# COMMITTEE REPORT

# HOUSE

(11)

FURTHER:

5/27/8[illegible]

Date: ______________

Mr. Speaker:

The Committee on FINANCE has had [illegible]

"An Act authorizing the use of Alaska permanent fund income to pay longevity bonuses; amending the longevity bonus program and the permanent fund dividend distribution program; and providing for an effective date."

under consideration and reports it back as follows:

[ ] do pass [ ] do not pass

[ ] do pass with attached amendments(s)

[ ] replace with CS for ______________ [ ] same title [ ] new title

and recommends ______________

[ ] AND attaches a "Letter of Intent" [ ] New Fiscal Note [ ] Zero Fiscal Note Attached

[ ] reports it back without recommendation

[ ] referred to the ______________ Committee

| MEMBERS SIGNING DO PASS | MEMBERS HAVING OTHER RECOMMENDATIONS: |
|---|---|
| | |

______________ CHAIRMAN

H 60

Original sponsors: Ray and Kerttula

IN THE SENATE BY THE FINANCE COMMITTEE

HOUSE CS FOR CS FOR SENATE BILL NO. 215 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act authorizing the use of Alaska permanent fund income to pay longevity bonuses; amending the longevity bonus program and the permanent fund dividend distribution program; and providing for an effective date."

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

* Section 1. AS 37.13 is amended by adding a new section to read:

Sec. 37.13.147. LONGEVITY BONUS ACCOUNT. (a) After July 1, 1985, the longevity bonus account is established as a separate account in the Alaska permanent fund. Notwithstanding the provisions of AS 37.13.145, 12.5 percent of the income of the permanent fund earned during the fiscal year ending on June 30 of the current year that is available for distribution under AS 37.13.140 shall be credited to the longevity bonus account.

(b) Money in the longevity bonus account shall be invested in investments authorized under AS 37.13.120. The longevity bonus account shall be credited with earnings at an interest rate equal to the average rate of interest earned on the Alaska permanent fund.

(c) The legislature may annually appropriate an amount sufficient to pay monthly longevity bonuses for the subsequent fiscal year under AS 47.45.010(d) from the longevity bonus account to the Alaska longevity bonus fund established under AS 47.45.090.

* Sec. 2. AS 43.23.045(c) is repealed and reenacted to read:

(c) Notwithstanding any contrary provision of law, after July 1, 1985 each year the commissioner shall transfer to the dividend fund 37.5 percent of the income of the Alaska permanent fund earned during the fiscal year ending on June 30 of the current year and available for distribution.

* Sec. 3. AS 43.23.045 is amended by adding a new subsection to read:

(d) The department may adopt by regulation a plan that, to the extent permitted by federal law, will allow an individual who elects to participate in the plan to select an optional disbursement of the dividend payment that would have the effect of deferring payment of all or a portion of federal income taxes on the receipt of a permanent fund dividend.

* Sec. 4. AS 47.45.010 is amended to read:

Sec. 47.45.010. PERSONS WHO MAY QUALIFY FOR LONGEVITY BONUS. (a) A person who is 65 years of age or over, who was a resident of [DOMICILED IN] the territory on or before January 3, 1959 [AND WHO HAS MAINTAINED A CONTINUOUS DOMICILE IN THE TERRITORY OR STATE FOR 25 YEARS] may apply to the commissioner of administration for qualification to receive a monthly bonus [OF $250].

(b) When the commissioner of administration determines that an applicant qualifies under AS 47.45.010 - 47.45.170 the commissioner [HE] shall immediately begin payment of the bonus.

(c) A person who otherwise qualifies to receive a bonus provided for in AS 47.45.010 - 47.45.170 may continue to do so only as long as that person continues to be a resident of [HE CONTINUOUSLY RETAINS A DOMICILE IN] the state.

* Sec. 5. AS 47.45.010 is amended by adding a new subsection to read:

(d) After July 1, 1985, the amount of the monthly bonus is the lesser of (1) $250; or (2) an amount equal to eight and one-third percent of the amount credited to the longevity bonus account for the previous fiscal year under AS 37.13.147, exclusive of earnings, divided by the number of qualified applicants under this section.

* Sec. 6. AS 47.45.030 is amended to read:

Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification a [A] recipient shall notify the commissioner of administration when the recipient [HE] expects to be absent from the state if the absence is for a continuous period that exceeds 30 days. After that notification, the recipient shall no longer receive bonuses from the Department of Administration after the [HIS] last regularly approved monthly application. Upon returning [HIS RETURN] to the state the recipient [HE] may again make application for a bonus. Whenever the absence is for a continuous period that exceeds 180 days the recipient shall be disqualified from receiving bonuses for the next 12 calendar months after returning [HIS RETURN] to the state. However, when the commissioner of administration determines a period of absence is beyond the control of the recipient, the recipient [HE] may not be disqualified, if the recipient [HE] still otherwise qualifies upon returning [HIS RETURN] to the state. Continual absences from the state, even though reported, and failure to notify the commissioner of an expected absence may be grounds for disqualification.

* Sec. 7. AS 47.45.090 is repealed and reenacted to read:

Sec. 47.45.090. ALASKA LONGEVITY BONUS FUND. (a) The Alaska longevity bonus fund is created for the purpose of paying the monthly bonuses provided for in this chapter. The fund consists of all money made available by appropriations of the state legislature, and from other appropriated funds, all contributions from whatever source, and income and interest derived from the investment of money.

(b) After July 1, 1985, the Alaska longevity bonus fund consists of money appropriated to the fund by the state legislature from the longevity bonus account established under AS 37.13.147.

(c) The commissioner of administration is the administrator of the fund.

* Sec. 8. AS 47.45 is amended by adding a new section to read:

Sec. 47.45.145. ACCESS TO RECORDS. (a) Notwithstanding any contrary provision of state law or state agency regulation, the commissioner of administration may have access to and examine records, documents, or other information in the possession of a state agency, other than personal income tax returns filed under AS 43.20, if the records, documents, or information relate to the length of state residence of an applicant for, or a recipient of, a monthly bonus under this chapter.

(b) If the commissioner of administration receives confidential information under (a) of this section, that information may be used only to confirm or rebut an applicant's declaration of length of state residence. If a person discloses information obtained under this section for a purpose other than to rebut an applicant's declaration of length of state residence in an appropriate administrative or judicial proceeding, that person is subject to the penalty that applies to unauthorized disclosure of that information by the agency or person that has primary custody and control of the information.

* Sec. 9. AS 47.45.150 is amended by adding a new paragraph to read:

(3) "resident" or "resident of the state" means an individual who is physically present in the state with the intent to remain in the state indefinitely and to make a home in the state. A person demonstrates the requisite intent by maintaining a principal place of abode in the state for one year and by providing other proof of intent the commissioner may require by regulation, including proof that the person is not claiming residency outside the state or

obtaining benefits under a claim of residency outside the state.

* Sec. 10. AS 47.45.170 is repealed and reenacted to read:

Sec. 47.45.170. FINDINGS AND PURPOSE. The legislature finds and declares that

(1) the high cost of goods and services in Alaska and the state's remoteness and harsh environment, make it difficult for many elderly Alaskans to remain in the state after retirement;

(2) when a person is forced to live out retirement years away from home, family and friends, that person suffers an irreparable loss;

(3) Alaska's elderly are a precious human resource, and it is in the public interest to provide a financial incentive for them to remain in the state after retirement; and

(4) it is in the public interest to continue the longevity bonus program for all elderly Alaskans irrespective of need. The longevity bonus program is not a form of welfare, and is not a substitute for or supplement to public assistance. Other programs are available to provide the basic necessities of life. The longevity bonus program is intended only to encourage elderly Alaskans to spend their retirement years in the comfort of their homes.

* Sec. 11. SOURCE OF FUNDS. It is the intent of the legislature that money needed to pay longevity bonuses during the 1984 and 1985 state fiscal years be appropriated from the general fund.

* Sec. 12. AMOUNT OF BONUS. The amount of the monthly bonus under AS 47.45.010 is $250 from July 1, 1983, to June 30, 1985.

* Sec. 13. SEVERABILITY. If any section of this Act is declared unconstitutional or otherwise invalid by a court of competent jurisdiction, the Department of Administration shall adopt regulations to impose the most stringent residency requirement allowable under the Constitution of the

State of Alaska and the United States Constitution for eligibility for longevity bonus payments.

* Sec. 14. After January 3, 1984 a person may not receive a monthly longevity bonus under AS 47.45 unless that person was eligible to receive a longevity bonus before that date.

* Sec. 15. Section 2, ch. 205, SLA 1972 and AS 47.45.150(2) are repealed.

* Sec. 16. This Act takes effect immediately in accordance with AS 01.-10.070(c).

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. HCS CSSB 215 (Finance)
Title Longevity Bonuses
Requested by House Finance Committee Date 6/23/83

II. FISCAL DETAIL
Agency Affected Department of Administration
Program Category Affected Social Services
BRU, Program, Or Subprogram(s) Affected Longevity Bonus Program
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| 100 PERSONAL SERVICES | | 26.7 | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | 26.0 | | | | |
| 400 COMMODITIES | | 1.0 | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | | $53.7 | | | | |

FUNDING (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| GENERAL FUND | | 53.7 | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify Source) | | | | | | |

POSITIONS

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| FULL TIME | | 1 | | | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

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

The FY 84 House budget includes $30,211,500 for longevity bonus payments. Under HCS CSSB 215 (Finance), payments would be made from this general fund appropriation.

Use of the Permanent Fund to pay longevity bonuses would not begin until FY 86.

The funding provided here is for one position and other added costs of implementing the program to a larger group of recipients.

IV. DATE 6/23/83 PREPARED BY Al Adams, Chair AA
AGENCY House Finance Committee
PHONE 465-3706

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/82)

The following individuals may testify on SB 215:

Senator Ray, prime sponsor

Representative Malone

Lisa Rudd, Commissioner, Department of Administration

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No SB 215
Title An Act amending the Alaska Longevity Bonus Program
Requested by ______ Date 6/9/83

II. FISCAL DETAIL
Agency Affected Department of Administration
Program Category Affected ______
BRU, Program, or Subprogram(s) Affected Alaska Longevity Bonus Program
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

| | | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| 100 | PERSONAL SERVICES | 26.7 | 26.7 | 26.7 | 26.7 | 26.7 |
| 200 | TRAVEL | | | | | |
| 300 | CONTRACTUAL | 26.0 | 26.5 | 27.0 | 27.5 | 28.0 |
| 400 | COMMODITIES | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 500 | EQUIPMENT | | | | | |
| 600 | LAND & STRUCTURES | | | | | |
| 700 | GRANTS, CLAIMS, ETC. | 43300.0 | 32000.0 | 44000.0 | 56700.0 | 64800.0 |
| | | | | | | |
| | TOTAL | 43353.7 | 32054.2 | 44054.7 | 56755.2 | 64855.7 |

FUNDING (Thousands of Dollars)

| | | | | | |
|---|---|---|---|---|---|
| GENERAL FUND | 53.7 | 54.2 | 54.7 | 55.2 | 55.7 |
| FEDERAL FUNDS | | | | | |
| OTHER (Specify Fund Source) | | | | | |
| Permanent Fund Earnings | 43300.0 | 32000.0 | 44000.0 | 56700.0 | 64800.0 |
| | | | | | |

POSITIONS

| | | | | | |
|---|---|---|---|---|---|
| FULL TIME | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| PART TIME | | | | | |
| TEMPORARY | | | | | |

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

Clerk V PFT (1 position) $ 26,730

John Sackett

IV. DATE 6/9/83 PREPARED BY Senator John Sackett
AGENCY Senate Finance
PHONE ______

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/79)

# MEMORANDUM State of Alaska

TO Lisa Rudd, Commissioner
Department of Administration

DATE June 2, 1983

FILE NO

TELEPHONE NO 465-2300

FROM Robert D. Heath
Commissioner
Department of Revenue

SUBJECT Senate Bill 215

There have been several versions of Senate Bill 215 addressing the question of a longevity bonus account. The latest I have before me is House CS for CS Senate Bill 215 (State Affairs).

Hopefully I can eliminate some of the confusion that seems to have developed concerning the fiscal impact of this measure.

The first point I want to address is the methodology for computing longevity bonuses for a "regular year." The bill states in Sec. 1, as it has in past versions, that bonuses are arrived at simply by multiplying 12.5 percent times the income available for distribution (AS 37.13.140). Once the 12.5 percent is calculated at the end of the fiscal year and put aside in a longevity bonus account, it will start to accrue interest. So the interest must be added in and paid out with the longevity bonuses as the Department of Revenue testified last week before Chairman Abood's State Affairs Committee. The actual amount of interest, however, has little significant impact relative to the total picture.

Secondly, the exception to the addition of interest, however, is in the first year. Part of that payment is a flat appropriation of $17.5 million from the FY 82 figure of $142.3 million available for distribution and no interest is included. The remainder of the first year's payment is 12.5 percent of the FY 83 figure of $198.06 available for distribution plus interest on the 12.5 percent that is set aside. Interest is not figured on the $142.3 million but on the 12.5 percent of the $198.06 million. The total amount then during the first year amounts to $43.3 million. I want to stress that this $43.3 million will be paid in the following year (FY 84).

The attached table presents the payments over a period of future years. The assumptions underlying these numbers are based on our March 83 forecast and, as you are well aware, will change quarterly when we reassess the state's oil revenue situation. Please note we do not address Sec. 12 of this bill.

If you have any further questions, please feel frree to contact us.

RDH:VDM:jas

Attachment

Expenditure Year
(millions of current $)

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|
| Appropriation (deducted from FY 82 $142.3) | 17.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfer (12.5% of prior FY's distributable income)* | 24.8 | 30.8 | 42.6 | 54.5 | 62.3 |
| Interest (at 8%) | 1.0** | 1.2 | 1.7 | 2.2 | 2.5 |
| Available for Payments | 43.3 | 32.0 | 44.3 | 56.7 | 64.8 |

* This money is not available for transfer until the final day of the fiscal year and therefore is available for expenditure the fiscal year following.

** On $24.8m only. Assumes the $17.5 million is payed out almost immediately.

# THE LEGISLATURE OF THE STATE OF ALASKA
## THIRTEENTH LEGISLATURE

## FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 215

Title An Act amending the Alaska Longevity Bonus Program

Requested by ______ Date 6/9/83

II. FISCAL DETAIL

Agency Affected Department of Administration

Program Category Affected ______

BRU, Program, or Subprogram(s) Affected Alaska Longevity Bonus Program

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|
| 100 PERSONAL SERVICES | 26.7 | 26.7 | 26.7 | 26.7 | 26.7 |
| 200 TRAVEL | | | | | |
| 300 CONTRACTUAL | 26.0 | 26.5 | 27.0 | 27.5 | 28.0 |
| 400 COMMODITIES | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 500 EQUIPMENT | | | | | |
| 600 LAND & STRUCTURES | | | | | |
| 700 GRANTS, CLAIMS, ETC. | 43300.0 | 32000.0 | 44000.0 | 56700.0 | 64800.0 |
| | | | | | |
| TOTAL | 43353.7 | 32054.2 | 44054.7 | 56755.2 | 64855.7 |

FUNDING (Thousands of Dollars)

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|
| GENERAL FUND | 53.7 | 54.2 | 54.7 | 55.2 | 55.7 |
| FEDERAL FUNDS | | | | | |
| OTHER (Specify Fund Source) | | | | | |
| Permanent Fund Earnings | 43300.0 | 32000.0 | 44000.0 | 56700.0 | 64800.0 |
| | | | | | |

POSITIONS

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|
| FULL TIME | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| PART TIME | | | | | |
| TEMPORARY | | | | | |

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

Clerk V PFT (1 position) $ 26,730

IV. DATE 6/9/83 PREPARED BY Senator John Sackett

AGENCY Senate Finance

PHONE ______

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/79)

I. REQUEST
Bill/Resolution No.: C.S.S.B. 215
Title: Longevity Bonus/Permanent Fund
Sponsor: Ray
Requestor:

II. FISCAL DETAIL
Agency Affected: Administration
Program Category Affected: Social Services
BRU, Program of Subprogram(s) Affected:
Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| OPERATING | | | | | | |
| 100 PERSONAL SERVICES | 0 | 95.7 | 53.5 | 53.5 | 53.5 | 53.5 |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | 0 | 105.0 | 106.0 | 107.0 | 108.0 | 109.0 |
| 400 COMMODITIES | 0 | 3.0 | 1.5 | 1.6 | 1.7 | 1.8 |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC | 0 | 61,800.0 | 32,861.6 | 35,078.6 | 37,559.8 | 40,317.0 |
| | | | | | | |
| TOTAL OPERATING | 0 | 62,003.7 | 33,022.6 | 35,240.7 | 37,723.0 | 40,481.3 |
| CAPITAL | | | | | | |
| REVENUE | | | | | | |

FUNDING: (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify Source) | | | | | | |
| Permanent Fund | 0 | 62,003.7 | 33,022.6 | 35,240.7 | 37,723.0 | 40,481.3 |

POSITIONS:

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| FULL-TIME | 0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| PART-TIME | 0 | 2.0 | 0 | 0 | 0 | 0 |
| TEMPORARY | | | | | | |

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Alaska Permanent Fund Income

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: George T. Michael, Administrative Officer    Phone: 465-4401
Division: Pioneers' Benefits    Date: April 29, 1983

Approved by Commissioner: Lisa Rudd    Date: 4/29/83
Department: ADMINISTRATION

Distribution:
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Copy to Department (for Governor introduced bills)
Copy to Sponsor
Copy to Requestor (if different from Sponsor)    3/8/83

7/0428-01/BDGSF1

IV. ANALYSIS:

C.S.S.B. 215
April 29, 1983

This is a revision of the fiscal note which was submitted on April 6, 1983. Since that time new information has come to light which drastically changes the estimate of the number of persons who would qualify for the Longevity Bonus under C.S.S.B. 215.

The Department of Revenue has found that of 356,000 Permanent Fund applications, 19,725 applications were from persons who were age 65 or older. Since these applications were for 1981-82, and those persons had been in Alaska for at least six months at that time, all of those persons, if still in Alaska, would qualify under the one-year residence requirement of C.S.S.B. 215. This does not take into consideration those who have since died or left the State. However, from the impact which is being felt on senior programs it can be deduced that the over-65 population is increasing in Alaska, rather than declining.

Therefore, it seems almost certain that there are at least 19,725 persons who will qualify for the Bonus under C.S.S.B. 215, rather than 13,228 which was estimated in the fiscal note dated April 6, 1983.

This means that an additional 10,300 persons must be provided for, rather than 3,803 estimated in the original fiscal note.

## ASSUMPTIONS

(a) Residence requirements for eligibility for the Longevity Bonus Program would change from 25 years to one year, and the requirement for domicile in Alaska on or before January 3, 1959, would be eliminated. (b) An estimated 10,300 additional persons would immediately become eligible under the new regulations. (c) Retroactive payments will be paid in FY84 in a total amount of $30,900,000 to the approximately 10,300 persons who would have been eligible on July 1, 1982. (d) An increase in the Longevity Bonus staff will be needed to process the initial flood of applications, and continuing increased staff will be necessary to process the greater workload of the expanded program. (e) Annual growth of the program will be approximately 89 per month after the initial surge of applications. (f) The Act takes effect on July 1, 1983. (g) Grants for FY85-88 are increased by 3% each year. Section 4(d) (2) of the bill, which provides for an alternate monthly bonus amount, is not considered in this fiscal note because there is no way to know what the amount will be in the "Longevity Bonus account" each year.

Additional funds needed for FY84 are computed as follows:

| | Annual Cost |
|---|---|
| Personal Services | $ 95,700 |
| Clerk V, PFT (two positions) $53,460<br>Clerk II, PPT (four positions, 6 mo.) $42,240 | |
| Contractual Services | 105,000 |
| Added postage, bonus warrants, printing of new regulations and application forms, data processing charges, increased telephone tolls. | |

IV. ANALYSIS:

C.S.S.B. 215
April 29, 1983

| | |
|---|---|
| Commodities | 3,000 |
| Office supplies and file cabinets for application and recipient files. | |
| Grants | |
| (additional estimated 10,300 persons who will be eligible for the Bonus due to one-year residence requirement x 12 x $250) | 30,900,000 |
| Retroactive payments for those who would have been eligible on July 1, 1982 (est. 10,300 x 12 x $250) | 30,900,000 |
| Additional FY84 funds required | $62,003,700 |

For years beyond FY84, two additional PFT staff positions needs to be retained, along with appropriate contractual and commodities costs, plus grants based on an estimated increase of 89 recipients per month, escalated at the rate of 3% per year.

STATE OF ALASKA
FISCAL NOTE

Revision Date: May 20, 1983

I. REQUEST
Bill/Resolution No.: CSSB 215 (2d Rules)
Title: Longevity Bonus/Permanent Fund
Sponsor: Ray
Requestor:

II. FISCAL DETAIL
Agency Affected: Administration
Program Category Affected: Social Services
BRU, Program of Subprogram(s) Affected:
Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| OPERATING | | | | | | |
| 100 PERSONAL SERVICES | | 85.1 | 53.5 | 53.5 | 53.5 | 53.5 |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | 87.0 | 88.0 | 89.0 | 90.0 | 91.0 |
| 400 COMMODITIES | | 2.0 | 1.5 | 1.6 | 1.7 | 1.8 |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC | | 28,629.5 | (19,112.4) | (16,380.7) | (13,640.4) | (12,955.0 |
| | | | | | | |
| TOTAL OPERATING | | 28,803.6 | (18,969.4) | (16,236.6) | (13,495.2) | (12,808.7) |
| CAPITAL | | | | | | |
| REVENUE | | | | | | |

FUNDING: (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| GENERAL FUND | | (11,071.4) | (34,345.0) | (37,547.9) | (40,750.8) | (43,953.7 |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify Source) | | | | | | |
| Permanent Fund | | 39,875.0 | 15,375.6 | 21,311.3 | 27,255.6 | 31,145.0 |

POSITIONS:

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| FULL-TIME | | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| PART-TIME | | 3.0 | -0- | -0- | -0- | -0- |
| TEMPORARY | | | | | | |
| | | | | | | |

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Alaska Permanent Fund Income

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: ~~George T. Michael~~ Michael
Phone: 465-4401
Division: Pioneers' Benefits
Date: 5/20/83

Approved by Commissioner: Lisa Rudd
Date: 5/24/83
Department: ADMINISTRATION

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/0520-01-1/BDGSF1

IV. ANALYSIS:

C.S.S.B. 215 (2d Rules)

This is a revision of fiscal notes submitted on May 4 and 5, 1983. The current version of C.S.S.B. 215 (2d Rules) has allowed for the appropriation of $17,500,000 from the dividend fund for payment of longevity bonuses in FY84.

ASSUMPTIONS

a) Residence requirements for eligibility for the Longevity Bonus Program would change from 25 years to one year, and the requirement for domicile in Alaska on or before January 3, 1959, would be eliminated.

b) An estimated 6,072 additional persons would become eligible under the new regulations. Based on the number of people over age 65 who qualified for permanent fund dividends in 1982, we estimate payment of the longevity bonus to 16,500 people in FY84.

c) Retroactive benefits to July 1982 will be payable to the additional 6,072 persons plus 250 present recipients over age 65 who qualified for the Bonus in FY83 by completing 25 years of continuous Alaska domicile. Total cost of these retro payments is expected to be $18,966,000.

d) An increase in the Longevity Bonus staff will be needed to process the initial flood of applications, and continuing increased staff will be necessary to process the greater workload of the expanded program.

e) Annual growth of the program will be approximately 89 per month after the initial surge of applications. This figure is based on the number of applications received in addition to new inquiries in the past year. The current growth rate is 65 applicants per month.

f) The Act takes effect on July 1, 1983.

g) Operating expenses (exclusive of the amount of the monthly Bonus payment) and retroactive benefits will be funded from the General Fund.

Monthly Longevity Bonus payments are estimated to be:

FY84 - $201
FY85 - $ 73
FY86 - $ 95
FY87 - $115
FY88 - $125

Additional funds needed for FY84 are computed as follows:

| | Annual Cost |
|---|---|
| Personal Services | $85,140 |

Clerk V, PFT (two positions) $53,460
Clerk II, PPT (three positions, 6 mo.) $31,680

IV. ANALYSIS: (continued)

| | |
|---|---|
| Contractual Services | 87,000 |
| Added postage, bonus warrants, printing of new regulations and application forms, data processing charges, increased telephone tolls. | |
| Commodities | 2,000 |
| Office supplies and file cabinets for application and recipient files. | |
| Grants | |
| Additional funds needed for Bonus payments to estimated 6,072 additional persons who will be eligible due to one-year residence requirement. | 9,663,500 |
| Retroactive payments for those who would have been eligible on July 1, 1982 (est. 6,322 x 12 x $250) | 18,966,000 |
| Additional FY84 funds required | $28,803,640 |

For years beyond FY84, two additional PFT staff positions need to be retained, along with appropriate contractual and commodities costs, plus grants based on an estimated increase of 89 recipients per month.

The amount of grants funds available for payments from the dividend fund in FY84 will be $39,875,000, plus retroactive payments of $18,966,000.

This fiscal note assumes that all grants, except retroactive payments, which would normally have been funded from the State General Fund, will now be funded from the dividend fund for a net reduction of $11,071,400 in expense to the General Fund in FY84. Our assumption is that the Vest lawsuit requires retroactive payments. Department of Administration is using known Department of Revenue figures that show qualified people over 65 years of age who have applied for permanent fund dividends.

STATE OF ALASKA
FISCAL NOTE

Revision Date: June 2, 1983

I. REQUEST
Bill/Resolution No.: HCS CS SB 215 (St Aff)
Title: Longevity Bonus/Permanent Fund
Sponsor: Ray
Requestor:

II. FISCAL DETAIL
Agency Affected: Administration
Program Category Affected: Social Services
BRU, Program of Subprogram(s) Affected:
Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| OPERATING | | | | | | |
| 100 PERSONAL SERVICES | | 85.1 | 53.5 | 53.5 | 53.5 | 53.5 |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | 87.0 | 88.0 | 89.0 | 90.0 | 91.0 |
| 400 COMMODITIES | | 2.0 | 1.5 | 1.6 | 1.7 | 1.8 |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC | | 34,884.6 | (2,536.7) | 6,630.5 | 15,815.3 | 20,690.0 |
| | | | | | | |
| TOTAL OPERATING | | 35,058.7 | (2,393.7) | 6,774.6 | 15,960.5 | 20,836.3 |
| CAPITAL | | | | | | |
| REVENUE | | | | | | |

FUNDING: (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| GENERAL FUND | | (8,198.8) | (34,345.0) | (37,547.9) | (40,750.8) | (43,953.7) |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify Source) | | | | | | |
| Permanent Fund | | 43,257.5 | 31,951.3 | 44,322.5 | 56,711.3 | 64,790.0 |

POSITIONS:

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| FULL-TIME | | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| PART-TIME | | 3.0 | -0- | -0- | -0- | -0- |
| TEMPORARY | | | | | | |
| | | | | | | |

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Alaska Permanent Fund Income

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: George T. Michael G. Michael
Phone: 465-4401
Division: Pioneers' Benefits
Date: June 2, 1983

Approved by Commissioner: Lisa Rudd LSR
Date: 6/6/83
Department: ADMINISTRATION

Distribution:
Original to Legislative Finance
Copy to Office of Management and Budget (for Legislature introduced bills)
Copy to Department (for Governor introduced bills)
Copy to Sponsor
Copy to Requestor (if different from Sponsor) 3/8/83

7/0520-01-1/BDGSF1

IV. ANALYSIS: HCS CS SB 215 (State Affairs)

This is a revision to the fiscal note submitted on May 20, 1983. The Department of Administration calculated the previous fiscal note on erroneous information about permanent fund distributable income. This revised fiscal note is based on the most recent information available from the Department of Revenue as of June 2, 1983, with concurrence of the Department of Law, including computations of interest which will be earned on the Longevity Bonus account.

ASSUMPTIONS

a) Residence requirements for eligibility for the Longevity Bonus Program change from 25 years to one year, and the requirement for domicile in Alaska on or before January 3, 1959, is eliminated.

b) An estimated 6,072 additional persons will become eligible under the new regulations. Based on the number of people over age 65 who qualified for permanent fund dividends in 1982, we estimate payment of the longevity bonus to 16,500 people in FY84.

c) Retroactive benefits to July 1982 will be payable to the additional 6,072 persons plus 250 present recipients over age 65 who qualified for the Bonus in FY83 by completing 25 years of continuous Alaska domicile. Total cost of these retro payments is expected to be $18,966,000.

d) An increase in the Longevity Bonus staff will be needed to process the initial flood of applications, and continuing increased staff will be necessary to process the greater workload of the expanded program.

e) Annual growth of the program will be approximately 89 per month after the initial surge of applications. This figure is based on the number of applications received in addition to new inquiries in the past year. The current growth rate is 65 applicants per month.

f) The Act takes effect on July 1, 1983.

g) Operating expenses (exclusive of the amount of the monthly Bonus payment) and retroactive benefits will be funded from the General Fund.

Monthly Longevity Bonus payments are estimated to be:

FY84 - $[illegible]18
FY85 - $152
FY86 - $198
FY87 - $240
FY88 - $260

Additional funds needed for FY84 are computed as follows:

| | Annual Cost |
|---|---|
| Personal Services | $85,140 |
| Clerk V, PFT (two positions) $53,460 | |
| Clerk II, PPT (three positions, 6 mo.) $31,680 | |

IV. ANALYSIS: (continued) HCS CS SB 215 (State Affairs)

| | |
|---|---|
| Contractual Services | 87,000 |
| Added postage, bonus warrants, printing of new regulations and application forms, data processing charges, increased telephone tolls. | |
| Commodities | 2,000 |
| Office supplies and file cabinets for application and recipient files. | |
| Grants | |
| Additional funds needed for Bonus payments to estimated 6,072 additional persons who will be eligible due to one-year residence requirement. | 15,918,600 |
| Retroactive payments for those who would have been eligible on July 1, 1982 (est. 6,322 x 12 x $250) (General funds) | 18,966,000 |
| Additional FY84 funds required | $35,058,740 |

For years beyond FY84, two additional PFT staff positions need to be retained, along with appropriate contractual and commodities costs, plus grants based on an estimated increase of 89 recipients per month.

This fiscal note assumes that all grants, except retroactive payments, which would normally have been funded from the State General Fund, will now be funded from the dividend fund for a net reduction of $8,198,800 in expense to the General Fund in FY84.

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. SB 208
Title Extending the ABC Board
Requested by House Finance Committee Date 6/20/83

II. FISCAL DETAIL
Agency Affected Department of Revenue
Program Category Affected ABC Board
BRU, Program, Or Subprogram(s) Affected
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC. | | | | | | |
| TOTAL | | ----- | | | | |

FUNDING (Thousands of Dollars)

| | | | | | | |
|---|---|---|---|---|---|---|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify Source) | | | | | | |

POSITIONS

| | | | | | | |
|---|---|---|---|---|---|---|
| FULL TIME | | | | | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

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

The FY 84 budget includes $646,300 for the ABC Board for the next fiscal year.

The attachments show the budget breakdown.

IV. DATE 6/20/83 PREPARED BY Al Adams, Chair APA
AGENCY House Finance Committee
PHONE 465-3706

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

23-001 (Rev. 12/82)

AGENCY: DEPARTMENT OF REVENUE
CATEGORY: PUBLIC PROTECTION

SUB-PROGRAM:

| EXPENDITURES & FUNDING | (01) FY82 ACT | (02) FY83 ATH | (03) FY83 RP | (04) FY83 SUP | (05) CONT. | (06) REQUEST | (07) GOVERNOR | (08) GOV.AMD. | (09) HOUSE | (10) SENATE | (11) C. C. | (12) BILLS | (13) LEG.REC. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | FISCAL YEAR 1984 | | | | | | | | |
| 01 PERS. SERV. | 441.3 | 461.5 | | | 468.2 | 487.8 | 487.8 | 487.8 | 568.1 | 487.8 | | | |
| 02 TRAVEL | 36.3 | 50.1 | | | 55.6 | 55.6 | 55.6 | 55.6 | 74.9 | 40.1 | | | |
| 03 CONTRACTUAL | 55.1 | 117.7 | | | 118.2 | 118.2 | 118.2 | 118.2 | 113.2 | 111.2 | | | |
| 04 COMMODITIES | 4.8 | 3.2 | | | 7.4 | 7.4 | 7.4 | 7.4 | 10.2 | 7.2 | | | |
| 05 EQUIPMENT | 1.6 | | | | | | | | 1.5 | | | | |
| 06 LANDS/BLDGS | | | | | | | | | | | | | |
| 07 GRANTS, CLMS | | | | | | | | | | | | | |
| 08 MISC. | | | | | | | | | | | | | |
| ** TOTAL EXPEND | 539.1 | 632.5 | | | 649.4 | 669.0 | 669.0 | 669.0 | 767.9 | 646.3 | | | |
| 09 I-A TRANSFER | 6.8 | 12.4 | | | 48.7 | 48.7 | 48.7 | 48.7 | 48.7 | 48.7 | | | |
| 10 FED. RECEIPT | | | | | | | | | | | | | |
| 11 G. F. MATCH | | | | | | | | | | | | | |
| 12 GENERAL FUND | 539.1 | 632.5 | | | 649.4 | 669.0 | 669.0 | 669.0 | 767.9 | 646.3 | | | |
| 13 PGM RECEIPTS | | | | | | | | | | | | | |
| 14 OTHER FUNDS | | | | | | | | | | | | | |
| 15 FULL TIME | 12.0 | 12.0 | | | 12.0 | 12.0 | 12.0 | 12.0 | 14.0 | 12.0 | | | |
| 16 PART TIME | | | | | | | | | | | | | |
| 17 TEMPORARY | | | | | | | | | | | | | |
| 18 STAFF MONTHS | 144.0 | 144.0 | | | 144.0 | 144.0 | 144.0 | 144.0 | 168.0 | 144.0 | | | |

NEW POSITIONS...

| TITLE | LOCATION | TYPE | REQ | S&B COST | OTH.COST | TOT.COST | FED.FUND | GEN.FUND | OTH.FUND | GV | HS | SN | FC | FN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 INVESTIGATOR | ANCHORAGE | FULL | 2 | 80.3 | 36.3 | 116.6 | | 116.6 | | | 2 | | | |
| ** NEW POSITION TOTALS | | | 2 | 80.3 | 36.3 | 116.6 | | 116.6 | | | 2 | | | |

06-04-01-00-00 (04-53-9-05-00-00) STATE OF ALASKA -- COMPONENT BUDGET ANALYSIS 14:59 6/15/83

AGENCY: DEPARTMENT OF REVENUE
CATEGORY: PUBLIC PROTECTION

PROGRAM: ALCOHOL BEVERAGE CONTROL BOARD
SUB-PROGRAM:

* * * * * * * * * * HOUSE ANALYSIS * * * * * * * * * *

| OBJECT GROUP | VARIATION | | DESCRIPTION: HOUSE ($767.9) VERSUS GOV.AMD. ($669.0) |
|---|---|---|---|
| 01 PERS. SERV. | 80.3 | 16.5% | NEW INVESTIGATOR POSITIONS 80.3. |
| 02 TRAVEL | 19.3 | 34.7% | REDUCE TO FY 83 AUTH LESS 10% <5.0>, NEW POSITIONS TRAVEL 29.8. |
| 03 CONTRACTUAL | -5.0 | -4.2% | DISALLOW INFLATION <7.0>, NEW POSITION'S CONTRACTUAL 2.0. |
| 04 COMMODITIES | 2.8 | 37.8% | DISALLOW INFLATION <.2>, NEW POSITION'S COMMODITIES 3.0. |
| 05 EQUIPMENT | 1.5 | 100.0% | NEW POSITIONS EQUIPMENT 1.5. |
| ** TOTALS | 98.9 | 14.8% | |

POSITIONS AUTHORIZED

| TITLE | LOCATION | TYPE | APP | S&B COSTS | FED.FUND | GEN.FUND | OTH.FUND |
|---|---|---|---|---|---|---|---|
| 1 INVESTIGATOR | ANCHORAGE | FULL | 2 | 80.3 | | 80.3 | |
| ** TOTALS | | | 2 | 80.3 | | 80.3 | |

LEGISLATIVE INTENT:
THE ADDITION IN THE BUDGET OF $116,000 FOR TWO NEW UNDERCOVER ENFORCEMENT OFFICERS IS MADE WITH THE PROVISION THAT ONE EXISTING ENFORCEMENT OFFICER BE CONVERTED TO UNDERCOVER DUTY SO THAT A TOTAL FORCE OF THREE ENFORCEMENT OFFICERS WILL BE ON FULL TIME UNDERCOVER DUTY.

* * * * * * * * * * SENATE ANALYSIS * * * * * * * * * *

| OBJECT GROUP | VARIATION | | DESCRIPTION: SENATE ($646.3) VERSUS GOV.AMD. ($669.0) |
|---|---|---|---|
| 02 TRAVEL | -15.5 | -27.9% | REDUCE TRAVEL <15.5>. |
| 03 CONTRACTUAL | -7.0 | -5.9% | DISALLOW INFLATION <7.0>. |
| 04 COMMODITIES | -0.2 | -2.7% | DISALLOW INFLATION <.2>. |
| ** TOTALS | -22.7 | -3.4% | |

NO NEW POSITIONS AUTHORIZED.

# STATE OF ALASKA
# THE LEGISLATURE
## LEGISLATIVE AFFAIRS AGENCY

Ketchikan Legislative
Information Office
111 Stedman Street
Room 100
Ketchikan AK 99901
(907) 225-9675

June 17, 1983

Please find attached a copy of a petition that was telecopied to you on this date.

The original petition with signatures has been sent to Senator Ziegler. The following legislators have received xerox copies of the petition:

Senator Bill Ray
Senator Jay Kerttula
Representative Jack McBride
Representative Ron Wendte
Representative Mike M. Miller
Representative Albert Adams

Sincerely,

Bonnie Potter

Bonnie C. Potter
Information Officer

TO: Representative Jack McBride
Representative Ron Wendte
Representative Al Adams
Representative Mike Miller

Senator Robert Ziegler
Senator Bill Ray
Senator Jay Kertula

DATE: 17 June 1983

We, the undersigned residents of the Ketchikan Pioneers' Home, depend on the longevity bonus for our subsistence and maintenance. Please work for favorable passage of Senate Bill 215.

Thanks very much.

| | |
|---|---|
| Peggy King | Borghild Hammer |
| Anne M. Ness | Rikard M. Hammer |
| Flora Nygard | Nathaniel Evans |
| Haakon Nygard | Fred George Sr. |
| Minnie McKay | Robert Hartz |
| Ellen E. Stensland | Marie Stengord |
| Jean Struthers | Ragnhild Dale |
| Dorothy Hofstad | Sverre J. Anderson |
| Nancy Delaney | Fritz Erickson |
| Nellie Maddux | Elizabeth Kennedy |
| Joseph Demmert | Agnes M Close |
| David W. [illegible] | Frances Irene Slyter |
| Nick Morris | Gertrude M. Bishop |
| John Olsson | Muriel A. Reeves |

TO: Representative Jack McBride
Representative Ron Wendte
Representative Al Adams
Representative Mike Miller

Senator Robert Ziegler
Senator Bill Ray
Senator Jay Kertula

DATE: 17 June 1983

We, the undersigned residents of the Ketchikan Pioneers' Home, depend on the longevity bonus for our subsistence and maintenance. Please work for favorable passage of Senate Bill 215.

Thanks very much.

Bertha Thompson

David A. Drewry.

Mary Ballam

Sam L. Moore

Frank Saratovich

Howard Joerger

Ruth M. Moore

Amalie D Ludvigsen

# OLDER PERSONS ACTION GROUP, Inc.

325 E. Third Avenue, Anchorage, Alaska 99501 (907) 276-1059

mail Post Office Box 10-2240, Anchorage, Alaska 99510


June 10, 1983

The Honorable Albert P. Adams
Chairman, House Finance Committee
Alaska State House of Representatives
Pouch V MS 3100
Juneau, Alaska 99811

Dear Representative Adams:

The enclosed signatures were secured at the May Senior Citizen Month annual dinner in Anchorage on May 26, 1983, for the purpose of soliciting your support for the passage of legislation providing for funding of the Longevity Bonus Program.

Thank you,

Rose Palmquist

ROSE PALMQUIST
President
Older Persons Action Group, Inc.

Enclosure

RP:dzs

Elroy Pitt 8505 Lake Otis Road Anchoge Alaska 99507
Mary C. Pitt 8505 Lake Otis Road Anchoge Alaska 99507
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Joyce A Hole 408 North Park apt B Anchorage 99504
Stephanie Studnicki Box 794, Chugiak, AK. 99567 -
Nellie J. Dwyer 3013 William Ave AK 99503
Yolanda M. Rusnak, P.O. Box 243, Eagle River, AK 99577

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DALPH NAFF 6417 CARLUS 99507 ANCHORAGE

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George E.M. Gustafson " " " " "

Marie Lilleston 704 "O" St 99501 MARIE LILLESTON

Anthony Evanco Bx100463 LOCHLOMAN DR ANTHONY EVANCO

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Vaudis D. Spilman

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Charlotte Buzick

Lloyd BUZICK 233 E 5th AVE ANCHORAGE, AK. 99501
Lloyd Buzick

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[illegible] Johnson

Sigfred E. Johnson SRA B. 4787 Anchorage AK 99507
[illegible]

[illegible]
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[illegible] [illegible] Juneau " 99504
[illegible] [illegible] " " 99503
[illegible] Dunbar " " 99504
[illegible] " " 99501
[illegible] " "
[illegible] 1500 [illegible] St " " 99504
Annie Lee Williams Annie Lee Williams 317 N Bragaw Rd " " 99504

Longevity Bonus Housing

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Louise Bremner 2308 Culver Pl Anchorage 99503

[illegible] E Bremner " " " " "

William C. Ray - 3001 Brookside, Anc 99503

L Royce Larsen (L. Royce Larson) SR Box 4096-R Anch. 99507

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Joe Schilmoeller " "

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Inez Parkko " " " " " "

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3591 East 42nd Ave. #216
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Tchula L. Peterson

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Ruth Harris 1504 Nunaka Anch. AK

Charles R. Mundorff SR. Box 5357 Wasilla, AK 99687

Gerald Mackee 1018 G Anchorage 99501

Carol F. Mackee 1018 G " "

SARAH GLADNEY
Sarah Gladney 1836 Thunderbird
George Glandny " "
GEORGE GLADNEY

Mary Newsom 5824 D Tyree Apt Anch, AK. 99504
MARY NEWSOM
Austin Simonds Box 683 Whittier AK 99693
AUSTIN SIMONDS
Lori Simonds Same as above
LORI SIMONDS ——
Della Grahn 3540 W 88th
REINOLD M. GRAHN 3540 W. 88th #401
Judy Mayfield 812 - K St
Brent Glazaway 1521 W 14 Ave, Anch 99501
Vera A Glazaway 1521 W 14 Ave, Anch 99501
Jerry Gerardy 1335 F St Anch 99501

| Signature | PRINT NAME | ADDRESS |
| --- | --- | --- |
| Suzette Mashburn | SUZETTE MASHBURN | SRA BOX 30-1-M Anch. |
| Etta Mae Sams | ETTA MAE SAMS | Box 110798 Anch - 99511 |
| Gertrude J. Kornfeind | GERTRUDE J. KORNFEIND | Box 1024-B Anch 99502 |
| Marine L Laird | MARINE L LAIRD | 1648 BIRCHWOOD ST Anch 99504 |

JULIA BROWN 1400 KELLY CIRCLE ANCH. AK, 99504
Julia Brown
RUBYE TALMADGE 1608 Alturian Dr. Anch, AK, 99504
Rubye Talmadge
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Pearl L. Caldwell
Pearl Alma Latt 1515 Atkinson 99504
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3497580

FRED C NEESE 1511 Medfra St Anchorage
Fred C Neese
Elfrieda Neese Elfrieda Neese 1511 Medfra St. Anchorage 99501
INEZ PIRKEY 1250 E 15th ave #138 anch AK 99501
STEVE TACKETT P.O. Box 4-1293 ANCH. 99509 Steve Tackett

| | | |
|---|---|---|
| Mildred Ostrom Mantle<br>Mildred Ostrom Mantle | 1600 W 11th Apt 31<br>Anchorage, 99501 | 272-5A?? |
| Verleen F. Dale<br>Verleen F. Dale | 1205 W 27th #206<br>PO Bx 4-684<br>Anchorage AK 99509 | 278-3705 |
| Margery J. McCormick<br>MARGERY J McCORMICK | End of [illegible] Tegges<br>Cove Rd, RR Reserve<br>PO. Box 1038<br>Anchorage, AK 995?? | 272-2144 |
| [illegible]<br>[illegible] | 216 [illegible] St<br>Anchorage 995?? | [illegible] |

Mail Martha J. Chastain
P.O. Box 100385
Anchorage, AK 99510

Residence
541 No. Hoyt
Anchorage

Martha J. Chastain

HAZEL E HARRIS Residence - Same
701-A BIRCH STREET
ANCHORAGE, ALASKA 99501

MAURINE BARTON
Maurine Barton 1001 Bonyard #2-0 - 338 3545

MARILYN NILAND 4901 Chena
Marilyn Niland 338-2553

Mildred Johnson
Mildred Johnson 6011 16th C.B. — 279-6100

June Brunett
June Brunett SRA Box 2397Z 345-5465

| Name | Printed | Address |
| --- | --- | --- |
| John Lundy | John Lundy | 6143 Staedem |
| Norma Lundy | Norma Lundy | Anchorage, 99504 |
| Virginia E Thielsen | Virginia E. THIELSEN | Box 4-74V Anchorage A'C |
| CECIL L. MEDFORD | Cecil L Medford | PO Box 4502 |
| Renee Hansey | Renee Hansey | 3222 Lee ST Anchorage |
| Orville J Hansey | ORVILLE J. HAN | 3222 LEE ST. ANCHORAGE |

H.B. 315 - S.B. 315

| | | | |
|---|---|---|---|
| Lulu Bowden | — 1501 W. 11th ave, #15, | Anch., | 99501 |
| Bernice Grase | 1501 W 11th ave #16 | " | 99501 |
| Mary E. Carr | 1038 Beech Ave | | 99501 |
| Jeanne Tackett | P.O. Box 41293 | ANCH. AK. | 99509 |
| ELINOR JONES | PO Box 4-198 | ANCH AK | 99509 |
| Lu LISTON | 4801 PAVLOF | Anch | 99507 |
| Edna LISTON | ← ← | ← | ✓ |
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THE LONGEVITY BONUS PROGRAM:

OPTIONS UNDER THE VEST SETTLEMENT

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Birch, Horton, Bittner, Pestinger & Anderson

March 8, 1983

TABLE OF CONTENTS

## I. INTRODUCTION

On June 14, 1982, the United States Supreme Court ruled that the cumulative residency requirements of Alaska's permanent fund dividend distribution program violated the Equal Protection Clause of the United States Constitution.[1] Shortly thereafter, Alaska's Longevity Bonus ("ALB") Program was challenged on equal protection grounds.[2] On August 9, 1982, the Department of Law, with the approval of the Alaska Legislative Council, entered into a stipulation in the Vest case which stayed all proceedings pending adjournment of this legislative session, in order to afford the legislature an opportunity to address the constitutional problems with the existing program.

The purpose of this report is to analyze some 10 options available to the legislature in amending the Alaska Longevity Bonus Program. This report is a first step in a process which must be completed by the end of this session. As subparts (C) and (D) of this section discuss the likely consequence of failing to enact remedial legislation this session is that the ALB program will be judicially terminated.

### A. Description Of The Longevity Bonus Program

Predecessors of the existing ALB program can be traced to 1915. In that year, the Territorial Legislature authorized a monthly allowance of $12.50 for needy elderly Alaskans of 10 years

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[1] Zobel v. Williams, 72 L. Ed. 2nd 672 (1982)

[2] Vest v. Shafer, 1 JU-82-1103 Civ. (1st Jud. Dist., 1982)

residency who chose not to enter the newly-created Pioneers' Homes.[3] The current program was enacted in 1972[4] as a result of legislation introduced by Senators Butrovich and Ray.[5] Quite unlike the "need-based" focus of its predecessors, the 1972 legislation was to:

> "... provide all law-abiding Alaskans capable of managing their own affairs who have maintained a domicile in the state for at least 25 years and have reached a retirement age of 65, an incentive to continue uninterrupted residency in the state. Under no circumstances shall this chapter be considered a form, type, or manner, of public relief. The bonuses made under this chapter are not predicated on need even though they may appear to provide supplemental income to some qualified persons who would otherwise be forced to become responsibilities of the state. The Legislature further finds and states that this legislation recognizes the economic hardships suffered by many elderly Alaskans, Alaskans who through their tenacity and perseverance molded Alaska as we know it through skillful application of their talents. These pioneers are the same Alaskans who, in the prime of their life, were in effect treated as second class citizens by the federal government and who paid much of their hard earned income to a government in which they did not have the right to participate through the power of the ballot. The legislature also is aware of the fact that many of these pioneers have been forced to live out their retirement years in areas far away from the land they loved and nurtured and thereby also suffering, in many cases, the loss of familial relationship with their own kin, an experience that is sad and frustrating to them as well as depriving new generations of Alaskans the benefit of their wisdom and experience. This legislation hopefully will provide our pioneers with the economic means to remain in and continue to serve their state and to enjoy the opportunity of aiding

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[3]Chapter 64, SLA 1915.

[4]Chapter 205, SLA 1972; AS 47.45.010 et. seq.

[5]SB 211, 7th Leg., 2nd Sess.

the new Alaskan in making the state truly "The Great Land." §1, Ch. 205, SLA 1972.

The ALB program, then, has several purposes:

1. providing an incentive for a particular class of senior citizens to remain in the state;

2. compensating for the hardships faced by retirement in Alaska;

3. rewarding the past contributions of Alaska's elderly;

4. compensating for past hardships suffered by Alaska's pioneers; and

5. retaining the wisdom and experience of Alaska's pioneers.

Originally, the bonus was $100 per month. Over the years, the amount has gradually increased to its current $250 per month.[6] A person is eligible for a bonus if he or she:

1. is 65 years of age or older;
2. was "domiciled in the territory" on or before January 3, 1959; and
3. has been continuously domiciled in the state for 25 years.[7]

Additionally, if a person is absent from the state for more than 30 days, he will not receive another bonus until he returns. AS 47.45.030. If the person is absent for a continuous period in excess of 180 days, he is ineligible for a bonus for the next 12 calendar months following his return. Id.

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[6] Chapter 13, SLA 1981

[7] AS 47.45.010

Exceptions are made if the absence "is beyond the control of the recipient." Id.

The longevity bonus is taxable under the Internal Revenue Code. However, it is almost universally excluded in calculating income eligibility for state and federal assistance programs.[8]

B. The Individuals Covered By The Alaska Longevity Bonus Program.

There are currently some 9,425 Alaskans receiving some $28.4 million in longevity bonus payments. Sketching an accurate portrait of the state's ALB recipients is difficult, because the ALB application form requires little personal information. In 1976, the Alaska Department of Health and Social Services conducted a random survey of ALB recipients,[9] and, in conjunction with the Vest

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[8]Under 42 U.S.C. §1382(a)(b)(2)(B), which governs eligibility for federal Supplemental Security Income, and by reference also controls other federal programs such as Medicaid and energy assistance, the following is excluded from the definition of income:

> "monthly (or other periodic) payments received by any individual under a program established prior to July 1, 1973, if such payments are made by the State of which the individual receiving such payments is a resident, and if eligibility of any individual for such payments is not based on need and is based solely on attainment of age 65 and duration of residence is such state by such individual."

[9]"Alaska Longevity Bonus Impact Survey," Alaska Department of Health and Social Services (1976) (hereinafter "ALB Survey)

settlement, the Department of Law conducted a non-random survey of some 1,896 participants.

From those surveys, it is apparent that a large percentage of ALB recipients are Alaska Natives living in rural areas of the state.[10] Moreover, and in large part because of the ineligibility of many rural residents for social security, the longevity bonus is often the primary source of income for rural residents. For example, 41% of the elderly in Southwest Alaska, and 66% in Northwest Alaska, rely on the longevity bonus as their primary source of income.[11]

Available evidence suggests that a large percentage of ALB recipients have incomes only marginally above the current state welfare assistance level of $546 per month. The Department of Law's 1982 survey -- which was skewed toward the more needy recipients of the ALB -- found that 81.4% of the 1,896 recipients sampled had monthly incomes of $750 or less. The 1976 ALB survey found that half of the ALB recipients had a monthly income, "including that of their spouse," of under $500 per month.[12] Another

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[10] In 1976, 41% of the ALB recipients lived in rural areas of the state and 24.1% were Alaska Natives. ALB Survey at 14-15.

[11] "An Assessment of the Status and Needs of Alaska's Elderly," Department of Sociology, College of Arts & Sciences, University of Alaska (1981) (hereinafter "Assessment.")

[12] ALB Survey, op. cit. n. 9 at 18-19.

44% had incomes of less than $1,000 per month. A 1981 University of Alaska survey indicated that roughly half of Alaska's elderly had monthly incomes of less than $800.00.[13]

The 1976 ALB survey suggests that, in light of the high percentage of bonus recipients in the 65-70 age group, the bonus has had a material effect in allowing older citizens to remain in the state after retirement.[14] The report also indicates that the ALB program has allowed a significant percentage of the elderly to remain off various public assistance programs -- including food stamps and state Old Age Assistance.[15]

One significant characteristic of Alaska's elderly in general warrants note -- one that will become quite significant in our analysis of alternatives. Only 10% of Alaska's elderly have resided in the state for 10 years or less.[16]

C. The Effects of Zobel And Vest On The ALB Program.

In reviewing the 1972 legislation creating the Longevity Bonus Program, the Department of Law concluded that "... the classification predicated upon being domiciled in the territory on or before January 3, 1959, bears little, if any, rational relationship to any legitimate legislative purpose which this bill is conceivably designed to serve and thus is in

[13] Assessment, op. cit. n. 11 at 31.

[14] ALB Survey, op. cit. n. 9 at 12.

[15] Id. at 10, 18.

[16] Assessment, op. cit. n. 11 at 12.

all probability unconstitutional."[17]

Nonetheless, the ALB program remained unchallenged until 1982, following the U.S. Supreme Court's decision in Zobel v. Williams (hereafter "Zobel III").[18]

The law in issue in Zobel III (AS 43.23.010 et. seq. provided for the distribution of a permanent fund dividend of $50.00 for each year of accumulated Alaska residency. The Court ruled, 8-1, that the cumulative residency requirement of the program was not rationally related to the goals of the statute -- a ruling which is discussed in more detail in section II(A), post.

The permanent dividend fund distribution program, in part, was intended to reward Alaskans for prior contributions to the state, a goal which: (1) three justices believed was constitutionally impermissible;[19] and (2) five justices believed was a permissible goal, but was not rationally furthered by a scheme

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[17]Memorandum, Havelock to Egan, Re: FCCS HCS CSSB 211 at 17 (June 29, 1972).

[18]In Williams v. Zobel, 619 P.2d 422 (Alaska 1980) ("Zobel I"), the Alaska Supreme Court invalidated the state's graduated personal income tax repeal. In Williams v. Zobel, 619 P.2d 448 (Alaska 1980) ("Zobel II"), the court upheld the cumulative residency requirement of Alaska's permanent fund dividend distribution plan -- a ruling reversed by the U.S. Supreme Court in Zobel III.

[19]Opinion of the Court, 72 L. Ed. 2nd at 679.

which awarded dividends solely on the basis of residency.[20]

Beyond the ruling of the case, the various opinions -- particularly those of the concurring justices -- are rich in forboding language suggesting that any durational residency requirement may receive "intensified scrutiny" by the Court, and will be justified only in "rare" circumstances.[21]

As is more fully discussed in Part II(A), post, the impact of the Zobel decision upon the ALB program was apparent. Two major goals of the existing ALB program are to reward elderly Alaskans for their prior contributions, and to compensate for past hardships and suffering -- ends which are implemented by a durational residency requirement more severe than that at issue in Zobel. A challenge to the ALB program was not long in coming. On July 6, 1982, one Rodney G. Vest challenged the ALB program in Superior Court in Juneau.[22] Mr. Vest is an elderly Alaskan whose residency in the state commenced three months after statehood. His complaint sought declaratory and injunctive relief striking the durational and statehood residency requirements of the act.

The State's response was colored by §2 of the legislation, which provided, inter alia, that:

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[20]See Brennan conc., 72 L. Ed.2nd at 684: O'Connor conc., 72 L. Ed. 2nd at 685.

[21]Brennan conc., 72 L. Ed. 2nd at 681, 684.

[22]See n. 2, ante.

"if any provision of this act, or the application of a provision of this act to any person or circumstance is held invalid, this entire act shall be considered invalid."

As the Department of Law explained in reviewing the 1972 law:

"It is clear that the intent of the Legislature expressed in Section 2 of the bill is to forestall the possibility that a partial declaration of unconstitutionality would result in broadening the coverage of the bill to included additional clauses. This would be the case, for example, if either the 25 year waiting period requirement or the January 3, 1959 cutoff date were declared invalid, and the bill was expressly or impliedly severable."[23]

Thus, invalidation of the Longevity Bonus Program would result not in expanding the number of ALB recipients, but rather in the abrupt termination of the entire program.

Facing that grim probability, the State, with the approval of the Alaska Legislative Council, entered into an agreement with Vest, a copy of which is attached as Appendix A. The essence of the agreement is as follows:

1. Proceedings in the _Vest_ case are stayed through the conclusion of this legislative session. Because that case has been subsequently certified as a class action,[24] existing ALB recipients are not in jeopardy at least through adjournment of this session;

2. The Alaska Legislative Council promised to use its "best efforts" to secure the enactment of legislation which treated equally "all persons 65 years or older as of July 1, 1982, who have been _bona fide_ Alaska residents for at least one year prior to that date";

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[23] _Op. cit._ n. 17 at 5.

[24] Order Certifying Class and Directing Notice to Class Members, Oct. 1, 1982.

3. If legislation of this sort were enacted this session, the suit would be dismissed; and

4. Recognizing that the Council could not bind the legislature, if legislation is not enacted, Mr. Vest may pursue his case, with the probable result that the program will be terminated.

There are three aspects of the settlement which warrant note. First, obviously, are the severe time constraints under which the legislature is operating. Second, there is the settlement's intentionally broad litmus test of acceptable legislation. All the legislature need do is treat all elderly, one-year Alaskan residents "equally." The standard could be met by any number of options, including repeal of the program. Third, there is the inescapable financial impact of the settlement itself. In order to treat all elderly Alaskans who were one-year residents as of July 1, 1982 equally, it will be necessary to fund retroactive longevity bonus payments under the existing program to the some 3,800 elderly Alaskans who would have qualified. The necessary retroactive appropriation is approximately $11.4 million.

Of course, the legislature itself is not "bound" to pass any particular kind of legislation, or any legislation or appropriation at all. While a "best efforts" clause is enforceable, that obligation runs only to the Alaska Legislative Council, which has already demonstrated both good faith and diligence in attempting to meet the obligations of the order and settlement.

D. Scope And Intent Of This Report.

The purpose of this report is not to recommend particular amendments to the Alaska Longevity Bonus Program. As Section II, post makes plain, any "recommendation" is a function of the goals which the legislature seeks to achieve through this exercise.

Rather, the goal of this report is to assemble a comprehensive list of alternatives proposed by various interested parties, and to analyze the alternatives in light of:

1. constitutional constraints;
2. fiscal impacts;
3. practicability; and
4. the effect of any changes on the elderly's eligibility for other programs.[25]

In developing a list of alternatives, this report has included five options examined by the Sheffield Administration, and five alternatives developed by the authors of this report. The information presented with respect to each option is intended to be sufficient for a threshold determination of feasibility. The report attempts to anticipate the major problems and issues surrounding each option; however, it is not intended to exhaust the details of every proposal.

Rather, the report should be used as a basis for the Senate Judiciary Committee's preliminary indication of

[25]See Section II.(C) post.

preference. We are recommending that the committee choose two or three primary options. We will then prepare implementing legislation and a detailed analysis of the primary options. Under this approach, the committee will not be required, at this early point, to make an "all or nothing" choice. It will also afford the committee flexibility in the event that, for some presently unforeseeable reason, one option becomes impracticable.

Draft implementing legislation and a detailed analysis of the committee's choices can be transmitted within two to three weeks, depending on the options chosen.

E. <u>Alternatives Included In This Report.</u>

The options included in this report, which are analyzed in turn in Section III, are:

1. expand the Alaska Longevity Bonus Program to include all elderly Alaskans with one-year's residency;

2. phase out the Alaska Longevity Bonus Program by gradually reducing benefits;

3. phase out the Alaska Longevity Bonus Program by gradually reducing benefits, while contemporaneously raising the eligibility limits for general state assistance;

4. providing a minimal base payment under the Alaska Longevity Bonus Program based solely on one-year's residency, with supplemental payments made on the basis of need;

5. phase out the Alaska Longevity Bonus Program by increasing the age eligibility each year;

6. create an annuity plan, with the annuity corpus consisting of permanent fund distributions. This option would necessitate a transition program for those persons 40 years and older;

7. fund the Alaska Longevity Bonus Program through a "pay as you go" social security system, funded by approximately 25% of the existing permanent fund dividend distributions;

8. replacing the Alaska Longevity Bonus Program with a comprehensive health insurance program for elderly Alaskans;

9. condition eligibility for a longevity bonus upon a demonstration of hardship which would be suffered by being unable to continue Alaska residency; and

10. open the Alaska Longevity Bonus Program to all one-year residents, and terminate the program -- giving FY 1984 recipients a grandfather right to continued bonuses.

## II. CONSTRAINTS ON THE CHOICE OF OPTIONS

There are four basic considerations in choosing a package of amendments to the Alaska Longevity Bonus Program. The purpose of this section is to provide an overview of the constraints and policy choices which should play a role in this committee's decision.

### A. Constitutional Constraints.

The obvious and primary constraint on any set of amendments to the Alaska Longevity Bonus Program lies in the equal protection clauses of the United States (Amendment 14) and Alaska (Art. 1, §1) constitutions. The existing Alaska Longevity Bonus Program discriminates between Alaska residents based on their duration of residency; moreover, all of the alternatives considered by this report involve <u>some</u> durational residency requirement.

Under both the federal and Alaska constitutions, a durational residency requirement which conditions or denies either a "fundamental right" or a "basic necessity of life" is valid only if the discrimination is necessary to further a compelling state interest. Zobel II, 619 P.2d at 448; Memorial Hospital v. Maricopa County, 415 U.S. 250, 259 (1974). "Fundamental rights" involve such things as voting,[26] while "basic necessities of life" include basic medical care[27] and welfare.[28]

The so called "right to travel" -- which any durational residency requirement arguable affects -- is not a fundamental right automatically triggering the compelling state interest test. Zobel II, 619 P.2d at 425-426, Zobel III, 72 L.Ed. 2nd at 677-678.[29]

We are confident in concluding that longevity bonus is not a "basic necessity of life." The program is not welfare -- it is not based on need. Basic indigent assistance -- including both income supplements and Medicaid -- are available to the

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[26]Dunn v. Blumstein, 405 U.S. 330 (1972).

[27]Memorial Hospital v. Maricopa County, 415 U.S. 450 (1974).

[28]Shapiro v. Thompson, 394 U.S. 618 (1969).

[29]One of the oddities of Justice Brennan's concurrence in Zobel III was his view that the "right to travel" is a "fundamental" right (id. at 682) -- although impairment of that right by a durational residency requirement should be tested under the deferential "rationally related" standard (see text, post) or at worst "intensified ... scrutiny." Id. at 681.

needy in this state.[30] The longevity bonus program seems more akin to the permanent fund dividend, which the Alaska Supreme Court held in Zobel I was not a "basic necessity of life." 619 P.2d at 445. As the Court of Appeals for the Ninth Circuit has observed:

> "Deprivations which are only uncomfortable are not enough, such as conditioning lower tuition at state institutions of higher education upon a one-year residency requirement." Fisher v. Reiser, 610 F.2d 629, 639 n. 5 (1979), cert. denied 447 US 930.

Under the federal constitution, then, any durational residency requirement imposed by amendments to the ALB program need only be "rationally related" to a legitimate governmental purpose. Zobel III, 72 L.Ed. 2nd at 678. As this section will discuss, however, that standard is occasionally more deferential in its terms than in its application.

Conversely, under the Alaska Constitution, a durational residency requirement will withstand scrutiny only if it is "fairly and substantially related" to a legitimate governmental purpose. Zobel I, 619 P.2d at 427. The more the balance tips in favor of the individual, the more necessary the discrimination must be in order to further the law's purpose. Id.

From these standards, the following ground rules can be extracted from applicable case law:

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30 See Memorial Hospital v. Maricopa County, 415 U.S. at 261

1. Unquestionably, the "length of residence may be used to test the bona fides of citizenship." Zobel III, 72 L.Ed. 2d at 684 (Brennan conc.). In other words, the state may, by a durational residency requirement, "make virtually certain (that the recipients of the program are) bona fide residents of the state ..." Vlandis v. Kline, 412 U.S. 441, 453-454 (1973).

As a general rule, attorneys have assumed that in cases not involving the "compelling state interest" standard, a one-year durational residency requirement is permissible as a presumption of domiciliary. See, Starns v. Malkerson, F. Supp. 326, 234 (Minn. 1970), affd. mem. 401 U.S. 985 (1971). Moreover, the State of Alaska has taken the position that in cases involving either particularly attractive benefits, or particularly transient populations, a durational residency requirement in excess of one year is constitutionally permissible. See Motion For Summary Judgment, September 8, 1982, Andress v. Baxter, et al., No. A82-307 Civil, U.S. District Court, (D. Alaska 1982).

For the purposes of the Longevity Bonus Program, there are three reasons why it makes little sense to attempt a multi-year durational residency requirement as a presumption of domicilary. First, the attempt would lack substantial precedential support. Second, it would be contrary to the August 9, 1982 settlement in the Vest case. Finally, and as noted previously, a durational residency requirement would not begin to exclude significant numbers of elderly Alaskans unless it was in excess of 10 years.

2. Durational residency requirements may be permissible for reasons other than presuming domiciliary, although at least four justices of the United States Supreme Court believe that those situations are "rare." Zobel III, 72 L.Ed. 2nd at 684.[31]

At the outset, a state cannot use a lengthly durational residency requirement to reward long time residents for their prior contributions to the state. To a majority of the court, while the purpose itself is permissible, a durational residency requirement is irrationally tailored to that goal -- a point bluntly made by Justice O'Connor in her concurrence:

> "A multitude of native Alaskans -- including children and paupers -- may have failed to contribute to the state in the past. Yet the state does not dock paupers for their prior failures to contribute, and it awards every person over the age of 18 dividends equal to the number of years that person has lived in the state." 72 L.Ed.2d at 689.

The flip side of rewarding a person for prior contributions is compensating a person for prior hardships. That, as noted previously, is a second major goal of the

[31]One "rare" example cited by the four concurring justices was qualification of public office. Id.

existing ALB program. If it is irrational to assume that all long time residents "contributed" to the state, it may be equally irrational to assume that all long time residents suffered substantial past hardship.

There is one universal hardship which equates with territorial residency -- the lack of franchise. It is conceivable that a Longevity Bonus Program intended to compensate for that lack of representation would be constitutionally permissible. However, that rationale would only justify the January 3, 1959 residency requirement -- not the 25-year continuous residency provision of the act.

A much closer question is posed by the program's goal of allowing elderly Alaskans to remain in the state who would suffer particularly severe hardship if they were financially required to relocate. Justices Dimond and Matthews of the Alaska Supreme Court believe this may be a constitutionally permissible goal substantially furthered by a durational residency requirement:

> "... a state Longevity Bonus ... require(s) lengthy residency. Both those programs, however, are apparently designed to help those individuals who would like to retire in the state but cannot afford to do so because of the high cost of living. The state might well want to limit the benefits to those that would suffer the most hardship by being forced to leave, and it seems reasonable to suppose that a long period of residency would be some indicia of close ties to Alaska and the disruption that leaving might cause." Zobel II, 619 P.2d at 469 n. 13 (Dimond dissenting).

The Department of Law, in fact, has concluded that the Pioneers' Home may be constitutionally defensible as a reasonable means of accomplishing precisely this goal.[32] Indeed, one option considered in this report would award longevity bonuses on the basis of hardship caused by relocation -- which in turn would be measured in part by length of residence. By making length of residency "some indicia" (619 P.2d at 469) of the hardship of relocation, the option would avoid the indictment of overbreadth which was fatal to the permanent dividend fund distribution program in Zobel III.

Finally, as to the ALB program's goal of providing an incentive for a specific subclass of Alaska's elderly to remain in the state, the courts in all likelihood would view that purpose as merely discrimination for its own sake. See Zobel III, 72 L.Ed. 2nd at 678-679. Presuming that only long-time residents have the requisite "wisdom and experience" to warrant subsidization is hardly likely to impress the U.S. Supreme Court.

B. Varying Goals of Several Longevity Bonus Options.

There is a substantial difference of opinion as to what an amended ALB program should accomplish. As noted previously, the legislature may wish to retain one of the major goals of the existing program -- allowing those elderly with the closest ties to Alaska to continue to live here.

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[32] 1982 Op. Atty. Gen. ____ (November 26, 1982) at 25.

Alternatively, the fiscal consequences of the various alternatives may be the primary consideration. As previously discussed, if legislation in conformity with the Vest settlement is enacted, an additional $11 million must be appropriated as retroactive bonus payments to July 1, 1982. Several of the options which propose to phase out the program, or which propose a conversion to permanent fund earnings, are partially or primarily directed at this end.

The primary goal of the legislation may also be to protect those currently most dependent upon the bonus. The current Old Age Assistance income level is $546.00 per month and there are approximately 2,300 elderly Alaskans receiving state assistance. Since the longevity bonus is not included in the calculation of income for state assistance, the practical consequence of a phase out or termination of the program would be to materially reduce the available income of the poorest elderly Alaskans. Moreover, as noted in Section I(B), ante, there are a large number of elderly Alaskans who are currently only marginally above the existing state poverty level.

There are two options particularly sensitive to this goal -- the phase out of the ALB program in conjunction with a correlative rise in state assistance levels, and the option of compensating those who would suffer the most hardship by relocation.

With respect to this goal, however, it should be stressed that the existing ALB program has been purposefully sturctured so as to not be a "welfare program." Precisely for that reason, the program is administered by the Department of Administration, rather than the Department of Health and Social Services, and any conversion to a "need-based" program will undoubtedly offend the dignity of many elderly Alaskans.

Finally, there is the possible goal of providing a long term, stable bonus program which frees the general fund from increasing commitments. The annuity and state social security options are primarily directed at this goal.

C. Consequential Effects of Any Amendment To The Longevity Bonus Program.

Any change to the Longevity Bonus Program may have two consequences which must be considered: (1) the continued eligibility of ALB recipients for other state or federal assistance programs; and (2) tax consequences on participants.

As noted in Section I(A), ante, under federal law the ALB is excluded from the definition of "income" for many federal assistance purposes.[33] As long as any amendments to the ALB program continue to base eligibility "solely on attainment of age 65 and duration of residency," and remain sufficiently similar to the existing program so as to be fairly called "a program established prior to July 1, 1973," the exemption would be retained.

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[33]See n. 8, ante.

Obviously, any material changes in eligibility requirements or structure of the program raise the risk that the new benefit will be included as "income," and many elderly Alaskans will be terminated from the applicable federal program. The Department of Health and Social Services has estimated the impacts from a loss of the longevity bonus exclusion. Those estimates appear at Appendix B of this report.

Anticipating the same problem with permanent fund dividends, the legislature, in the 1982 Special Session, provided that the state would substitute lost benefits for a period of four months.[34] Obviously, and to the extent possible, any amendments to the ALB program should either be tailored to the existing exception, or fall within another separate statutory income exclusion such as a "need based" payment.[35]

The tax consequences of amendments to the existing ALB program become particularly important with respect to this report's annuity option -- which is treated in detail in Section III (F), post. At the outset, it is sufficient to note that:

1. The existing longevity bonus program is taxed under the Internal Revenue Code;

2. Any ALB program which is based on need, or could be characterized as a "social benefit program for the promotion of the general welfare," would in all likelihood not be taxed by the IRS; and[36]

[34] AS 43.23.075.

[35] See 42 U.S.C. §1382(a)(b)(6).

[36] See IRS Revenue Rulings, 63-136, 1963-2 C.B. 19; 68-38, 1968-1 C.B. 446; 72-340, 1972-2 C.B. 31; 78-170, 1978-1 C.B. 24.

3. On February 27, 1981, the Internal Revenue Service ruled that dividends distributed under the state's prior permanent dividend fund legislation -- the statute invalidated in Zobel III -- were taxable under the Internal Revenue Code.[37] While the IRS has yet to rule on the existing dividend program, it is likely that taxation of the permanent fund dividend could be deferred if it is used to fund the annuity or social security options discussed in this report.

## III. DISCUSSION OF ALTERNATIVES

### A. Expanding The Class Of Alaska Longevity Bonus Recipients To Include All Elderly With One-year's Residency.

There are currently some 9,425 Alaskans who receive bonuses totally $28.28 million. This proposal would require additional appropriations for (1) bonuses for an additional 3,803 people; and (2) additional clerical support in the Department of Administration. The additional costs would total $12 million in FY 1984, increasing to $13.7 million in FY 1988.[38]

These appropriations are in addition to the $11.4 million retroactive award required under the Vest settlement.

The advantages of this option are two-fold. First, it is one of the constitutionally "safest" options. Second, since eligibility would remain dependent on "duration of residence" -- albeit only one-year -- in all likelihood it would fall within the existing ALB exclusion to federal assistance programs.

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37 IRS Index Nos. 0061.40-00; 0451.20.00; 0102.00-00.

38 Department of Administration draft fiscal note, January 11, 1983.

Additionally, while theoretically any "one-year" elderly Alaskan could take advantage of this program, the demographics of Alaska's elderly (see Section 1(B), ante) are such that the primary beneficiaries of this opti n would be those who have lived in the state from 10 to 25 years. Whether such a program would encourage in-migration is problematical.

In addition to obvious fiscal disadvantages, this alternative would dilute the dignity and recognition attendant the current bonus to the point of non-recognition.

B. Phase Out The Existing Longevity Bonus Program.

One of the options analyzed by the Sheffield administration would phase out the ALB Program by reducing benefits by $50.00 each year beginning with FY 1984. By paying $200.00 a month to 13,228 recipients rather than $250.00 to 9,425, the net increase to the program in FY 1984 would be $2.1 million. In fiscal year 1985, however, when the bonus is reduced to $150.00, there will be a net decrease of $8.7 million in program costs.

This option has been unfavorably viewed by the administration, and apparently was prepared only as a point of comparison. Despite its fiscal benefits, the proposal protects no one. The poorest of Alaska's elderly would suffer the most. Since, as discussed previously, Alaska longevity bonuses are not counted in existing state and federal assistance income limits, the needly elderly person in Alaska receives, currently, a subsidized monthly income of $546 for Old Age Assistance, plus $250 from the ALB program. This option would thus materially reduce state assistance levels.

C. Phase Out The Existing Longevity Bonus Program With A Contemporaneous Increase In State Assistance Levels.

The apparent "preferred" option of many with the Sheffield administration is to gradually increase state Old Age Assistance levels while at the same time gradually decreasing the amount of the longevity bonus. The program would function in the following manner:

CHART 1.

| YEAR | OLD AGE ASSISTANCE LEVEL | ALASKA LONGEVITY BONUS |
|---|---|---|
| FY 1983 | $546 | $250 |
| FY 1984 | $596 | $200 |
| FY 1985 | $646 | $150 |
| FY 1986 | $696 | $100 |
| FY 1987 | $746 | $ 50 |
| FY 1988 | $796 | $ 0 |

In analyzing the fiscal impacts of this alternative, assumptions must be made about how many elderly Alaskans will become eligible for Old Age Assistance as the OAA income level increases, and how many of the newly eligible will be inclined to seek assistance as their longevity bonus gradually diminishes.

Regardless of which assumptions are used, the impacts upon the longevity bonus program, are, of course, identical to the "phase out" option. Those impacts would be as follows:

CHART 2.

ADDITIONAL COST (SAVINGS) TO THE ALB PROGRAM (in millions)

| | |
|---|---|
| FY 1984 | 2.1 |
| FY 1985 | (8.7) |
| FY 1986 | (19.2) |
| FY 1987 | (30.9) |
| FY 1988 | (44.1) |

The fiscal impact upon the Department of Health and Social Services' OAA program is far more difficult to determine. The Department of Administration has used two alternative assumptions -- (1) that of the 13,228 elderly in Alaska, 5% will become eligible and apply for public assistance as the income level is increased to $796 in FY 1988; or (2) that 25% of the elderly will become eligible and apply for assistance during that period.

We believe that the 25% possibility may be closer to the truth. Approximately 30% of Alaska's elderly have monthly incomes marginally above existing assistance levels -- from $500-$800 per month.[39] If those figures are accurate, as many as 3,968 will become eligible for public assistance -- in addition to the 2,300 currently on the OAA program.

The second variable involves the size of the benefits which the new clientele will receive. The Department of Health and Social Services has assumed that each new recepient will receive the mean benefit currently given or projected for

[39]Assessment, op. cit. n. 11 at 31.

existing receipients -- $295 in FY 1984.

In computing the fiscal impacts for this option, we have used the following three assumptions:

(1) Of the 3,968 elderly whom current data suggest could be eligible for the increased OAA program, 2500 will in fact apply. This figure arbitrarily discounts both those who will decline to apply for psychological reasons, and those who will not apply because the minimal benefits to them are simply not worth the bother;

(2) Because we have discounted those who will receive minimal benefits, we have retained the "mean benefit" assumption employed by the Department of Health and Social Services; and

(3) The new recipients will be evenly distributed over each of the five years -- so that in each year an additional 500 recipients will be added to the OAA program.

Additionally, persons who become eligible for Old Age Assistance will also become eligible for Medicaid. The State's Medicaid budget for FY 1983 is $65 million dollars. 48% of that figure -- or $31.2 million -- is paid by the State. Some 23% of that budget -- or $7.17 million dollars -- is attributable to those currently on Old Age Assistance. If the OAA population doubles over the next five years -- as our assumptions presume that it will -- there will be an additional cost of $7.17 million (not adjusted for inflation) to this option, chargeable in equal portions to each of the next five fiscal years.

With these assumptions, the following chart illustrates the possible net fiscal impact of this option:

CHART 3

| Year | # Add. on OAA | Mean Benefit | IN MILLIONS: Added Medicaid Costs | Added ALB Costs (Savings) | Net |
|---|---|---|---|---|---|
| FY 1984 | 500 | $295.02 | 1.4 | 2.1 | 5.27 |
| FY 1985 | 1000 | 345.02 | 2.8 | (8.7) | (1.76) |
| FY 1986 | 1500 | 395.02 | 4.2 | (19.2) | (5.90) |
| FY 1987 | 2000 | 445.02 | 5.6 | (30.9) | (14.60) |
| FY 1988 | 2500 | 495.02 | 7.0 | (44.1) | (29.30) |

Thus, even with fairly liberal assumptions regarding the number of additional OAA clients and Medicaid costs, this option will begin saving money in FY 1985.

Moreover, for those elderly in the $500 - 800 per month income range who pay some federal taxes, the option would have advantages, since increased need based assistance, unlike the longevity bonus, should not be taxed under the Internal Revenue Code.

One obvious disadvantage of this option is that it transforms the longevity bonus program into a welfare scheme. Persons who currently receive $796 or less per month -- including the bonus -- will indeed be "held harmless" under the option, but only at the expense of applying for assistance to the Department of Health and Social Services.

Moreover, those current elderly bonus recipients whose monthly incomes (excluding the bonus) exceed $796 per month will receive no protection under this option.

Finally, because welfare payments are generally viewed by the courts as involving "basic necessities of life" (see §II(A), <u>ante</u>), the durational residency requirement for increased old age assistance must be dropped from one year to 30 days.[40] The minimum national old age assistance level under the federal Supplemental Security Income system -- which OAA supplements -- is $284.30/mo.. A person with $600 a month income in a "minimum benefit" state is presumably ineligible for old age assistance (including Medicaid) in that state, but could become eligible under the Alaska system upon 30 days residency. While the mere prospect of an additional $196 per month (in FY 1988) is unlikely to induce people to retire in Alaska, the concommitant provision of Medicaid services -- including full nursing home coverage -- may have that effect. If a person can obtain free nursing home coverage -- valued at between $40 - $60,000 per year -- simply by spending the month of August in Anchorage, the State may face a rather remarkable in-migration problem indeed.

D. <u>Retaining A Modest Longevity Bonus, While Providing A "Need Based" Supplement.</u>

This option is largely a variant of option C, and has been discussed by the Sheffield Administration as a means of

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[40]<u>Shapiro v. Thompson</u>, 394 U.S. 613 (1969).

retaining some longevity bonus payment which could not be considered "welfare."

Under this option, the longevity bonus, as with Option C, would be gradually reduced to, say, $100.00 per month. As the fiscal information for alternatives B and C suggest, this alternative would result in a savings to the longevity bonus program of $19.2 million by FY 1986.

To compensate for the loss of $150.00/mo. to the needy, either State OAA limits could be increased by $150, or a separate "need based bonus supplement" could be established by the Department of Administration.

The advantage of the latter option is that although based on "need," applicants will not be dealing with the Department of Health and Social Services, and may view the supplement less as a form of welfare. Additionally, since the supplement will be provided under a program other than State OAA, its recipients would not be entitled to Medicaid (including nursing home coverage) unless they are otherwise eligible for OAA under existing limits.

Additionally, the "need" is not necessarily limited to financial need. As this report's discussion of Option I indicates, longevity bonuses may be apportioned according to the hardship which the elderly would face by being forced to retire outside Alaska.

The disadvantage of a separate "need based" program in the Department of Administration is, of course, the necessary creation of a parallel bureaucracy in state government.

The fiscal costs of this option have not been developed by the administration or this report because of the variables involved -- the size of the remaining "basic" longevity bonus, and the question of administration. Costs of administration aside, the net savings to the State should be substantially similar to the FY 1986 figures for Option C -- in which the declining longevity bonus payment would be $100.00 per month. The projected net savings of $5.9 million would certainly exceed the costs of even a parallel bureaucracy within the Department of Administration.

E. Gradual Increase In The Age Of Eligibility.

Another option explored by the Administration would reduce the durational residency requirement for a bonus to one year, but raise the eligibility age each fiscal year. For FY 1984, the age would be raised to 66; to 67 in FY 1985; and so on.

This option would have a substantial fiscal impact until fiscal year 1988, at which time mortality would have reduced the class of beneficiaries below existing levels. For FY 1984, the option would cost an additional $9.5 million dollars beyond existing funding levels, according to the Department of Administration.

This option has been quite unfavorably received. It has been facetiously but not unfairly referred to as the "newcomer's bonus program." A recent migrant born prior to June 30, 1918 would receive a longevity bonus for life, while a long-time Alaskan born subsequent to that date would receive nothing.

F. Self-Sustaining Annuities.

The prior five options were developed by members of the administration, although the administration has not formally "sponsored" any particular approach. Moreover, several of the options -- particularly the "graduated age" and "phase out" options -- were developed more as comparative conversation pieces than as actual proposals.

The following five options -- commencing with the self-sustaining annuity -- were prepared by the authors of this report.

Under the self-sustaining annuity option, individuals would no longer receive a permanent fund dividend under AS 43.23. Rather, those dividends would form the corpus of a self-sustaining annuity account from which the individual would receive an annuity commencing at the age of 65.

According to Department of Revenue projections, the permanent fund dividend payment for FY 1984 will be $365.00, rising gradually throughout the remainder of this century to $952 in the year 2000.

Given this level of contribution to the corpus, a self-sustaining annuity account will produce an annuity roughly equivalent to the existing longevity bonus (with a 3 percent annual cost of living adjustment) for those who are currently 40 years or younger, and who will be residents of Alaska each of the next 20 years. For various age groups, the annuity entitlements at age 65 as a percentage of the "target" annuity ($3000/yr. plus 3% per annum) would be roughly as follows:

| Current age | Annuity as a % of target annuity |
|---|---|
| 25 | 358% |
| 35 | 161% |
| 40 | 100% |
| 45 | 66 |
| 55 | 21 |

Obviously, some transition measure is necessary for those who are simply incapable of accruing a sufficient corpus by the age of 65 to be entitled to the "target annuity". The general fund, simply put, will be required to make up the difference, although, over time, that "differential" will decrease as annuity accounts assume some significance.

Many of the options explored in this report could suffice as a 20-25 year shrinking general fund obligation. One option particularly tailored to the annuity approach would be to allow those who are at or near the age of 65 to continue to receive their permanent fund dividends in cash, with the PFD being subtracted from the longevity bonus amount. For those in the 40-60 year age group, the general fund would simply fund the difference between their annuity and the "target" figure.

Under this "transitional measure", the general fund "residual" payment would be based on the amount necessary to supplement the annuity corpus assuming that an individual received a permanent fund dividend every year. There would seem, in this regard, no obligation on the part of the state to give a larger general fund supplement to someone with two PFD credits than to someone with 15.

Thus, in fiscal year 1994, when current 55-year olds first receive their annuity, they would receive a state supplemental of 79 percent of the target annuity -- regardless of the actual PFD credit any individual has accrued.

The remaining question, obviously, is what to do about the person who is currently 65. If that individual's supplement is the same in 1994 as a new annuitant -- 79% -- he will in fact receive less than the new annuitant since he will have only his permanent dividend, rather than a 21% annuity, to make up the difference. Conversely, if the grandfathered PFD recipient received a full target annuity in 1994, he would be at a substantial advantage over the new annuitant. The reason is this: while the new annuitant has earned a substantial portion of his target annuity by foregoing his cash dividend each year, the "grandfathered" recipient has both enjoyed the dividend, and its earning power, over that same period of time.

The question is largely one of equity for the legislature. Either approach is defensible. While the latter scenario would seem to discriminate in favor of the existing elderly, the Alaska Supreme Court has recognized the legitimacy of creating preferential grandfather rights for those who have come to depend upon an existing state program.[41]

In either case, the difficulty with this "transition" option is that the longevity bonus program continues to be a substantial drain on the general fund for 20-25 years to come. Under the transition option described above, the FY 1984 budget for the ALB program would be increased by $6 million dollars over existing funding levels.[42]

Through Aetna Insurance Co., we investigated the alternative of simply purchasing a lifetime annuity for all those currently 65 or older. Unfortunately, the cost of a lifetime annuity for all Alaskans 65 or older would be prohibitive -- in the neighborhood of $300 to $400 million.

Finally, the Legislature should consider using the administration's options C and/or D as a transition measure. The short term fiscal impacts of those options are superior to those of a simple general fund supplement.

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[41]Commercial Fisheries Entry Commission v. Apokedak, 606 P.2d at 1259-61.

[42]Assuming that the ALB of the "grandfathered class" is reduced by the $365 permanent fund dividend, each of 13,223 persons will receive a payment of $2,635 this year -- totaling $34 million dollars.

For all of the short term problems of an annuity program, the long term advantages should receive equal time. First, in a period of 20-25 years, the general fund will no longer be encumbered with the longevity bonus program. Second, the eventual size of one's annuity payments would be a function of the number of permanent fund dividend contributions that have been credited to the annuitant's account. We seriously doubt that a successful durational residency claim could be made to this aspect of the program. An annuitant with three years contributions could no more claim that he is due an annuity based on 20 years contribution than could a 1996 resident claim not merely the $787 cash dividend available that year, but rather some $6,000 which his predecessors had amassed by being residents of Alaska since 1984.[43]

We believe that there is a strong case for distributing annuities only to persons who are residents of Alaska at the

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[43]Because future annuities are a direct function of actual past payments to the program, the program does not "reward" presumed contributions but simply returns actual investments. cf. Zobel I, 619 P.2d at 435 (Rabinowitz conc.) Nor is the option akin to a situation where prior tax contributors are excused from funding the present needs of government, as with the tax repeal scheme at issue in Zobel I. At any point in time, each Alaskan is treated quite equally -- being entitled to an annuity credit if he or she resided in the state for six months during the pertinent year.

time. Partially for reasons discussed below, no individual will have a "vested right" to an annuity in the future. A purpose of the annuity program will be to alleviate the particular financial hardships caused by retirement in Alaska -- a purpose which we believe is constitutional. This goal would be served only by confining actual annuity payments to Alaska residents. Second, and particularly if the program is properly viewed as conferring an economic benefit not upon the crediting of an annuity account, but rather upon annuity distribution, the state certainly possesses the right to prefer its own residents in the disposition of its resources.[44]

There are, of course, other issues surrounding the annuity option. Many Alaskans will undoubtedly wish to retain the existing cash benefits of the permanent fund distribution. Alaskans will not be, however, totally without recompense. An annuity account for younger Alaskans in particular -- at least for those planning to stay in the state -- will one day lead to substantial benefits.

Of course, the prospect of a lucrative retirement account is a product of the legislature's continued willingness and ability to devote 25% of permanent fund earnings to the

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[44] Reeves, Inc. v. State, 65 L.Ed. 2nd 244, (1980); see also White v. Massachusetts Council of Construction Employees, ___ U.S.___, No. 81-1003 (U.S.S.Ct., Feb. 28, 1983)(distinguishing Hicklin v. Orbeck, 437 U.S. 518 (1978).

annuity program. Unquestionably, at some point in time, a material percentage of the permanent fund's earnings will be necessary for general government expenses. The point at which that will require access to more than 75% of the fund's earnings is problematical.

The tax consequences of an annuity program warrant detailed discussion. As noted previously, the Internal Revenue Service may well rule that permanent fund cash distributions are taxable. Conversely, if credits to an annuity account equal to the permanent fund dividend are not tax exempt, the real economic value and perceived political worth of an annuity option is substantially lessened.

The annuity program envisioned by this report is not employer/employee related, and therefore would not qualify as an exempt plan under the Internal Revenue Code.[45] Nor was serious consideration given to qualifying this annuity option as an Individual Retirement Account -- because (1) the state is not a qualified financial institution to administer such an account; (2) the required terms of an IRA were not compatible with the option considered; and (3) any "state required" IRA -- even if possible -- would severly impinge on the tax planning flexibility of individual Alaskans.[46]

Nonetheless, it is our opinion that the annuity option <u>should</u> result in the deferral of both the permanent fund

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[45] cf. 26 U.S.C. §401-404

[46] <u>See</u> 26 U.S.C. §408.

dividend contributions and accrued interest under the Internal Revenue Code. The courts and the IRS have generally ruled that contributions to an unqualified "annuity," "retirement" or "deferred compensation" plan are nonetheless tax deferred if the individual is not in "constructive receipt" of the annuity contributions, and the contributions do not represent a present "economic benefit."[47]

Combining the standards of that doctrine with the attributes of the proposed annuity program, the program should be taxed deferred for the following reasons:

1. If the State were to purchase individual annuities with each permanent fund dividend, with each resident being the beneficiary, the resident would have a vested and secured interest in the contribution, and would thus have received a current "economic benefit." If, however, the State were to merely give the annuitant an unsecured promise of payment, purchasing an annuity account with itself as the beneficiary in order to provide a funding source for that promise, there would be no "current economic benefit" and taxation would be deferred.[48] This is one customary means by which employers obtain tax deferral of an unqualified plan;

2. A person is in "constructive receipt" of an annuity contribution if he has current access to the

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[47] U.S. v. Goldsmith, 586 F.2d 810 (Ct.Cl. 1978).

[48] Id.

contributions without substantial terms and limitations.[49] Under this report's option, under no circumstances would an annuitant be entitled to withdraw anything until annuities are actually distributed;

3. To underscore the contingent nature of the annuity -- such that the IRS could not reasonably conclude that it represents a "current economic benefit" -- the annuity will only be received if the person is an Alaska resident at the time of the pertinent distribution.

Our only hesitancy in this regard is the February 27, 1981 ruling of the IRS that even if an individual chooses to defer receipt of his permanent fund dividend, it is taxable in the year that it could have been received. The ruling, however, "may not be used or cited as precedent," and, even if of precedential value, is distinguishable from this situation. The ruling is consistent with the proposition that the individual cannot have unfettered discretion in choosing the year in which income will be taxed. While an individual does have unbridled choice in determining when to take a permanent fund dividend, he will have no choice as to the time of receipt of his annuities. Moreover, where a person would have an absolute right to a deferred dividend, he will have no right to annuity distribution unless he is an Alaska resident at the time.

For tax reasons, then, the annuity option must be carefully structured. The former permanent fund dividend must

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[49] Id.

be used by the State to purchase an annuity for its own account, with itself as the beneficiary. The annuity income received by the State will then be used as the funding source for the annuity payments -- although technically and necessarily the annuity income could be used for any fiscal purpose.

A far closer question arises with respect to the effect of this option on other public assistance programs. Generally, annuity income is <u>included</u> in the calculation of income for various assistance programs.[50] If, however, this option can be characterized as a continuation of the longevity bonus program, then the existing longevity bonus income exclusion[51] may persist. If -- consistent with tax considerations -- the only "annuity" is the one purchased by the State as a funding source, then the existing longevity bonus program can be retained in both name and substance, with the amount of the bonus still dependent upon residency history. After all, under the option, (1) a person must be a six month resident in order to obtain a single PFD, and must be eligible for the annuity at the time of distribution;[52] (2) the amount of annuity is dependent upon the number of PFD's credited to the individual's account; and (3) the "grandfathered" class of existing elderly would presumably be required to meet a one-year durational residency requirement.

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[50]<u>See</u>, 42 U.S.C. §1382(a)(a)(2)(B).

[51]See 42 U.S.C. §1382(a)(b)(2)(B).

[52]See n. 8, <u>ante</u>.

The above, of course, is an argument -- it is not necessarily the law, which in final measure will be largely determined by the federal officials involved. The exposure to existing assistance programs -- at least for those not within the grandfathered transition class -- must be considered a risk of this option.

Even if, however, annuity distributions are considered "income" to various assistance programs, the corpus of the annuity account will not be. A person may be disqualified from a federal assistance program not only if his income exceeds a certain level, but as well if he has alternative available resources which he can upon from at any time. However, in this instance, a true "annuity corpus" does not exist -- since the only annuity runs for the benefit of the State. Moreover, even if federal officials were to view the "corpus" as belonging to the individual, it cannot be withdrawn prior to actual distribution.

G. State Social Security System.

In large part because of the need for a lengthy transition period with a self-sustaining annuity plan, this report also considered the possibility of a state social security system funded by a portion of the permanent fund dividends distributed under AS 43.23.

Under this system, a sufficient portion of each resident's permanent fund dividend would be withheld each year to fund a retirement program designed to pay each Alaska resident of 65 years or older with one-year's residency $250 per month, with a moderate cost of living adjustment each year.

In assessing the feasibility of this option, the most important variable was the projected growth in Alaska's elderly population. The difficulties facing the federal social security system are due in part to an increasingly large percentage of elderly in the population.

For fiscal year 1983, the Alaska Department of Labor projects that there will be some 13,672 elderly in Alaska -- approximately 3% of Alaska's population.[53] The Department has projected that that population, as a percentage of all Alaskans, will remain relatively static through the year 2000, when, out of a population of 831,000 people, there will be 25,158 elderly.[54]

We believe that those projections are overly conservative, and do not take into account the significant nationwide trend of increased elderly population. Nor do those projections include the retirement years of the post World War II "baby boom" generation -- which will begin about the year 2010.

Accordingly, in projecting the long term impact of this option on permanent dividend distribution, we have used the

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[53]Alaska Population Overview, Alaska Department of Labor, 1981

[54]Id.

national growth patterns projected by the federal Social Security Administration, which are as follows:

| YEAR | % OF ELDERLY POPULATION |
|---|---|
| 1950 | 8.1 |
| 2000 | 13.1 |
| 2025 | 19.5 |
| 2050 | 21.8 |

Using those assumptions, Travelers' Insurance Co., on our behalf, calculated the percentage of permanent fund dividends which would be required to fund a "pay as you go" system.

For fiscal year 1983, the calculations are relatively straight-forward. Given an aggregate distribution of some $169 million in permanent fund dividends this year, approximately 25% would be needed to fund a "pay as you go system."

However, even assuming a 3% cost of living adjustment in the payment each year, the percentage needed to fund the program decreases. This is because permanent fund earnings will increase at a rate substantially higher than inflation. From the year 1983 to 2000, the average funding required would be 15 to 19 percent of the distributions, while, in the years 2000 to 2025 (and assuming continued growth in permanent fund earnings) the funding amount would he 10-12 percent.

Thus, if the withholding remains static at 25% over the course of several years, the resultant excess would begin to build a savings account of substantial magnitude, which at some point in the future would make the program partially, or perhaps totally self-sustaining.

One obvious advantage of this option is that it frees the general fund from ALB obligations immediately. Conversely, by materially reducing the annual permanent fund dividend, it obviously raises some political difficulties.

Additionally, the social security option could likewise be tied to contribution history -- although not in the precise manner of the annuity option. The federal social security system currently fully covers any individual who had "not less than one quarter of coverage .. for each calender elapsing after 1950 ... except that in no case shall an individual be a fully insured individual unless he has at least 6 quarters of coverage."[55] Because, in the future, some portion of the benefits will be paid by the "savings account" resulting from the static 25% contribution, we believe that a similar contribution history requirement could be established in the legislation.

Even more so than the annuity option, there would be no "current economic benefit" from the program. By reducing the permanent fund distribution by 25%, and funding a retirement program from which the individual may or may not ultimately benefit, we believe it extremely unlikely that the IRS would conclude that the reduced sum is in some manner taxable.

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[55] 42 U.S.C. §414(a)(1)

Morever, we believe there is a substantial likelihood that the existing ALB exemption in federal law could be retained. Indeed, stripped to its essense this option does little more than alter the funding source of the ALB program.

The primary risk of the program is all the more apparent in light of the current difficulties with the federal social security system. While option F would be funded by a currently purchased annuity, younger Alaskans would be contributing to this option on the mere hope that the requisite amount of permanent fund earnings would remain available for the program well into the 21st century. The "savings account" created by the static 25% withholding is intended to alleviate that problem; however, regardless of the rate of growth of that account, there is plainly some risk in this option.[56]

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[56] For example, under our population projections, there will be 30,747 elderly in Alaska in the year 2000. The permanent fund distributions for that year under AS 43.23 are estimated by the Department of Revenue to be $792 million, of which, under our static 25% withholding, $198 million would be placed in the social security fund. In that year, with a 3% COLA, the maximum monthly bonus will be approximately $390. Even if every elderly Alaskan is eligible for full benefits under the law's contribution requirements, the maximum payments would be $120 million -- with a savings account deposit being made in that year alone of $70 million. Of course, many of these elderly may not be fully eligible, and some who are eligible may not be residing in Alaska during that year.

Finally, there is some advantage to the existing elderly in this system over the annuity option. The existing elderly would have a net loss of only 25% of their permanent fund dividend, rather than the entirety of the benefit under the annuity approach.

H. Health Insurance For The Elderly.

The state of health insurance for the elderly, and indeed for all Alaskans, has already been the subject of considerable study,[57] and legislative activity.[58] Because of the obvious critical importance of adequate health care coverage for Alaska's elderly, the option of providing comprehensive health insurance for Alaska's older citizens in lieu of the longevity bonus was included in this report as an option.

While the Department of Law report found that health expenses were a major use of the longevity bonus for only 5.5% of its sample, the 1976 longevity bonus study found that 29% of the bonus recipients used at least a portion of the ALB for medical care, while 11% used a portion of the bonus for "insurance of all kinds."[59]

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[57] Alaska Comprehensive Health Care Financing Study, Batelle Human Affair Research Center (1981)

[58] HB 641, 12th Leg. 1st Sess. (1981)

[59] ALB Survey, op. cit. n. 9 at 22

In fact, almost all of Alaska's elderly receive some kind of public or private health coverage assistance -- either through Medicare, Medicaid, public and private retirement programs, Veteran's benefits or the Indian Health Service/Public Health Service.

When assessing the health insurance option, the two obvious questions are: (1) how severe are the gaps in existing coverage; and (2) how much would it cost to fill those gaps?

The major source of health insurance coverage for the elderly in Alaska is obviously Medicare -- a federal insurance plan which provides hospitalization for those eligible for social security[60] and medical insurance for an additional fee of $12.20 per month.

Both the hospital and medical insurance contain substantial deductibles, i.e. the first $304 of the hospital bill -- and co-payment requirements (20% in the case of medical insurance.)

Nursing home coverage under Medicare is severely limited -- confined to post-hospital care in a "skilled nursing facility" for short periods of time.

It is difficult to determine how many resident Alaskan elderly are on Medicare -- available statistics are bloated by Medicare claims submitted by tourists. There are some 9,323

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[60] 42 U.S.C.§§ 426,1395(c). A person ineligible for Social Security may obtain Medicare hospitalization insurance for $113 per month

retired persons in Alaska receiving social security -- and hence eligible for Medicare.[61].

The largest group of elderly Alaskans ineligible for Medicare are rural residents, primarily Natives, who do not have a sufficient wage earning history to qualify for social security. All Alaska Indians, Aleuts and Eskimos are eligible for IHS -- which provides a broad range of services depending upon available facilities. IHS is, however, primarily a direct provider of facilities -- it does not make cash payments for services such a custodial care in a nursing home. Moreover, it is currently facing severe cutbacks in areas such as reimbursement for health-related travel expenses[62].

The most comprehensive health coverage in Alaska is, of course, Medicaid. To be eligible for Medicaid, one must meet the State public assistance income limitations. As noted previously, there are currently some 2300 elderly Alaska citizens on Medicaid. Medicaid does cover virtually unlimited nursing home residency.

The most glaring deficiency in Alaska health care for the elderly is the lack of coverage for institutionalization in custodial environments such as nursing homes. Nursing home

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61 Interview, Ms. P. Eubanks, Field Rep. Social Security Admin. (Feb. 24, 1983)

62 Interview, Ms. P. Roberts IHS, (Feb. 23, 1983)

rates in Alaska run from $90 to $172 per day[63]. The costs are simply prohibitive for anyone not on Medicaid -- indeed, of the 467 elderly Alaskans currently residing in State nursing homes (other than the Pioneers Homes), all but 31 are there under Medicaid, or Alaska's General Relief Medical Assistance.

Conversely, nursing home rates in Washington, for example, have been estimated by the Department of Health & Social Services to vary from $50-$60 per day. It is not known how many elderly Alaskans are institutionalized in lower forty-eight custodial care facilities; however, it is apparent that unless one is eligible for Pioneer Home placement, a nursing home can be afforded if, at all, only by relocating to the lower forty-eight.

Three private organizations were asked to estimate the premium amount required to supplement Medicare and other coverage for Alaska's elderly to provide health insurance equivalent to the existing Public Employees' Retirement System's retiree coverage, and to include comprehensive nursing home coverage. Neither Travelers Insurance, nor Aetna Insurance felt capable of providing an estimate.

However, insurance consultants frequently used by the state for matters such as the public employees Supplemental Benefits System estimated that to provide supplemental coverage

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63Alaska Nursing Home Census, Alaska Department of Health & Social Service, 12/31/82 for Medicare, insurance could be provided at a premium of approximately $70 per individual per month. This would include comprehensive nursing home coverage.

Medicare is currently a primary insurer -- that is, the State could provide for Supplemental coverage without endangering basic Medicare eligibility. Moreover, and in all likelihood, supplemental State coverage could properly provide otherwise uninsured Alaska Natives with those costs not covered by the Indian Health Service.

The major difficulty is Medicaid. Medicaid eligibility is very much contingent upon the unavailability of "resources".[64] Currently, the State only pays 48% of a Medicaid's patient bills. If a State health insurance policy was considered a "resource" the State could find itself footing the entirety of a Medicaid patient's bill.

Of course, the State would hardly need to "supplement" any Medicaid coverage -- Medicaid coverage itself being essentially inclusive. The statute, could simply exempt Medicaid recipients from the coverage of the policy. The issue posed by such an enactment is whether the State would be frustrating the Congressional goals behind Medicaid -- which is to provide a health coverage means of last resort -- thereby running afoul of the Supremecy Clause.[65].

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[64] 42 U.S.C. §1382(a)(1)(B)

[65] Florida Lime & Avocado Growers v. Paul, 373 U.S. 132 (1963)

Assuming that the State could continue to merely supplement Medicare, IHS facilities and existing private and retiree coverages, and that the consultants' figures are accurate, there remain two difficulties with the health insurance option. First, it is of no benefit to Alaska's needy elderly -- who will merely continue with Medicaid coverage at the price of their longevity bonus.

Secondly, there is the potentially severe problem of in-migration. If a year's residency in Alaska[66] were all that were required for free and unlimited nursing home coverage, the potential of in-migration may be severe. There are two potentially justifable components of the program which could mitigate this potential:

1. If a purpose of the health insurance option is to allow Alaska residents to continue to reside in the state even if nursing home coverage is required, nursing home coverage could be limited to Alaska institutions, just as many states

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[66]It is possible, although we believe unlikely, that a court would rule that supplemental health insurance coverage would constitute a "basis necessity of life" -- dropping the maximum possible durational residency requirement to 30 days. The program would be supplemental to a host of existing assistance insurance programs, and would not be based on need. See Memorial Hospital v. Maricopa County, 415 U.S. at 261.

limit resident tuition discounts to in-state universities.[67] The difficulty, obviously, is that existing Alaskan nursing home capacity is limited. Whether unlimited nursing home coverage for all Alaskans would result in the expansion of existing facilities is debatable;

2. For the reasons cited with respect to the annuity and social security options, eligibility for health insurance coverage might properly be based upon contribution history if (a) a portion of the individual's permanent fund dividend is used to help fund the insurance program; and (b) the funding is in excess of current needs, in order to amass the same type of "savings account" envisioned with respect to the social security option.

## I. LONGEVITY BONUS PREMISED ON INDIVIDUALIZED RELOCATION HARDSHIP.

As noted in Section II(A), *ante*, there is some judicial support for the view that it is permissible for Alaska to establish a program intended to benefit those who would suffer the most hardship by financially-coerced relocation from the state, and to measure that hardship in part by duration of residence.

This option relies upon that support, and involves three steps:

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67Starns v. Malkerson, 326 F.Supp. 234 (D. Minn. 1970), *affa mem.* 401 U.S. 985 (1971)

1. cataloging those criteria which would differentiate those Alaska elderly who would suffer relatively more hardship by being forced to retire outside the state, and who need financial assistance in order to remain in-state;

2. translation of those subjective criteria to a point system similar to that used by the Alaska Commercial Fisheries Entry Commission; and[68]

3. structuring of that point system such that (a) administrative costs are minimized; and (b) successful applicants are confined to a pool roughly equivalent in number to existing bonus recipients.

Indeed, the structure of this option is similar to the Alaska Limited Entry Act -- which translates certain very subjective criteria -- such as "economic dependence on the fishery" -- into an objective point system. It does so, of course, at a bureaucratic price -- approximately $2.5 million a year for a pool of applicants originally roughly equivalent to those which this option would affect. It also does so at other costs, which will be discussed below.

It is not difficult to catalog the criteria which would set our "relocation hardship" pool aside. Duration and continuity of residence would be one criteria, as would, perhaps:

1. income;

2. location of family;

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[68]See AS 16.43

3. location of property; and

4. ethnic, religious, and cultural ties.

Although income and duration of residency would play a role in determing eligibility, no one factor alone would be dispositive.

It would not be difficult to translate these factors into a point system; nor would it be particularly difficult to structure that point system to limit the class of successful applicants. The proposal, however, does suffer from the following disadvantages:

1. Since most Alaskan elderly have lived here more than 10 years most Alaska elderly will suffer some demonsterable hardship from relocating elsewhere -- although a certain percentage obviously do not require a longevity bonus to remain;

2. The alternative also involves the establishment and funding of a new bureacracy -- an intrisically unworthwhile undertaking, but one which nonetheless would cost far less than simply opening the class to all elderly Alaskans;

3. Perhaps the most obvious disadvantage is the burden that it would place upon elderly Alaskans themselves. There would presumably be a lengthy application form, together with evidentiary requirements, and in some cases, adjudicatory hearings. The Limited Entry Commission is currently involved in some 120 judicial appeals -- a number which is either at or below historic levels. According to the Commission's FY1984

budget presentation, there is a current backload of some 325 administrative adjudications.

Attorneys will be required -- regardless of what efforts are undertaken to make the process simple and informal. The difficulties facing the elderly applicant are thus rather apparent.

## J. GRANDFATHERING

This report closes with one of the simpler alternatives -- opening the class of longevity bonus recipients to all elderly Alaskans with one year's residency, and terminating the program for the future. Persons eligible, or becoming eligible this year will be "grandfathered" and will receive a longevity bonus for life. The fiscal impacts of this alternative are, for FY1984, identical to option A, and will obviously decline in the future due to mortality and relocation.

The obvious advantage of this program is that it protects those currently on the longevity bonus program. Equally, it deprives those approaching the age of 65 with any expectation of receiving a bonus.

We believe that this option is constitutionally permissible. The Alaska Supreme Court shares the general view of the constitutionality of grandfathering laws -- as long as the grandfathered class itself is constitutionally defined.[69] Plainly, the state legislatures

[69] Commercial Fisheries Entry Commission v. Apokedak, 606 P.2d at 1259-61.

have the right to terminate social programs while protecting those who have come to rely on their benefits.

## 4. CONCLUSION

As noted at the outset, the purpose of this report is merely to provide a threshhold feasibility review of various options for amending the longevity bonus program. Through discussions with administration officials, legislative staff members, consultants and private industry, we have attempted to highlight the major issues surrounding each alternative, and provide at least rough information on each question raised. If, after the Judiciary Committee has identified two or three relatively attractive options, the effort expended over the past three weeks on 10 proposals can be condensed into the pursuit of three, proposed legislation and a more intricate analysis of the preferred options can be promptly transmitted.

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA

FIRST JUDICIAL DISTRICT

CONFIDENTIAL

| | |
|---|---|
| RODNEY G. VEST, | ) |
| Plaintiff, | ) |
| v. | ) |
| MARIAN SCHAFER and STATE OF ALASKA, | ) |
| Defendants. | ) |

Case No. 1JU-82-1103 Civ.

AGREEMENT AND ORDER OF SETTLEMENT

WHEREAS, in 1972 the Alaska Legislature enacted the Alaska Longevity Bonus Program (AS 47.45.010 et. seq.) which currently provides, inter alia, for the payment of $250 for each month of continued residency by bona fide Alaska residents over the age of 65 who were domiciled in Alaska on or before January 3, 1959 and who have maintained a continuous domicile in Alaska for 25 years;

WHEREAS, the purpose of the Alaska Longevity Bonus Program is among other things, to reward elderly Alaskans for their past contributions to the state and territory, and for past hardships suffered during territorial and early statehood days. AS 47.45.170;

WHEREAS, since 1972, the State of Alaska in good faith has administered the Longevity Bonus Program in the belief that the rewarding of prior residency was a constitutionally permissible purpose;

WHEREAS, in upholding the State's prior Permanent Fund Dividend distribution program, the Alaska Supreme Court ruled that "reward[ing] those Alaska residents who have chosen to stay" is a constitutionally permissible purpose. Williams v. Zobel, 619 P.2d 448, 460 (Alaska 1980);

WHEREAS, Justices Dimond and Matthews, in dissenting in Williams v. Zobel, believed that the Longevity Bonus Program would withstand constitutional scrutiny (619 P.2d at 469, n.13);

WHEREAS, on June 14, 1982, the United States Supreme Court, in invalidating Alaska's prior Permanent Fund Distribution Program, ruled that a statutory purpose of rewarding prior residency was constitutionally impermissible. Zobel v. Williams, ____ U.S. ________, 80-1146;

WHEREAS, because of the U.S. Supreme Court's decision in Zobel v. Williams, it appears the Longevity Program may not be deemed constitutional;

WHEREAS, a serious and good faith disagreement has developed and the Alaska Legislative Council questions whether the appropriate remedy is to expand the class of recipients of monthly longevity bonuses, or alternatively, to invalidate the entire program and cease payment of monthly bonuses to any person;

WHEREAS, this uncertainty regarding the appropriate remedy derives from § 2, Ch. 205, SLA 1972, which provides, with respect to the Longevity Bonus Program:

> If any provision of this Act, or the application of a provision of this Act to any person or circumstances is held invalid, this entire act shall be considered invalid.

WHEREAS, unless and until the question of appropriate remedy is resolved by this court, or a settlement of this controversy is achieved, it is reasonable and prudent that the State of Alaska continue to administer the Longevity Bonus Program in the manner provided by statute;

WHEREAS, on July 6, 1982, Plaintiff Rodney Vest filed the above-captioned action, seeking as relief his inclusion in the Longevity Bonus Program of "any . . . bona fide Alaska resident who is 65 years or older....". Complaint, Prayer for Relief, para. 2;

WHEREAS, ON July 23, 1982, Plaintiff Vest filed an amended complaint seeking to have this case certified as a class action under Alaska Rule of Civil Procedure 23 on behalf of all bona fide Alaskans of the age of 65 or older, and further seeking as alternative relief the invalidation of the Longevity Bonus Program, or the payment of retroactive bonuses "in amount equal to what they would have been entitled to obtain under the program had the unconstitutional criteria never been in place or enforced." First Amended Complaint, Prayer for Relief, paras. 4-6.

WHEREAS, there are currently 9,124 recipients of monthly longevity bonuses, and many of these recipients are of modest means, and depend upon the monthly bonus for sustenance, and the termination of the longevity bonus payments to these individuals could cause great and irreparable harm;

WHEREAS, because of the uncertainty with respect to the appropriate remedy, the parties are desirous of settling this litigation in a manner which affords meaningful relief to Plaintiff Vest and others similarly situated, but which also ensures the continuation of monthly bonus payments to existing recipients;

WHEREAS, the parties are further desirous of achieving a settlement which will finalize and constitute a full and final accord of the rights and liabilities of the parties hereto;

WHEREAS, there may be as many as 4,000 persons who are similarly situated with Plaintiff Vest -- to wit, bona fide Alaskans of the age of 65 or over -- who are not currently receiving longevity bonus payments because of the residency requirements of the statute;

WHEREAS, the parties agree that, because of the nature of the rights of recipients involved in this litigation, a one-year residency requirement is reasonable, necessary and appropriate in order to demonstrate bona fide Alaskan residency;

WHEREAS, a full and final settlement of the parties' rights and liabilities hereto cannot be achieved until all persons similarly situated with Plaintiff Vest are certified as a class under Alaska Rule of Civil Procedure 23(c);

WHEREAS, the settlement envisioned by the parties includes the retroactive payment of longevity bonuses to plaintiff class commencing and including July 1, 1982;

WHEREAS, the payment of such retroactive bonuses to an expanded class of recipients would require the appropriation of sums above the amount currently appropriated for the longevity bonus program for fiscal year 1982-83. Moreover, and because of the Alaska Legislative Council's view of the non-severability clause, quoted above (effecting the expansion of the class of longevity bonus recipients), such payments may require the enactment of curative legislation;

WHEREAS, it is therefore necessary, in order to effectuate this settlement, for appropriate legislation to be enacted;

WHEREAS, the Alaska Legislature is a coordinate branch of government of the State of Alaska, and is represented in this action by the Attorney General;

WHEREAS, notwithstanding the above, the Attorney General cannot in any manner bind or compel the Alaska Legislature in the exercise of its legislative powers;

WHEREAS, on July 16, 1982, the Alaska Legislative Council moved to participate in the above-captioned action as amicus curiae, it is agreed that the Alaska Legislative Council may participate in all negotiations of any settlement, the filing of briefs and may participate in oral arguments; however, the Alaska Legislative Council agrees that it will not be involved in discovery proceedings in the event the case is ultimately litigated and will not become otherwise involved in accordance with the terms of this settlement agreement;

WHEREAS, and while the Alaska Legislative Council cannot bind the Alaska Legislature in the exercise of its legislative powers, the Alaska Legislative Council can and is willing to commit its best efforts to the enactment of appropriate legislation during the first regular session of the 13th Alaska Legislature;

WHEREAS, and subject to (1) the certification of plaintiff class, (2) the Superior Court's approval of a settlement proposal herein, and (3) the commitment of the Alaska Legislative Council to use its best efforts in the enactment of appropriate legislation, plaintiff class is agreed that such action will provide full and adequate consideration for the promise and agreement of plaintiff class not to seek relief in any form with respect to the Longevity Bonus Program through and including the adjournment of the first regular session of the

13th Alaska Legislature or June 30, 1983, whichever ever event comes first in time;

WHEREAS, nothing herein is to be construed as an admission by the State of Alaska as to the unconstitutionality of the Longevity Bonus Program;

WHEREAS, except with respect to the good faith of the State and its agents, nothing herein is to be construed as an admission by either party in the event the settlement agreed to here is not consummated;

NOW THEREFORE THE PARTIES STIPULATE AND AGREE AS FOLLOWS:

1. All actions and proceedings in the above-captioned case, other than:

(a) the certification of plaintiffs class

(b) the approval by the Superior Court for the State of Alaska, First Judicial District of this proposed settlement agreement, and

(c) any further approval by the court necessary to consummate the settlement agreement after the certification of plaintiffs class,

are stayed through and including the date of adjournment of the first regular session of the 13th Alaska Legislature or June 30th, 1983, whichever event occurs first in time. Procedures for class certification shall be submitted to the Court for review no later than September 10, 1982, and the parties will request the

Court to render its order with respect to the notice procedures forthe said class no later than September 24th, 1982. Notice to the class shall be transmitted, along with the proposed settlement and the conditions necessary to affectuate the settlement, on or before October 11th, 1982. The State of Alaska will undertake reasonable efforts to assist Plaintiff to locate those persons 65 years or older as of July 1, 1982, who have been bona fide Alaska residents in the state of Alaska for one year immediately prior to that date. In the event this settlement agreement is not consummated for whatever reason, but the class certification has been certified by the court as set forth above, the Plaintiff shall not be precluded from seeking an enlargement of the class and a certification thereof so as to include other persons having a shorter residential duration within the State and may also seek a greater retroactive recovery.

2. The Alaska Legislative Council shall utilize its best efforts to secure the enactment, during the first regular session of the 13th Alaska Legislature, of the following legislation;

(a) Legislation which treats equally all bona fide Alaska residents of the age of 65 or older with respect to their residential qualifications to receive any "longevity bonus payments" or any substitute benefits from July 1, 1982 and thereafter for as long as the legislature may determine to continue such a program. Bona fide Alaska residents are those who continuously resided in the state for one year immediately prior to the date of eligibility; and

(b) Any appropriation which might b required to fund the legislation described in paragraph (a), including the retroactive payment of bonuses.

3. If the Alaska Legislature passes legislation described in 2(a)-(b) above at any time during the first regular session of the 13th Alaska Legislature and the Governor signs the said legislation or otherwise allows 2(a)-(b) to become law so that 2(a)-(b) will be effective no later than Ninety days after enacted, the above action shall be dismissed with prejudice, subject only to the determination of attorney fees by the Court.

4. If the above-captioned action is dismissed under paragraph 3 above, all claims or rights of any class member (except those class members who exercise their right to opt out under Rule 23 of the Alaska Rules of Civil Procedure), with respect to the Longevity Bonus Program, shall be merged into the judgment of dismissal and extinguished;

5. If the Legislation described in 2(a)-(b) above is not enacted during the first regular session of the 13th Alaska Legislature or in any event no later than June 30, 1983, then this agreement shall be null and void, except that the Plaintiff and the class certified, together with any additional members, if there is an enlargement of the class, may prosecute this case as

if this agreement had not been entered into, it being the intent of the parties that certification of the plaintiff class, or the enlargement thereof, shall not be affected if this agreement becomes null and void;

6. The obligation of the Alaska Legislative Council under 2 herein is contingent upon certification of plaintiff class under Alaska Rule of Civil Procedure 23(c), which class shall include each and every individual of the age of 65 or older who, as of July 1, 1982, had continuously resided one year immediately preceding that date within the State of Alaska, and in the event that a class is certified which is less inclusive than as above described, the State of Alaska has reserved the right to waive the protections of this paragraph in whole or in part. Nothing in this paragraph is intended to modify or affect the certification of the class or the right of the Plaintiff to enlarge the class if this agreement becomes null and void.

DATED this __ day of ________________, 1982.

DATED: August 9, 1982 Wilson L. Condon / by [illegible]

Attorney for Defendants
Marian Schaefer and
State of Alaska

WILSON L. CONDON
ATTORNEY GENERAL

DATED: August 6, 1982 Henry J. Camarot

Attorney for Plaintiff

Henry J. Camarot
Camarot, Sandberg & Hunter

DATED: 8/16/82 ______________________________
Attorney for Alaska
Legislative Council
Amicus Curiae

FOR William Ruddy
Robertson, Monagle,
Eastaugh & Bradley

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<u>O R D E R</u>

IT IS SO ORDERED.

DATED: ____________________ ______________________________
Hon. Walter Carpeneti
Superior Court Judge

| PROGRAM NAME | PROGRAM DESCRIPTION | TYPE OF BENEFITS | INCOME LIMIT (Number of Persons) 1 | 2 | 3 | 4 | ALB EXCLUDED | NUMBER OF ELDERLY ALASKANS | MEAN BENEFIT | NUMBER OF ELDERLY AT RISK |
|---|---|---|---|---|---|---|---|---|---|---|
| Medicaid - Nursing Home | Provides payments on behalf of needy persons in nursing homes for cost of care<br><br>48% federal<br>52% state funds | Vendor Payments | 852.90 | n/a | n/a | n/a | Yes | up to $450/mo. | $3600/mo. | app. 275*<br><br>*includes app. 120 who are included in the 500 at risk for SSI |
| Medicaid - Regular | Provides payment for necessary medical care on behalf of recipients of Old Age Assistance<br><br>federal, 52%<br>state funds, 48% | Vendor Payment | 546 | 802 (net) | n/a | n/a | Yes | app. 2300 eligible, of whom app. 943 use benefits each month | $1027/ useage | app. 1200*<br><br>*includes 500 at risk in SSI program |

| PROGRAM NAME | PROGRAM DESCRIPTION | TYPE OF BENEFITS | INCOME LIMIT (Number of Persons) 1 | 2 | 3 | 4 | ALB EXCLUDED | NUMBER OF ELDERLY ALASKANS | MEAN BENEFIT | ELDERLY AT RISK |
|---|---|---|---|---|---|---|---|---|---|---|
| Old Age Assistance | Payments to needy | Monthly Cash | 546 | 802 | n/a | n/a | Yes | app 2300 | 246.70/mo. | app 1200*<br>*Includes 500 at risk in SSI |
| Food Stamp Program | A federally funded program designed to promote the health of the nation's population by raising the levels of nutrition among low-income households | Food coupons that are used in place of money | 490<br>This is net monthly income | 650 | 810 | 970 | No | 1700 | $32 per person (random sampling of 10-elderly cases.) | -0- |
| Supplemental Security Income(SSI) | Federally funded & administered program providing assistance to needy persons who are aged or disabled<br>100% federal funds | Monthly Cash | 284.30 | 426.40 (net) | n/a | n/a | Yes | app 900 | app $228 mo. | 500 |
| Energy Assistance | Grants to low-income households to offset energy costs | Vendor home energy credit | $851 | $1113 (net) | $1375 | $1637 | Yes | app. 1400 | $475 | 300-400 |
| General Relief (Medical) | 100% state-funded, provides medical assistance on behalf of needy persons. For elderly, primarily provides drugs for Medicaid eligible persons on OAA and SSI | Vendor Payment | $300 | $400<br>or same as SSI and/or OAA (net) | | | Yes, for elderly | 2750 eligibles app. 30% of whom use benefits | $50/mo. useage | app. 1475 |

# SENATE AD HOC RESIDENCY COMMITTEE
# REPORT ON CSSB 215

1. INTRODUCTION

The Senate Ad Hoc Residency Committee has passed, and has forwarded to the Senate Finance Committee, CSSB 215 (Residency). The bill would amend the existing Alaska longevity bonus ("ALB") program (AS 47.45.010 et. seq.) by creating an equal retirement benefits program funded by 12.5 percent of the state's permanent fund earnings.

Legislation amending the ALB program is necessary to cure severe constitutional problems with the existing law. Under current AS 47.45.010, a person is eligible for a $250/month longevity bonus if the person:

1. is 65 year of age or older;
2. was "domiciled in the territory" on or before January 3, 1959; and
3. has been continuously domiciled in the state for 25 years.

Following the U.S. Supreme Court's decision in Zobel vs. Williams, 72 L. Ed. 2d. 672 (1982), the residency requirements of the ALB program were challenged in Vest v. Schafer, 1JU-82-1103 Civil (1st Jud. Dst., 1982). On August 9, 1982, the Alaska Legislative Council, together with Mr. Vest and the Attorney General's office, entered into an agreement which stayed all proceedings in the case through adjournment of this legislative session. This session, the Alaska Legislative Council would use its "best efforts" to secure the passage of legislation which would treat all elderly Alaskans with one-year's residency equally in the payment of longevity bonuses.

The settlement was entered into because of the non-severability clause of the original ALB legislation. Under § 2, Ch. 205, SLA 1972, if the residency provisions of the ALB program were invalidated, the result would be the termination of the program. Thus, it is vital that legislation amending the ALB program be enacted this session. If it is not, the Vest case will resume, with the inevitable result that the existing program will be declared unconstitutional, and all payments under the program stopped.

## II. PROCEEDINGS BEFORE THE AD HOC RESIDENCY COMMITTEE

On March 8, 1983, the Senate Ad Hoc Residency Committee released a comprehensive report which analyzed some 10 options available to the legislature in amending the ALB program.[1] The committee explored each of the 10 options in light of (1) constitutional problems; (2) the fiscal impacts of the alternative; (3) tax consequences, and the option's impact upon the elderly's eligibility for other governmental services; and (4) the consistency of the option with the basic goals of the ALB program.

It was plain to the committee that there was no painless solution to the problems posed by the Zobel decision

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[1] "The Longevity Bonus Program: Options Under The Vest Settlement," Jon K. Tillinghast.

and the Vest case. Nonetheless, the committee believes that the ALB program, in some form, should continue. It was the intent of the original legislation, introduced in 1972 by Senators Ray and Butrovich, to establish a permanent program to provide supplemental payments to Alaska's elderly. This is apparent from the statement of purposes of the Act, which notes the high cost of retirement in Alaska, and that without the longevity bonus:

> "These pioneers would be forced to live out their retirement years in areas far away from the land they loved and nurtured and thereby also suffering, in many cases, the loss of familial relationships with their own kin, an experience that is sad and frustrating to them as well as depriving new generations of Alaskans the benefit of their wisdom and experience. This legislation will hopefully provide our pioneers with the economic means to remain and to continue to serve their state..." § 1, Ch. 205, SLA 1972.

Of course, the high cost of retirement in Alaska is hardly a temporary problem. Moreover, even under the existing program, the number of recipients would not peak until the years 2010-2020, and the program would continue through about the year 2050.

Moreover, as the committee's March 8, 1983 report noted, between 1/2 and 2/3 of Alaska's elderly have income only marginally above the state poverty level of $546 a month. The ALB program has thus enabled many of Alaska's elderly to remain off public assistance. This factor, as well, argued in favor of retention of a viable program.

Finally, while opening the program to all one-year residents, as is constitutionally required, would be viewed by some as providing unwarranted benefits to "newcomers," the committee's report demonstrated that even those Alaskan elderly who currently do not receive the bonus have lived in the state for several years. Indeed, only 10 percent of Alaska's elderly have resided in the state for 10 years or less.

Guided by a desire to retain a meaningful ALB program, the committee gave particular consideration to several of the 10 options analyzed in its report. Among the options considered and rejected were:

1. expanding the class of ALB recipients to all one-year residents in FY 1984. Thereafter the program would be terminated while providing "grandfather rights" to those eligible in 1984 to continue to receive bonuses for their lives. While the committee's counsel believed that this option was probably constitutional, the Department of Law has expressed serious consenrs in this regard. Moreover, the committee believes that it is arbitrary to give a lifetime bonus to someone who has reached the age of 65 or achieved their one-year residency by June 30, 1984, while providing no assistance to those who reach the age of 65 thereafter;

2. expanding the class of eligible recipients to all one-year elderly residents, and funding the program from general revenues. This option was rejected primarily for fiscal reasons. There are currently some 9,425 Alaskans who receive bonuses totalling $28.28 million. When the class is expanded to all one-year residents, an additional 3,803 elderly will be eligible in FY 1984, which would raise the general fund burden to $40.28 million in FY 1984, and $41.98 million in FY 1988. As oil revenues continue to decline, the committee believes that the general fund would be unable to absorb an ever-increasing burden created by an expanded ALB program;

3. gradually phasing out the ALB program, while at the same time raising the income "ceiling" for state old age assistance. This is the Sheffield administration's preferred option, and was rejected by the committee for several reasons. First, it converts the ALB program into a welfare scheme -- an approach universally opposed by Alaska's elderly. Second, once the $250/mo. ALB payment has been translated into additional welfare entitlements, the maximum constitutional residency requirement drops from one year to 30 days. This is because, unlike the ALB, welfare is considered a "basic necessity of life," for which the courts generally tolerate no more than a one month durational residency provision. Finally, since an increased welfare ceiling would provide not only additional monetary benefits, but also substantially expanded eligibility for Medicaid -- which includes

free and unlimited nursing home coverage -- there is a substantial risk of in-migration created by this option; and

4. an annuity program. Under this option, each Alaskan, in lieu of receiving a cash permanent fund dividend, would receive a credit to a retirement account equal to the cash dividend. Over the years, those who continued to reside in the state would accumulate substantial annuity accounts. However, the option would require each Alaskan to forego the entirety of his or her permanent fund dividend. Moreover, for many years, and until individual annuity accounts reached some meaningful proportion, substantial general fund "supplements" would be required if the state were to provide a benefit of any size. For these reasons, this option was rejected by the committee.

III. <u>THE EQUAL RETIREMENT BENEFITS PROGRAM OF CSSB 215</u>

The Equal Retirement Benefits program which would be created by CSSB 215 provides both equality of treatment and permanence, while at the same time retaining some of the fiscal advantages of the annuity approach. Under <u>Section 1</u> of the bill, 12.5 percent of the income from the permanent fund will be credited to a special account within the permanent fund. This longevity bonus account would be available for appropriation to fund the ALB program. At the same time, and under <u>Section 2</u> of the bill, the amount of permanent fund earnings distributed as dividends would be reduced from 50 percent to 37.5 percent.

For FY 1984, the full 12.5 percent of permanent fund earnings will be necessary to fund the ALB program. This year, some $41 million will be required to provide a $250/mo. bonus to all one-year elderly residents. Conversely, the 12.5 percent credit to the longevity bonus account this year will equal $42.2 million. The $1.2 million surplus will remain credited to the ALB account, as will future earnings on that surplus. Section 1; Section 37.13.147(b). Of course, the money itself will remain in the permanent fund. The ALB account is, after all, only an "account." The committee believes that it was unwise to create a separate ALB "fund" -- both because of the redundant costs of administration, and the loss of leverage inherent in any smaller fund.

As the years go by, less than 12.5 percent of permanent fund earnings will be required to fund the ALB program. As a result, the ALB account will continue to build a substantial "savings account" which, in time, is intended to make the ALB account partially if not wholly self-sustaining.

In projecting the growth of the ALB "savings account," the committee relied upon elderly population projections and assumptions developed by the Alaska Department of Labor, the U.S. Social Security Administration, Aetna Insurance Company and Travelers Insurance Company.

Using these assumptions, the financial projections for the ALB savings account were encouraging. Between now and the year 2000, the percentage of permanent fund earnings required to fund the ALB program will gradually decline, to the point where only 7.5 percent of earnings will be required by the year 2000. As attachment #1 to this report indicates, in that year, $198 million may be appropriated to the account, while only $118-$121 million will be necessary to fund the program -- resulting in a savings account deposit in that year alone of between $76-79 million. The aggregate "savings account" balance in the year 2000 should be approximately $704 million. By the year 2005, the ALB savings account may reach $1.7 billion. Since only $168 million would be required to fund the program that year, the ALB program may become entirely self-sustaining in that year.

Of course, the assumptions used to calculate these figures may be too liberal, or too conservative. The point is that under any reasonable assumptions, the ALB account will build a substantial savings account. This savings account is important for two reasons. As current oil revenues continue to decline, the time may come when a substantial portion of permanent fund earnings are needed for general government expenses. Second, commencing in the year 2010, the elderly population in Alaska should begin to experience significant growth, due to the aging of those born during the post-World War II baby boom. The savings account provides a hedge against both problems.

Under Section 4 of the bill, and commencing in FY 1985, the amount of the longevity bonus will increased by three percent annually. Thus, the amount of the bonus increases from $3,000 per year in 1984 to $4,814 in the year 2000.

Section 4, however, also places a ceiling on the bonus. If the legislature, in any year, appropriates 12.5 percent of permanent fund earnings, and that amount is insufficient to pay the full amount of the bonus for that year, it is the committee's intent that the amount of the bonus should be reduced to avoid the need for a general fund supplement. Since, in essence, the ALB program will be preserved by the permanent fund, the committee believes that it is fair for Alaska's elderly to look only to a given percentage of the permanent fund to provide the bonus. Accordingly, in any year of shortfall, Section 4 provides that the bonus may be no greater than a per capita distribution among all eligible applicants of 12.5 percent of fund earnings.

There is at least one year in which this "ceiling" will materially reduce the size of the bonus. Through FY 84, permanent fund earnings have been based in part on undistributed earnings from prior years in which the state's former dividend plan was held up in court. In FY 1985, the permanent fund will finally stand on its own -- resulting in a reduction of permanent fund dividend distributions from $169 million in FY 84 to $121 million in FY 85. The consequences of this reduction on FY 85 bonuses are depicted in attachment #2. If there was no "ceiling," the legislature would be required to appropriate a general fund supplement of $14.09 million to award each eligible applicant their annual bonus of \$3,090 (\$3,000 plus a 3% COLA). By virtue of the ceiling, each elderly Alaskan will receive an annual <u>per capita</u> distribution of some \$2,110.

The qualifications for the bonus are set forth in <u>Section 3</u> of the bill. In essence, the residency requirement is reduced to one year. However, the bill also improves upon the existing definition of "residency." Under <u>Section 7</u> of the bill, a person satisfies the residency requirement only if he maintains his principal place of abode in the state for one year, and does not claim residency benefits in any other state.

Under existing 47.45.030, an eligible applicant is entitled to be absent from the state for up to six months during any year without jeopardizing his eligibility. Under <u>Section 5</u> of the bill, § 030 is amended to make clear that this automatic six-month absence period only applies after initial qualification.

Finally, <u>Section 10</u> of the bill would make the liberalized residency requirements of <u>Sections 3 & 7</u> retroactive to July 1, 1982. This provision of the legislation is necessary under the <u>Vest</u> settlement, and will require a one-time appropriation of approximately \$12 million from the general fund to pay retroactive bonuses to all elderly Alaskans who had resided in the state for one year as of July 1, 1982.

FISCAL YEAR 2000

| SRCE. | % OF ELDERLY | TOTAL DIV. DIST. | 25% | AMOUNT NEEDED | SIZE OF COLA | BONUS CEIL. | SVGS. ACCT. |
|---|---|---|---|---|---|---|---|
| Aetna | 3.0 | 792.34 | 198.08 | 121.11 | 4814 | NA | 76.97 |
| Trvlr | 2.9 | 792.34 | 198.08 | 118.35 | 4814 | NA | 79.23 |

FISCAL YEAR 85

| SRCE. | % OF ELDERLY | TOTAL DIV. DIST. | 25% | AMOUNT NEEDED | SIZE OF COLA | BONUS CEIL. | SVGS. ACCT. |
|---|---|---|---|---|---|---|---|
| Aetna | 2.9 | 121.6 | 30.4 | 44.49 | 3090 | 2110 | (14.09) |
| Trvlr | 2.9 | 121.6 | 30.4 | 44.49 | 3090 | 2110 | (14.09) |

(3) "department" means the Department of Health and Social Services. (§ 1 ch 136 SLA 1970; am § 2 ch 210 SLA 1970; am § 55 ch 71 SLA 1972)

**Legislative history report.** — For report on ch. 71, SLA 1972 (HCSSB 383 am H), see 1972 House Journal, p. 898.

## Chapter 45. Alaska Longevity Bonus.



**Editor's note.** — Section 2, ch. 205, SLA 1972, provides: "AS 01.10.030 does not apply to this Act. If any provision of this Act, or the application of a provision of this Act to any person or circumstance is held invalid, this entire Act shall be considered invalid."

**Legislative history report.** — For report on ch. 205, SLA 1972 (FCCS HCS CSSB 211), see 1972 House Journal, p. 751.

**Sec. 47.45.010. Persons who may qualify for longevity bonus.** (a) A person who is 65 years of age or over, who was domiciled in the territory on or before January 3, 1959 and who has maintained a continuous domicile in the territory or state for 25 years may apply to the commissioner of administration for qualification to receive a monthly bonus of $150.

(b) When the commissioner of administration determines that an applicant qualifies under this chapter he shall immediately begin payment of the bonus.

(c) A person who otherwise qualifies to receive a bonus provided for in this chapter may continue to do so only as long as he continuously retains a domicile in the state. (§ 1 ch 205 SLA 1972; am § 1 ch 33 SLA 1976; am § 1 ch 89 SLA 1978)

**Effect of amendments.** — The 1976 amendment increased the monthly bonus in subsection (a) from $100.00 to $125.00.

The 1978 amendment increased the monthly bonus in subsection (a) from $125.00 to $150.00.

**Legislative history report.** — For report on ch. 33, SLA 1976 (SB 476 am), see 1976 Senate Journal, p. 160.

**Sec. 47.45.020. Continuous eligibility procedures.** After qualification, monthly applications for bonuses may be made in person to any office of the Department of Administration. Mailed monthly applications shall also be considered by the Department of Administration. In-person or mailed applications shall be made on forms provided by the Department of Administration and shall conform to the conditions as provided by regulation. The commissioner may make exceptions for those residents who are isolated in rural areas and cannot mail a monthly application; however, they shall mail an application at least once every six months. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.030. Absence from the state.** A recipient shall notify the commissioner of administration when he expects to be absent from the state if the absence is for a continuous period that exceeds 30 days. After that notification, the recipient shall no longer receive bonuses from the Department of Administration after his last regularly approved monthly application. Upon his return to the state he may again make application for a bonus. Whenever the absence is for a continuous period that exceeds 180 days the recipient shall be disqualified from receiving bonuses for the next 12 calendar months after his return to the state. However, when the commissioner of administration determines a period of absence is beyond the control of the recipient, he may not be disqualified, if he still otherwise qualifies upon his return to the state. Continual absences from the state, even though reported, and failure to notify the commissioner of an expected absence may be grounds for disqualification. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.040. Disqualification.** Disqualification under this chapter shall rest solely with the commissioner of administration and shall be outlined in the regulations promulgated under AS 47.45.100(1). (§ 1 ch 205 SLA 1972)

**Sec. 47.45.050. Department hearing.** The Department of Administration may hold a departmental hearing upon the request of an applicant or recipient who has been disqualified. Previous to this hearing the department shall by certified mail notify an applicant or recipient in plain and comprehensive language the exact reason for his disqualification. Form letters using only referral to state statutes or department regulations, or otherwise vague in detail, shall not be considered compliance by the department with this section. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.060. Legal remedy.** Legal remedy from disqualification may be sought by an applicant or recipient in any court of competent jurisdiction in the state. The burden of proof shall rest solely upon the applicant or recipient and any costs related to a disqualification verdict determined against the applicant or recipient may be recoverable by the attorney general from that person, or from any agency representing that person supported in whole, or in part, with state appropriations. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.110. Custody of funds.** The commissioner of revenue is the treasurer of the system and has powers and duties for this purpose including but not limited to the following:

(1) to act as official custodian of the cash and securities belonging to the fund;

(2) to receive all items of cash belonging to the fund. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.120. Exemption from taxation and process.** Bonuses received under this chapter are exempt from all state and political subdivision taxes except sales and use taxes and are not subject to execution, attachment, garnishment or other process. No bonus received under this chapter may be exempt from a federal tax requirement. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.130. Death or cessation of residency.** The commissioner of administration shall establish procedures to stop a bonus when a recipient under this chapter no longer qualifies. When a recipient dies or discontinues his residency in the state his qualification for a bonus shall stop at the time of his last approved monthly application. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.140. Penalty for false statements.** A person who wilfully or knowingly makes a false statement, or falsifies or permits to be falsified any record required by this chapter, is guilty of a misdemeanor and, upon conviction, is punishable by a fine of not more than $500, or by imprisonment for not more than six months, or by both, forfeits all rights under this chapter, and shall make adequate restitution for any bonuses illegally received. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.150. Definitions.** In this chapter

(1) "bonus" means a monthly Alaska longevity bonus payment made to a person or his beneficiary who qualifies under this chapter;

bill repeals

(2) "domicile" means the place with which a person has a settled connection for determination of his civil status or other legal purposes because it is actually or legally his permanent and principal home. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.160. Applicability of Administrative Procedure Act.** The Administrative Procedure Act (AS 44.62) does not apply to this chapter. (§ 1 ch 205 SLA 1972)

**Sec. 47.45.170. Purpose.** The sole purpose of this chapter is to offer and provide all law-abiding Alaskans capable of managing their own affairs who have maintained a domicile in the state for at least 25 years and have reached a retirement age of 65, an incentive to continue uninterrupted residency in the state. Under no circumstances shall this chapter be considered a form, type, or manner, of public relief. Bonuses made under this chapter are not predicated on need even though they may appear to provide supplemental income to some qualified persons who would otherwise be forced to become responsibilities of the state. The legislature further finds and states that this legislation recognizes the economic hardships suffered by many elderly Alaskans. Alaskans who through their tenacity and perseverance molded Alaska as we know it through skillful application of their talents. These pioneers are the same Alaskans, who in the prime of their life were in effect treated as second-class citizens by the federal government and who paid much of their hard-earned income to a government in which they did not have the right to participate through the power of the ballot. The legislature also is aware of the fact that many of these pioneers have been forced to live out their retirement years in areas far away from the land they loved and nurtured and thereby also suffering, in many cases, the loss of familial relationship with their own kin, an experience that is sad and frustrating to them as well as depriving new generations of Alaskans of the benefits of their wisdom and experience. This legislation hopefully will provide our pioneers with the economic means to remain in and continue to serve their state and to enjoy the opportunity of aiding the new Alaskan in making this state truly "The Great Land." (§ 1 ch 205 SLA 1972)

## Chapter 50. Office of Child Advocacy.



**Editor's note.** — For legislative findings, see § 1, ch. 189, SLA 1972, in the 1972 Temporary and Special Acts.

**Sec. 47.50.010. Office of Child Advocacy.** There is created in the Office of the Governor the Office of Child Advocacy to act as a coordinating body for services for children from prenatal to age 18. The Office of Child Advocacy is administered by a director appointed by the board of directors with the approval of the governor. Staff may be employed in accordance with appropriate budgets. (§ 2 ch 189 SLA 1972)

**Sec. 47.50.020. Board of directors for the Office of Child Advocacy.** There is created a board of directors for the Office of Child Advocacy. The board consists of the Alaska State Council on the Coordination of Community Child Care plus four members not more than 18 years of age appointed by the governor for a term of two years each, or until the youthful member attains the age of 19 years. (§ 2 ch 189 SLA 1972)

5/27/83

Representative Albert Adams:
Senator Bob Ziegler:
Representative Ron Wendte:
Representative Jack McBride:

Dear Sirs:

I am writing to express disagreement with SB 215 2d rule, concerning Alaska Longevity Bonus payments.

I disagree with the plan to fund the bonus out of the Permanent Fund distribution, and the elimination of the long time residency requirement. There are many more needy programs and capital improvements needed. I would not be so adament if the longevity bonus were based on need. This program could be as overextended as the current Social Security program, as more people become eligible. It is no longer an Alaskan Longevity Bonus if there is only one year residence requirement. The name would have to be Old Age Bonus.

It is not keeping with the intent of the program to decrease residency requirement. It was started to encourage long term Alaskans to remain in the state with higher living costs. To enable many lower income elderly to remain around family and friends. To decrease the residency requirement could ultimately hurt the low income elderly.

You must consider the effects this could have on many low income Supplemental Security Income and state aid persons. This could cancel their medicaid benefits and perhaps SSI benefits. At present the Federal Government gives an exclusion of income to the Longevity Bonus for these federal programs. This exclusion is granted each year. One reason for granting it is the fact not all aged are eligible. This exclusion could be in jeopardy once everyone over 65 is eligible.

You could be forcing the people this program was started for to make a choice between these programs or the bonus. There could be a regulation requiring them to apply for the bonus as a prior resource. This bill will ultimately hurt the low-income long-time residents. In particular low income Alaskan Natives who led a subsistence lifestyle and did not pay into the Social Security program as early as many city dwellers did.

There are too many question to consider that haven't been addressed. Let this go to court and let the courts decide. The intent of the program might hold up.

I am in favor of Representative Haye's amendment to cancel with a grand-fathers clause.

Sincerely,
Joan Cloudy
Joan Cloudy, Rt. 1 Box 64, Ketchikan, Ak. 99901
I will be in Juneau 6/5, 6/6, 6/7 evenings 759-3450

Rep. Adams

TELEGRAM COPY

Ø2401 NL ANCHORAGE AK 457 Ø6-13 185Ø ADT

J AND R SECRETARIAL SERVICES 586-6846

1396

FOR: HONORABLE SENATOR BILL RAY, CHAIRMAN LEGISLATIVE COUNCIL

STATE OF ALASKA STATE OFFICE BUILDING

JUNEAU AK

WE ARE SOMEWHAT PERPLEXED AT RECENT EVENTS REGARDING LEGISLATION CONCERNING THE LONGEVITY BONUS. MORE PARTICULARLY, IT APPEARS THAT THE SETTLEMENT WHICH WAS PREVIOUSLY REACHED IN THIS MATTER IS BEING QUESTIONED IN THE HOUSE. WE ARE WRITING AT THIS POINT TO EXPLAIN OUR POSITION AND SOME OF THE POSSIBLE RAMIFICATIONS OF PENDING LEGISLATION.

THE CASE OF BEST V. SCHAFER WAS FILED IN JULY OF 1982. SUBSEQUENTLY, WE REACHED AN AGREEMENT WITH THE LEGISLATIVE COUNCIL WHICH WE THOUGHT REPRESENTED A VALID COMPROMISE ON BOTH SIDES. ON AUGUST 24, 1982, THE SUPERIOR COURT APPROVED THAT AGREEMENT AND ORDERED THE LEGISLATIVE COUNCIL TO USE ITS BEST EFFORTS TO SECURE THE ENACTMENT DURING THE FIRST REGULAR SESSION OF THE 13TH ALASKA LEGISLATURE OF THE LEGISLATION DESCRIBED IN THE AGREEMENT. THE AGREEMENT WAS VERY SIMPLE. IT REQUIRED ONLY TWO THINGS. FIRST, ALL ALASKANS OVER 65 WITH ONE YEAR OF RESIDENCY MUST BE TREATED EQUALLY IN THE FUTURE. SECONDLY THOSE ALASKANS OVER 65 WHO HAVE LIVED IN ALASKA FOR MORE THAN 1 YEAR AS OF JULY 1, 1982 MUST RECEIVE RETRO ACTIVE PAYMENTS OF DLRS25Ø A MONTH FROM THE EFFECTIVE DATE BACK TO JULY 1, 1982.

FRANKLY, WE FELT THAT WE CONCEDED MUCH BY ENTERING INTO THAT AGREEMENT. WE LIKE THE LONGEVITY PROGRAM AND DO NOT WANT TO SEE IT KILLED. IN CONJUNCTION WITH MR RODNEY VEST WE DETERMINED THAT IT WAS BETTER TO LOOK FORWARD TO EQUAL TREATMENT RATHER THAN TRY TO GO BACK FOR TEN OR SO YEARS TO RECOVER A HUGE AMOUNT OF RETRO ACTIVE PAYMENTS WHICH WERE UNCONSTITUTIONALLY DENIED THROUGH THE MEMBERS OF OUR CLASS.

WE HAVE COMPROMISED MUCH IN COMING TO OUR PRESENT POSITION, WE DECLINE TO COMPROMISE FURTHER. OUR CLASS IS ALREADY CERTIFIED AND WE ARE ALREADY IN COURT. THE ATTORNEY GENERALS OFFICE HAS PUBLICALLY ADVISED THAT OUR CASE IS INDEFENSIBLE. IF THE LEGISLATION WHICH MEETS THE CRITERIA OF THE SETTLEMENT IS NOT APPROVED WE WILL IMMEDIATELY REQUEST AN ORDER WHICH WILL EITHER OPEN THE PROGRAM TO ALL CLASS MEMBERS OR CLOSE IT TO EVERYONE. ALL PERSONS WHO ARE OVER 65 AND HAVE BEEN HERE ONE YEAR MUST BE TREATED EQUALLY. ADDITIONALLY, IF WE ARE FORCED TO RETURN TO COURT, WE WILL SEE RETRO ACTIVE PAYMENTS FOR OUR CLASS MEMBERS FOR A PERIOD FAR IN EXCESS OF ONE YEAR.

WE UNDERSTAND THAT YOU HAVE YOUR OWN COUNSEL AND THAT THERE ARE MANY POLITICAL CONSIDERATIONS INVOLVED. WE WRITE IN THE SPIRIT OF EXPLANATION RATHER THAN THREAT. WE WOULD SIMPLY LIKE TO MAKE CERTAIN THAT EVERYONE UNDERSTANDS THAT MR VEST AND THE OTHER CLASS MEMBERS WILL NOT COMPROMISE FURTHER, NOR WILL THEY BE DENIED THEIR DAY IN COURT IF LEGISLATION COMPLYING WITH THE TERMS OF THE SETTLEMENT IS NOT APPROVED.

HENRY J. CAMAROT

MARK A. SANDBERG

Rala from → Vince

# MEMORANDUM

# State of Alaska

TO Lisa Rudd, Commissioner
Department of Administration

DATE June 2, 1983

FILE NO

TELEPHONE NO 465-2300

FROM Robert D. Heath
Commissioner
Department of Revenue

SUBJECT Senate Bill 215

There have been several versions of Senate Bill 215 addressing the question of a longevity bonus account. The latest I have before me is House CS for CS Senate Bill 215 (State Affairs).

Hopefully I can eliminate some of the confusion that seems to have developed concerning the fiscal impact of this measure.

The first point I want to address is the methodology for computing longevity bonuses for a "regular year." The bill states in Sec. 1, as it has in past versions, that bonuses are derived at simply by multiplying 12.5 percent times the income available for distribution (AS 37.13.140). Once the 12.5 percent is calculated at the end of the fiscal year and put aside in a longevity bonus account, it will start to accrue interest. So the interest must be added in and paid out with the longevity bonuses as the Department of Revenue testified last week before Chairman Abood's State Affairs Committee. The actual amount of interest, however, has little significant impact relative to the total picture.

Secondly, the exception to the addition of interest, however, is in the first year. Part of that payment is a flat appropriation of \$17.5 million from the FY 82 figure of \$142.3 million available for distribution and no interest is included. The remainder of the first year's payment is 12.5 percent of the FY 83 figure of \$198.06 available for distribution plus interest on the 12.5 percent that is set aside. Interest is not figured on the \$142.3 million but on the 12.5 percent of the \$198.06 million. The total amount then during the first year amounts to \$43.3 million. I want to stress that this \$43.3 million will be paid in the following year (FY 84).

The attached table presents the payments over a period of future years. The assumptions underlying these numbers are based on our March 83 forecast and, as you are well aware, will change quarterly when we reassess the state's oil revenue situation. Please note we do not address Sec. 12 of this bill.

If you have any further questions, please feel frree to contact us.

RDH:VDW:jas

Attachment

Expenditure Year
(millions of current $)

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|
| Appropriation (deducted from FY 82 $142.3) | 17.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfer (12.5% of prior FY's distributable income)* | 24.8 | 30.8 | 42.6 | 54.5 | 62.3 |
| Interest (at 8%) | 1.0** | 1.2 | 1.7 | 2.2 | 2.5 |
| Available for Payments | 43.3 | 32.0 | 44.3 | 56.7 | 64.8 |

* This money is not available for transfer until the final day of the fiscal year and therefore is available for expenditure the fiscal year following.

** On $24.8m only. Assumes the $17.5 million is payed out almost immediately.

A REPORT ON THE
DEPARTMENT OF REVENUE
ALCOHOLIC BEVERAGE CONTROL BOARD

December 15, 1982

| | |
|---|---|
| Commissioner, Department of Revenue | Bob Heath |
| Deputy Commissioners, Department of Revenue: | |
| Taxation | Joe Donohue |
| Treasury | Peter Bushre |

Members of the
Alcoholic Beverage Control Board

| | |
|---|---|
| Chairman | William Gordon |
| Member | Donald J. House |
| Member | William K. Smith |
| Member | Joseph W. Berberich |
| Member | Chuck J. Green |

STATE OF ALASKA DIVISION OF LEGISLATIVE AUDIT

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING
JUNEAU, ALASKA 99811

December 15, 1982

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.

A REPORT ON THE
DEPARTMENT OF REVENUE
ALCOHOLIC BEVERAGE CONTROL BOARD

December 15, 1982

Gerald L. Wilkerson

Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

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## PURPOSE OF THE REPORT

In accordance with the provisions of Alaska Statutes 24.20.271(1) and 44.60.050 (Sunset Legislation) an examination of the Alcoholic Beverage Control Board was conducted to determine whether there is a demonstrated need to continue liquor regulation in its present form. To determine that need we reviewed Board activities for Fiscal Year 1982 to see if the Board has been operating in an efficient and effective manner.

AS 44.66.010 specifies that the Alcoholic Beverage Control Board will terminate on June 30, 1983, but will continue until June 30 of the following year for the purpose of concluding its affairs. This report should be considered during the legislative oversight function in determining whether the Board should be allowed to terminate, be reestablished in its present form or be reestablished in a modified form.

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# ORGANIZATION AND FUNCTION

In 1933 the Territorial Legislature created the Board of Liquor Control with full power, authority, and control to prescribe (1) rules and regulations to govern the manufacture, barter, sale and possession of intoxicating liquors, (2) qualifications of those engaged in that business, and (3) license fees and excise taxes. The present Alcoholic Beverage Control Board (hereinafter referred to as the ABC Board or the Board) was established in 1959, and the same broad powers and duties conferred on the Board of Liquor Control were transferred to the new ABC Board at that time.

Members are appointed for three-year terms by the Governor and serve at his pleasure subject to confirmation by the Legislature. Membership is limited by statute to five persons (two liquor industry representatives, three non-industry representatives). A director, also appointed by the Governor, serves as executive officer and is responsible for enforcement of Title 4 liquor laws and regulations developed by the Board. Although he is not a member of the Board, the director may cast a tie-breaking vote.

The ABC Board is a regulatory, quasi-judicial agency, vested with the powers, duties, and responsibilities for the control of alcoholic beverages, including the power to propose and adopt regulations, and to hear appeals. The Board may order the director to issue, renew, revoke, transfer, or suspend licenses and permits.

Title 4 prescribes the type of licenses, fees, and specific activities allowed under each license classification (see schedule of license types and fees in Appendix C). Fees are payable at the time of application and are not reduced or prorated in any way for periods less than the statutory calendar year. To renew an already existing liquor license, the application must be filed (and the corresponding fees paid) on or before February 28.

The staff of the ABC Board is divided into three major functions: administration, licensing, and enforcement. A brief description of the services provided by those functions follows:

Administration. The director of the ABC Board provides all administrative support needed by the Board including overseeing all staff functions, preparing budget documents, and directing the preparation and implementation of administrative and public hearings, and directing special enforcement investigations.

Licensing. The licensing staff currently consists of three full-time employees responsible for issuing and receiving application forms, maintaining records and files for all licenses, collecting fees, issuing all licenses and permits authorized by the Board, and answering inquiries from the general public on routine licensing matters.

Enforcement. The ABC Board currently employs five investigators - three operating from the Anchorage central office, one operating from the Fairbanks field office, and one operating from the Juneau field office. One Anchorage Investigator position is vacant. Services provided include (1) surveillance and inspections of licensed premises, (2) investigations to obtain information to be used in criminal and civil proceedings and investigations into suspected licensing violations, (3) public appearances relating to ABC laws and regulations, and (4) assisting the licensing staff in handling inquiries from the general public.

## REPORT CONCLUSION

### Policy Issues

This review contains policy issues raised as a result of our evaluation of various Board practices. The final policy decisions affecting those practices are not within the scope of this review but require legislative consideration. In debating these decisions the legislative oversight committees should take into consideration the findings and alternatives presented in this report, so that the potential impact of the policy changes can be evaluated.

### Report Conclusions

Title 4 of the Alaska Statutes established the ABC Board to control the manufacture, barter, possession and sale of alcoholic beverages in the State in order to protect the public's health, safety and welfare. We believe this control should continue to exist, however, it is our opinion, the ABC Board has not met its mandated enforcement responsibilities of Title 4 of the Alaska Statutes. We recommend the ABC Board reevaluate its interpretation and application of the enforcement requirements of Title 4.

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## FINDINGS AND RECOMMENDATIONS

### Recommendation No. 1

The Alcoholic Beverage Control Board should reevaluate its interpretation and application of the enforcement requirements of Title 4.

Alaska Statute 04.06.075 states that the director of the ABC Board shall enforce Title 4 and regulations adopted by the Board. Title 4 also provides that a person who violates a provision of the Title or adopted regulations is guilty, upon conviction, of a class A misdemeanor. To enable the Director and enforcement personnel to accomplish this task, Title 4 also provides for the exercise of peace officer powers, upon concurrence of the Commissioner of Public Safety.

Although these statutes clearly show that the ABC Board is mandated to enforce Title 4, it is ABC's opinion the primary responsibility for enforcement rests with State and local law enforcement agencies. As a result, few criminal complaints have resulted from ABC enforcement activities. During Fiscal Year 1982, only eight criminal complaints were filed, five of which were originated by ABC personnel.

The ABC Board utilizes a Notice of Violation to communicate to licensees that a violation allegedly occurred. However, Notices of Violation of and by themselves carry no penalty. Again, the ABC Board relies primarily on State and local law enforcement agencies to provide information to generate a Notice. Over 60 percent of the Notices issued during Fiscal Year 1982 were the result of work performed by local law enforcement agencies.

State and local law enforcement agencies are required to investigate and report violations of Title 4 to the ABC Board. However, this responsibility is only a small part of their total criminal enforcement responsibilities in the State of Alaska. As a matter of priority, these agencies cannot devote sufficient time to the enforcement of Title 4. Therefore, this responsibility must and does rest with the ABC Board.

It is our opinion that the ABC Board should reevaluate its interpretation of the enforcement responsibilities of Title 4 and, within staffing limitations, reconsider the direction of current ABC enforcement efforts.

Recommendation No. 2

The Office of the Governor should keep appointments to the Alcoholic Beverage Control Board current and staggered as required by AS 04.06.030.

During our review of appointments to the ABC Board we noted the following exceptions:

1. Past appointments to the Board have not been made in accordance with the provisions of AS 04.06.030(b) which requires the Governor to fill vacancies to unexpired terms within 30 days of the vacancies. Our review of appointments showed one position remained vacant for 92 days and another position was vacant for 152 days.

2. AS 04.06.030(a) requires appointments to be overlapping terms of 3 years. We found that the terms of two members will expire on January 31, 1984, and the terms of two other members will expire January 31, 1985.

We recommend the Office of the Governor appoint new members or reappoint current members to vacant ABC Board seats in a timely manner and in compliance with AS 04.06.030. We also recommend that the appointment terms be staggered as required by law.

We further recommend the Office of the Governor establish a talent pool for Board appointments. The concept of a talent pool is to have a list of persons available and desiring to serve as a Board member. Many sources exist in the State to establish such a pool. Liquor industry associations could be requested to provide a list of members who would like to serve as an industry representative on the Board.

# ANALYSIS OF PUBLIC NEED

## Limited Analysis

The following analysis indicates both positive and negative attainments of the ABC Board and how its activities relate to the public need factors defined by AS 44.66.050. This analysis is not intended to be comprehensive in nature.

I. The extent to which the board, commission or program has operated in the public interest.

Public protection gained through licensing to control liquor manufacture and traffic has been adequately provided by the ABC Board. However, the Board is also charged with enforcement of the alcoholic beverage control laws, rules, and regulations. As previously documented in this report, it is our opinion the ABC Board has not met its statutory responsibilities in protecting public health, safety, and welfare (see Recommendation No. 1).

II. The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices which it has adopted, and any other matter, including budgetary, resource, and personal matter.

The 1980 revisions to Title 4 have, for the most part, been beneficial to the operation of the ABC Board. However, those sections which deal with suspension and revocation of licenses and permits place severe restrictions upon the ability of ABC to suspend and revoke licenses for the illegal act of licensee employees.

The Board is also restricted in meeting its statutory responsibilities in protecting the public health, safety and welfare by the size of the enforcement staff which consists of one agent in Juneau, one in Fairbanks and three, including a supervisory agent in Anchorage. Including the supervisory agent, there are only five agents with inspection and enforcement responsibilities for 1,483 licensed premises. However, one other Anchorage Investigator position is vacant.

III. The extent to which the board, commission or agency has recommended statutory changes which are generally of benefit to the public interest.

The last major revisions to Title 4 of the Alaska Statutes were the result of action by the 1980 session of the Legislature. The ABC Board participated in the process of developing those revisions.

IV. The extent to which the board, commission or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service which it has provided.

The ABC Board has met an average of ten times during 1980 and 1981. During each year they have met at least once in each of the four judicial districts. Each meeting has been adequately advertised and open to all interested persons. Staff of the ABC Board are located in Anchorage, Juneau and Fairbanks and are available to answer inquiries of the general public during all normal business hours. We believe this has provided an adequate forum for allowing public input on Board regulations and decisions.

V. The extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

As noted in IV above, the Board has provided an adequate forum for obtaining input from the public.

VI. The efficiency with which public inquiries or complaints regarding the activities of the board, commission or agency filed with it, with the department to which a board or commission is administratively assigned, or with the office of the ombudsman have been processed and resolved.

As noted in past reviews the number of formal hearings continue to be few in number. However, the ABC Board has the authority to hold its own hearings on protests which it exercises as a part of its regularly scheduled meetings. Hearings in this manner have been accomplished in a timely manner since the Board meets at least ten times each year.

VII. <u>The extent to which a board or commission which regulates entry into an occupation or profession has presented qualified applicants to serve the public.</u>

Our review of licensing activity of the ABC Board to determine whether all statutory qualifications of licensees were being met revealed no exceptions. The Board has therefore, presented qualified applicants to serve the public.

VIII. <u>The extent to which state personnel practices, including affirmative action requirements, have been complied with by the board, commission, or agency to its own activities and the area of activity or interest.</u>

No discrepancies were noted during our review of the ABC Board affirmative action program.

IX. <u>The extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency, board or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection.</u>

Please refer to I and II above and to the previous section, Findings and Recommendations.

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APPENDIXES

APPENDIX A

STATE OF ALASKA
DEPARTMENT OF REVENUE
ALCOHOLIC BEVERAGE CONTROL BOARD
REVENUE COMPARED WITH EXPENDITURES
Fiscal Years 1980, 1981 and 1982
(UNAUDITED)
(Note 1)

| | 1980 | 1981 | 1982 |
|---|---|---|---|
| Revenue (See Schedule 1) | $1,028,982 | $1,494,489 | $1,548,393 |
| Expenditures | (483,121) | (556,589) | (562,178) |
| Excess of Revenue Over Expenditures | $ 545,861 | $ 937,900 | $ 986,215 |

Schedule 1
Revenue Collected

| Types of License | 1980 | 1981 | 1982 |
|---|---|---|---|
| Liquor License Application | $ 76,050 | $ 83,250 | $ 86,350 |
| Pub | 494 | 100 | 400 |
| Beverage Dispensary | 501,850 | 771,050 | 773,200 |
| Club | 24,650 | 39,500 | 39,300 |
| Common Carrier | 14,150 | 25,800 | 29,050 |
| Restaurant | 44,250 | 60,750 | 69,600 |
| Roadhouse | 3,250 | -0- | -0- |
| Retail Store | 248,350 | 330,700 | 335,400 |
| Wholesale General | 79,500 | 138,500 | 156,000 |
| Wholesale Malt Beverage | 15,300 | 13,200 | 21,600 |
| Miscellaneous (Note 2) | 21,138 | 31,639 | 37,493 |
| Total | $1,028,982 | $1,494,489 | $1,548,393 |

Note 1

This revenue/expenditure comparison was prepared from available records and discussions with ABC Board personnel. The records were not audited by us and accordingly we do not express an opinion on the ABC Board Revenue Compared with Expenditures, nor the Schedule of Revenue Collected.

Note 2

Includes recreational-site licenses, caterer's, special events and conditional contractor's permits.

APPENDIX B

STATE OF ALASKA
DEPARTMENT OF REVENUE
ALCOHOLIC BEVERAGE CONTROL BOARD
NUMBER OF LICENSES BY TYPE
Fiscal Years 1980, 1981 and 1982

| Types of License | 1980 | 1981 | 1982 |
|---|---|---|---|
| Pub | 1 | 1 | 1 |
| Beverage Dispensary | 607 | 620 | 634 |
| Club | 61 | 63 | 65 |
| Common Carrier | 64 | 72 | 88 |
| Restaurant | 146 | 182 | 215 |
| Roadhouse | 20 | -0- | -0- |
| Retail Store | 431 | 438 | 445 |
| Wholesale General | 16 | 15 | 16 |
| Wholesale Malt Beverage | 6 | 7 | 7 |
| Miscellaneous (Note 1) | 10 | 9 | 12 |
| Total | 1362 | 1407 | 1483 |

Note 1

Includes recreational-site licenses, caterer's, special events and conditional contractor's permits.

## APPENDIX C

STATE OF ALASKA
DEPARTMENT OF REVENUE
ALCOHOLIC BEVERAGE CONTROL BOARD
DESCRIPTION OF LICENSE TYPES AND FEES

| Source | Description | Annual Fee |
|---|---|---|
| Application Fee | For each license application. | $ 50 |
| Beverage Dispensary | To sell or serve on the licensed premises alcoholic beverages for consumption on the licensed premises only. | 1,250 |
| Restaurant or Eating Place | To sell beer and wine for consumption only on the licensed premises. | 300 |
| Club | To sell alcoholic beverages for consumption only on the licensed premises. | 600 |
| Bottling Works | To operate a bottling works where beer and wine may be bottled and sold. | 250 |
| Brewery | To operate a brewery where beer is manufactured and bottled or barreled for sale. | 500 |
| Winery | To operate a winery where wine is manufactured and bottled or barreled for sale. | 250 |
| Package Store | To sell alcoholic beverages to a person in response to a verbal solicitation for purchase received from the person present on the licensed premises or in response to a written solicitation made by a person known to the licensee for a purchase to be received by the person making the solicitation. | 750 |

| Source | Description | Annual Fee | |
|---|---|---|---|
| Retail Stock | To sell the remaining stock of a package liquor store when the owner wishes to close or terminate business. Sale may only be to licensed persons. | $ 100 | |
| General Wholesale | To sell alcoholic beverages in the original package, and wine in bulk, in quantities of not less than five gallons to holders of licenses. | 1,000 | First $100,000 of sales plus $500 - 10,000 on additional sales |
| Wolesale Malt Beverage and Wine | To sell malt beverages and wine in the original packages in quantities of not less than five wine gallons to holders of licenses. | 200 | First $20,000 of sales plus $300 - 10,000 based on additional sales |
| Distillery | To operate a distillery where alcoholic beverages are distilled and bottled or barreled for sale. | 500 | |
| Community Liquor | Authorizes a municipality to operate a beverage dispensary or a package store or both subject to the same conditions and fees applicable to beverage dispensary or package liquor store licenses. | 1,250<br>750 | Beverage Dispensary<br>Package Store |
| Common Carrier Dispensary | To sell alcoholic beverages for consumption aboard a vehicle, boat, aircraft, or railroad buffet car licensed by the State or federal agency for passenger travel. | 350 | Per vehicle, boat, aircraft or railroad car |
| Recreational Site | To sell beer and wine at a recreational site during and one hour before and after a recreational event which is not a school event, for consumption on designated areas at the site. | 400 | |

| Source | Description | Annual Fee |
|---|---|---|
| Pub | To sell beer and wine for consumption only at designated premises located on the campus of an accredited college or university. | $ 400 |
| Caterer | Authorizes the holder of a beverage dispensary license to sell or dispense alcoholic beverages at conventions, picnics, social gatherings, sporting events or similar affairs held off the holder's licensed premises. | 50 |
| Special Events | To sell or dispense beer or wine for consumption at designated premises for a specific occasion and limited period of time. Only a nonprofit organization may acquire the permit. | 50 Per day |
| Conditional Contractor | To sell beer or wine for consumption only on designated premises for one year from the date of issuance of the permit at construction sites which are located outside a city and inside the boundaries of a military or naval reservation. | 600 |

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

**DEPARTMENT OF REVENUE**

OFFICE OF THE COMMISSIONER

POUCH S
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

March 2, 1983

RECEIVED
MAR 03 1983
LEGISLATIVE AUDIT

Mr. Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit
Pouch W
Juneau, AK 99811

Dear Mr. Wilkerson:

This letter is in response to your Recommendation No. 1 contained in your preliminary audit report of the Alcoholic Beverage Control Board dated December 15, 1982.

Without generating a lengthy dissertation about staff and budgetary limitations, utilization of present staff, and administrative/judicial due process, we generally believe your recommendation has merit. However, if we understand your perception of enforcement by the board to be criminally oriented, under present law heavy reliance on other state and local law authority is required, and no single agency could fill a void which the report implies exists.

The board at each and every monthly meeting evaluates its enforcement function through granting or denying license applications, sitting in informal conference, and reviewing hearing officer decisions. The board has scheduled "workshop" sessions during its two-day April meeting in Juneau and will review law and regulations in light of your opinion.

Thank you for the opportunity to respond.

Sincerely,

Robert D. Heath
Commissioner of Revenue

cc: Patrick L. Sharrock, Director
ABC Board

ABC Board Members

04-02LH

AMENDMENT #1

OFFERED IN THE HOUSE: BY: Judiciary Committee

TO: ______ ~~HOUSE~~ SENATE BILL No. 208

SENATE BILL No. ______

PAGE: 1 LINE: 12

Delet "1987"

insert "1984"

H 70

ISSUES IN LONGEVITY BONUS LEGISLATION

Background

Last year the U.S. Supreme Court struck down Alaska's original Permanent Fund dividend distribution program. The Court ruled in the Zobel case that the program's cumulative residency requirements violated the Equal Protection Clause of the U.S.Constitution.

Within a month of the Zobel decision, Anchorage-area resident Rodney Vest challenged the Alaska longevity bonus (ALB) program on equal protection grounds. The program pays $250 per month to all Alaska residents over 65 who: (a) resided in Alaska before Alaska achieved statehood on January 3, 1959; and (b) have resided in Alaska at least 25 years.

Vest is 68 years old and began his residence in Alaska three months after statehood. The court has certified his suit as a class action, which means that he represents all other individuals who might claim the longevity bonus program's residency requirements are unconstitutional.

Concerned that the lawsuit could force an immediate end to the program, the Legislative Council agreed last August with Vest to use its "best efforts" to obtain legislation addressing Vest's lawsuit in return for Vest's promise to stay the litigation until the end of the 1983 legislative session. Under the stay agreement, the Legislative Council promised to seek legislation which: (1) "treats equally" all one-year Alaska residents 65 or over; and (2) retroactively pays those individuals who have been denied bonuses in FY83.

If the legislation called for in the stay agreement is enacted during this regular session, the suit will be dismissed. If this legislation is not enacted, Vest's lawyers have announced their intention to continue the litigation and sue for retroactive payments for the class for back years -- perhaps back to 1972.

Issues

1. What are the chances the state will win in court?

The Legislative Council entered this agreement on the advice of the Department of Law and other counsel that the current law is unconstitutionally discriminatory. The

Department of Law has since described the program as indefensible. Virtually every attorney who has considered the subject believes the current law is unconstitutional and would be struck down by the courts.

The statute which created the program in 1972 is specifically non-severable; if any provision is struck down, the entire statute falls. If the court finds the program unconstitutional, the court will probably order all payments stopped.

2. What is the purpose of the longevity bonus program?

The 1972 legislation creating the program suggested four purposes:

(a) reward the past contributions of Alaska's pioneers;

(b) provide a financial incentive for Alaska's pioneers to remain in the state in the face of the state's high cost of living;

(c) retain the wisdom and experience of Alaska's pioneers; and

(d) compensate for past hardships -- such as the inability to vote in federal elections -- suffered by Alaska's pioneers.

The Zobel case and other recent constitutional decisions strongly imply that these purposes cannot legally sustain the program, either because the purposes are impermissible, or because the program's methods are not rationally related to these purposes. The program's supporters often offer two additional purposes which -- unlike the current law -- apply to a program which makes payments to all senior citizens, not just pioneers. These additional purposes are:

(e) diversify the age structure of Alaska's population by encouraging elderly people to live in the state; and

(f) provide income supplements and relief to Alaska's elderly, who have a lower average income than the rest of the adult population.

3. What are the options?

Numerous approaches have been suggested for this problem. They include:

(a) continue to litigate, making zero or minor changes in the current law;

(b) continue to litigate, but make the statute severable and amend the law to provide for a more likely constitutional "back-stop" plan to be triggered by an injunction against the program;

(c) open up the program to all one-year Alaska residents over 65, and then close it in FY84, giving all recipients a "grandfather" right to continue receiving benefits;

(d) open up the program to all one-year residents over 65 on an indefinite basis;

(e) phase out the longevity bonus program by reducing the monthly payments each year, either with or without simultaneous gradual increases in public assistance;

(f) open up the program -- with reduced benefits -- to all one-year residents over 65 on a temporary basis while the Legislature and administration investigate other options;

(g) phase out the longevity bonus program by increasing the age of eligibility each year;

(h) end the program;

(i) replace the longevity bonus program with an annuity program, either immediately or gradually;

(j) "buy out" all one-year Alaska residents over 65 as of the end of FY84 by paying them the amount of payments they would have received over their likely lifespans, and then end the program;

(k) replace the longevity bonus program with comprehensive health insurance for Alaska's elderly; and

(l) limit longevity bonus payments to those elderly individuals who can prove that the payments would help relieve especially heavy financial pressures to relocate out of the state.

The first six options -- fight the lawsuit, fight the lawsuit with a backstop trigger, grandfather one-year resident senior citizens, open the program indefinitely, phase out the program, and open up the program temporarily while considering the long-run options -- are receiving the most attention in the session's final days.

The fourth option -- open the program indefinitely -- is contained in HB36, SB200, and SB215. The first two bills would use General Fund monies to finance the opened-up program. SB215, which has passed the Senate, would use 12.5 percent of the Permanent Fund's annual income for this purpose.

Because current law earmarks one-half of the Fund's income to pay Permanent Fund dividends, passage of SB215 would reduce annual dividends by 25 percent. (The other half of the interest earnings are re-invested in the Fund so as to protect it against inflation.) This year, the dividend would be cut from about $350 to about $250.

The administration has circulated a proposal to implement the fifth option, phase-out. This proposal would reduce longevity bonus payments by $25 a month each year for 10 years -- thus eliminating the program -- while simultaneously increasing old age assistance by the same amount.

4. Population issues.

Population estimates for Alaska's elderly vary widely, both as to the number of them today and their likely growth rate. Calculations made from estimates provided by the Department of Revenue and Dr. Scott Goldsmith of the University of Alaska indicate, however, that almost 20,000 Alaskans will be eligible for this program in FY86. This is double the 9,731 current recipients.

More controversial still is the impact of induced in-migration and reduced out-migration caused by an opened-up longevity bonus program itself. This is the "X factor" in the population equation, because no one can predict the long-run impact of paying $3,000 to each senior citizen ($6,000 per couple).

What is clear is that Alaska is a much different place in 1983 than it was in 1972. The state is also changing all the time in ways that make this a more attractive place for the elderly to live. The cost of living is lower, relative to costs in the Lower 48, than it used to be. The state also has more amenities such as improved medical facilities, improved transportation services (such as bus systems), and higher-quality television.

Elderly people are thus now more likely to stay in the state as they get older, and even more likely to come from the Lower 48 to live, particularly if they have family here. Senior citizens have doubled in number in the past decade, a rate of growth substantially greater than that of the rest of the population.

5. Impacts of alternatives.

(a) Impacts on future litigation.

The current law is clearly unconstitutional, so any strategy predicated on fighting the lawsuit will result in defeat. If the Legislature elects to litigate, attorneys familiar with the case predict that defeat will come in September when the Superior Court judge hearing the case rules the law unconstitutional.

Legal opinions are divided on the constitutionality of the "grandfather" option. Opening up the class of eligible recipients to include people over 65 who were one-year residents as of FY84 would resolve the Vest suit. The Department of Law thinks, however, that it may well bring another one -- which would probably be successful. Several private attorneys with a record of successful constitutional challenges have also said the grandfather plan would be vulnerable to attack on equal protection grounds. On the other hand, Legislative Counsel and private counsel retained by the Senate to research constitutional residency questions believe that while the question is certainly debatable, analogous precedents suggest the grandfather plan would be found constitutional.

(b) Impacts on recipients.

All but three of the plans outlined above will lead to immediately reduced benefits for existing recipients. The exceptions are the options of continuing to litigate, grandfathering, and indefinitely opening up the program at $250/month of General Fund monies. Continuing to litigate, however -- at least without making the statute severable or adding a backstop constitutional plan triggered by the first adverse court ruling -- will almost certainly lead to a sudden termination of the program. Most lawyers predict that the judge hearing the case will not only find the current law unconstitutional, but will also order payments stopped pending appeal.

SB215 does not contain an explicit reduction of benefits, but it will result in reduced longevity bonus payments by holding total payments to a total of 12.5 percent of Permanent Fund income. Calculations based on the Revenue-Goldsmith estimates indicate projected monthly payments over the next five years will be:

| | |
|---|---|
| FY84 | $204 |
| FY85 | $142 |
| FY86 | $184 |
| FY87 | $224 |
| FY88 | $243 |

The Department of Administration's projections track these estimates closely. SB215 co-sponsor Sen. Bill Ray, however, accepts neither these figures nor the Department's. The report on SB215 provided by the Senate Ad Hoc Committee on Residency predicts that under the legislation longevity bonus payments will fall below the current $250/month in at least one year, FY85.

Phasing out the longevity bonus program while increasing public assistance would leave a bad taste in the mouth of many recipients, who feel the bonus is not "welfare" but a reward for past contributions to Alaska. On the other hand, phasing out the bonus program without simultaneously increasing public assistance would hurt many of Alaska's poorest people, some of whom depend on this monthly check. Other recipients are apparently among the wealthiest residents of the state.

Finally, SB215 would reduce the Permanent Fund dividends of Alaska's elderly by 25 percent, just as it would reduce the annual dividends of all Alaskans. Even though the elderly would receive Permanent Fund income through their longevity bonus payments, the link between dividends and Fund performance represented by the dividends might be diluted for them as well as for other Alaskans.

(c) Impacts on the state budget.

The uncertainty about the numbers of elderly Alaskans today and in the future makes estimates of long-run costs a risky enterprise. It is clear, however, that the price tag will be high. The following is a rough approximation of the total cost of each option over the next 10 years:

| | |
|---|---|
| 10-year phase-out of ALB without increases in public assistance | $230,000,000 |
| Current program | $460,000,000 |
| 10-year phase-out of ALB with increases in public assistance | $540,000,000 |
| SB215 (uses 12.5 percent of Permanent Fund income to open up ALB program indefinitely to all one-year residents over 65) | $675,000,000 |
| Open up ALB program indefinitely to all one-year residents over 65 at $250/month | $775,000,000 |

(The cost of grandfathering at current payment levels has not been estimated, but it would be lower than opening up the program indefinitely and will decrease -- rather than increase -- each year after FY84.)

Choosing to fight the Vest lawsuit also endangers the public treasury. As stated above, Vest's attorneys have announced their intention to press for retroactive payments going back farther than FY83 if the Legislature does not abide by the stay agreement.

These retroactive payments could cover the entire decade the program has been in effect, and could amount to $40-80 million dollars. Enrolling those individuals owed retroactive payments for the past 10 years would also pose substantial problems in administration, as some could be in Arizona or Australia today.

(d) Impacts on state policy.

Opening up the program to all one-year residents 65 or over will increase Alaska's population above what it would be otherwise, although no one can say by how much. This increased population of elderly would have some beneficial effects; it would allow extended families to stay or come together, for example, thereby reducing the sense of isolation felt by many Alaskans today. There may, however, be significantly cheaper methods of increasing the numbers of senior citizens in Alaska than paying more than three quarters of a billion dollars in the next 10 years.

SB215 also carries more than the obvious cost of reducing every Alaskan's annual Permanent Fund dividend by 25 percent. The Senate bill would also increase Alaska's elderly population, although the "ceiling" represented by 12.5 percent of the Permanent Fund's income would reduce payments and thus not cause as much population growth as simply opening up the program at the current $250/month.

Critics raise three additional concerns about SB215:

--The taking of 12.5 percent of Permanent Fund income may create a precedent for other groups wanting their own share of the Fund's income.

--Taking 25 percent of everyone's Permanent Fund dividends to fund a program which makes payments to about three percent of Alaskans seems inequitable to some. Although SB215 supporters argue that all Alaskans will eventually receive longevity bonus payments, this is clearly untrue, because some will die before reaching 65.

--Using Permanent Fund income to finance the longevity bonus program does not, as SB215 supporters claim, "take Alaska's senior citizens out of the budget process," because the Legislature must still appropriate the payments each year.

6. A proposal

Two facts stand out from the current mass of confusion surrounding the longevity bonus program: (a) it will be found unconstitutional; and (b) almost everyone believes that some program meeting the special needs of some of Alaska's senior citizens should be retained, but there is little agreement on what that program should look like.

With these points in mind, the Legislature should consider a plan which would maintain the program's payments at $250/month in the short run, and search for a long-run solution.

During the next two years, the Legislature would study the program's public policy goals, the elderly's current population and future growth rates, and long-term fiscal feasibility of various options. A legislative committee should be charged with investigating policies for the elderly used in other states and nations, and take testimony from a broad cross-section of the Alaska public through statewide hearings.

(a) Advantages of proposal.

This plan has five major advantages:

--It would resolve the Vest lawsuit, thereby avoiding the possibility of a court finding the program unconstitutional and ordering its immediate termination.

--It would avoid steep reductions in payments, as it would be unfair to cut off current recipients without warning. This plan provides higher annual incomes for Alaska's senior citizens than does the Senate plan in each of the next two years. FY84 figures follow:

| | House | Senate |
|---|---|---|
| Longevity bonus | $3000 | $2448 |
| Permanent Fund dividend | 350 | 260 |
| | $3350 | $2708 |

--It steers clear of the special dedications of Permanent Fund income the Legislature has thus far avoided.

--It recognizes reality. The courts are forcing the Legislature to change the law. Alaska's elderly population is increasing significantly, and will increase faster in the years to come while oil revenues decline.

--It buys time for the Legislature, the administration, and the public to consider the long-run options for dealing with this complex problem without locking us into a "solution" we may soon regret.

(b) Disadvantages of proposal.

This plan's great disadvantage is also one of its greatest advantages. Delay can allow either reflection or inertia. The work needed to find a long-range solution to this problem might not get done.

Another significant disadvantage is immediate cost. FY84 costs could climb above the $30.2 million currently budgeted by as much as two-thirds.

Finally, there will be some administrative problems caused by the need to verify several thousand claims for FY83 retroactive payments. This administrative difficulty can be reduced by the Legislature's first acknowledging the state's liability for the payments, but delaying the appropriation until FY85. This will allow the Department of Administration time to enroll retroactive claimants and present an accurate budget to the Legislature at the beginning of the 1984 session.

(c) Where do we go from here?

Alaska is a special place, and that special quality comes less from its scenic beauty or natural resources than from the people who choose to live here.

The special quality of Alaskans is obvious in our spirit of innovation. That innovative spirit is demonstrated by three unique public institutions: the Permanent Fund, the Permanent Fund dividends, and the longevity bonus payments. All three are too important to have their fates decided in a rush.

## SECTIONAL ANALYSIS OF PROPOSED HCS CS SB 215 (FINANCE)

Title: Same as Senate Title

Sec. 1. Establishes longevity bonus account as a separate account of the permanent fund after July 1, 1985. 12.5 % of the income of the permanent fund is credited to the account.

The bonus account is invested and interest returns to the account.

Sec. 2. After July 1, 1985, the Commissioner of Revenue transfers 37.5 % of undistributed income account to the permanent fund dividend account.

Sec. 3. This section is technical --- the wording of the existing law is exactly the same; the only difference is that this is now subsection (d), due to new addition of subsection (c) in section 2.

Sec. 4. Establishes eligibility qualifications for longevity bonus recipients. Qualifications are: 65 years old or over and residence on or before Statehood. A person can only continue to receive bonuses as long as the person remains a state resident. (Resident is defined in section 9.)

Sec. 5. After July 1, 1985, the amount of the bonus is $250 or an amount equal to 8 1/3 % of the amount credited to the bonus account, exclusive of earnings, divided by the number of qualified applicants.

Sec. 6. Rewrites the "absence" section of current law to remove gender references and otherwise read more smoothly.

Sec. 7. Creates the Alaska Longevity Bonus Fund, consisting of money appropropriated by the legislature and all other funds from other sources. States that income and interest from investment also are included in the fund. General fund money for the first two years of the program would go into the account and earn interest to pay bonuses, and after July 1, 1985, the permanent fund transfer would go into the account. The Commissioner of Administration is the administrator of the fund.

Sec. 8. Exact same language of Senate bill. Provides for access to records in order to enforce eligibility requirements, but also assures an element of privacy.

Sec. 9. Defines resident as an individual who is physically present in the state with the intent to remain here indefinitely. A person demonstrates this intent only by maintaining a principal place of residence for one year and by providing other proof that may be required by regulation.

Sec. 10. Declares the legislature's findings and purposes for continuation of the longevity bonus program.

Sec. 11. States that the legislature intends to pay for bonuses in FY 84 and 85 out of the general fund.

Sec. 12. States that the amount of the bonus for FY 84 and 85 is $250.

Sec. 13. Provides that if any section of this act is declared unconstitutional, than the Department of Administration will adopt a new program with the most stringent residency requirements that are constitutionally allowable.

Sec. 14. Provides a cut off date of January 3, 1984, for entrance into the program.

Sec. 15. Repeals the nonseverability clause of the current law and the old definition of "domicile".

Sec. 16. Provides for an immediate effective date.

Introduced: 3/29/83
Referred: Ad Hoc Committee on Residency and Finance

IN THE SENATE BY RAY AND KERTTULA

SENATE BILL NO. 215

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act authorizing the use of Alaska permanent fund income to pay longevity bonuses; amending the longevity bonus program and the permanent fund dividend distribution program; and providing for an effective date."

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

* Section 1. AS 37.13 is amended by adding a new section to read:

Sec. 37.13.147. LONGEVITY BONUS ACCOUNT. The longevity bonus account is established as a separate account in the Alaska permanent fund. Notwithstanding the provisions of AS 37.13.145, 12.5 percent of the income of the permanent fund earned during the fiscal year ending on June 30 of the current year that is available for distribution under AS 37.13.140 shall be transferred to the longevity bonus account.

(b) Money in the longevity bonus account shall be invested in investments authorized under AS 37.13.120. Income from the investment of the longevity bonus account shall be treated as an addition to that account.

(c) The commissioner of revenue shall transfer money in the longevity bonus account to the Alaska longevity bonus fund to pay monthly longevity bonuses in accordance with AS 47.45.090.

* Sec. 2. AS 43.23.045(b) is amended to read:

(b) Notwithstanding any contrary provision of law, each year the commissioner shall transfer to the dividend fund 37.5 [50] percent of

the income of the Alaska permanent fund earned during the fiscal year ending on June 30 of the current year and available for distribution.

* Sec. 3. AS 47.45.010 is amended to read:

Sec. 47.45.010. PERSONS WHO MAY QUALIFY FOR LONGEVITY BONUS. (a) A person who is 65 years of age or over, who has been a resident of the state for at least one year immediately preceding the application for a longevity bonus under this chapter [WAS DOMICILED IN THE TERRITORY ON OR BEFORE JANUARY 3, 1959 AND WHO HAS MAINTAINED A CONTINUOUS DOMICILE IN THE TERRITORY OR STATE FOR 25 YEARS] may apply to the commissioner of administration for qualification to receive a monthly bonus [OF $250].

(b) When the commissioner of administration determines that an applicant qualifies under AS 47.45.010 - 47.45.170 the commissioner [HE] shall immediately begin payment of the bonus.

(c) A person who otherwise qualifies to receive a bonus provided for in AS 47.45.010 - 47.45.170 may continue to do so only as long as that person continues to be a resident of [HE CONTINUOUSLY RETAINS A DOMICILE IN] the state.

* Sec. 4. AS 47.45.010 is amended by adding a new subsection to read:

(d) The initial amount of the monthly bonus is $250. On July 1 of each year, beginning July 1, 1984, the amount then paid as the monthly bonus shall be increased by three percent.

* Sec. 5. AS 47.45.030 is amended to read:

Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification a [A] recipient shall notify the commissioner of administration when the recipient [HE] expects to be absent from the state if the absence is for a continuous period that exceeds 30 days. After that notification, the recipient shall no longer receive bonuses from the Department of Administration after the [HIS] last regularly approved monthly application. Upon returning [HIS RETURN] to the state the recipient [HE] may again make application for a bonus. Whenever the absence is for a continuous period that exceeds 180 days the recipient shall be disqualified from receiving bonuses for the next 12 calendar months after returning [HIS RETURN] to the state. However, when the commissioner of administration determines a period of absence is beyond the control of the recipient, the recipient [HE] may not be disqualified, if the recipient [HE] still otherwise qualifies upon returning [HIS RETURN] to the state. Continual absences from the state, even though reported, and failure to notify the commissioner of an expected absence may be grounds for disqualification.

* Sec. 6. AS 47.45.090(a) is amended to read:

Sec. 47.45.090. ALASKA LONGEVITY BONUS FUND. (a) The [THERE IS THE] Alaska longevity bonus fund is created for the purpose of paying the monthly bonuses provided for in this chapter. The fund consists of all money made available by appropriations of the state legislature, and from other appropriated money transferred from the Alaska permanent fund [FUNDS], all contributions from whatever source, and income and interest derived from the investment of money.

* Sec. 7. AS 47.45.090 is amended by adding a new subsection to read:

(c) At the request of the commissioner of administration the commissioner of revenue shall transfer amounts needed for the payment of monthly bonuses under this chapter from the longevity bonus account in the Alaska permanent fund (AS 37.13.145(b)) to the longevity bonus fund.

* Sec. 8. AS 47.45.150 is amended by adding a new paragraph to read:

(3) "resident" or "resident of the state" means an individual who is physically present in the state with the intent to remain permanently in the state or, if the individual is not

physically present in the state, intends to return to the state and is absent only for medical treatment or other reasons that the commissioner of administration may establish by regulation;

* Sec. 9. AS 47.45.170 is repealed and reenacted to read:

Sec. 47.45.170. FINDINGS AND PURPOSE. The legislature finds and declares that

(1) the high cost of goods and services in Alaska and the state's remoteness and harsh environment, makes it difficult for many elderly Alaskans to remain in the state after retirement;

(2) when a person is forced to live out retirement years away from home, family and friends, that person suffers an irreparable loss;

(3) Alaska's elderly are a precious human resource, and it is in the public interest to provide a financial incentive for them to remain in the state after retirement;

(4) as oil revenues decrease, it will become increasingly difficult for the legislature to fund the longevity bonus program through annual appropriations and the income of the Alaska permanent fund is an appropriate source of funding for the longevity bonus program; and

(5) it is in the public interest to continue the longevity bonus program for all elderly Alaskans irrespective of need. The longevity bonus program is not a form of welfare, and is not a substitute for or supplement to public assistance. Other programs are available to provide the basic necessities of life. The longevity bonus program is intended only to encourage elderly Alaskans to spend their retirement years in the comfort of their homes.

* Sec. 10. AS 47.45.150(2) is repealed.

* Sec. 11. This Act takes effect July 1, 1983.

Offered: 4/7/83
Referred: Finance

Original sponsors: Ray and Kerttula

IN THE SENATE

BY THE AD HOC COMMITTEE ON RESIDENCY

CS FOR SENATE BILL NO. 215 (Residency)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act authorizing the use of Alaska permanent fund income to pay longevity bonuses; amending the longevity bonus program and the permanent fund dividend distribution program; and providing for an effective date."

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

* Section 1. AS 37.13 is amended by adding a new section to read:

Sec. 37.13.147. LONGEVITY BONUS ACCOUNT. The longevity bonus account is established as a separate account in the Alaska permanent fund. Notwithstanding the provisions of AS 37.13.145, 12.5 percent of the income of the permanent fund earned during the fiscal year ending on June 30 of the current year that is available for distribution under AS 37.13.140 shall be credited to the longevity bonus account.

(b) Money in the longevity bonus account shall be invested in investments authorized under AS 37.13.120. The longevity bonus account shall be credited with earnings at an interest rate equal to the average rate of interest earned on the Alaska permanent fund.

(c) The legislature may annually appropriate an amount sufficient to pay monthly longevity bonuses for the subsequent fiscal year under AS 47.45.010(d) from the longevity bonus account to the Alaska longevity bonus fund established under AS 47.45.090.

* Sec. 2. AS 43.23.045(b) is amended to read:

(b) Notwithstanding any contrary provision of law, each year the commissioner shall transfer to the dividend fund <u>37.5</u> [50] percent of

the income of the Alaska permanent fund earned during the fiscal year ending on June 30 of the current year and available for distribution.

* Sec. 3. AS 47.45.010 is amended to read:

Sec. 47.45.010. PERSONS WHO MAY QUALIFY FOR LONGEVITY BONUS. (a) A person who is 65 years of age or over, who has been a resident of the state for at least one year immediately preceding the application for a longevity bonus under this chapter [WAS DOMICILED IN THE TERRITORY ON OR BEFORE JANUARY 3, 1959 AND WHO HAS MAINTAINED A CONTINUOUS DOMICILE IN THE TERRITORY OR STATE FOR 25 YEARS] may apply to the commissioner of administration for qualification to receive a monthly bonus [OF $250].

(b) When the commissioner of administration determines that an applicant qualifies under AS 47.45.010 - 47.45.170 the commissioner [HE] shall immediately begin payment of the bonus.

(c) A person who otherwise qualifies to receive a bonus provided for in AS 47.45.010 - 47.45.170 may continue to do so only as long as that person continues to be a resident of [HE CONTINUOUSLY RETAINS A DOMICILE IN] the state.

* Sec. 4. AS 47.45.010 is amended by adding a new subsection to read:

(d) The amount of the monthly bonus is (1) $250, increased by three percent each year beginning in the state fiscal year 1985; or (2) an amount equal to eight and one-third percent of the amount credited to the longevity bonus account for the previous fiscal year under AS 37.13.147, exclusive of earnings, divided by the number of qualified applicants under this section; whichever amount is less.

* Sec. 5. AS 47.45.030 is amended to read:

Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification a [A] recipient shall notify the commissioner of administration when the recipient [HE] expects to be absent from the state if the absence is

for a continuous period that exceeds 30 days. After that notification, the recipient shall no longer receive bonuses from the Department of Administration after the [HIS] last regularly approved monthly application. Upon returning [HIS RETURN] to the state the recipient [HE] may again make application for a bonus. Whenever the absence is for a continuous period that exceeds 180 days the recipient shall be disqualified from receiving bonuses for the next 12 calendar months after returning [HIS RETURN] to the state. However, when the commissioner of administration determines a period of absence is beyond the control of the recipient, the recipient [HE] may not be disqualified, if the recipient [HE] still otherwise qualifies upon returning [HIS RETURN] to the state. Continual absence from the state, even though reported, and failure to notify the commissioner of an expected absence may be grounds for disqualification.

* Sec. 6. AS 47.45.090 is repealed and reenacted to read:

Sec. 47.45.090. ALASKA LONGEVITY BONUS FUND. The Alaska longevity bonus fund is established for the purpose of paying the monthly bonuses provided for in this chapter. The fund consists of money appropriated to the fund by the state legislature from the longevity bonus account established under AS 37.13.147.

* Sec. 7. AS 47.45.150 is amended by adding a new paragraph to read:

(3) "resident" or "resident of the state" means an individual who is physically present in the state with the intent to remain in the state indefinitely and to make a home in the state. A person demonstrates the requisite intent only be maintaining a principal place of abode in the state for the one year required by AS 47.45.010(a) and by providing other proof of intent the commissioner may require by regulation, including proof that the person is not claiming residency outside the state or obtaining benefits under a claim of

residency outside the state.

* Sec. 8. AS 47.45.170 is repealed and reenacted to read:

Sec. 47.45.170. FINDINGS AND P' 'POSE. The legislature finds and declares that

(1) the high cost of goods and services in Alaska and the state's remoteness and harsh environment, make it difficult for many elderly Alaskans to remain in the state after retirement;

(2) when a person is forced to live out retirement years away from home, family and friends, that person suffers an irreparable loss;

(3) Alaska's elderly are a precious human resource, and it is in the public interest to provide a financial incentive for them to remain in the state after retirement;

(4) as oil revenues decrease, it will become increasingly difficult for the legislature to fund the longevity bonus program through annual appropriations and the income of the Alaska permanent fund is an appropriate source of funding for the longevity bonus program; and

(5) it is in the public interest to continue the longevity bonus program for all elderly Alaskans irrespective of need. The longevity bonus program is not a form of welfare, and is not a substitute for or supplement to public assistance. Other programs are available to provide the basic necessities of life. The longevity bonus program is intended only to encourage elderly Alaskans to spend their retirement years in the comfort of their homes.

* Sec. 9. AS 47.45.150(2) is repealed.

* Sec. 10. Sections 3 and 7 of this Act are retroactive to July 1, 1982.

* Sec. 11. This Act takes effect July 1, 1983.

Offered: 4/30/83
Referred: Finance

Original sponsors: Ray and Kerttula

IN THE SENATE BY THE RULES COMMITTEE

CS FOR SENATE BILL NO. 215 (Rules)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act authorizing the use of Alaska permanent fund income to pay longevity bonuses; amending the longevity bonus program and the permanent fund dividend distribution program; and providing for an effective date."

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

* Section 1. AS 37.13 is amended by adding a new section to read:

Sec. 37.13.147. LONGEVITY BONUS ACCOUNT. The longevity bonus account is established as a separate account in the Alaska permanent fund. Notwithstanding the provisions of AS 37.13.145, 12.5 percent of the income of the permanent fund earned during the fiscal year ending on June 30 of the current year that is available for distribution under AS 37.13.140 shall be credited to the longevity bonus account.

(b) Money in the longevity bonus account shall be invested in investments authorized under AS 37.13.120. The longevity bonus account shall be credited with earnings at an interest rate equal to the average rate of interest earned on the Alaska permanent fund.

(c) The legislature may annually appropriate an amount sufficient to pay monthly longevity bonuses for the subsequent fiscal year under AS 47.45.010(d) from the longevity bonus account to the Alaska longevity bonus fund established under AS 47.45.030.

* Sec. 2. AS 43.23.045(b) is amended to read:

(b) Notwithstanding any contrary provision of law, each year the commissioner shall transfer to the dividend fund <u>37.5</u> [50] percent of

the income of the Alaska permanent fund earned during the fiscal year ending on June 30 of the current year and available for distribution.

* Sec. 3. AS 47.45.010 is amended to read:

Sec. 47.45.010. PERSONS WHO MAY QUALIFY FOR LONGEVITY BONUS. (a) A person who is 65 years of age or over, who has been a resident of the state for at least one year immediately preceding the application for a longevity bonus under this chapter [WAS DOMICILED IN THE TERRITORY ON OR BEFORE JANUARY 3, 1959 AND WHO HAS MAINTAINED A CONTINUOUS DOMICILE IN THE TERRITORY OR STATE FOR 25 YEARS] may apply to the commissioner of administration for qualification to receive a monthly bonus [OF $250].

(b) When the commissioner of administration determines that an applicant qualifies under AS 47.45.010 - 47.45.170 the commissioner [HE] shall immediately begin payment of the bonus.

(c) A person who otherwise qualifies to receive a bonus provided for in AS 47.45.010 - 47.45.170 may continue to do so only as long as that person continues to be a resident of [HE CONTINUOUSLY RETAINS A DOMICILE IN] the state.

* Sec. 4. AS 47.45.010 is amended by adding a new subsection to read:

(d) The amount of the monthly bonus is (1) $250, increased by three percent each year beginning in the state fiscal year 1985; or (2) an amount equal to eight and one-third percent of the amount credited to the longevity bonus account for the previous fiscal year under AS 37.13.147, exclusive of earnings, divided by the number of qualified applicants under this section; whichever amount is less.

* Sec. 5. AS 47.45.030 is amended to read:

Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification a [A] recipient shall notify the commissioner of administration when the recipient [HE] expects to be absent from the state if the absence is

for a continuous period that exceeds 30 days. After that notification, the recipient shall no longer receive bonuses from the Department of Administration after the [HIS] last regularly approved monthly application. Upon returning [HIS RETURN] to the state the recipient [HE] may again make application for a bonus. Whenever the absence is for a continuous period that exceeds 180 days the recipient shall be disqualified from receiving bonuses for the next 12 calendar months after returning [HIS RETURN] to the state. However, when the commissioner of administration determines a period of absence is beyond the control of the recipient, the recipient [HE] may not be disqualified, if the recipient [HE] still otherwise qualifies upon returning [HIS RETURN] to the state. Continual absences from the state, even though reported, and failure to notify the commissioner of an expected absence may be grounds for disqualification.

* Sec. 6. AS 47.45.090 is repealed and reenacted to read:

Sec. 47.45.090. ALASKA LONGEVITY BONUS FUND. The Alaska longevity bonus fund is established for the purpose of paying the monthly bonuses provided for in this chapter. The fund consists of money appropriated to the fund by the state legislature from the longevity bonus account established under AS 37.13.147.

* Sec. 7. AS 47.45.150 is amended by adding a new paragraph to read:

(3) "resident" or "resident of the state" means an individual who is physically present in the state with the intent to remain in the state indefinitely and to make a home in the state. A person demonstrates the requisite intent only be maintaining a principal place of abode in the state for the one year required by AS 47.-45.010(a) and by providing other proof of intent the commissioner may require by regulation, including proof that the person is not claiming residency outside the state or obtaining benefits under a claim of

residency outside the state.

* Sec. 8. AS 47.45.170 is repealed and reenacted to read:

Sec. 47.45.170. FINDINGS AND PURPOSE. The legislature finds and declares that

(1) the high cost of goods and services in Alaska and the state's remoteness and harsh environment, make it difficult for many elderly Alaskans to remain in the state after retirement;

(2) when a person is forced to live out retirement years away from home, family and friends, that person suffers an irreparable loss;

(3) Alaska's elderly are a precious human resource, and it is in the public interest to provide a financial incentive for them to remain in the state after retirement;

(4) as oil revenues decrease, it will become increasingly difficult for the legislature to fund the longevity bonus program through annual appropriations and the income of the Alaska permanent fund is an appropriate source of funding for the longevity bonus program; and

(5) it is in the public interest to continue the longevity bonus program for all elderly Alaskans irrespective of need. The longevity bonus program is not a form of welfare, and is not a substitute for or supplement to public assistance. Other programs are available to provide the basic necessities of life. The longevity bonus program is intended only to encourage elderly Alaskans to spend their retirement years in the comfort of their homes.

* Sec. 9. AS 47.45.150(2) is repealed.

* Sec. 10. It is the intent of the legislature that any money appropriated from the general fund for the purpose of paying monthly longevity bonuses, after the state fiscal year ending June 30, 1982, be

reappropriated and transferred to the general fund from the longevity bonus account established under sec. 1 of this Act as soon as possible after the effective date of this Act.

* Sec. 11. Sections 3 and 7 of this Act are retroactive to July 1, 1982.

* Sec. 12. This Act takes effect July 1, 1983.

Offered: 5/5/83
Referred: Rules

Original sponsors: Ray and Kerttula

IN THE SENATE BY THE FINANCE COMMITTEE

CS FOR SENATE BILL NO. 215 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act authorizing the use of Alaska permanent fund income to pay longevity bonuses; amending the longevity bonus program and the permanent fund dividend distribution program; and providing for an effective date."

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

* Section 1. AS 37.13 is amended by adding a new section to read:

Sec. 37.13.147. LONGEVITY BONUS ACCOUNT. The longevity bonus account is established as a separate account in the Alaska permanent fund. Notwithstanding the provisions of AS 37.13.145, 12.5 percent of the income of the permanent fund earned during the fiscal year ending on June 30 of the current year that is available for distribution under AS 37.13.140 shall be credited to the longevity bonus account.

(b) Money in the longevity bonus account shall be invested in investments authorized under AS 37.13.120. The longevity bonus account shall be credited with earnings at an interest rate equal to the average rate of interest earned on the Alaska permanent fund.

(c) The legislature may annually appropriate an amount sufficient to pay monthly longevity bonuses for the subsequent fiscal year under AS 47.45.010(d) from the longevity bonus account to the Alaska longevity bonus fund established under AS 47.45.090.

* Sec. 2. AS 43.23.045(b) is amended to read:

(b) Notwithstanding any contrary provision of law, each year the commissioner shall transfer to the dividend fund 37.5 [50] percent of

the income of the Alaska permanent fund earned during the fiscal year ending on June 30 of the current year and available for distribution.

* Sec. 3. AS 47.45.010 is amended to read:

Sec. 47.45.010. PERSONS WHO MAY QUALIFY FOR LONGEVITY BONUS. (a) A person who is 65 years of age or over, who has been a resident of the state for at least one year immediately preceding the application for a longevity bonus under this chapter [WAS DOMICILED IN THE TERRITORY ON OR BEFORE JANUARY 3, 1959 AND WHO HAS MAINTAINED A CONTINUOUS DOMICILE IN THE TERRITORY OR STATE FOR 25 YEARS] may apply to the commissioner of administration for qualification to receive a monthly bonus [OF $250].

(b) When the commissioner of administration determines that an applicant qualifies under AS 47.45.010 - 47.45.170 the commissioner [HE] shall immediately begin payment of the bonus.

(c) A person who otherwise qualifies to receive a bonus provided for in AS 47.45.010 - 47.45.170 may continue to do so only as long as that person continues to be a resident of [HE CONTINUOUSLY RETAINS A DOMICILE IN] the state.

* Sec. 4. AS 47.45.010 is amended by adding a new subsection to read:

(d) The amount of the monthly bonus is (1) $250, increased by three percent each year beginning in the state fiscal year 1985; or (2) an amount equal to eight and one-third percent of the amount credited to the longevity bonus account for the previous fiscal year under AS 37.13.147, exclusive of earnings, divided by the number of qualified applicants under this section; whichever amount is less.

* Sec. 5. AS 47.45.030 is amended to read:

Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification a [A] recipient shall notify the commissioner of administration when the recipient [HE] expects to be absent from the state if the absence is

for a continuous period that exceeds 30 days. After that notification, the recipient shall no longer receive bonuses from the Department of Administration after the [HIS] last regularly approved monthly application. Upon returning [HIS RETURN] to the state the recipient [HE] may again make application for a bonus. Whenever the absence is for a continuous period that exceeds 180 days the recipient shall be disqualified from receiving bonuses for the next 12 calendar months after returning [HIS RETURN] to the state. However, when the commissioner of administration determines a period of absence is beyond the control of the recipient, the recipient [HE] may not be disqualified, if the recipient [HE] still otherwise qualifies upon returning [HIS RETURN] to the state. Continual absences from the state, even though reported, and failure to notify the commissioner of an expected absence may be grounds for disqualification.

Sec. 6. AS 47.45.090 is repealed and reenacted to read:

Sec. 47.45.090. ALASKA LONGEVITY BONUS FUND. The Alaska longevity bonus fund is established for the purpose of paying the monthly bonuses provided for in this chapter. The fund consists of money appropriated to the fund by the state legislature from the longevity bonus account established under AS 37.13.147.

Sec. 7. AS 47.45 is amended by adding a new section to read:

Sec. 47.45.145. ACCESS TO RECORDS. Notwithstanding any contrary provision of state or municipal law the commissioner of administration may examine records or documents in the possession of state agencies or municipal governments that contain information relating to the length of state residence of an applicant for a monthly bonus under this chapter.

Sec. 8. AS 47.45.150 is amended by adding a new paragraph to read:

(3) "resident" or "resident of the state" means an

individual who is physically present in the state with the intent to remain in the state indefinitely and to make a home in the state. A person demonstrates the requisite intent only be maintaining a principal place of abode in the state for the one year required by AS 47.-45.010(a) and by providing other proof of intent the commissioner may require by regulation, including proof that the person is not claiming residency outside the state or obtaining benefits under a claim of residency outside the state.

* Sec. 9. AS 47.45.170 is repealed and reenacted to read:

Sec. 47.45.170. FINDINGS AND PURPOSE. The legislature finds and declares that

(1) the high cost of goods and services in Alaska and the state's remoteness and harsh environment, make it difficult for many elderly Alaskans to remain in the state after retirement;

(2) when a person is forced to live out retirement years away from home, family and friends, that person suffers an irreparable loss;

(3) Alaska's elderly are a precious human resource, and it is in the public interest to provide a financial incentive for them to remain in the state after retirement;

(4) as oil revenues decrease, it will become increasingly difficult for the legislature to fund the longevity bonus program through annual appropriations and the income of the Alaska permanent fund is an appropriate source of funding for the longevity bonus program; and

(5) it is in the public interest to continue the longevity bonus program for all elderly Alaskans irrespective of need. The longevity bonus program is not a form of welfare, and is not a substitute for or supplement to public assistance. Other programs are

available to provide the basic necessities of life. The longevity bonus program is intended only to encourage elderly Alaskans to spend their retirement years in the comfort of their homes.

* Sec. 10. AS 47.45.150(2) is repealed.

* Sec. 11. This Act takes effect July 1, 1983.

Offered: 5/17/83

Original sponsors: Ray and Kerttula

IN THE SENATE BY THE RULES COMMITTEE

CS FOR SENATE BILL NO. 215 (2d Rules)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act authorizing the use of Alaska permanent fund income to pay longevity bonuses; amending the longevity bonus program and the permanent fund dividend distribution program; and providing for an effective date."

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

* Section 1. AS 37.13 is amended by adding a new section to read:

Sec. 37.13.147. LONGEVITY BONUS ACCOUNT. (a) The longevity bonus account is established as a separate account in the Alaska permanent fund. Notwithstanding the provisions of AS 37.13.145, 12.5 percent of the income of the permanent fund earned during the fiscal year ending on June 30 of the current year that is available for distribution under AS 37.13.140 shall be credited to the longevity bonus account.

(b) Money in the longevity bonus account shall be invested in investments authorized under AS 37.13.120. The longevity bonus account shall be credited with earnings at an interest rate equal to the average rate of interest earned on the Alaska permanent fund.

(c) The legislature may annually appropriate an amount sufficient to pay monthly longevity bonuses for the subsequent fiscal year under AS 47.45.010(d) from the longevity bonus account to the Alaska longevity bonus fund established under AS 47.45.090.

* Sec. 2. AS 43.23.045(b) is amended to read:

(b) Notwithstanding any contrary provision of law, each year the commissioner shall transfer to the dividend fund 37.5 [50] percent of the income of the Alaska permanent fund earned during the fiscal year ending on June 30 of the current year and available for distribution.

* Sec. 3. AS 47.45.010 is amended to read:

Sec. 47.45.010. PERSONS WHO MAY QUALIFY FOR LONGEVITY BONUS. (a) A person who is 65 years of age or over, who has been a resident of the state for at least one year immediately preceding the application for a longevity bonus under this chapter [WAS DOMICILED IN THE TERRITORY ON OR BEFORE JANUARY 3, 1959 AND WHO HAS MAINTAINED A CONTINUOUS DOMICILE IN THE TERRITORY OR STATE FOR 25 YEARS] may apply to the commissioner of administration for qualification to receive a monthly bonus [OF $250].

(b) When the commissioner of administration determines that an applicant qualifies under AS 47.45.010 - 47.45.170 the commissioner [HE] shall immediately begin payment of the bonus.

(c) A person who otherwise qualifies to receive a bonus provided for in AS 47.45.010 - 47.45.170 may continue to do so only as long as that person continues to be a resident of [HE CONTINUOUSLY RETAINS A DOMICILE IN] the state.

* Sec. 4. AS 47.45.010 is amended by adding a new subsection to read:

(d) The amount of the monthly bonus is (1) $250, increased by three percent each year beginning in the state fiscal year 1985; or (2) an amount equal to eight and one-third percent of the amount credited to the longevity bonus account for the previous fiscal year under AS 37.13.147, exclusive of earnings, divided by the number of qualified applicants under this section; whichever amount is less.

* Sec. 5. AS 47.45.030 is amended to read:

Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification a [A] recipient shall notify the commissioner of administration when the recipient [HE] expects to be absent from the state if the absence is for a continuous period that exceeds 30 days. After that notification, the recipient shall no longer receive bonuses from the Department of Administration after the [HIS] last regularly approved monthly application. Upon returning [HIS RETURN] to the state the recipient [HE] may again make application for a bonus. Whenever the absence is for a continuous period that exceeds 180 days the recipient shall be disqualified from receiving bonuses for the next 12 calendar months after returning [HIS RETURN] to the state. However, when the commissioner of administration determines a period of absence is beyond the control of the recipient, the recipient [HE] may not be disqualified, if the recipient [HE] still otherwise qualifies upon returning [HIS RETURN] to the state. Continual absences from the state, even though reported, and failure to notify the commissioner of an expected absence may be grounds for disqualification.

* Sec. 6. AS 47.45.090 is repealed and reenacted to read:

Sec. 47.45.090. ALASKA LONGEVITY BONUS FUND. The Alaska longevity bonus fund is established for the purpose of paying the monthly bonuses provided for in this chapter. The fund consists of money appropriated to the fund by the state legislature from the longevity bonus account established under AS 37.13.147.

* Sec. 7. AS 47.45 is amended by adding a new section to read:

Sec. 47.45.145. ACCESS TO RECORDS. (a) Notwithstanding any contrary provision of state law or state agency regulation, the commissioner of administration may have access to and examine records, documents, or other information in the possession of a state agency, other than personal income tax returns filed under AS 43.20, if the records, documents, or information relate to the length of state residence of an applicant for, or a recipient of, a monthly bonus under this chapter.

(b) If the commissioner of administration receives confidential information under (a) of this section, that information may be used only to confirm or rebut an applicant's declaration of length of state residence. If a person discloses information obtained under this section for a purpose other than to rebut an applicant's declaration of length of state residence in an appropriate administrative or judicial proceeding, that person is subject to the penalty that applies to unauthorized disclosure of that information by the agency or person that has primary custody and control of the information.

* Sec. 8. AS 47.45.150 is amended by adding a new paragraph to read:

(3) "resident" or "resident of the state" means an individual who is physically present in the state with the intent to remain in the state indefinitely and to make a home in the state. A person demonstrates the requisite intent only be maintaining a principal place of abode in the state for the one year required by AS 47.-45.010(a) and by providing other proof of intent the commissioner may require by regulation, including proof that the person is not claiming residency outside the state or obtaining benefits under a claim of residency outside the state.

* Sec. 9. AS 47.45.170 is repealed and reenacted to read:

Sec. 47.45.170. FINDINGS AND PURPOSE. The legislature finds and declares that

(1) the high cost of goods and services in Alaska and the state's remoteness and harsh environment, make it difficult for many elderly Alaskans to remain in the state after retirement;

(2) when a person is forced to live out retirement years away from home, family and friends, that person suffers an irreparable loss;

(3) Alaska's elderly are a precious human resource, and it is in the public interest to provide a financial incentive for them to remain in the state after retirement;

(4) as oil revenues decrease, it will become increasingly difficult for the legislature to fund the longevity bonus program through annual appropriations and the income of the Alaska permanent fund is an appropriate source of funding for the longevity bonus program; and

(5) it is in the public interest to continue the longevity bonus program for all elderly Alaskans irrespective of need. The longevity bonus program is not a form of welfare, and is not a substitute for or supplement to public assistance. Other programs are available to provide the basic necessities of life. The longevity bonus program is intended only to encourage elderly Alaskans to spend their retirement years in the comfort of their homes.

* Sec. 10. Notwithstanding sec. 19(g), ch. 102, SLA 1982, in addition to the amount credited to the longevity bonus account under sec. 1 of this Act money in the dividend fund (AS 43.23.045) up to a maximum of $17,500,000 may be used, as appropriated by the legislature, for payment of monthly longevity bonuses from the Alaska longevity bonus fund (AS 47.45.-090) in the state fiscal year beginning July 1, 1983.

* Sec. 11. AS 47.45.150(2) is repealed.

* Sec. 12. This Act takes effect July 1, 1983.

Offered: 5/27/83
Referred: Finance

Original sponsors: Ray and Kerttula

IN THE SENATE BY THE STATE AFFAIRS COMMITTEE

HOUSE CS FOR CS FOR SENATE BILL NO. 215 (State Affairs)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act authorizing the use of Alaska permanent fund income to pay longevity bonuses; amending the longevity bonus program and the permanent fund dividend distribution program; and providing for an effective date."

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

* Section 1. AS 37.13 is amended by adding a new section to read:

Sec. 37.13.147. LONGEVITY BONUS ACCOUNT. (a) The longevity bonus account is established as a separate account in the Alaska permanent fund. Notwithstanding the provisions of AS 37.13.145, 12.5 percent of the income of the permanent fund earned during the fiscal year ending on June 30 of the current year that is available for distribution under AS 37.13.140 shall be credited to the longevity bonus account.

(b) Money in the longevity bonus account shall be invested in investments authorized under AS 37.13.120. The longevity bonus account shall be credited with earnings at an interest rate equal to the average rate of interest earned on the Alaska permanent fund.

(c) The legislature may annually appropriate an amount sufficient to pay monthly longevity bonuses for the subsequent fiscal year under AS 47.45.010(d) from the longevity bonus account to the Alaska longevity bonus fund established under AS 47.45.090.

* Sec. 2. AS 43.23.045(b) is amended to read:

(b) Notwithstanding any contrary provision of law, each year the commissioner shall transfer to the dividend fund 37.5 [50] percent of the income of the Alaska permanent fund earned during the fiscal year ending on June 30 of the current year and available for distribution.

* Sec. 3. AS 47.45.010 is amended to read:

Sec. 47.45.010. PERSONS WHO MAY QUALIFY FOR LONGEVITY BONUS. (a) A person who is 65 years of age or over, who has been a resident of the state for at least one year immediately preceding the application for a longevity bonus under this chapter [WAS DOMICILED IN THE TERRITORY ON OR BEFORE JANUARY 3, 1959 AND WHO HAS MAINTAINED A CONTINUOUS DOMICILE IN THE TERRITORY OR STATE FOR 25 YEARS] may apply to the commissioner of administration for qualification to receive a monthly bonus [OF $250].

(b) When the commissioner of administration determines that an applicant qualifies under AS 47.45.010 - 47 45.170 the commissioner [HE] shall immediately begin payment of the bonus.

(c) A person who otherwise qualifies to receive a bonus provided for in AS 47.45.010 - 47.45.170 may continue to do so only as long as that person continues to be a resident of [HE CONTINUOUSLY RETAINS A DOMICILE IN] the state.

* Sec. 4. AS 47.45.010 is amended by adding a new subsection to read:

(d) The amount of the monthly bonus is (1) $250, increased by three percent each year beginning in the state fiscal year 1985; or (2) an amount equal to eight and one-third percent of the amount credited to the longevity bonus account for the previous fiscal year under AS 37.13.147, exclusive of earnings, divided by the number of qualified applicants under this section; whichever amount is less.

* Sec. 5. AS 47.45.030 is amended to read:

Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification a [A] recipient shall notify the commissioner of administration when the recipient [HE] expects to be absent from the state if the absence is for a continuous period that exceeds 30 days. After that notification, the recipient shall no longer receive bonuses from the Department of Administration after the [HIS] last regularly approved monthly application. Upon returning [HIS RETURN] to the state the recipient [HE] may again make application for a bonus. Whenever the absence is for a continuous period that exceeds 180 days the recipient shall be disqualified from receiving bonuses for the next 12 calendar months after returning [HIS RETURN] to the state. However, when the commissioner of administration determines a period of absence is beyond the control of the recipient, the recipient [HE] may not be disqualified, if the recipient [HE] still otherwise qualifies upon returning [HIS RETURN] to the state. Continual absences from the state, even though reported, and failure to notify the commissioner of an expected absence may be grounds for disqualification.

* Sec. 6. AS 47.45.090 is repealed and reenacted to read:

Sec. 47.45.090. ALASKA LONGEVITY BONUS FUND. The Alaska longevity bonus fund is established for the purpose of paying the monthly bonuses provided for in this chapter. The fund consists of money appropriated to the fund by the state legislature from the longevity bonus account established under AS 37.13.147.

* Sec. 7. AS 47.45 is amended by adding a new section to read:

Sec. 47.45.145. ACCESS TO RECORDS. (a) Notwithstanding any contrary provision of state law or state agency regulation, the commissioner of administration may have access to and examine records, documents, or other information in the possession of a state agency, other than personal income tax returns filed under AS 43.20, if the records, documents, or information relate to the length of state residence of an applicant for, or a recipient of, a monthly bonus under this chapter.

(b) If the commissioner of administration receives confidential information under (a) of this section, that information may be used only to confirm or rebut an applicant's declaration of length of state residence. If a person discloses information obtained under this section for a purpose other than to rebut an applicant's declaration of length of state residence in an appropriate administrative or judicial proceeding, that person is subject to the penalty that applies to unauthorized disclosure of that information by the agency or person that has primary custody and control of the information.

* Sec. 8. AS 47.45.150 is amended by adding a new paragraph to read:

(3) "resident" or "resident of the state" means an individual who is physically present in the state with the intent to remain in the state indefinitely and to make a home in the state. A person demonstrates the requisite intent only be maintaining a principal place of abode in the state for the one year required by AS 47.-45.010(a) and by providing other proof of intent the commissioner may require by regulation, including proof that the person is not claiming residency outside the state or obtaining benefits under a claim of residency outside the state.

* Sec. 9. AS 47.45.170 is repealed and reenacted to read:

Sec. 47.45.170. FINDINGS AND PURPOSE. The legislature finds and declares that

(1) the high cost of goods and services in Alaska and the state's remoteness and harsh environment, make it difficult for many elderly Alaskans to remain in the state after retirement;

(2) when a person is forced to live out retirement years away from home, family and friends, that person suffers an irreparable loss;

(3) Alaska's elderly are a precious human resource, and it is in the public interest to provide a financial incentive for them to remain in the state after retirement;

(4) as oil revenues decrease, it will become increasingly difficult for the legislature to fund the longevity bonus program through annual appropriations and the income of the Alaska permanent fund is an appropriate source of funding for the longevity bonus program; and

(5) it is in the public interest to continue the longevity bonus program for all elderly Alaskans irrespective of need. The longevity bonus program is not a form of welfare, and is not a substitute for or supplement to public assistance. Other programs are available to provide the basic necessities of life. The longevity bonus program is intended only to encourage elderly Alaskans to spend their retirement years in the comfort of their homes.

* Sec. 10. Notwithstanding sec. 19(3), ch. 102, SLA 1982, in addition to the amount credited to the longevity bonus account under sec. 1 of this Act money in the dividend fund (AS 43.23.045) up to a maximum of $17,500,000 may be used, as appropriated by the legislature, for payment of monthly longevity bonuses from the Alaska longevity bonus fund (AS 47.45.-090) in the state fiscal year eginning July 1, 1983.

* Sec. 11. AS 47.45.150(2) is repealed.

* Sec. 12. Sections 3 and 8 of this Act are retroactive to July 1, 1982.

* Sec. 13. This Act takes effect July 1, 1983.

1/23/84

Hold in Reported out file for review by Conference Committee when appointed.

STATE OF ALASKA
FISCAL NOTE

Revision Date: July 22, 1983

I. REQUEST
Bill/Resolution No.: HCS CS SB 215 (Finance)
Title: Longevity Bonus/Permanent Fund
Sponsor: Ray
Requestor: M.M. Miller (Juneau)

II. FISCAL DETAIL
Agency Affected: Administration
Program Category Affected: Social Svcs.
BRU, Program of Subprogram(s) Affected:
Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| OPERATING | | | | | | |
| 100 PERSONAL SERVICES | | 85.1 | 53.5 | 53.5 | 53.5 | 53.5 |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | 87.0 | 88.0 | 89.0 | 90.0 | 91.0 |
| 400 COMMODITIES | | 2.0 | 1.5 | 1.6 | 1.7 | 1.8 |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC | | 37,182.0 | 15,894.0 | 6,630.5 | 6,606.0 | 1,962.0 |
| TOTAL OPERATING | | 37,356.1 | 16,037.0 | 6,774.6 | 6,751.2 | 2,108.3 |
| CAPITAL | | | | | | |
| REVENUE | | | | | | |

FUNDING: (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| GENERAL FUND | | 37,356.1 | 16,037.0 | (37,547.9) | (40,750.8) | (43,953.7) |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify Source) | | | | | | |
| PERMANENT FUND | | | | 44,322.5 | 47,502.0 | 46,062.0 |

POSITIONS:

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| FULL-TIME | | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| PART-TIME | | 1.5 | -0- | -0- | -0- | -0- |
| TEMPORARY | | | | | | |

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

General Fund and Permanent Fund Income

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: George T. Michael
Phone: 465-4401
Division: Pioneers' Benefits
Date: July 22, 1983

Approved by Commissioner: Lisa Rudd
Date: SEPT 9, 1983
Department: ADMINISTRATION

Distribution:
Original to Legislative Finance
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Copy to Department (for Governor introduced bills)
Copy to Sponsor
Copy to Requestor (if different from Sponsor)

3/8/83

7/0624-01-1/BDGSF1

STATE OF ALASKA
FISCAL NOTE

Revision Date: July 22, 1983

I. REQUEST
Bill/Resolution No.: HCS CS SB 215 (Finance)
Title: Longevity Bonus/Permanent Fund
Sponsor: Ray
Requestor: M.M. Miller (Juneau)

II. FISCAL DETAIL
Agency Affected: Administration
Program Category Affected: Social Svcs.
BRU, Program of Subprogram(s) Affected:
Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| 100 PERSONAL SERVICES | | 85.1 | 53.5 | 53.5 | 53.5 | 53.5 |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | 87.0 | 88.0 | 89.0 | 90.0 | 91.0 |
| 400 COMMODITIES | | 2.0 | 1.5 | 1.6 | 1.7 | 1.8 |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC | | 37,182.0 | 15,894.0 | 6,630.5 | 6,606.0 | 1,962.0 |
| TOTAL OPERATING | | 37,356.1 | 16,037.0 | 6,774.6 | 6,751.2 | 2,108.3 |
| CAPITAL | | | | | | |
| REVENUE | | | | | | |

FUNDING: (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| GENERAL FUND | | 37,356.1 | 16,037.0 | (37,547.9) | (40,750.8) | (43,953.7) |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify Source) | | | | | | |
| PERMANENT FUND | | | | 44,322.5 | 47,502.0 | 46,062.0 |

POSITIONS:

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|---|
| FULL-TIME | | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| PART-TIME | | 1.5 | -0- | -0- | -0- | -0- |
| TEMPORARY | | | | | | |

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

General Fund and Permanent Fund Income

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: George T. Michael G. Michael
Phone:
Division: Pioneers' Benefits
Date: July 22, 1983

Approved by Commissioner: Lisa Rudd LSR
Date: SEPT 9, 1983
Department: ADMINISTRATION

Distribution:
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Copy to Requestor (if different from Sponsor)

3/8/83

7/0624-01-1/BDGSF1

IV. ANALYSIS: <u>HCS CS SB 215 (Finance)</u>

## ASSUMPTIONS

a) Residence requirements for eligibility for the Longevity Bonus Program change from 25 years to one year, but the requirement for domicile in Alaska on or before January 3, 1959, is retained.

b) An estimated 6,072 additional persons will become eligible under the new regulations. Based on the number of people over age 65 who qualified for permanent fund dividends in 1982, we estimate payment of the longevity bonus to 16,500 people in FY84.

c) Retroactive benefits to July 1982 will be payable to the additional 6,072 persons plus 250 present recipients over age 65 who qualified for the Bonus in FY83 by completing 25 years of continuous Alaska domicile. Total cost of these retro payments is expected to be $18,966,000.

d) An increase in the Longevity Bonus staff will be needed to process the initial flood of applications, and continuing increased staff will be necessary to process the greater workload of the expanded program.

e) Growth of the program, up to January 3, 1984, will be approximately 89 per month after the initial surge of applications. This figure is based on the number of applications received in addition to new inquiries in the past year. The current growth rate is 60 applicants per month.

Entrance of new applicants to the program will be curtailed as of January 3, 1984, and the number of persons on the program would be thereafter reduced by deaths at the rate of approximately 40 per month.

f) The Act takes effect immediately.

g) All expenses for FY84 and 85, retroactive payments, and administrative costs (program operating expenses, exclusive of bonus payments) are funded from the General Fund. Bonus payments for FY86-88 will be funded from earnings of the Permanent Fund.

h) The amount of the Bonus will be $250 per month in FY84 and 85. After July 1, 1985, the amount of the Bonus is $250 per month <u>or</u> an amount equal to 8-1/3% of the amount credited to the Bonus account, exclusive of earnings, divided by the number of qualified recipients. Permanent fund earnings will supplant General Fund dollars for grants in FY86-88 as shown in the funding source section of this fiscal note.

IV. ANALYSIS: (continued)



Monthly Longevity Bonus payments are estimated to be:

FY84 - $250
FY85 - $250
FY86 - $226
FY87 - $250
FY88 - $250

Additional funds needed for FY84 are computed as follows:

| | Annual Cost |
|---|---|
| Personal Services | $85,140 |
| Clerk V, PFT (two positions) $53,460<br>Clerk II, PPT (three positions, 6 mo.) $31,680 | |
| Contractual Services | 87,000 |
| Added postage, bonus warrants, printing of new regulations and application forms, data processing charges, increased telephone tolls. | |
| Commodities | 2,000 |
| Office supplies and file cabinets for application and recipient files. | |
| Grants | |
| Additional funds needed for Bonus payments to estimated 6,072 additional persons who will be eligible due to one-year residence requirement. (6,072 x 12 x $250) | 18,216,000 |
| Retroactive payments for those who would have been eligible on July 1, 1982 (est. 6,322 x 12 x $250) (General funds) | 18,966,000 |
| Additional FY84 funds required | $37,356,140 |

For years beyond FY84, two additional PFT staff positions need to be retained, along with appropriate contractual and commodities costs, plus grants based on assumptions listed on page 2.

~~6/~~ 7/21/83

Longevity Bonus Grants
HCS CS SB 215 (Finance)

FY84 — 16,500 × 12 × $250 = $49,500,000
Retro 6,322 × 12 × $250 = $18,966,000
FY84 Total Grants $68,466,000

FY85 — 16,794 × 12 × $250 = $50,382,000

FY86 — $340,980,000 × $12\frac{1}{2}$% = $42,622,500
Interest earned on above = 1,700,000
Total FY86 L.B. Account $44,322,500

$44,322,500 × $8\frac{1}{3}$% = $3,693,542 (mo. dist.)
$3,693,542 ÷ 16,314 = $226.40/mo.

FY87 — $436,090,000 × $12\frac{1}{2}$% = $54,511,250
Interest earned on above = 2,200,000
Total FY87 L.B. Account $56,711,250

$56,711,250 × $8\frac{1}{3}$% = $4,725,937 (mo. dist.)
$4,725,937 ÷ 15,834 = $298.47/mo.

FY88 — $498,320,000 × 12½% = $62,290,000

Interest earned on above = <u>2,500,000</u>

Total FY88 LB. Account $64,790,000

$64,790,000 × 8⅓% = $5,399,166 (mo. dist.

$5,399,166 ÷ 15,354 = $351.65/mo.

7/21/83

SB215 (Finance)
Total L.B. Costs

| | | | |
|---|---|---|---|
| FY84 | Grants | $68,466,000 | All G.F. |
| | Admin. | 280,000 | |
| | Addl. Admin. | 174,100 | |
| | Total | $68,920,100 | |
| FY85 | G. | $50,382,000 | |
| | A. | 280,000 | |
| | A.A. | 143,000 | |
| | Total | $50,805,000 | |
| FY86 | G. | $44,322,500 | |
| | A. | 280,000 | |
| | A.A. | 144,100 | |
| | Total | $44,746,600 | G.F. & P.F. |
| FY87 | G. | $47,502,000 | (15,834 × 12 × $250) |
| | A. | 280,000 | |
| | A.A. | 145,200 | |
| | Total | $47,927,200 | G.F. & P.F. |
| FY88 | G. | $46,062,000 | (15,354 × 12 × $250) |
| | A. | 280,000 | |
| | A.A. | 146,300 | |
| | Total | $46,488,300 | G.F. & P.F. |

| | | | |
|---|---|---|---|
| FY89 | Grants | $44,622,000 | (14,874 x 12 x $250) |
| | Administration | 280,000 | |
| | Addl. Admin. | 147,400 | |
| | Total | $45,049,400 | |

| | | | |
|---|---|---|---|
| FY90 | G. | $43,182,000 | (14,394 x 12 x $250) |
| | A. | 280,000 | |
| | A.A. | 148,500 | |
| | Total | $43,610,500 | |

| | | | |
|---|---|---|---|
| FY91 | G. | $41,742,000 | (13,914 x 12 x $250) |
| | A. | 280,000 | |
| | A.A. | 149,600 | |
| | Total | $42,171,600 | |

| | | | |
|---|---|---|---|
| FY92 | G. | $40,302,000 | (13,434 x 12 x $250) |
| | A. | 280,000 | |
| | A.A. | 150,700 | |
| | Total | $40,732,700 | |

| | | | |
|---|---|---|---|
| FY93 | G. | $38,862,000 | (12,954 x 12 x $250) |
| | A. | 280,000 | |
| | A.A. | 151,800 | |
| | Total | $39,293,800 | |

STATE OF ALASKA
FISCAL NOTE

Revision Date: November 22, 1983

I. REQUEST
Bill/Resolution No.: HCSCS SB 215 (Finance)
Title: Longevity Bonus/Permanent Fund
Sponsor: Ray
Requestor:

II. FISCAL DETAIL
Agency Affected: Administration
Program Category Affected: Social Services
BRU, Program of Subprogram(s) Affected: Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 |
|---|---|---|---|---|---|---|
| OPERATING | | | | | | |
| 100 PERSONAL SERVICES | | 34.0 | Ø | Ø | Ø | Ø |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | 17.3 | 4.0 | 1.2 | (1.5) | (4.1) |
| 400 COMMODITIES | | 1.5 | Ø | (.2) | (.4) | (.6) |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC | | 3,000.0 | (600.0) | (4,200.0) | (7,800.0) | (11,400.0) |
| TOTAL OPERATING | | 3,052.8 | (596.0) | (4,199.0) | (7,801.9) | (11,404.7) |
| CAPITAL | | | | | | |
| REVENUE | | | | | | |

FUNDING: (Thousands of Dollars)

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 |
|---|---|---|---|---|---|---|
| GENERAL FUND | | 3,052.8 | (33,341.0) | (35,504.0) | (37,666.9) | (39,829.7) |
| FEDERAL FUNDS | | | | | | |
| OTHER (Permanent Fund) | | | 32,745.0 | 31,305.0 | 29,865.0 | 28,425.0 |
| TOTAL | | 3,052.8 | (596.0) | (4,199.0) | (7,801.9) | (11,404.7) |

POSITIONS:

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 |
|---|---|---|---|---|---|---|
| FULL-TIME | | | | | | |
| PART-TIME | | 3.0 | Ø | Ø | Ø | Ø |
| TEMPORARY | | | | | | |
| TOTAL | | 3.0 | Ø | Ø | Ø | Ø |

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

General Fund and Permanent Fund

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: ~~George T. Michael~~ Director, Michael
Phone: 464-4401
Division: Pioneers' Benefit
Date: November 22, 1983

Approved by Commissioner: Lisa Rudd Lisa S Rudd
Date: 12/21/83
Department: ADMINISTRATION

Distribution:
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3/1109-02-1/BDGSF3

IV. ANALYSIS: HCS CSSB 215 (FINANCE)

ASSUMPTIONS

a. Eligibility requirements for the Longevity Bonus are age 65 or over and completion of one year of Alaska residence on or before January 3, 1959.

b. It is not known how many persons who meet the age requirement resided in Alaska at least one year before statehood. However, for the purpose of this fiscal note it is assumed that an additional 1,000 persons will qualify for the bonus, including those who do not qualify under the original requirements due to broken Alaska residence and those who were residents prior to statehood and may return to Alaska.

c. The bill, in its present form, curtails entrance of new applicants to the program as of January 3, 1984. However, the Legislature failed to pass the bill, and it is assumed for the purpose of this fiscal note that the Act will become effective on July 1, 1984, and applicants meeting the new criteria as of that date will be enrolled in the program.

d. After the new applicants have been enrolled, the program will begin to phase-out and the number of recipients will be reduced by death at the rate of approximately 40 each month.

e. An increase in the Longevity Bonus staff will be needed for six months to process the flood of applications.

f. All expenses for FY 85, and adminstrative costs (program operating expenses exclusive of bonus payments) for FY 86-89 are funded from the General Fund. Bonus payments for FY 86-89 will be funded from earnings of the Permanent Fund.

g. Longevity Bonus payments will be $250 per month for each year FY 85-89 under the above assumptions.

Additional funds needed for FY 85 are computed as follows:

| | ANNUAL COST |
|---|---|
| Personal Services: Clerk II, PPT (three positions, 6 mos.) | $ 33,975 |
| Contractual Services: Added postage, bonus warrants, printing of new regulations and application forms, and increased telephone tolls. | $ 17,328 |
| Commodities: Office supplies and file cabinets for application and recipient files. | $ 1,500 |
| Grants: Additional funds needed for Bonus payments to additional persons who will be eligible (1,000 x 12 x $250). | $ 3,000,000 |
| Total Additional funds required for FY 85 | $ 3,052,803 |

Offered: 6/24/83
Referred: Rules

Original sponsors: Ray and Kerttula

IN THE SENATE BY THE FINANCE COMMITTEE

HOUSE CS FOR CS FOR SENATE BILL NO. 215 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act authorizing the use of Alaska permanent fund income to pay longevity bonuses; amending the longevity bonus program and the permanent fund dividend distribution program; and providing for an effective date."

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

* Section 1. AS 37.13 is amended by adding a new section to read:

Sec. 37.13.147. LONGEVITY BONUS ACCOUNT. (a) After July 1, 1985, the longevity bonus account is established as a separate account in the Alaska permanent fund. Notwithstanding the provisions of AS 37.13.145, 12.5 percent of the income of the permanent fund earned during the fiscal year ending on June 30 of the current year that is available for distribution under AS 37.13.140 shall be credited to the longevity bonus account.

(b) Money in the longevity bonus account shall be invested in investments authorized under AS 37.13.120. The longevity bonus account shall be credited with earnings at an interest rate equal to the average rate of interest earned on the Alaska permanent fund.

(c) The legislature may annually appropriate an amount sufficient to pay monthly longevity bonuses for the subsequent fiscal year under AS 47.45.010(d) from the longevity bonus account to the Alaska longevity bonus fund established under AS 47.45.090.

* Sec. 2. AS 43.23.045(c) is repealed and reenacted to read:

(c) Notwithstanding any contrary provision of law, after July 1, 1985 each year the commissioner shall transfer to the dividend fund 37.5 percent of the income of the Alaska permanent fund earned during the fiscal year ending on June 30 of the current year and available for distribution.

* Sec. 3. AS 43.23.045 is amended by adding a new subsection to read:

(d) The department may adopt by regulation a plan that, to the extent permitted by federal law, will allow an individual who elects to participate in the plan to select an optional disbursement of the dividend payment that would have the effect of deferring payment of all or a portion of federal income taxes on the receipt of a permanent fund dividend.

* Sec. 4. AS 47.45.010 is amended to read:

Sec. 47.45.010. PERSONS WHO MAY QUALIFY FOR LONGEVITY BONUS. (a) A person who is 65 years of age or over, who was a resident of [DOMICILED IN] the territory on or before January 3, 1959 [AND WHO HAS MAINTAINED A CONTINUOUS DOMICILE IN THE TERRITORY OR STATE FOR 25 YEARS] may apply to the commissioner of administration for qualification to receive a monthly bonus [OF $250].

(b) When the commissioner of administration determines that an applicant qualifies under AS 47.45.010 - 47.45.170 the commissioner [HE] shall immediately begin payment of the bonus.

(c) A person who otherwise qualifies to receive a bonus provided for in AS 47.45.010 - 47.45.170 may continue to do so only as long as that person continues to be a resident of [HE CONTINUOUSLY RETAINS A DOMICILE IN] the state.

* Sec. 5. AS 47.45.010 is amended by adding a new subsection to read:

(d) After July 1, 1985, the amount of the monthly bonus is the lesser of (1) $250; or (2) an amount equal to eight and one-third percent of the amount credited to the longevity bonus account for the previous fiscal year under AS 37.13.147, exclusive of earnings, divided by the number of qualified applicants under this section.

* Sec. 6. AS 47.45.030 is amended to read:

Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification a [A] recipient shall notify the commissioner of administration when the recipient [HE] expects to be absent from the state if the absence is for a continuous period that exceeds 30 days. After that notification, the recipient shall no longer receive bonuses from the Department of Administration after the [HIS] last regularly approved monthly application. Upon returning [HIS RETURN] to the state the recipient [HE] may again make application for a bonus. Whenever the absence is for a continuous period that exceeds 180 days the recipient shall be disqualified from receiving bonuses for the next 12 calendar months after returning [HIS RETURN] to the state. However, when the commissioner of administration determines a period of absence is beyond the control of the recipient, the recipient [HE] may not be disqualified, if the recipient [HE] still otherwise qualifies upon returning [HIS RETURN] to the state. Continual absences from the state, even though reported, and failure to notify the commissioner of an expected absence may be grounds for disqualification.

* Sec. 7. AS 47.45.090 is repealed and reenacted to read:

Sec. 47.45.090. ALASKA LONGEVITY BONUS FUND. (a) The Alaska longevity bonus fund is created for the purpose of paying the monthly bonuses provided for in this chapter. The fund consists of all money made available by appropriations of the state legislature, and from other appropriated funds, all contributions from whatever source, and income and interest derived from the investment of money.

(b) After July 1, 1985, the Alaska longevity bonus fund consists of money appropriated to the fund by the state legislature from the longevity bonus account established under AS 37.13.147.

(c) The commissioner of administration is the administrator of the fund.

* Sec. 8. AS 47.45 is amended by adding a new section to read:

Sec. 47.45.145. ACCESS TO RECORDS. (a) Notwithstanding any contrary provision of state law or state agency regulation, the commissioner of administration may have access to and examine records, documents, or other information in the possession of a state agency, other than personal income tax returns filed under AS 43.20, if the records, documents, or information relate to the length of state residence of an applicant for, or a recipient of, a monthly bonus under this chapter.

(b) If the commissioner of administration receives confidential information under (a) of this section, that information may be used only to confirm or rebut an applicant's declaration of length of state residence. If a person discloses information obtained under this section for a purpose other than to rebut an applicant's declaration of length of state residence in an appropriate administrative or judicial proceeding, that person is subject to the penalty that applies to unauthorized disclosure of that information by the agency or person that has primary custody and control of the information.

* Sec. 9. AS 47.45.150 is amended by adding a new paragraph to read:

(3) "resident" or "resident of the state" means an individual who is physically present in the state with the intent to remain in the state indefinitely and to make a home in the state. A person demonstrates the requisite intent by maintaining a principal place of abode in the state for one year and by providing other proof of intent the commissioner may require by regulation, including proof that the person is not claiming residency outside the state or

obtaining benefits under a claim of residency outside the state.

* Sec. 10. AS 47.45.170 is repealed and reenacted to read:

Sec. 47.45.170. FINDINGS AND PURPOSE. The legislature finds and declares that

(1) the high cost of goods and services in Alaska and the state's remoteness and harsh environment, make it difficult for many elderly Alaskans to remain in the state after retirement;

(2) when a person is forced to live out retirement years away from home, family and friends, that person suffers an irreparable loss;

(3) Alaska's elderly are a precious human resource, and it is in the public interest to provide a financial incentive for them to remain in the state after retirement; and

(4) it is in the public interest to continue the longevity bonus program for all elderly Alaskans irrespective of need. The longevity bonus program is not a form of welfare, and is not a substitute for or supplement to public assistance. Other programs are available to provide the basic necessities of life. The longevity bonus program is intended only to encourage elderly Alaskans to spend their retirement years in the comfort of their homes.

* Sec. 11. SOURCE OF FUNDS. It is the intent of the legislature that money needed to pay longevity bonuses during the 1984 and 1985 state fiscal years be appropriated from the general fund.

* Sec. 12. AMOUNT OF BONUS. The amount of the monthly bonus under AS 47.45.010 is $250 from July 1, 1983, to June 30, 1985.

* Sec. 13. SEVERABILITY. If any section of this Act is declared unconstitutional or otherwise invalid by a court of competent jurisdiction, the Department of Administration shall adopt regulations to impose the most stringent residency requirement allowable under the Constitution of the

State of Alaska and the United States Constitution for eligibility for longevity bonus payments.

* Sec. 14. After January 3, 1984 a person may not receive a monthly longevity bonus under AS 47.45 unless that person was eligible to receive a longevity bonus before that date.

* Sec. 15. Section 2, ch. 205, SLA 1972 and AS 47.45.150(2) are repealed.

* Sec. 16. This Act takes effect immediately in accordance with AS 01.10.070(c).

11/4/83

Contractual Services
HCS CS SB 215 (Finance)

| | FY85 | FY86 | FY87 | FY88 | FY89 |
|---|---|---|---|---|---|
| Postage | 5,040 | 2,621 | -0- | (2,500) | (5,000) |
| Warrants | 288 | 150 | -0- | (150) | (300) |
| Printing (regs, apps, etc.) | ~~[illegible]~~ ~~[illegible]~~ 10,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Telephone | 2,000 | 200 | 200 | 200 | 200 |
| Totals | ~~[illegible]~~ ~~[illegible]~~ 17,328 | 3,971 | 1,200 | (1,450) | (4,100) |

11/4/83

Funds Available for
Longevity Bonus Grants
HCS CS SB215 (Finance)
(including interest)

FY85 — 11,395 × 12 × \$250 = \$34,185,000

FY86 — \$443,890,000 × $12\frac{1}{2}$% = \$55,486,000
Interest earned on above 2,219,440
Total FY86 L.B. Account \$57,705,440

\$57,705,440 × $8\frac{1}{3}$% = \$4,808,787 (mo. distribution)
\$4,808,787 ÷ 10,915 = \$441 / mo. (available)

FY87 — \$565,750,000 × $12\frac{1}{2}$% = \$70,718,750
Interest earned on above 2,828,750
Total FY87 L.B. Account \$73,547,500

\$73,547,500 × $8\frac{1}{3}$% = \$6,128,958
\$6,128,958 ÷ 10,435 = \$587/mo. (available)

FY88 — \$665,080,000 × $12\frac{1}{2}$% = \$83,135,000
Interest earned on above 3,325,400
Total FY88 L.B. Account \$86,460,400

\$86,460,400 × $8\frac{1}{3}$% = \$7,205,033
\$7,205,033 ÷ 9,955 = \$724 / mo. (available)

FY89 — $766,970,000 × 12½% = $95,871,250
Interest earned on above 3,834,850
Total FY89 L.B. Account $99,706,100

$99,706,100 × 8⅓% = $8,308,842
$8,308,842 ÷ 9,475 = $877/mo. (available)

FY90 — $875,180,000 × 12½% = $109,397,500
Interest earned on above 4,375,900
Total FY90 L.B. Account $113,773,400

$113,773,400 × 8⅓% = $9,481,117
$9,481,117 ÷ 8,995 = $1,054/mo. (available)

FY91 — $991,530,000 × 12½% = $123,941,250
Interest earned on above 4,957,650
Total FY91 L.B. Account $128,898,900

$128,898,900 × 8⅓% = $10,741,575
$10,741,575 ÷ 8,515 = $1,261/mo. (available)

FY92 — $1,117,720,000 × 12½% = $139,715,000
Interest earned on above 5,588,600
Total FY92 L.B. Account $145,303,600

$145,303,600 × 8⅓% = $12,108,633
$12,108,633 ÷ 8,035 = $1,507/mo. (available)

FY93 — $1,253,110,000 × 12½% = $156,638,750

Interest earned on above 6,265,550

Total FY93 L.B. Account $162,904,300

$162,904,300 × 8⅓% = $13,575,358

$13,575,358 ÷ 7,555 = $1,797/mo. (available)

FY94 — $1,397,630,000 × 12½% = $174,703,750

Interest earned on above 6,988,150

Total FY94 L.B. Account $181,691,900

$181,691,900 × 8⅓% = $15,140,992

$15,140,992 ÷ 7,075 = $2,140/mo. (available)

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH S
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

November 7, 1983

George Michael
Administrative Officer
Department of Administration
Pouch C
Juneau, AK 99811

Dear Mr. Michael:

You have asked me what the updated numbers (September 83) would be if 12.5% of distributable income (AS 37.13.140) plus interest is set aside for a longivity payment program.

The numbers are as indicated below and based on our September Long Run Revenue forecast. Please keep in mind that these numbers are updated on a quarterly basis and thus subject to change. I have assumed the same annualized 8% rate of return that was adopted in the June 2, 1983 memorandum from Commissioner Heath to Commissioner Rudd relative to Senate Bill 215. You should also be aware that the nominal 8% rate of return works out to an effective rate of approximated half the nominal rate due to the fact that these distributable income monies accrue on a month by month basis. The 8% nominal interest rate, at this time, could be judged at conservative.

I do not know what the latest thinking is relative to a longivity program and have thus taken a general approach to the numbers realizing, of course, that there may be exceptions or pecularities that may be advocated should such a program be in fact initiated.

George Michael
Administrative Officer
Department of Administration
November 7, 1983
Page Two

Expenditure Year
(millions of current dollars)

| | FY85 | FY86 | FY87 | FY88 | FY89 | FY90 |
|---|---|---|---|---|---|---|
| Transfer (12.5% of prior FY's distributable income) | 39.7 | 55.49 | 70.72 | 83.14 | 95.87 | 109.40 |
| Interest (at 8%) | 1.59 | 2.22 | 2.83 | 3.33 | 3.83 | 4.38 |
| Total | 41.29 | 57.71 | 73.55 | 86.47 | 99.70 | 113.78 |

If you have any questions feel free to contact me.

Sincerely,

Vincent Wright

Vincent Wright
Chief of Research

VW:mll

REPORT 3: PF INTEREST & DIVIDEND CALCULATIONS

| | PFCO | PFOC | PFBAI | PFRTIP | PFBAN | PFIE | PFIDIS | PFBIE | PFDPMT | CYR | PFBA | PFBAR | PFBANR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 81 | 384.60 | 900.00 | 1767.80 | 0.00 | 1767.80 | 149.87 | 91.01 | 122.40 | 0.00 | 80 | 1873.14 | 1873.14 | 1767.80 |
| 82 | 401.12 | 800.00 | 2968.92 | 0.00 | 2968.92 | 368.43 | 183.49 FY | 297.93 | 0.00 | 81 | 3299.47 | 3124.50 | 2811.48 |
| 83 | 417.22 | 400.00 | 3786.15 | 231.19 | 4017.34 | 471.13 | 255.40 84 | 332.15 | 480.85 | 82 | 4370.40 | 3904.38 | 3598.96 |
| 84 | 323.50 | 100.00 | 4440.84 | 266.45 | 4707.29 | 566.35 | 317.59 85 | 363.92 | 175.94 | 83 | 5201.46 | 4383.80 | 3967.31 |
| 85 | 335.85 | 0.00 | 5043.14 | 302.59 | 5345.73 | 663.66 | 443.89 86 | 380.63 | 198.42 | 84 | 5957.95 | 4737.14 | 4250.36 |
| 86 | 368.60 | 0.00 | 5714.33 | 342.86 | 6057.19 | 759.18 | 565.75 87 | 400.64 | 228.47 | 85 | 6802.86 | 5102.76 | 4543.44 |
| 87 | 392.76 | 0.00 | 6449.95 | 387.00 | 6836.95 | 865.10 | 665.08 88 | 440.40 | 290.48 | 86 | 7728.18 | 5468.71 | 4838.05 |
| 88 | 410.05 | 0.00 | 7246.99 | 434.82 | 7681.81 | 980.54 | 766.97 89 | 486.90 | 342.32 | 87 | 8735.28 | 5831.49 | 5128.22 |
| 89 | 448.84 | 0.00 | 8130.65 | 487.84 | 8618.49 | 1107.42 | 875.18 | 539.62 | 395.16 | 88 | 9853.95 | 6205.95 | 5427.86 |
| 90 | 444.09 | 0.00 | 9062.58 | 543.75 | 9606.33 | 1245.39 | 991.53 | 596.93 | 451.23 | 89 | 11047.66 | 6563.91 | 5707.55 |
| 91 | 399.29 | 0.00 | 10005.62 | 600.34 | 10605.95 | 1390.17 | 1117.72 | 653.16 | 511.55 | 90 | 12278.26 | 6882.14 | 5944.79 |
| 92 | 395.80 | 0.00 | 11001.77 | 660.11 | 11661.87 | 1542.05 | 1253.11 | 708.80 | 576.99 | 91 | 13589.56 | 7185.98 | 6166.64 |
| 93 | 379.64 | 0.00 | 12041.52 | 722.49 | 12764.00 | 1703.13 | 1397.63 | 766.05 | 647.28 | 92 | 14973.52 | 7469.63 | 6367.40 |
| 94 | 374.97 | 0.00 | 13138.97 | 788.34 | 13927.31 | 1873.90 | 1550.93 | 825.34 | 722.38 | 93 | 16446.92 | 7740.24 | 6554.46 |
| 95 | 355.38 | 0.00 | 14282.69 | 856.96 | 15139.65 | 2054.80 | 1712.81 | 886.97 | 802.13 | 94 | 18000.70 | 7991.96 | 6721.71 |
| 96 | 338.65 | 0.00 | 15478.30 | 928.70 | 16407.00 | 2245.81 | 1883.94 | 950.22 | 886.43 | 95 | 19643.19 | 8227.55 | 6872.07 |
| 97 | 343.97 | 0.00 | 16750.97 | 1005.06 | 17756.02 | 2449.15 | 2065.36 | 1016.48 | 975.63 | 96 | 21403.63 | 8457.47 | 7016.15 |
| 98 | 361.55 | 0.00 | 18117.58 | 1087.05 | 19204.63 | 2667.83 | 2258.30 | 1087.84 | 1070.27 | 97 | 23303.87 | 8687.11 | 7159.02 |
| 99 | 362.01 | 0.00 | 19566.64 | 1174.00 | 20740.64 | 2902.73 | 2464.06 | 1164.03 | 1171.00 | 98 | 25336.57 | 8910.25 | 7293.97 |

REPORT 3: PF INTEREST & DIVIDEND CALCULATIONS

| FY | CYR | PBASE | PNTINC | PNMIGR | MLTDEP | POPCIV | PERMLT | TMILT | POPTOT | CHILD | ADULT | POPG | PFAPPT | PFAPPA | PFCHLA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 81 | 80 | 339.50 | 4.03 | 8.58 | 32.44 | 330.52 | 22.10 | 54.54 | 402.62 | 131.01 | 271.61 | 3.20 | 394.57 | 266.17 | 128.39 |
| 82 | 81 | 352.26 | 4.18 | 14.86 | 32.44 | 399.55 | 22.10 | 54.54 | 421.65 | 132.99 | 288.66 | 4.73 | 413.22 | 282.89 | 130.33 |
| 83 | 82 | 371.52 | 4.41 | 19.28 | 32.44 | 423.23 | 22.10 | 54.54 | 445.33 | 136.00 | 309.33 | 5.62 | 476.43 | 330.93 | 145.50 |
| 84 | 83 | 395.48 | 4.69 | 8.91 | 32.44 | 436.83 | 22.10 | 54.54 | 458.93 | 140.16 | 318.77 | 3.05 | 455.61 | 316.47 | 139.14 |
| 85 | 84 | 409.24 | 4.85 | 9.18 | 32.44 | 450.86 | 22.10 | 54.54 | 472.96 | 144.44 | 328.52 | 3.06 | 463.50 | 321.95 | 141.55 |
| 86 | 85 | 423.44 | 5.02 | 9.46 | 32.44 | 465.34 | 22.10 | 54.54 | 487.44 | 148.86 | 338.58 | 3.06 | 477.69 | 331.80 | 145.89 |
| 87 | 86 | 438.09 | 5.19 | 9.75 | 32.44 | 480.28 | 22.10 | 54.54 | 502.38 | 153.43 | 348.96 | 3.07 | 492.33 | 341.98 | 150.36 |
| 88 | 87 | 453.22 | 5.37 | 10.05 | 32.44 | 495.70 | 22.10 | 54.54 | 517.80 | 158.14 | 359.67 | 3.07 | 507.45 | 352.47 | 154.97 |
| 89 | 88 | 468.82 | 5.56 | 10.36 | 32.44 | 511.62 | 22.10 | 54.54 | 533.72 | 163.00 | 370.72 | 3.07 | 523.04 | 363.31 | 159.74 |
| 90 | 89 | 484.93 | 5.75 | 10.67 | 32.44 | 528.04 | 22.10 | 54.54 | 550.14 | 168.01 | 382.13 | 3.08 | 539.14 | 374.49 | 164.65 |
| 91 | 90 | 501.55 | 5.95 | 11.00 | 32.44 | 544.99 | 22.10 | 54.54 | 567.09 | 173.19 | 393.90 | 3.08 | 555.75 | 386.02 | 169.73 |
| 92 | 91 | 518.70 | 6.15 | 11.34 | 32.44 | 562.48 | 22.10 | 54.54 | 584.58 | 178.53 | 406.05 | 3.08 | 572.89 | 397.93 | 174.96 |
| 93 | 92 | 536.40 | 6.36 | 11.69 | 32.44 | 580.54 | 22.10 | 54.54 | 602.64 | 184.04 | 418.59 | 3.09 | 590.58 | 410.22 | 180.36 |
| 94 | 93 | 554.67 | 6.58 | 12.05 | 32.44 | 599.17 | 22.10 | 54.54 | 621.27 | 189.73 | 431.53 | 3.09 | 608.84 | 422.90 | 185.94 |
| 95 | 94 | 573.53 | 6.80 | 12.43 | 32.44 | 618.39 | 22.10 | 54.54 | 640.49 | 195.61 | 444.89 | 3.09 | 627.68 | 435.99 | 191.69 |
| 96 | 95 | 592.98 | 7.03 | 12.81 | 32.44 | 638.23 | 22.10 | 54.54 | 660.33 | 201.67 | 458.67 | 3.10 | 647.13 | 449.49 | 197.63 |
| 97 | 96 | 613.06 | 7.27 | 13.21 | 32.44 | 658.71 | 22.10 | 54.54 | 680.81 | 207.92 | 472.89 | 3.10 | 667.19 | 463.43 | 203.76 |
| 98 | 97 | 633.78 | 7.52 | 13.62 | 32.44 | 679.84 | 22.10 | 54.54 | 701.94 | 214.37 | 487.57 | 3.10 | 687.90 | 477.82 | 210.08 |
| 99 | 98 | 655.17 | 7.77 | 14.04 | 32.44 | 701.65 | 22.10 | 54.54 | 723.75 | 221.03 | 502.71 | 3.11 | 709.27 | 492.66 | 216.61 |

REPORT 3: PF INTEREST & DIVIDEND CALCULATIONS

| FY | PFRTIP | PFBIE | PFUIA | UIAIE | UIACD | CPFUII | CUIAIE | CPFUIA | PFTRDF | GFAPDF | DFINT | PFDBAL | PFDPP | PFDPPR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 81 | 0.00 | 122.40 | 122.40 | 0.00 | 27.47 | 105.34 | 0.00 | 105.34 | 27.47 | 0.00 | 1.12 | 40.43 | 0.00 | 0.00 |
| 82 | 0.00 | 297.93 | 297.93 | 0.00 | 72.72 | 330.55 | 0.00 | 330.55 | 70.50 | 0.00 | 3.29 | 114.22 | 0.00 | 0.00 |
| 83 | 231.19 | 332.15 | 100.96 | 31.10 | 109.54 | 321.97 | 31.10 | 353.07 | 107.88 | 437.13 | 10.36 84 | 188.74 | 1009.28 | 901.66 |
| 84 | 266.45 | 363.92 | 97.47 | 43.64 | 0.00 | 419.44 | 74.74 | 494.18 | 153.79 | 0.00 | 5.75 85 | 177.34 | 386.16 | 325.46 |
| 85 | 302.59 | 380.63 | 78.04 | 61.08 | 21.03 | 477.66 | 134.56 | 612.22 | 221.94 | 0.00 | 6.52 86 | 228.47 | 428.09 | 340.37 |
| 86 | 342.86 | 400.64 | 57.78 | 75.67 | 0.00 | 535.44 | 210.23 | 745.67 | 282.87 | 0.00 | 7.60 87 | 290.48 | 478.27 | 358.75 |
| 87 | 387.00 | 440.40 | 53.40 | 92.16 | 0.00 | 588.84 | 302.39 | 891.23 | 332.54 | 0.00 | 9.78 88 | 342.32 | 590.00 | 417.50 |
| 88 | 434.82 | 486.90 | 52.08 | 110.16 | 0.00 | 640.92 | 412.55 | 1053.47 | 383.48 | 0.00 | 11.67 89 | 395.16 | 674.60 | 450.35 |
| 89 | 487.84 | 539.62 | 51.78 | 130.21 | 0.00 | 692.70 | 542.76 | 1235.46 | 437.59 | 0.00 | 13.64 | 451.23 | 755.49 | 475.80 |
| 90 | 543.75 | 596.93 | 53.17 | 152.70 | 0.00 | 745.87 | 695.46 | 1441.34 | 495.76 | 0.00 | 15.78 | 511.55 | 836.95 | 497.27 |
| 91 | 600.34 | 653.16 | 52.82 | 178.15 | 0.00 | 798.69 | 873.61 | 1672.30 | 558.86 | 0.00 | 18.13 | 576.99 | 920.46 | 515.93 |

# Total L.B. Costs (Actual)
## HCS CS SB215 (Finance)

| | | | |
|---|---|---|---|
| FY85 | Grants (11,395 × 12 × $250) | $ 34,185,000 | All G.F. |
| | Admin. | 269,400 | |
| | Add'l. Admin. | 52,803 ~~50,400~~ | |
| | Total | ~~$34,504,500~~ 34,507,203 | |
| FY86 | Grants (10,915 × 12 × $250) | $32,745,000 | P.F. |
| | Admin. | 269,400 | G.F. |
| | Total | $33,014,400 | |
| FY87 | Grants (10,435 × 12 × $250) | $31,305,000 | P.F. |
| | Admin. | 269,400 | G.F. |
| | Total | $31,574,400 | |
| FY88 | Grants (9,955 × 12 × $250) | $29,865,000 | P.F. |
| | Admin. | 269,400 | G.F. |
| | Total | $30,134,400 | |
| FY89 | Grants (9,475 × 12 × $250) | $28,425,000 | P.F. |
| | Admin. | 269,400 | G.F. |
| | Total | $28,694,400 | |

Total L.B. Costs (Actual)
HCS CS SB215 (Finance)

| | | | |
|---|---|---|---|
| FY90 | Grants (8,995 x 12 x $250) | $26,985,000 | PF |
| | Admin. | 269,400 | GF |
| | Total | $27,254,400 | |
| FY91 | Grants (8,515 x 12 x $250) | $25,545,000 | PF |
| | Admin. | 269,400 | GF |
| | Total | $25,814,400 | |
| FY92 | Grants (8,035 x 12 x $250) | $24,105,000 | PF |
| | Admin. | 269,400 | GF |
| | Total | $24,374,400 | |
| FY93 | Grants (7,555 x 12 x $250) | $22,665,000 | PF |
| | Admin. | 269,400 | GF |
| | Total | $22,934,400 | |
| FY94 | Grants (7,075 x 12 x $250) | $21,225,000 | PF |
| | Admin. | 269,400 | GF |
| | Total | $21,494,400 | |

11/3/83

Grants Budget
if L.B. program is unchanged

FY85 (based on growth of 60 per month over present enrollment)
10,395 persons @ $250/mo = $31,185.0

FY86 (growth of 60/mo.)
11,115 persons @ $250/mo. = 33,345.0

| | | | | | | |
|---|---|---|---|---|---|---|
| FY87 | " | " " | 11,835 @ $250/mo. | | = | 35,505.0 |
| FY88 | " | " " | 12,555 | " | = | 37,665.0 |
| FY89 | " | " " | 13,275 | " | = | 39,825.0 |
| FY90 | " | " " | 13,995 | " | = | 41,985.0 |
| FY91 | " | " " | 14,715 | " | = | 44,145.0 |
| FY92 | " | " " | 15,435 | " | = | 46,305.0 |
| FY93 | " | " " | 16,155 | " | = | 48,465.0 |
| FY94 | " | " " | 16,875 | " | = | 50,625.0 |

accompany bill
H. Fin. 6/10/83

# THE LEGISLATURE OF THE STATE OF ALASKA
## THIRTEENTH LEGISLATURE

## FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 215
Title An Act amending the Alaska Longevity Bonus Program
Requested by ______ Date 6/9/83

II. FISCAL DETAIL

Agency Affected Department of Administration
Program Category Affected ______
BRU, Program, or Subprogram(s) Affected Alaska Longevity Bonus Program
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|
| 100 PERSONAL SERVICES | 26.7 | 26.7 | 26.7 | 26.7 | 26.7 |
| 200 TRAVEL | | | | | |
| 300 CONTRACTUAL | 26.0 | 26.5 | 27.0 | 27.5 | 28.0 |
| 400 COMMODITIES | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 500 EQUIPMENT | | | | | |
| 600 LAND & STRUCTURES | | | | | |
| 700 GRANTS, CLAIMS, ETC. | 43300.0 | 32000.0 | 44000.0 | 56700.0 | 64800.0 |
| TOTAL | 43353.7 | 32054.2 | 44054.7 | 56755.2 | 64855.7 |

FUNDING (Thousands of Dollars)

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|
| GENERAL FUND | 53.7 | 54.2 | 54.7 | 55.2 | 55.7 |
| FEDERAL FUNDS | | | | | |
| OTHER (Specify Fund Source) | | | | | |
| Permanent Fund Earnings | 43300.0 | 32000.0 | 44000.0 | 56700.0 | 64800.0 |

POSITIONS

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|
| FULL TIME | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| PART TIME | | | | | |
| TEMPORARY | | | | | |

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

Clerk V PFT (1 position) $ 26,730

John Sackett

IV. DATE 6/9/83 PREPARED BY Senator John Sackett
AGENCY Senate Finance
PHONE ______

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/79)

# MEMORANDUM

# State of Alaska

TO: Lisa Rudd, Commissioner
Department of Administration

DATE: June 2, 1983

FILE NO:

TELEPHONE NO: 465-2300

FROM: Robert D. Heath
Commissioner
Department of Revenue

SUBJECT: Senate Bill 215

There have been several versions of Senate Bill 215 addressing the question of a longevity bonus account. The latest I have before me is House CS for CS Senate Bill 215 (State Affairs).

Hopefully I can eliminate some of the confusion that seems to have developed concerning the fiscal impact of this measure.

The first point I want to address is the methodology for computing longevity bonuses for a "regular year." The bill states in Sec. 1, as it has in past versions, that bonuses are derived at simply by multiplying 12.5 percent times the income available for distribution (AS 37.13.140). Once the 12.5 percent is calculated at the end of the fiscal year and put aside in a longevity bonus account, it will start to accrue interest. So the interest must be added in and paid out with the longevity bonuses as the Department of Revenue testified last week before Chairman Abood's State Affairs Committee. The actual amount of interest, however, has little significant impact relative to the total picture.

Secondly, the exception to the addition of interest, however, is in the first year. Part of that payment is a flat appropriation of $17.5 million from the FY 82 figure of $142.3 million available for distribution and no interest is included. The remainder of the first year's payment is 12.5 percent of the FY 83 figure of $198.06 available for distribution plus interest on the 12.5 percent that is set aside. Interest is not figured on the $142.3 million but on the 12.5 percent of the $198.06 million. The total amount then during the first year amounts to $43.3 million. I want to stress that this $43.3 million will be paid in the following year (FY 84).

The attached table presents the payments over a period of future years. The assumptions underlying these numbers are based on our March 83 forecast and, as you are well aware, will change quarterly when we reassess the state's oil revenue situation. Please note we do not address Sec. 12 of this bill.

If you have any further questions, please feel frree to contact us.

RDH:VDW:jas

Attachment

02-001A(Rev.10/79)

Expenditure Year
(millions of current $)

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|---|---|---|---|---|---|
| Appropriation (deducted from FY 82 $142.3) | 17.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfer (12.5% of prior FY's distributable income)* | 24.8 | 30.8 | 42.6 | 54.5 | 62.3 |
| Interest (at 8%) | 1.0** | 1.2 | 1.7 | 2.2 | 2.5 |
| Available for Payments | 43.3 | 32.0 | 44.3 | 56.7 | 64.8 |

* This money is not available for transfer until the final day of the fiscal year and therefore is available for expenditure the fiscal year following.

** On $24.8m only. Assumes the $17.5 million is payed out almost immediately.