months immediately preceding the application for a license; (3) is not claiming residency in another state, territory, or country; and (4) is not obtaining benefits under claim of residency in another state, territory, or country.

Additionally, under AS 16.05.415 (b), a person remains a resident during an absence from the State unless they establish or claim residency in another state, territory or country or performs an act that is inconsistent with maintaining residency.

## SPORT FISHING AND HUNTING LICENSES PROGRAM
## AS 16.05.415; AS 16.05.940(27); 15 AAC 116.310
## (continued)

Exemptions to Eligibility Requirements:

None

Conditions that Terminate Eligibility:

An individuals eligibility is temporarily terminated for a license if:

1. They no longer meet eligibility requirements.
2. They claim residency, or obtain benefits under a claim of residency, in another state, territory, or country.

## COMMERICAL FISHING LICENSES/PERMITS PROGRAM
## AS 16.05.480 – crew member licenses;
## AS 16.43.140 – limited entry permits (further defined in 20 AAC 05.290)

Purpose of the Program: To manage, protect, maintain, improve, and extend the fish, game, and aquatic plant resources of the State in the interest of the economy and general well-being of the State.

Benefit Received: Reduced license fees. In calendar year 2005, qualified Alaskans paid $115 dollars less for a commercial fishing license or permit than nonresidents.

Number of Resident Licenses and Permits during CY 05:

Crewmember License – 10,221
Limited Entry Permit – 16,886[23]

Requirements for Eligibility:

**Durational Requirement** – one year

**Qualifying Period** – Twelve consecutive months prior to date of permit application with the intent to remain in the state indefinitely and to make a home in the state.

**Allowable Absences** –

- **Education** – Attendance at an educational or training institution
- **Military** – Military service
- **Medical** – Not specifically mentioned, however, see 'Other' below
- **Other** – Absence for brief intervals or for good cause

Exemptions to Eligibility Requirements:

None

Conditions the Terminate Eligibility:

An individuals eligibility is temporarily terminated for a license or permit if:

1. They no longer meet eligibility requirements.
2. They claim or receive benefits as a resident of another state, territory or country.

[23] Because participants can hold more than one permit, the actual number of participants is lower than the number of permits. The agency reports there were 10,400 Alaska residents that held permits for CY 2005.

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## PIONEER HOMES PROGRAM
## AS 47.55

Purpose of the Program: To assist older Alaskans and Veterans to have the highest quality of life by providing assisted living in a safe home environment.

Benefit Received: Admission to the home

Number of Participants during FY 05: 333 applicants

Requirements for Eligibility:

**Durational Requirement** – one year

**Qualifying Period** – More than one continuous year, immediately preceding application for admission, with the intent to remain in the state indefinitely and to make a home in the state.

**Allowable Absences** –

- **Education** – Pursuit of a formal course of study under the supervision of an established primary or secondary school, college, university, vocational school, or professional school, or performance of an internship or residency necessary to establish a professional specialty.

- **Military** – Service in the United State Army, Navy, Air Force, Marines, Coast Guard, Alaska National Guard, or Alaska Naval Militia, if the person enlisted or was drafted while a resident of the State.

- **Medical** – Medical treatment upon the recommendation of a licensed physician or psychologist if the absence did not include a permanent change of residence; medical necessity of a nonresident spouse, parent, dependent, or sibling requiring the applicant to be out of the State to provide care for the spouse, parent, dependent, or sibling, if the applicant was a resident of the State when the medical necessity arose; admission to a licensed long-term care facility outside of the State upon the written recommendation of a licensed physician, if the applicant continuously maintained residency in the State while temporarily absent from the State.

- **Other** – Employment by the State of Alaska in a location outside of the State; service in the United States Congress as a representative or senator for the State of Alaska, or service on the staff of such a representative or senator; service as a presidential appointee as a cabinet member or as an ambassador, or service on the staff of such an appointee; confinement in an out-of-state correctional institution by order of a court, if the person was a resident of the State before the confinement began; admission to a licensed long-term care facility outside of the State upon the written recommendation of a licensed physician, if the applicant continuously maintained residency in the State while temporarily absent from the State.

## PIONEER HOMES PROGRAM
## AS 47.55
## (continued)

- **Other** *(continued)*

  Family necessity requiring the applicant, whose relationship with another state resident was that of a parent, dependent, or sibling to accompany that individual who was absent under one of the allowances stated on the previous page. However, the applicant must be a resident of the State when the family necessity to accompany the absent individual arose.

Exemptions to Eligibility Requirements:

An applicant for admission to the home, who has been a resident of the State for 30 years and is otherwise qualified for admission under AS 47.55.020, may not be disqualified for admission because of absence from the State if the commissioner of health and social services determines the absence was reasonable and admission is consistent with the intent of AS 47.55.010 - 47.55.100.

Conditions that Terminate Eligibility:

An individuals eligibility is temporarily terminated for admission if:

1. They no longer meet eligibility requirements.

## LONGEVITY BONUS PROGRAM
## AS 47.45

Purpose of the Program: To provide a monthly cash bonus to qualified Alaskans to encourage uninterrupted residency in the State.

Benefit Received: Monthly cash bonus

Number of Participants during FY 05: None

Requirements for Eligibility:

**Durational Requirement –** one year

**Qualifying Period –** one year immediately preceding application to the program. Must demonstrate at all times during an absence an intent to return to Alaska and remain a resident of Alaska.

**Allowable Absences –**

- **Education –** Full-time enrollment in an accredited post-secondary educational institution for purposes of pursuing an associate, baccalaureate, or graduate degree; full-time enrollment in a vocational or professional training program.

- **Military –** United States military service, if Alaska is the individual's declared home for military purposes.

- **Medical –** Medical treatment for the applicant or a member of the applicant's immediate family if the treatment is advised by a licensed health care provider and does not include a seasonal or permanent change of residence. Allowable absences for medical reasons will, in the administrator's discretion, exclude period of convalescence and periods between office visits or other direct contact between patient and health care provider.

- **Other –** Service in the United States Congress; confinement in a correctional institution by order of a court in Alaska; employment by the State of Alaska or by an Alaska representative to Congress; full-time volunteer service under the Peace Corps Act.

Exemptions to Eligibility Requirements:

None

Conditions that Terminate Eligibility:

An individuals eligibility is temporarily terminated for a longevity bonus if:

1. They no longer meet eligibility requirements.

## LONGEVITY BONUS PROGRAM
## AS 47.45
## (continued)

Conditions that Terminate Eligibility: *(continued)*

2. A recipient is absence from the State in excess of 60 continuous days. Upon returning to the State, the recipient may again make application for a bonus. Failure to notify the commissioner of an expected absence may be grounds for disqualification.

3. They claim residency outside the State or nation during the eligibility period

An individuals eligibility is *permanently* terminated for a longevity bonus if:

1. The recipient has been absent from the State for a continuous period that exceeds three years.

STATE OF ALASKA

**DEPARTMENT OF REVENUE**

*OFFICE OF THE COMMISSIONER*

***FRANK H. MURKOWSKI, GOVERNOR***

*P.O. BOX 110400*
*JUNEAU, ALASKA 99811-0400*
*TELEPHONE: (907) 465-2300*
*FACSIMILE: (907) 465-2389*

RECEIVED
OCT 30 2006
LEGISLATIVE AUDIT

October 27, 2006

Pat Davidson
Legislative Auditor
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms Davidson:

After review of the preliminary audit report Residency Requirements of State Benefit Programs, Various Departments, the Department of Revenue has found nothing which requires a comment.

Sincerely,

William A. Corbus
Commissioner of Revenue



04-D2LH

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***FRANK H. MURKOWSKI, GOVERNOR***

# Department of Education & Early Development

***Office of the Commissioner***

*Goldbelt Place*
*801 West Tenth Street, Suite 200*
*P.O. Box 110500*
*Juneau, Alaska 99811-0500*
*(907) 465-2800*
*(907) 465-4156 Fax*

October 3, 2006

Pat Davidson, Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

Thank you for the opportunity to comment on the preliminary audit report: Residency Requirements of State Benefit Programs, Various Departments, February 28, 2006.

Since there were no recommendations made to the Department of Education & Early Development in the report, we have no comment.

Sincerely,

Roger Sampson

Roger Sampson
Commissioner

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STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

FRANK H. MURKOWSKI, GOVERNOR

P.O. Box 110505
Juneau, Alaska 99811-0505
PHONE (907) 465-6740
FAX (907) 465-3293

October 17, 2006

Ms. Pat Davidson, Legislative Auditor
Division of Legislative Audit
Legislative Budget and Audit Committee
Alaska State Legislature
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

RE: Preliminary audit report on: Residency Requirements of State Benefit Programs … February 28, 2006

I am writing to acknowledge receipt of your September 28, 2006 letter and accompanying report referenced above. Although there are no audit findings or recommendations relative to this agency's programs I did want to provide the following brief (and nit picky) comments:

Page 41, bullet one under "Allowable Absences", I would suggest ending the sentence at the first semicolon and striking the remaining language in that it does not describe a period of absence from the state.

Page 42, number two under "Conditions that Terminate Eligibility", I would suggest inserting "or has defaulted" after "Is delinquent in payment".

Thank you for the opportunity to provide input regarding this report. I found the report narrative relating to the Commission's program to be accurate and complete. I would also add that throughout the audit process your staff conducted themselves in a highly professional and pleasant manner.

Please feel free to contact me if you have any questions about these comments.

Sincerely,

Diane Barrans
Executive Director

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# STATE OF ALASKA

**DEPT. OF HEALTH AND SOCIAL SERVICES**

***OFFICE OF THE COMMISSIONER***

***FRANK H. MURKOWSKI, GOVERNOR***

*P.O. Box 110601*
*Juneau, AK 99811-0601*
*Phone: (907) 465-3302*
*Fax: (907) 465-3068*


October 27, 2006

Pat Davidson, CPA
Legislative Auditor
Legislative Audit
P.O. 113300
Juneau, AK 99811-3300

RE: Preliminary Audit Response, Residency Requirements for State Benefit Programs

Dear Ms Davidson:

Thank you for the opportunity to respond to the Preliminary Audit on Residency Requirements for State Benefit Programs. Our response to the one recommendation pertaining to the Department of Health and Social Services is as follows:

Recommendation No. 1

Program managers responsible for pioneer home admission, land disposal program, and university tuition should improve procedures used to verify residency status.

The department concurs with the recommendation. In addition, the Division of Alaska Pioneer Homes agrees to utilize the Permanent Fund Dividend Division's database as a tool for verifying the residency requirement for eligibility for admission to a Pioneer Home. The division will soon be signing a letter of agreement with the Permanent Fund Division to safely and securely access the appropriate information.

If you have any questions concerning this letter, please feel free to contact Janet Clarke at 465-1630 or by email Janet_Clarke@health.state.ak.us.

Sincerely,

Karleen K. Jackson, Ph.D.
Commissioner

(Intentionally left blank)

October 17, 2006

Pat Davidson
Legislative Auditor
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

RE: Response to Preliminary Audit Report: *Residency Requirements of State Benefit Programs*

I have reviewed the above Report and believe it accurately portrays the Division of Investments' Commercial Fishing Revolving Loan Fund (CFRLF). I agree with the Reports' Conclusions as well your Findings and Recommendations with respect to the CFRLF.

Thank you for the opportunity to comment on the Preliminary Audit Report.

Sincerely,

William C. Noll
Commissioner

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STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

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October 24, 2006

Track #06-1166

RECEIVED
OCT 27 2006
LEGISLATIVE AUDIT

Pat Davidson
In-Charge Auditor
Division of Legislative Audit
Legislative Budget and Audit Committee
P.O. Box 113300
Juneau, Alaska 99811-3300

Re: Prelim. Report # 04-30032-06, Residency Requirements of State Benefit Programs

Dear Ms. Davidson:

Thank you for providing the Department of Natural Resources (DNR) with the preliminary report regarding, in part, your audit of DNR's implementation of the residency requirements for the state's auction and Remote Recreational Cabin Sites land sale programs. We have reviewed the discussion and recommendation sections of the audit relevant to the department's programs. We believe that DNR properly interprets the state law and regulations regarding the determination of residency, but in light of concerns you raise, I have directed staff to make some changes to the land sale information we provide to the public.

As you have discovered, 11 AAC 67.010 provides a wide variety of the types of evidence that an applicant may submit to the department to verify the one year Alaskan residency requirement for either land sale program. While the regulation does specifically allow for the submission of Alaska Department of Fish and Game fishing or hunting licenses, DNR staff is fully aware that these licenses are self-certifying and the claims of times and durations of residency are not verified by ADF&G. As such, these licenses are not used as primary proof of residency but are rather used to support other, certified forms of proof.

In reviewing the division's land disposal brochures, I have discovered that ADF&G sport licenses are listed with more legitimate forms of residency proof and not the corroborative material such as personal affidavits. This is misleading and I will instruct the land disposal staff to correct this portion of future brochures to properly categorize these documents.

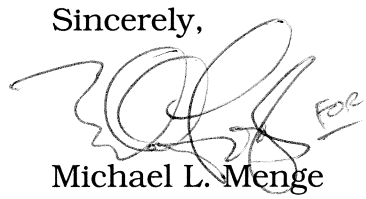


*"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."*

Lastly, you recommend that the department make use of information available from the Permanent Fund Dividend Program to assist in verification of an applicant's residency status. The department had in fact, until recently, used this information for that purpose. Unfortunately, recent legislation (Chapter 181 SLA 04) has blocked DNR's access to this information, depriving my staff of this valuable tool in verifying residency claims. DNR would appreciate any assistance your office could provide in sponsoring or supporting legislation reinstating DNR's access to this data.

Thank you for the opportunity to address these issues.

Sincerely,



Michael L. Menge
Commissioner

cc: Dick Mylius, Director, DNR Division of Mining, Land and Water
Holly Hill, Manager, DNR Land Sales and Contract Administration Section

# STATE OF ALASKA

**FRANK H. MURKOWSKI**
**GOVERNOR**

## DEPARTMENT OF FISH AND GAME

*OFFICE OF THE COMMISSIONER*

*P.O. BOX 115526*
*JUNEAU, AK 99811-5526*
*PHONE: (907) 465-4100*
*FAX: (907) 465-2332*

October 20, 2006

Ms. Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

The Department of Fish and Game has reviewed the Division of Legislative Audit Preliminary Audit Report on Residency Requirements of State Benefit Programs, Various Departments, February 28, 2006.

As discussed in our August 7, 2006 letter to Ms. Karen Smith, we noted in Exhibit 5, Allowable Absences Chart by Program, it is possible for any of these absences to meet the provisions of allowed absences under AS 16.05.415 (b). The statute does not state these absences are allowable but it does not state that they are prohibited either.

Other than the comment noted above, the Department concurs with the content of the report.

Sincerely,

McKie Campbell
Commissioner

cc: Tom Lawson, Director of Administrative Services
Commercial Fisheries Entry Commission

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# STATE OF ALASKA

**COMMERCIAL FISHERIES ENTRY COMMISSION**

*FRANK H. MURKOWSKI, GOVERNOR*

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*P.O. Box 110302*
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*(907) 789-6160 Other Business*
*(907) 789-6170 FAX*
*(907) 789-6180 BBS*

*INTERNET: www.cfec.state.ak.us*


October 9, 2006

Ms. Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

We have reviewed the preliminary audit report on: "Residency Requirements of State Benefit Programs, Various Departments, February 28, 2006." We find the comments concerning the Commercial Fisheries Entry Commission to accurately reflect the operations of the Commission. We have appreciated working with you on this project. If we can be of further assistance please do not hesitate to contact us.

By Direction of the
COMMERCIAL FISHERIES ENTRY COMMISSION

Frank Homan, Chairman
Peter Froehlich, Commissioner
Bruce Twomley, Commissioner

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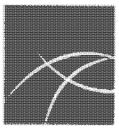
Mark R. Hamilton, President
Phone: (907) 450-8000
Fax: (907) 450-8012
EMAIL: sypres@alaska.edu



UNIVERSITY
of ALASKA
*Many Traditions One Alaska*

202 Butrovich Building
910 Yukon Drive
PO Box 755000
Fairbanks, AK 99775-5000

October 18, 2006

Pat Davidson
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson:

This letter is in response to your September 28, 2006 request for comments on the preliminary audit report titled "Residency Requirements of State Benefit Programs, Various Departments, February 28, 2006." We appreciate the effort and professionalism of the work done by you and your staff. A reply to each of the report recommendations is provided below.

FINDINGS AND RECOMMENDATIONS

*Recommendation No. 1*

*Program managers responsible for Pioneer Homes admission, land disposal programs, and university tuition should improve procedures used to verify residency status.*

*"Program managers, for certain programs such as Pioneer Homes' admission benefit, DNR land disposals, and UA resident tuition (bona fide residency determination) should consider utilizing available information such as the Permanent Fund Dividend (PFD) to assist in verification of residency status."*

We agree with the recommendation. The auditor's recommendation to leverage PFD information offers UA a tremendous opportunity to collaborate throughout the system in developing a shared process of verifying residency status. The University has begun development of the process that will use PFD information to help validate residency status of students.

*Recommendation No. 2*

*The University of Alaska/Southeast's (UAS) Vice Chancellor for Student Services and Enrollment Management should ensure that students receiving resident tuition meet the University's residency requirements.*

We agree with the recommendation. Process improvements stemming from these instances have been documented and remedies have been implemented at UAS.

In the initial test work, 11 files were identified that had insufficient documentation of residency. In those cases, a UAS staff member had returned what she felt were personal or sensitive documents to the student after the determination of residency had been made. This particular issue had been addressed subsequent to the first audit. All documents submitted as verification of residency status are now retained in the student's file. They are not returned to the student.

In the follow-up test work of five cases, two cases with insufficient documentation were again identified. One was a member of the military and the other was a WUE student. Corrective actions have been taken in these two instances. A copy of the student's military identification card is now required as documentation of residency from all members of the military and there has been refresher training for the registrar's staff on the WUE program and the inability of these students to change residency after enrollment.

In addition, Vice Chancellor Richard Dent is conducting a comprehensive review of the policies and procedures of the student services division. While not directly related to the audit, the review will serve to assure that current policies and procedural requirements are clear and unambiguous and that the procedures necessary to support any valid exceptions are sufficiently rigorous to avoid error.

*Recommendation No. 3*

*The University of Alaska/Anchorage WWAMI Program Director should develop eligibility criteria in accordance with the UA policy and regulations.*

We agree with the recommendation and will continue to work with the WWAMI management to ensure WWAMI program requirements and related UA policy/regulations are in alignment. In addition, WWAMI no longer lists allowable exceptions, as described in the auditor's report. The only allowed absences are for full-time education of the applicant or spouse, as prescribed in Alaska Administrative Code.

AAC requires 24 months of continuous residence at the time of application, OR at the time that the first day of WWAMI class begins. Since application typically occurs 12 months prior to the first day of class, an applicant who has lived continuously in the state for 12 months at the time of application qualifies. This timeline is in alignment with Board of Regents' policy which requires a similar 24-month period of in-state residence to qualify for resident tuition at the University of Alaska.

Again, thank you for the opportunity to provide comment. Please contact Dave Read at 450-8094 if you have any questions or need to clarify anything in this response.

Sincerely,

Mark R. Hamilton
President

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ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE
Division of Legislative Audit

P.O. Box 113300
Juneau, AK 9811-3300
(907) 465-3830
FAX (907)465-2347
legaudit@legis.state.ak.us

October 31, 2006

Members of the Legislative Budget
and Audit Committee:

We have reviewed the responses to our preliminary audit report on Residency requirements of State Benefit Programs. Although the responses do not provide us additional information to reconsider report conclusions or recommendations, two of the responses warrant further comment.

Alaska Commission on Post Secondary Education (ACPE)

ACPE identified two items that correct information presented in the Student Loan Program Profile for the Memorial Education Revolving Loan; Teacher Education Loan; and Alaska Family Education Loan on page 41 and 42 of the report. We acknowledge these items and the suggested corrections have been made.

Department of Natural Resources (DNR)

DNR expressed concern that recent legislation (chapter 181 SLA 04) made information on the Permanent Fund Dividend database confidential. However, that legislation, under AS 43.23.017 also states:

> "*The department may release information that is confidential under this section (1) to a local, state, or federal government agency …*"

The Department of Revenue has procedures, which include establishing a memorandum of agreement between the Department of Revenue and the other state agency, to ensure that use of this information is for state government purposes. As such, sponsoring or supporting legislation reinstating DNR's access to the data should not be necessary.

Pat Davidson, CPA
Legislative Auditor

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