

COMMITTEE REPORT
SENATE

FURTHER:

3/1/85

Date 3/1/85

Mr. President

The Committee on FISCAL considered CS 56

amending the longevity bonus program and the purchase fund dividend program, establishing an annual program; etc.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation 3 New Fiscal Notes
(70 + 1 Savings)
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Almond Stewart - Do Not

Chairman

Chairman recommendation

Offered: 3/11/85
Referred: Finance

Original sponsors: Ray, Halford,
Bennett, et al

1 IN THE SENATE

Finance
BY THE ~~JUDICIARY~~ COMMITTEE

2

CS FOP SENATE BILL NO. 56 (~~Judiciary~~)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act ^{relating to a} ~~amending the~~ longevity bonus program and the
7 ~~permanent fund dividend program, establishing an~~
8 ~~annuity program; and providing for an effective~~
9 date."

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

11 * Section 1. FINDINGS AND PURPOSE. The legislature finds and declares
12 that

13 (1) it is in the public interest to continue the longevity bonus
14 program; however, as oil reserves decline over the years, it will become
15 increasingly difficult to provide the benefits of the longevity 'onus
16 program through the general fund; as a result, that program must be phased
17 out over the years;

18 (2) it is appropriate that individuals save for their own re-
19 tirement, and it is also appropriate that the state establish both means
20 and incentives for Alaska residents to set aside retirement funds; accord-
21 ingly, it is a purpose of this legislation to create an annuity program;

22 (3) many retired Alaskans have made their retirement plans in
23 reliance on the availability of both the existing longevity bonus and the
24 permanent fund dividend; accordingly, the legislature finds that it is
25 appropriate to continue both those programs for these individuals;

26 (4) the most suitable source of funds for the annuity program
27 created by this Act are those permanent fund earnings currently distributed
28 as dividends; therefore ^{provides that} this Act ~~applies~~ the annual permanent fund dividend
29 of younger Alaskans ^{may be applied} to annuity accounts unless the individual alternatively

1 elects to receive cash; in so doing, this Act will promote wise stewardship
2 of the permanent fund by giving each participant a direct financial stake
3 in its long-term profitability; and

4 (5) neither the longevity bonus program, nor the annuity pro-
5 gram, should be viewed as a form of welfare; other state and federal pro-
6 grams are available to meet the basic necessities of life, and amounts
7 received by an individual under this Act are not calculated on the basis of
8 need.

9 * Sec. 2. AS 43.23.005(c) is amended to read:

10 (c) A parent, guardian, or other authorized representative may
11 claim a permanent fund dividend on behalf of an unemancipated minor or
12 on behalf of an incompetent individual who is eligible to receive a
13 dividend [PAYMENT] under this section, and may elect to take the divi-
14 dividend as an annuity share for the future benefit of the minor.

15 * Sec. 3. AS 43.23.005 is amended by adding a new subsection to read:

16 (d) A person who is eligible to receive a permanent fund divi-
17 dend under this section, or who is authorized to claim a dividend on
18 behalf of another under (c) of this section, may elect to receive ^{the dividend} ~~cash~~
19 ~~in lieu of an annuity share.~~ ^{either in cash or as an annuity credit} Alternatively, a person may elect to
20 receive 25 percent, 50 percent, or 75 percent of the dividend in cash
21 and the remainder as an annuity share. A person who is 65 years of
22 age before January 1, 1986, may only receive cash and may not elect to
23 receive an annuity share.

24 * Sec. 4. AS 43.23.015(a) is amended to read:

25 (a) The commissioner shall adopt regulations under the Adminis-
26 trative Procedure Act (AS 44.62) establishing the process for de-
27 termining the eligibility of individuals for permanent fund dividends.
28 The commissioner may require an individual to provide proof of eli-
29 gibility, and the commissioner may use other information available

1 from other state departments or agencies to determine the eligibility
2 of an individual.

3 * Sec. 5. AS 43.23.015(b) is amended to read:

4 (b) The department shall prescribe and furnish an application
5 form for claiming a permanent fund dividend. The application must
6 contain a statement of eligibility and a certification of residency in
7 substantially the following form:

8 I certify that

9 () I am a state resident on the date of this application
10 and I have been a state resident for at least six months immediately
11 preceding the date of this application; or

12 () (name), the individual on whose behalf I am applying,
13 is a state resident and has been a state resident for at least six
14 months immediately preceding the date of this application.

15 I understand that a false claim of residency to obtain a perma-
16 nent fund dividend for myself or for another is a criminal offense and
17 that if convicted I will forfeit future permanent fund dividends and
18 that I will lose or must repay all permanent fund dividends that have
19 been credited or paid to me, appropriations allocated to my annuity
20 account in accordance with AS 43.23.110(b), and any accrued interest
21 in my annuity account. I understand that this penalty is in addition
22 to any criminal penalties imposed.

23

24

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

25

26

27 * Sec. 6. AS 43.23.015(e) is amended to read:

28 (e) If a public agency claims a [PERMANENT FUND] dividend on
29 behalf of an individual under this section, the public agency shall

1 elect 100 percent cash under AS 43.23.005(d) and hold the dividend in
2 trust for the individual. Money held in trust under this subsection
3 shall be invested by the commissioner in accordance with AS 37.10.070.

4 * Sec. 7. AS 43.23.015(f) is amended to read:

5 (f) A minor or an incompetent individual may not maintain a
6 claim against the state or an officer or employee of the state based
7 either on the manner in which the parent, guardian, or authorized
8 representative other than a public agency of the state managed or
9 disposed of permanent fund dividends received on behalf of the minor
10 or incompetent, or an election made or not made on that individual's
11 behalf under AS 43.23.005(d) [INDIVIDUAL].

12 * Sec. 8. AS 43.23.015 is amended by adding a new subsection to read:

13 (i) The permanent fund dividend application form shall be pre-
14 pared to allow an applicant, other than a person who is exempt under
15 AS 47.45.015(b), to elect to receive ~~cash in lieu of a permanent fund~~
16 ~~dividend.~~ *the dividend either in cash*
or as an annuity credit.

17 * Sec. 9. AS 43.23.035 is amended to read:

18 Sec. 43.23.035. PENALTIES AND ENFORCEMENT. (a) In addition to
19 any criminal penalties imposed by state law, if an individual is
20 convicted of a crime in connection with a false statement made in a
21 certification required under AS 43.23.015, and the conviction is not
22 reversed, that individual forfeits all permanent fund dividends cred-
23 ited or paid, together with any *interest credited* ~~additional credits~~ to that individu-
24 al's annuity account and is not eligible for a future permanent fund
25 dividend.

26 (b) If the commissioner determines that a cash [PERMANENT FUND]
27 dividend should not have been claimed by or paid to an individual, the
28 commissioner may use all collection procedures or remedies available
29 for collection of taxes under this title to recover the payment of a

1 permanent fund dividend that was improperly made. A notice of an
2 improperly paid dividend must be sent to the individual within 10
3 years after the improper payment. If notice is not sent within the
4 10-year period, proceedings may not be commenced in court for recovery
5 of the improper payment.

6 * Sec. 10. AS 43.23.035 is amended by adding a new subsection to read:

7 (c) If the commissioner determines that a permanent fund divi-
8 dend should not have been credited to an individual's annuity account,
9 the commissioner may, after notice and opportunity for hearing, direct
10 the commissioner of administration to debit the individual's annuity
11 account for the amount wrongly credited. If the credit is the fault
12 of the individual, the debit must be made within 10 years. If the
13 credit is the fault of the state, the debit must be made within three
14 years.

15 * Sec. 11. AS 43.23.055 is amended to read:

16 Sec. 43.23.055. DUTIES OF THE DEPARTMENT. The department shall
17 (1) annually make payments to individuals who are 65 years
18 of age before January 1, 1986, and to individuals who elect to receive
19 cash under AS 43.23.005(d) [PAY PERMANENT FUND DIVIDENDS FROM THE
20 DIVIDEND FUND];

21 (2) adopt regulations under the Administrative Procedure
22 Act (AS 44.62) that establish procedures and time limits for claiming
23 a permanent fund dividend or for electing an annuity share; the de-
24 partment shall set the time limit for applications for permanent fund
25 dividends so that the number of eligible applicants is determined by
26 October 1 of the year for which the dividend is declared and permanent
27 fund dividends for a year are paid before April 30 of the year follow-
28 ing that year;

29 (3) adopt regulations under the Administrative Procedure

1 Act (AS 44.62) that establish procedures and time limits for an indi-
2 vidual upon emancipation or upon reaching majority to apply for perma-
3 nent fund dividends not credited or received during minority because
4 the parent, guardian, or other authorized representative did not apply
5 on behalf of the individual; [AND]

6 (4) assist residents of the state, particularly in rural
7 areas, who because of language, disability, or inaccessibility to
8 public transportation need assistance to establish eligibility and to
9 apply for permanent fund dividends; and

10 (5) provide the commissioner of administration with infor-
11 mation necessary to maintain individual annuity account records and
12 administer the annuity program.

13 * Sec. 12. AS 43.23.065 is amended to read:

14 Sec. 43.23.065. EXEMPTION OF PERMANENT FUND DIVIDENDS. Fifty
15 percent of a cash [THE ANNUAL] permanent fund dividend payment [PAY-
16 ABLE TO AN INDIVIDUAL] is exempt from levy, execution, garnishment,
17 attachment, or any other remedy for the collection of debt. This
18 exemption applies to an eligible individual's permanent fund dividend
19 both before and after payment is made to the individual. An exemption
20 is not available under this section for cash permanent fund dividend
21 payments [DIVIDENDS] taken to satisfy (1) child support obligations
22 required by court order or decision of the child support enforcement
23 agency under AS 47.23.140 - 47.23.220; (2) a debt owed by an eligible
24 individual to an agency of the state, unless the debt is contested and
25 an appeal is pending, or the time limit for filing an appeal has not
26 expired; or (3) court ordered restitution under AS 12.55.045 - 12.55.-
27 051 or 12.55.100. A child support obligation under (1) of this sec-
28 tion has priority over a debt owed to an agency of the state, and a
29 permanent fund dividend may not be taken to satisfy a debt under (2)

1 of this section until any portion of the dividend necessary to satisfy
2 a child support obligation has been taken.

3 * Sec. 13. AS 43.23.065 is amended by adding new subsections to read:

4 (b) The department shall require an individual to take 100
5 percent of the permanent fund dividend in cash if the department
6 receives a levy, execution, garnishment, attachment or other legal
7 remedy for the collection of a past due debt described in (a)(1) or
8 (2) of this section.

9 (c) The courts of this state may, as a condition of any civil
10 judgment or restitution order under AS 12.55.045 - 12.55.051 or 12.-
11 55.100, require the defendant to take the defendant's permanent fund
12 dividend in cash.

13 * Sec. 14. AS 43.23.075 is amended to read:

14 Sec. 43.23.075. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) In
15 determining the eligibility of an individual under a public assistance
16 program administered by the Department of Health and Social Services
17 in which eligibility for assistance is based on financial need, the
18 Department of Health and Social Services may not consider a permanent
19 fund dividend as income or resources received by the recipient of
20 public assistance or by a member of the recipient's household unless
21 required to do so by federal law or regulation. The Department of
22 Health and Social Services shall notify all recipients of public
23 assistance of the effects of [RECEIVING] a permanent fund dividend
24 credit or cash payment.

25 (b) An individual who is denied medical assistance under 42
26 U.S.C. 1396 - 1396p (Social Security Act, Title XIX) solely because of
27 the credit or receipt of a permanent fund dividend by the individual
28 or by a member of the individual's household is eligible for state-
29 funded medical assistance under the general relief assistance program

1 (AS 47.25.120 - 47.25.300). The individual is entitled to receive,
2 for a period not to exceed four months, the same level of medical
3 assistance as the individual would have received under 42 U.S.C.
4 1396 - 1396p (Social Security Act, Title XIX) had there been no perma-
5 nent fund dividend program.

6 (c) An individual who is denied assistance solely because perma-
7 nent fund dividends credited to or received by the individual or by a
8 member of the individual's household are counted as income or re-
9 sources under federal law or regulation is eligible for cash assis-
10 tance under the general relief assistance program (AS 47.25.120 -
11 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual
12 is entitled to receive, for a period not to exceed four months, the
13 same amount as the individual would have received under other public
14 assistance programs had there been no permanent fund dividend program.

15 * Sec. 15. AS 43.23.095(6) is repealed and reenacted to read:

16 (6) "permanent fund dividend" means a credit to an annuity
17 ~~account under this chapter except that, as applied to an individual~~
18 ~~who may receive only cash under AS 43.23.005(d) or 43.23.065, it means~~
19 ~~a cash payment under this chapter;~~ *account or a cash payment*
20 *under this chapter.*

21 * Sec. 16. AS 43.23 is amended by adding new sections to read:

22 ARTICLE 2. ANNUITY PROGRAM.

23 Sec. 43.23.110. ANNUITY INVESTMENT FUND. (a) The annuity
24 investment fund is established as a separate fund in the state trea-
25 sury. The annuity investment fund consists of money transferred from
26 the dividend fund, ~~money appropriated to the annuity investment fund,~~
27 and income earned by the annuity investment fund. Notwithstanding
28 AS 37.13.145, an amount equal to the permanent fund dividends taken as
29 annuity credits under this chapter shall be annually transferred from
the dividend fund to the annuity investment fund.

1 of this section until any portion of the dividend necessary to satisfy
2 a child support obligation has been taken.

3 * Sec. 13. AS 43.23.065 is amended by adding new subsections to read:

4 (b) The department shall require an individual to take 100
5 percent of the permanent fund dividend in cash if the department
6 receives a levy, execution, garnishment, attachment or other legal
7 remedy for the collection of a past due debt described in (a)(1) or
8 (2) of this section.

9 (c) The courts of this state may, as a condition of any civil
10 judgment or restitution order under AS 12.55.045 - 12.55.051 or 12.-
11 55.100, require the defendant to take the defendant's permanent fund
12 dividend in cash.

13 * Sec. 14. AS 43.23.075 is amended to read:

14 Sec. 43.23.075. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) In
15 determining the eligibility of an individual under a public assistance
16 program administered by the Department of Health and Social Services
17 in which eligibility for assistance is based on financial need, the
18 Department of Health and Social Services may not consider a permanent
19 fund dividend as income or resources received by the recipient of
20 public assistance or by a member of the recipient's household unless
21 required to do so by federal law or regulation. The Department of
22 Health and Social Services shall notify all recipients of public
23 assistance of the effects of [RECEIVING] a permanent fund dividend
24 credit or cash payment.

25 (b) An individual who is denied medical assistance under 42
26 U.S.C. 1396 - 1396p (Social Security Act, Title XIX) solely because of
27 the credit or receipt of a permanent fund dividend by the individual
28 or by a member of the individual's household is eligible for state-
29 funded medical assistance under the general relief assistance program

1 (b) The legislature may appropriate either general funds, or
2 earnings of the undistributed income account in the Alaska permanent
3 fund, to the annuity investment fund. Funds appropriated under this
4 subsection shall be allocated to the individual annuity accounts of
5 those who are eligible to receive a dividend for that year and do not
6 elect cash under AS 43.23.005(d). The allocation shall be made in the
7 following manner:

8 (1) a credit will be made to the account of each individual
9 who is at least 18 years old;

10 (2) the credit for each person from the age of 18 through
11 age 35 is the base amount; the size of the base amount is determined
12 according to the amount of the appropriation;

13 (3) the credit for persons over the age of 35 is the base
14 amount, increased for each year of age over 35 up to and including the
15 age of 65; the incremental increase for each year of age is a percent-
16 age over the credit for the prior year of age; that percentage shall
17 be established with due regard for historical and projected permanent
18 fund returns on investment;

19 (4) if a person elects to receive a portion of the dividend
20 in cash under AS 43.23.005(d), the allocation to which that person is
21 ~~otherwise entitled will be reduced proportionately.~~

22 (b) Money in the annuity investment fund shall be invested by
23 the commissioner of revenue in investments authorized under AS 39.-
24 35.110. The commissioner of administration shall credit the net
25 income of the annuity investment fund to the individual annuity ac-
26 counts.

27 (d) The legislature may annually appropriate to the Department
28 of Administration an amount sufficient to pay monthly annuity payments
29 for the subsequent fiscal year under AS 43.23.00 from the annuity

1 investment fund. Funds appropriated under this subsection shall be
2 transferred from the annuity investment fund to the Department of
3 Administration in order to meet the current demands of the annuity
4 program.

5 (d) The legislature may annually appropriate from the annuity
6 investment fund an amount sufficient to administer the annuity pro-
7 gram. Any costs of administration funded under this subsection shall
8 be allocated equitably among all individual annuity accounts.

9 (e) Notwithstanding AS 39.35.110 or (c) of this section, the
10 commissioner of revenue may invest all or part of the annuity invest-
11 ment fund in commercial insurance contracts purchased from insurance
12 companies that have a Best's policyholders' rating of A or better and
13 belong to Best's financial size Group XV at the time of purchase.

14 Sec. 43.23.120. ANNUITY PROGRAM. (a) The annuity program is
15 administered by the commissioner of administration. The commissioner
16 of administration shall adopt regulations necessary to implement the
17 annuity program.

18 (b) The commissioner of administration shall maintain records of
19 individual annuity accounts and make annuity payments under AS 43.23.-
20 130.

21 Sec. 43.23.130. PAYMENT OF ANNUITIES. (a) An individual with
22 one or more annuity credits may receive an annuity upon reaching the
23 age of 65.

24 (b) An annuity under this section is a monthly payment based
25 upon the principal and accrued interest in the person's annuity ac-
26 count. An annuity shall be paid as a straight life annuity or other
27 payment plan authorized by the commissioner of the Department of
28 Administration. The size of the annuity may not vary on account of
29 the individual's sex.

1 (c) An individual need not be a resident of the state to be
2 eligible to received an annuity payment from the individual's account.

3 (d) Except as provided in (b) and (e) of this section, an annu-
4 ity account may not be assigned, sold, or otherwise transferred from
5 one individual to another.

See new language # Death Benefit Option

6 ~~(e) If a person dies before age 65, a lump sum payment shall,~~
7 ~~subject to appropriation, be paid to the surviving spouse by right of~~
8 ~~survivorship unless a different beneficiary was designated. When no~~
9 ~~spouse survives and no beneficiary was designated, the lump sum shall~~
10 ~~be paid to the decedent's estate. The lump sum payment shall include~~
11 ~~all permanent fund dividend contributions made by the individual,~~
12 ~~together with interest, but shall not include any credits to the~~
13 ~~individual's account made pursuant to AS 43.23.110(b), or interest on~~
14 ~~those credits.~~

15 (f) An individual does not receive a vested property right in an
16 annuity payment until that payment is made. Notwithstanding this
17 section, the state is not obligated to provide annuity payments for
18 annuity credits granted under AS 43.23.005.

19 * Sec. 17. AS 47.45.010(a) is amended to read:

20 (a) A person who is 65 years of age or over, who resides in the
21 state for at least one year immediately preceding application for a
22 longevity bonus under this chapter may apply to the commissioner of
23 administration for qualification to receive a monthly bonus [OF \$250].

24 * Sec. 18. AS 47.45 is amended by adding a new section to read:

25 Sec. 47.45.015. AMOUNT OF BONUS. (a) Except as provided in (b)
26 of this section, the monthly longevity bonus is equal to \$250, ~~in-~~
27 ~~creased by three percent each year beginning in fiscal year 1987,~~
28 minus the maximum possible straight life annuity for a person 65 years
29 of age under the annuity program (AS 43.23.110 - 43.23.130), as

1 determined by the commissioner of administration.

2 (b) A person who is 65 years of age before January 1, 1986, is
3 entitled to the full longevity bonus payment without reduction for the
4 annuity program.

5 * Sec. 19. AS 47.45.070 is amended to read:

6 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is
7 one who

8 (1) does not meet the age or residence requirements as
9 provided for under this chapter;

10 (2) meets the age and residence requirements of this chap-
11 ter but either is confined in a state or federal mental health insti-
12 tution or facility and is certified by the state as unable to manage
13 personal affairs, or resides in a nursing home as that term is defined
14 in AS 08.70.180; however, if that person, at the time of commitment or
15 commencement of residence, provided the principal support of a spouse,
16 the commissioner of administration may determine to pay the confined
17 person's bonus to the person's spouse until the spouse is qualified
18 for a bonus;

19 (3) is otherwise qualified but confined in a penal or
20 correctional institution or facility; upon completion of sentence or
21 upon the conferral of a pardon, parole or probation, the person may
22 make application; confinement outside the state shall be considered as
23 residence in the state if a person was convicted and sentenced from a
24 court in Alaska; revocation of parole or probation shall be cause for
25 immediate disqualification until release from confinement is again
26 effected;

27 (4) voluntarily leaves the state and remains absent from
28 the state for a continuous period of more than 180 days.

29 * Sec. 20. Section 11, ch. 38, SLA 1984 is amended to read:

1 Sec. 11. Sections 7 and 9 of this [THIS] Act [AND AS 47.45] are
2 repealed June 30, 1985.

3 * Sec. 21. AS 43.23.045(c) is repealed.

4 * Sec. 22. This Act applies only to permanent fund dividends for years
5 beginning after December 31, 1985. Notwithstanding the amendments to
6 AS 43.23 made by this Act, permanent fund dividends for 1985 and prior
7 years shall be made under the law as it existed before the effective date
8 of this Act.

9 * Sec. 23. This Act takes effect immediately in accordance with AS 01.-
10 10.070(c).

3/19/85
Shirley
17

A M E N D M E N T

To: CSSB 56(Jud)

By FAIKS

Page 1, line 6, following "entitled:", through line 9, delete all material and insert:

"An Act relating to a longevity bonus; and providing for an effective date."

3/19/55
Faiks
19-

AMENDMENT

To: CSSB 56 (Jud)

By: Senator Faiks

Page 2, Line 13

After the word "section", Insert "." and delete "and may elect to take the dividend as an annuity share for the future benefit of the minor."

3/19/55
Knapton
/

CSSB 56 (Judiciary)

AMENDMENT TO DELETE PRESUMPTION FOR ANNUITY

CREDIT OVER CASH PAYMENT

Page 1, line 28, after "Act":

Delete "applies" and insert "provides that"

Page 1, line 29, after "Alaskans":

Insert "may be applied"

Page 2, lines 18 and 19, after "receive":

Delete remainder of sentence and insert: "the dividend
either in cash or as an annuity credit."

Page 4, lines 15 and 16, after "receive":

Delete remainder of sentence and insert: "the dividend
either in cash or as an annuity credit."

Page 8, lines 17-19:

Delete all material and insert: "account or a cash payment
under this chapter;"

3/19/15
Wagford
H

CSSB 56 (Judiciary)

AMENDMENT TO DELETE OPTIONAL FRONT-LOADING PROVISIONS

Page 3, lines 19 and 20, after "me":

Delete ", appropriations allocated to my annuity account in accordance with AS 43.23.110(b),"

Page 4, lines 23 and 24, after "any":

Delete "additional credits" and insert "interest credited"

Page 8, line 25:

Delete ", money appropriated to the annuity investment fund,"

Page 9, lines 1-21

Delete all material; reletter subsequent subsections accordingly. .

Page 11, lines 12-14, after "interest":

Delete remainder of sentence.

3/19/85
SFC:BS
Wagner
54
*

CSSB 56 (Judiciary)

AMENDMENT TO MAKE DEATH BENEFITS OPTIONAL

Page 11, lines 6-14, after (e):

Delete all material and insert "Upon electing to credit a permanent fund dividend to an annuity account in a particular year, an individual may make an irrevocable choice with respect to that credit regarding death benefits. If a person dies before age 65, and that person has selected death benefits in at least one year, a lump sum payment shall, subject to appropriation, be paid to the surviving spouse by right of survivorship unless a different beneficiary was designated. When no spouse survives and no beneficiary was designated, the lump sum shall be paid to the decedent's estate. The lump sum payment shall include all permanent fund dividend contributions made by the individual in years in which death benefits were selected, together with interest, but shall not include [ANY CREDITS TO THE INDIVIDUAL'S ACCOUNT MADE PURSUANT TO AS 43.23.110(b) OR INTEREST ON THOSE CREDITS NOR ANY] 1/ permanent fund dividend contributions made in years in which death benefits were not selected, nor any interest thereon. Contributions for which death benefits are not selected, together with interest, shall, upon the death of the

1/ This language is deleted by the amendment deleting the front-loading provisions. If that amendment is not passed, the bracketed language should be included.

contributor prior to age 65, be distributed equitably among the annuity accounts of all individuals for which death benefits were not selected.

3/19/85
Wagner
JF

CSSB 56 (Judiciary)

AMENDMENT TO DELETE 3% ESCALATOR

Page 11, lines 26 and 27, after "\$250":

Delete all material

STATE OF ALASKA 1985 LEGISLATIVE SESSION

FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB 56 (Fin)
 Title: Longevity Bonus

Sponsor: _____
 Requestor: Senate Finance
 Date of Request: 3/19/85

FISCAL DETAIL

Agency Affected: Dept. of Revenue
 Program Category Affected: _____
Revenue Collections & Management
 BRU, Program or Subprogram(s) Affected: Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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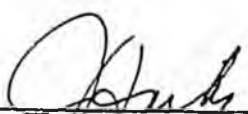
FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

Prepared By:  Phone: 465-4523
 Division: Jan Faiks, Co-Chairman Date: 3/19/85
Senate Finance Committee
 Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by Agency preparing fiscal note):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSSB 56 (Fin)
Title: Longevity Bonus

Sponsor: _____
Requestor: Senate Finance
Date of Request: 3/19/85

FISCAL DETAIL

Agency Affected: Dept. of Revenue
Program Category Affected: _____
General Government

BRU, Program or Subprogram(s) Affected: _____
PFD - Admin. Services, Enforcement,
Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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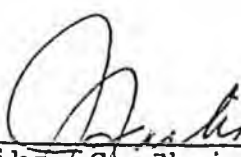
FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

Prepared By:  Phone: 465-4523
Division: Jan Faiks, Co-Chairman Date: 3/19/85
Senate Finance Committee
Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB 56 (Fin)
Title: Longevity Bonus

Sponsor: _____
Requestor: Senate Finance
Date of Request: 3/19/85

FISCAL DETAIL

Agency Affected: Health & Social Services
Program Category Affected: Social & Econ.
Assistance for general population
BRU, Program or Subprogram(s) Affected: Adult Public Assistance, Old Age Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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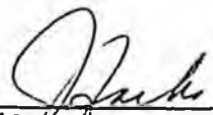
FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

Prepared By:  Phone: 465-4523
Division: Jan Faik, Co-Chairman Date: 3/19/85
Senate Finance Committee
Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB 56 (Fin)
Title: Longevity Bonus

Sponsor: _____
Requestor: Senate Finance
Date of Request: 3/19/85

FISCAL DETAIL

Agency Affected: Health & Social Services
Program Category Affected: Social & Econ. Assistance for the General Population
BRU, Program or Subprogram(s) Affected: Medical Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

Prepared By: *Jan Faiks* Phone: 465-4523
 Division: Jan Faiks, Co-Chairman Date: 3/19/85
Senate Finance Committee
 Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB 56 (Fin)
Title: Longevity Bonus

Sponsor: _____
Requestor: Senate Finance
Date of Request: 3/19/85

FISCAL DETAIL

Agency Affected: Dept. of Administration
Program Category Affected: Centralized Administrative Services
BRU, Program or Subprogram(s) Affected: Data Processing Services/Annuity Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

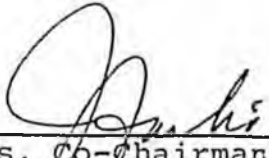
FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

Prepared By:  Phone: 465-4523
Division: Jan Faiks, Co-Chairman Date: 3/19/85
Senate Finance Committee
Approved by Commissioner: _____ Date: _____
Agency: _____

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

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB 56 (Fin)
Title: Longevity Bonus

Sponsor: _____
Requestor: Senate Finance
Date of Request: 3/19/85

FISCAL DETAIL

Agency Affected: Department of Administrative
Program Category Affected: _____
Labor Services
BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

Prepared By: *Jan Faiks* Phone: 465-4523
Division: Jan Faiks / Co-Chairman Date: 3/19/85
Senate Finance Committee
Approved by Commissioner: _____ Date: _____
Agency: _____

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

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSSB 56 (Fin)
Title: Longevity Bonus

FISCAL DETAIL

Agency Affected: Dept. of Revenue
Program Category Affected: _____

Sponsor: _____
Requestor: Senate Finance
Date of Request: 3/19/85

BRU, Program or Subprogram(s) Affected:
Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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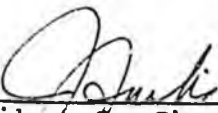
FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

Prepared By:  Phone: 465-4523
Division: Jan Faiks, Co-Chairman Date: 3/19/85
Senate Finance Committee
Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: March 18, 1985

Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 56 (Judiciary)
Title: Longevity Bonus/Annuity Program

FISCAL DETAIL

Agency Affected: Administration
Program Category Affected: Social and Economic Assistance for the Aged
BRU, Program or Subprogram(s) Affected: Longevity Bonus Program and Pioneers' Homes

Sponsor: Ray
Requestor: _____
Date of Request: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)
800 MISCELLANEOUS	0	0	0	0	0	0
<u>TOTAL OPERATING</u>	0	(1,702.4)	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)
<u>CAPITAL</u>	0	0	0	0	0	0
<u>REVENUE</u>	0	(399.0)	(399.0)	(399.0)	(399.0)	(399.0)

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	(1,303.4)	(1,313.4)	(1,313.4)	(1,313.4)	(1,313.4)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<u>TOTAL</u>	0	(1,303.4)	(1,313.4)	(1,313.4)	(1,313.4)	(1,313.4)

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Joyce Munson, Director
Division: Pioneers' Benefits

Phone: 465-4400
Date: March 18, 1985

Approved by Commissioner: Lisa Rudd
Agency: Department of Administration

Date: 3/19/85

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

CSSB 56 (Judiciary)
Fiscal Note Analysis
Prepared by Division of Pioneers' Benefits
Department of Administration
March 18, 1985

ASSUMPTIONS

This version of the bill makes persons who reside in nursing homes and government operated mental health facilities ineligible for the Longevity Bonus.

This fiscal note addresses administrative costs for the Longevity Bonus Program, as well as the impact on the Pioneers' Homes.

Two payment systems will be run in the Longevity Bonus Program. The first would pay a monthly target amount for those eligibles age 65 before January 1, 1986. The second would pay monthly payments, varying each year, for those age 65 after January 1, 1986. The second system would be impacted by information from the Annuity program. Since information from the Annuity program is not available, the impact cannot be calculated for this fiscal note.

FY 86 Longevity Bonus Administrative Costs (Start-up)

Contractual Services	\$10,000
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Computer System Modification by Contractor

The Longevity Bonus program would need additional resources for modifications to data processing files.

Printing Costs already in 86 Budget

FY 87 Longevity Bonus Administrative Costs (Operations)

No Additional Costs

ASSUMPTIONS

1. Those persons who would be affected in mental health facilities, Pioneers' Homes and nursing homes was approximately 608 as of February 1985. For the purpose of this fiscal note, it is assumed this number will remain unchanged. (608 x 12 x \$250 = \$1,824,000 saving)
2. There are approximately 133 nursing care residents of the Pioneers' Homes who use the Longevity Bonus to pay their monthly charges for care. Loss of the Longevity Bonus to these people would result in loss of revenue as program receipts for the Pioneers' Homes. (133 x 12 x \$250 = \$399,000 est. loss of program receipts)
3. Of the approximately 133 residents in Pioneers' Homes who would be affected, approximately 93 would have incomes reduced to the point they would become eligible for the monthly stipend payable under AS 47.25.020 (b) and (c). (93 x 12 x \$100 = \$111,600)

No consideration has been given to persons who may occupy the Juneau Pioneers' Home beginning in FY 88 because information is not available at this time about their income or needs.

Offered: 3/19/85
Referred: Rules

Original sponsors: Ray, Halford,
Bennett, et al

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 56 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to a longevity bonus; and providing
7 for an effective date."

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

9 * Section 1. FINDINGS AND PURPOSE. The legislature finds and declares
10 that

11 (1) it is in the public interest to continue the longevity bonus
12 program; however, as oil reserves decline over the years, it will become
13 increasingly difficult to provide the benefits of the longevity bonus
14 program through the general fund; as a result, that program must be phased
15 out over the years;

16 (2) it is appropriate that individuals save for their own re-
17 tirement, and it is also appropriate that the state establish both means
18 and incentives for Alaska residents to set aside retirement funds; accord-
19 ingly, it is a purpose of this legislation to create an annuity program;

20 (3) many retired Alaskans have made their retirement plans in
21 reliance on the availability of both the existing longevity bonus and the
22 permanent fund dividend; accordingly, the legislature finds that it is
23 appropriate to continue both those programs for these individuals;

24 (4) the most suitable source of funds for the annuity program
25 created by this Act are those permanent fund earnings currently distributed
26 as dividends; therefore this Act provides that the annual permanent fund
27 dividend of younger Alaskans may be applied to annuity accounts unless the
28 individual alternatively elects to receive cash; in so doing, this Act will
29 promote wise stewardship of the permanent fund by giving each participant a

1 direct financial stake in its long-term profitability; and

2 (5) neither the longevity bonus program, nor the annuity pro-
3 gram, should be viewed as a form of welfare; other state and federal pro-
4 grams are available to meet the basic necessities of life, and amounts
5 received by an individual under this Act are not calculated on the basis of
6 need.

7 * Sec. 2. AS 43.23.005(c) is amended to read:

8 (c) A parent, guardian, or other authorized representative may
9 claim a permanent fund dividend on behalf of an unemancipated minor or
10 on behalf of an incompetent individual who is eligible to receive a
11 dividend [PAYMENT] under this section.

12 * Sec. 3. AS 43.23.005 is amended by adding a new subsection to read:

13 (d) A person who is eligible to receive a permanent fund divi-
14 dend under this section, or who is authorized to claim a dividend on
15 behalf of another under (c) of this section, may elect to receive the
16 dividend either in cash or as an annuity credit. Alternatively, a
17 person may elect to receive 25 percent, 50 percent, or 75 percent of
18 the dividend in cash and the remainder as an annuity credit. A person
19 who is 65 years of age before January 1, 1986, may only receive cash
20 and may not elect to receive an annuity credit.

21 * Sec. 4. AS 43.23.015(a) is amended to read:

22 (a) The commissioner shall adopt regulations under the Adminis-
23 trative Procedure Act (AS 44.62) establishing the process for de-
24 termining the eligibility of individuals for permanent fund dividends.
25 The commissioner may require an individual to provide proof of eli-
26 gibility, and the commissioner may use other information available
27 from other state departments or agencies to determine the eligibility
28 of an individual.

29 * Sec. 5. AS 43.23.015(b) is amended to read:

1 (b) The department shall prescribe and furnish an application
2 form for claiming a permanent fund dividend. The application must
3 contain a statement of eligibility and a certification of residency in
4 substantially the following form:

5 I certify that

6 () I am a state resident on the date of this application
7 and I have been a state resident for at least six months immediately
8 preceding the date of this application; or

9 () (name), the individual on whose behalf I am applying,
10 is a state resident and has been a state resident for at least six
11 months immediately preceding the date of this application.

12 I understand that a false claim of residency to obtain a perma-
13 nent fund dividend for myself or for another is a criminal offense and
14 that if convicted I will forfeit future permanent fund dividends and
15 that I will lose or must repay all permanent fund dividends that have
16 been credited or paid to me. I understand that this penalty is in
17 addition to any criminal penalties imposed.

18 _____
19 (signature of individual, parent,
20 guardian, or other authorized
21 representative)

22 * Sec. 6. AS 43.23.015(e) is amended to read:

23 (e) If a public agency claims a [PERMANENT FUND] dividend on
24 behalf of an individual under this section, the public agency shall
25 elect 100 percent cash under AS 43.23.005(d) and hold the dividend in
26 trust for the individual. Money held in trust under this subsection
27 shall be invested by the commissioner in accordance with AS 37.10.070.

28 * Sec. 7. AS 43.23.015(f) is amended to read:

29 (f) A minor or an incompetent individual may not maintain a

1 claim against the state or an officer or employee of the state based
2 either on the manner in which the parent, guardian, or authorized
3 representative other than a public agency of the state managed or
4 disposed of permanent fund dividends received on behalf of the minor
5 or incompetent, or an election made or not made on that individual's
6 behalf under AS 43.23.005(d) [INDIVIDUAL].

7 * Sec. 8. AS 43.23.015 is amended by adding a new subsection to read:

8 (i) The permanent fund dividend application form shall be pre-
9 pared to allow an applicant, other than a person who is exempt under
10 AS 47.45.015(b), to elect to receive the dividend either in cash or as
11 an annuity credit.

12 * Sec. 9. AS 43.23.035 is amended to read:

13 Sec. 43.23.035. PENALTIES AND ENFORCEMENT. (a) In addition to
14 any criminal penalties imposed by state law, if an individual is
15 convicted of a crime in connection with a false statement made in a
16 certification required under AS 43.23.015, and the conviction is not
17 reversed, that individual forfeits all permanent fund dividends cred-
18 ited or paid, together with any interest credited to that individual's
19 annuity account and is not eligible for a future permanent fund divi-
20 dend.

21 (b) If the commissioner determines that a cash [PERMANENT FUND]
22 dividend should not have been claimed by or paid to an individual, the
23 commissioner may use all collection procedures or remedies available
24 for collection of taxes under this title to recover the payment of a
25 permanent fund dividend that was improperly made. A notice of an
26 improperly paid dividend must be sent to the individual within 10
27 years after the improper payment. If notice is not sent within the
28 10-year period, proceedings may not be commenced in court for recovery
29 of the improper payment.

1 * Sec. 10. AS 43.23.035 is amended by adding a new subsection to read:

2 (c) If the commissioner determines that a permanent fund divi-
3 dend should not have been credited to an individual's annuity account,
4 the commissioner may, after notice and opportunity for hearing, direct
5 the commissioner of administration to debit the individual's annuity
6 account for the amount wrongly credited. If the credit is the fault
7 of the individual, the debit must be made within 10 years. If the
8 credit is the fault of the state, the debit must be made within three
9 years.

10 * Sec. 11. AS 43.23.055 is amended to read:

11 Sec. 43.23.055. DUTIES OF THE DEPARTMENT. The department shall

12 (1) annually make payments to individuals who are 65 years
13 of age before January 1, 1986, and to individuals who elect to receive
14 cash under AS 43.23.005(d) [PAY PERMANENT FUND DIVIDENDS FROM THE
15 DIVIDEND FUND];

16 (2) adopt regulations under the Administrative Procedure
17 Act (AS 44.62) that establish procedures and time limits for claiming
18 a permanent fund dividend or for electing an annuity credit; the de-
19 partment shall set the time limit for applications for permanent fund
20 dividends so that the number of eligible applicants is determined by
21 October 1 of the year for which the dividend is declared and permanent
22 fund dividends for a year are paid before April 30 of the year follow-
23 ing that year;

24 (3) adopt regulations under the Administrative Procedure
25 Act (AS 44.62) that establish procedures and time limits for an indi-
26 vidual upon emancipation or upon reaching majority to apply for perma-
27 nent fund dividends not credited or received during minority because
28 the parent, guardian, or other authorized representative did not apply
29 on behalf of the individual; [AND]

1 (4) assist residents of the state, particularly in rural
2 areas, who because of language, disability, or inaccessibility to
3 public transportation need assistance to establish eligibility and to
4 apply for permanent fund dividends; and

5 (5) provide the commissioner of administration with infor-
6 mation necessary to maintain individual annuity account records and
7 administer the annuity program.

8 * Sec. 12. AS 43.23.065 is amended to read:

9 Sec. 43.23.065. EXEMPTION OF PERMANENT FUND DIVIDENDS. Fifty
10 percent of a cash [THE ANNUAL] permanent fund dividend payment [PAY-
11 ABLE TO AN INDIVIDUAL] is exempt from levy, execution, garnishment,
12 attachment, or any other remedy for the collection of debt. This
13 exemption applies to an eligible individual's permanent fund dividend
14 both before and after payment is made to the individual. An exemption
15 is not available under this section for cash permanent fund dividend
16 payments [DIVIDENDS] taken to satisfy (1) child support obligations
17 required by court order or decision of the child support enforcement
18 agency under AS 47.23.140 - 47.23.220; (2) a debt owed by an eligible
19 individual to an agency of the state, unless the debt is contested and
20 an appeal is pending, or the time limit for filing an appeal has not
21 expired; or (3) court ordered restitution under AS 12.55.045 - 12.55.-
22 051 or 12.55.100. A child support obligation under (1) of this sec-
23 tion has priority over a debt owed to an agency of the state, and a
24 permanent fund dividend may not be taken to satisfy a debt under (2)
25 of this section until any portion of the dividend necessary to satisfy
26 a child support obligation has been taken.

27 * Sec. 13. AS 43.23.065 is amended by adding new subsections to read:

28 (b) The department shall require an individual to take 100
29 percent of the permanent fund dividend in cash if the department

1 receives a levy, execution, garnishment, attachment or other legal
2 remedy for the collection of a past due debt described in (a)(1) or
3 (2) of this section.

4 (c) The courts of this state may, as a condition of any civil
5 judgment or restitution order under AS 12.55.045 - 12.55.051 or 12.-
6 55.100, require the defendant to take the defendant's permanent fund
7 dividend in cash.

8 * Sec. 14. AS 43.23.075 is amended to read:

9 Sec. 43.23.075. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) In
10 determining the eligibility of an individual under a public assistance
11 program administered by the Department of Health and Social Services
12 in which eligibility for assistance is based on financial need, the
13 Department of Health and Social Services may not consider a permanent
14 fund dividend as income or resources received by the recipient of
15 public assistance or by a member of the recipient's household unless
16 required to do so by federal law or regulation. The Department of
17 Health and Social Services shall notify all recipients of public
18 assistance of the effects of [RECEIVING] a permanent fund dividend
19 credit or cash payment.

20 (b) An individual who is denied medical assistance under 42
21 U.S.C. 1396 - 1396p (Social Security Act, Title XIX) solely because of
22 the credit or receipt of a permanent fund dividend by the individual
23 or by a member of the individual's household is eligible for state-
24 funded medical assistance under the general relief assistance program
25 (AS 47.25.120 - 47.25.300). The individual is entitled to receive,
26 for a period not to exceed four months, the same level of medical
27 assistance as the individual would have received under 42 U.S.C.
28 1396 - 1396p (Social Security Act, Title XIX) had there been no perma-
29 nent fund dividend program.

1 (c) An individual who is denied assistance solely because perma-
2 nent fund dividends credited to or received by the individual or by a
3 member of the individual's household are counted as income or re-
4 sources under federal law or regulation is eligible for cash assis-
5 tance under the general relief assistance program (AS 47.25.120 -
6 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual
7 is entitled to receive, for a period not to exceed four months, the
8 same amount as the individual would have received under other public
9 assistance programs had there been no permanent fund dividend program.

10 * Sec. 15. AS 43.23.095(6) is repealed and reenacted to read:

11 (6) "permanent fund dividend" means a credit to an annuity
12 account or a cash payment under this chapter;

13 * Sec. 16. AS 43.23 is amended by adding new sections to read:

14 ARTICLE 2. ANNUITY PROGRAM.

15 Sec. 43.23.110. ANNUITY INVESTMENT FUND. (a) The annuity
16 investment fund is established as a separate fund in the state trea-
17 sury. The annuity investment fund consists of money transferred from
18 the dividend fund and income earned by the annuity investment fund.
19 Notwithstanding AS 37.13.145, an amount equal to the permanent fund
20 dividends taken as annuity credits under this chapter shall be
21 annually transferred from the dividend fund to the annuity investment
22 fund.

23 (b) Money in the annuity investment fund shall be invested by
24 the commissioner of revenue in investments authorized under AS 39.-
25 35.110. The commissioner of administration shall credit the net
26 income of the annuity investment fund to the individual annuity ac-
27 counts.

28 (c) The legislature may annually appropriate to the Department
29 of Administration an amount sufficient to pay monthly annuity payments

1 for the subsequent fiscal year under AS 43.23.130 from the annuity
2 investment fund. Funds appropriated under this subsection shall be
3 transferred from the annuity investment fund to the Department of
4 Administration in order to meet the current demands of the annuity
5 program.

6 (d) The legislature may annually appropriate from the annuity
7 investment fund an amount sufficient to administer the annuity pro-
8 gram. Any costs of administration funded under this subsection shall
9 be allocated equitably among all individual annuity accounts.

10 (e) Notwithstanding AS 39.35.110 or (b) of this section, the
11 commissioner of revenue may invest all or part of the annuity invest-
12 ment fund in commercial insurance contracts purchased from insurance
13 companies that have a Best's policyholders' rating of A or better and
14 belong to Best's financial size Group XV at the time of purchase.

15 Sec. 43.23.120. ANNUITY PROGRAM. (a) The annuity program is
16 administered by the commissioner of administration. The commissioner
17 of administration shall adopt regulations necessary to implement the
18 annuity program.

19 (b) The commissioner of administration shall maintain records of
20 individual annuity accounts and make annuity payments under AS 43.23.-
21 130.

22 Sec. 43.23.130. PAYMENT OF ANNUITIES. (a) An individual with
23 one or more annuity credits may receive an annuity upon reaching the
24 age of 65.

25 (b) An annuity under this section is a monthly payment based
26 upon the principal and accrued interest in the person's annuity ac-
27 count. An annuity shall be paid as a straight life annuity or other
28 payment plan authorized by the commissioner of the Department of
29 Administration. The size of the annuity may not vary on account of

1 the individual's sex.

2 (c) An individual need not be a resident of the state to be
3 eligible to received an annuity payment from the individual's account.

4 (d) Except as provided in (b) and (e) of this section, an annu-
5 ity account may not be assigned, sold, or otherwise transferred from
6 one individual to another.

7 (e) If a person elects to credit a permanent fund dividend to an
8 annuity account in a particular year, that person may make an irrevoc-
9 cable choice regarding death benefits with respect to that credit. If
10 a person dies before age 65 and that person has selected death bene-
11 fits in at least one year, a lump sum payment shall, subject to appro-
12 priation, be paid to the surviving spouse by right of survivorship
13 unless a different beneficiary was designated. When no spouse sur-
14 vives and no beneficiary is designated, the lump sum shall be paid to
15 the decedent's estate. The lump sum payment includes all dividends
16 credited to the person's annuity account in years in which death
17 benefits were selected and interest on those dividends. Dividends
18 credited to a person's annuity account in years for which death bene-
19 fits were not selected and interest on those dividends shall, if the
20 person dies before age 65, be distributed equitably among the annuity
21 accounts of all individuals for which death benefits were not select-
22 ed.

23 (f) An individual does not receive a vested property right in an
24 annuity payment until that payment is made. Notwithstanding this
25 section, the state is not obligated to provide annuity payments for
26 annuity credits granted under AS 43.23.005.

27 * Sec 17. AS 47.45.010(a) is amended to read:

28 (a) A person who is 65 years of age or over, who resides in the
29 state for at least one year immediately preceding application for a

1 longevity bonus under this chapter may apply to the commissioner of
2 administration for qualification to receive a monthly bonus [OF \$250].

3 * Sec. 18. AS 47.45 is amended by adding a new section to read:

4 Sec. 47.45.015. AMOUNT OF BONUS. (a) Except as provided in (b)
5 of this section, the monthly longevity bonus is equal to \$250, minus
6 the maximum possible straight life annuity for a person 65 years of
7 age under the annuity program (AS 43.23.110 - 43.23.130), as deter-
8 mined by the commissioner of administration.

9 (b) A person who is 65 years of age before January 1, 1986, is
10 entitled to the full longevity bonus payment without reduction for the
11 annuity program.

12 * Sec. 19. AS 47.45.070 is amended to read:

13 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is
14 one who

15 (1) does not meet the age or residence requirements as
16 provided for under this chapter;

17 (2) meets the age and residence requirements of this chap-
18 ter but either is confined in a state or federal mental health insti-
19 tution or facility and is certified by the state as unable to manage
20 personal affairs, or resides in a nursing home as that term is defined
21 in AS 08.70.180; however, if that person, at the time of commitment or
22 commencement of residence, provided the principal support of a spouse,
23 the commissioner of administration may determine to pay the confined
24 person's bonus to the person's spouse until the spouse is qualified
25 for a bonus;

26 (3) is otherwise qualified but confined in a penal or
27 correctional institution or facility; upon completion of sentence or
28 upon the conferral of a pardon, parole or probation, the person may
29 make application; confinement outside the state shall be considered as

1 residence in the state if a person was convicted and sentenced from a
2 court in Alaska; revocation of parole or probation shall be cause for
3 immediate disqualification until release from confinement is again
4 effected;

5 (4) voluntarily leaves the state and remains absent from
6 the state for a continuous period of more than 180 days.

7 * Sec. 20. Section 11, ch. 38, SLA 1984 is amended to read:

8 Sec. 11. Sections 7 and 9 of this [THIS] Act [AND AS 47.45] are
9 repealed June 30, 1985.

10 * Sec. 21. AS 43.23.045(c) is repealed.

11 * Sec. 22. This Act applies only to permanent fund dividends for years
12 beginning after December 31, 1985. Notwithstanding the amendments to
13 AS 43.23 made by this Act, permanent fund dividends for 1985 and prior
14 years shall be made under the law as it existed before the effective date
15 of this Act.

16 * Sec. 23. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).

3/28/85

Fiscal notes received
after bill R/S of
Senate Finance.
Currently in H. Fin.
Copies provided Carol
& Shiela this date

Kathy

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____
Page 1 of 2

FISCAL DETAIL
Agency Affected: Department of Administration
Program Category Affected: _____
Labor services
BRU, Program or Subprogram(s) Affected: _____

56 (Fin)
ie _____

(Thousands of Dollars)

Operating	.. 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		109.1	132.5	139.1	146.1	153.4
100 Rtmnt & Bnfts						
200 Travel						
300 Contractual		20.0	28.1	29.5	31.0	32.6
400 Supplies		8.0	8.4	8.8	9.3	9.7
500 Equipment		12.0				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	149.1	169.0	177.4	186.4	195.7

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		149.1				
FEDERAL FUNDS						
OTHER			169.0	177.4	186.4	195.7
TOTAL	-0-	149.1	169.0	177.4	186.4	195.7

POSITIONS: -0-

FULL-TIME		3	3	3	3	3
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

J.K. Humphreys

Prepared By: J.K. Humphreys, Director *JKH* Phone: 465-4470
Division: Retirement & Benefits Date: 3/26/85

Approved by Commissioner: Lisa Rudd *LRR* Date: 3/27/85
Agency: Department of Administration

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

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____ Page 1 of 2

REQUEST
 Bill/Resolution No.: CSSB 56 (Fin)
 Title: An Act amending the
longevity bonus program
 Sponsor: Finance
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL
 Agency Affected: Department of Administration
 Program Category Affected: _____
Labor services
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		109.1	132.5	129.1	146.1	153.4
100 Rtmnt & Bnfts						
200 Travel						
300 Contractual		20.0	28.1	29.5	31.0	32.6
400 Supplies		8.0	8.4	8.8	9.3	9.7
500 Equipment		12.0				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	149.1	169.0	177.4	186.4	195.7
CAPITAL						
REVENUE						

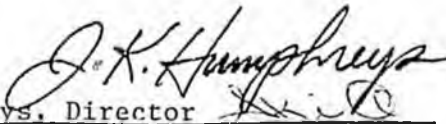
FUNDING: (Thousands of Dollars)

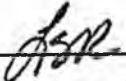
GENERAL FUND		149.1				
FEDERAL FUNDS						
OTHER			169.0	177.4	186.4	195.7
TOTAL	-0-	149.1	169.0	177.4	186.4	195.7

POSITIONS: -0-

FULL-TIME		3	3	3	3	3
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director  Phone: 465-4470
 Division: Retirement & Benefits Date: 3/26/85

Approved by Commissioner: Lisa Rudd  Date: 3/27/85
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

CS Senate Bill 56 (Finance)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

March 26, 1985

IV: Analysis: This Fiscal Note addresses costs in the Labor Services Program Category. Except for FY 86, the cost of the annuity program is anticipated to be borne entirely by the participants. We estimate that three full-time employees will be needed to administer this program on a continuing basis. We estimate that the program supervisor and chief accountant will be needed for the entire first year to assist in the development and analysis of the computer system needs with the other staff member being needed for only half of FY 86 to assist with the implementation and testing.

We are basing this Fiscal Note on the assumption that the Department of Revenue will supply information as to age, beneficiary elections, and address for those who elect to participate in the annuity program. This is critical.

We estimated an inflation rate of 5% in all categories. We assumed that General Funds would be needed for FY 86 and "other funds" would be available for FY 87 and later years.

We estimate that three positions are needed to administer this program.

Supervisor: Retirement & Benefits Specialist III
Accountant: Accountant II
Technician: Retirement & Benefits Technician I/II
(6 months FY86, full-time thereafter)

We propose that a notification would be developed in consultation with the Department of Revenue and would be sent to all Alaska boxholders to inform them of the provisions of the bill and to advise them of the contact persons or agencies. We estimate an annual cost of \$20.0 for independent audits. We also propose that there will be annual statements of account that will be sent to approximately 25,000 participants. This cost is estimated to be \$7.1 beginning in FY 87.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 4

REQUEST

Bill/Resolution No.: CSSB 56 (Fin)
 Title: An Act amending the longevity
 bonus program
 Sponsor: Finance
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Administration
 Program Category Affected: _____
Centralized Administrative Services
 BRU, Program or Subprogram(s) Affected: _____
Data Processing Services/Annuity Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		60.0	63.0	66.2	69.5	72.9
100 Rtmnt & Bnfts						
200 Travel						
300 Contractual		20.0	21.0	22.0	23.2	24.3
400 Supplies		.5	.5	.6	.6	.6
500 Equipment		4.0	4.2	4.4	4.6	4.9
600 Land & Struct						
700 Grants, Claims						
700 IRS Match						
TOTAL OPERATING	-0-	84.5	88.7	93.2	97.9	102.7
CAPITAL		600.0				
REVENUE						


FUNDING: (Thousands of Dollars)

GENERAL FUND		684.5				
FEDERAL FUNDS						
OTHER			88.7	93.2	97.9	102.7
TOTAL	-0-	684.5	88.7	93.2	97.9	102.7

POSITIONS: -0-

FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director  Phone: 465-4470
 Division: Retirement & Benefits Date: 3/26/85

Approved by Commissioner: Lisa Rudd  Date: 3/27/85
 Agency: Department of Administration

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

CS Senate Bill 56 (Finance)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

March 26, 1985

IV Analysis: This Fiscal Note addresses costs in the Data Processing Services BRU. We estimate that the annuity program will be fully automated to reduce the need for staff. We estimate that system analysis, development and construction costs would be \$600,000 and would be a capital appropriation from General Funds. A breakdown of the \$600,000 estimate for capital costs is attached (see pp. 3 & 4).

We anticipate the need for one full-time programmer/analyst IV to provide guidance in the development of the annuity systems with the contractors and, after implementation, to provide ongoing maintenance. We also estimate a cost of \$20.0 for computer records storage and operation costs.

We estimated an inflation rate of 5%. Further, we have assumed that General Funds would be needed to fund FY 86 and that "other funds" would be available for FY 87 and later years.

State Of Alaska	Bill: SB-56
SMALL PROJECT - General Purpose Form	-----
Project Name: Longevity Bonus/PFD - Estimation Assumptions & Summary	
Prepared By: Gene Chittenden	Date: 03/19/85

Estimation Assumptions:

1. System will not be front loaded with any monetary data.
2. System will need to interface with the Permanent Fund Data Bases.
3. System will need online access to all fields.
4. System will need to track beneficiaries as well as participants.
5. System will need to spread interest on some regularly established basis.
6. System will need to create annual account balance statements.
7. System will need to keep track of deposits.
8. System will need to keep track of withdrawals.
9. System will need to keep track of annuity options.
10. System will need to keep track of totals for federal income tax reporting.
11. System will need to create and log transfer vouchers for reserve transfers.
12. System will need to create and log transfer vouchers for annuitants.
13. System will need to keep accurate data for the following fields at a minimum:
 - a. Name (first, middle initial, last)
 - b. Mailing address (street, city, state, and zip)
 - c. Marital status (Single or Married only)
 - d. Dates of birth and death
 - e. Beneficiary, survivor and permanent contact information
 - f. Account number
 - g. Front loaded deposits/withdrawals, reason and date
 - h. PFD deposits/withdrawals, reason and date
 - i. Date annuity started and option chosen
 - j. Interest deposits/withdrawals, reason and date
 - k. YTD and ITD netted figures for all monetary fields
14. System will need to have an acceptable level of security built in.
15. System will have to use standard accounting practices of double entry bookkeeping.
16. System will not require any additional hardware or software packages, either for JDC or the Division of Retirement and Benefits.

Estimation Summary:

Based on the detailed estimate following, this system will take approximately 5.15 man-years to build at a cost of \$600,000.

Additionally, this system would be estimated to have 25,000 executable lines of code which would require approximately 1.25 maintenance people per year for data processing. Costs vary depending on grade level and seniority of persons assigned to maintain this system.

State Of Alaska	Bill: SB-56
SMALL PROJECT - Project Estimation	-----
Project Name: Longevity Bonus/PFD	
Prepared By: Gene Chittenden	Date: 03/19/85

TASK	DESCRIPTION	EST HOURS	EST RATE	EST COST
1.00	General design phase			
.1	System definition	300	65	19,500
.2	System plan	300	65	19,500
.3	User requirements	320	65	20,800
.4	Hardware Requirements	120	65	7,800
.5	Software selection	215	65	13,975
.6	System narrative	205	65	13,325
.7	System flow	220	65	14,300
.8	Data Dictionary	400	55	22,000
.9	Approvals, miscellaneous meetings, etc.	200	65	13,000
I.	Estimated Phase Totals	2280	n/a	144,200
2.00	Detail design phase			
.1	Systems design	400	65	26,000
.2	Subsystems design	450	65	29,250
.3	Subsystem flows	280	65	18,200
.4	Input/output design	410	65	26,650
.5	Data Base design	420	65	27,300
.6	Program design and specification	850	65	55,250
.7	General design update	220	65	14,300
.8	Data Dictionary update	500	55	27,500
.9	Approvals, walk-thrus, meetings, etc.	170	65	11,050
II.	Estimated Phase Totals	3700	n/a	235,500
3.00	Programming and Implementation phase			
.1	Programming	1420	50	71,000
.2	Unit testing	1100	50	55,000
.3	Integrated test plan	220	65	14,300
.4	System testing	200	50	10,000
.5	User manuals	200	65	13,000
.6	User training	160	65	10,400
.7	Project turnover	100	65	6,500
.8	General and detail design update	180	65	11,700
.9	Data Dictionary update	280	55	15,400
.10	Approvals, walk-thrus, meetings, etc.	200	65	13,000
III.	Estimated Phase Totals	4060	n/a	220,300
	Estimated Project Total	10040	n/a	600,000

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: March 21, 1985

Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 56 (Finance)
Title: Longevity Bonus/Annuity Program

Sponsor: Ray

Requestor: _____

Date of Request: _____

FISCAL DETAIL

Agency Affected: Administration

Program Category Affected: Social and Economic Assistance for the Aged

BRU, Program or Subprogram(s) Affected: _____

Longevity Bonus Program and Pioneers' Homes

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(1,702.4)	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)

CAPITAL	0	0	0	0	0	0
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REVENUE	0	(399.0)	(399.0)	(399.0)	(399.0)	(399.0)
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	(1,303.4)	(1,313.4)	(1,313.4)	(1,313.4)	(1,313.4)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	(1,303.4)	(1,313.4)	(1,313.4)	(1,313.4)	(1,313.4)

POSITIONS:

	0	0	0	0	0	0
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Joyce Murson, Director *JM*

Division: Pioneers' Benefits

Phone: 465-4400

Date: March 21, 1985

Approved by Commissioner: Lisa Rudd *LJR*

Agency: Department of Administration

Date: 3/27/85

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

CSSB 56 (Finance)
Fiscal Note Analysis
Prepared by Division of Pioneers' Benefits
Department of Administration
March 21, 1985 .

ASSUMPTIONS

This version of the bill would make persons who reside in nursing homes and government operated mental health facilities ineligible for the Longevity Bonus. This would have the effect of holding harmless those who would lose governmental benefits such as SSI, Adult Public Assistance and Medicare by receipt of the Longevity Bonus in other than Pioneers' Homes.

This fiscal note addresses administrative costs for the Longevity Bonus Program, as well as the impact on the Pioneers' Homes.

Two payment systems will be run in the Longevity Bonus Program. The first would pay a monthly target amount for those eligibles age 65 before January 1, 1986. The second would pay monthly payments, varying each year, for those age 65 after January 1, 1986. The second system would be impacted by information from the Annuity program. Since information from the Annuity program is not available, the impact cannot be calculated for this fiscal note.

FY 86 Longevity Bonus Administrative Costs (Start-up)

Contractual Services	\$10,000
Computer System Modification by Contractor	
The Longevity Bonus program would need additional resources for modifications to data processing files.	

Printing Costs already in 86 Budget

FY 87 Longevity Bonus Administrative Costs (Operations)

No Additional Costs

ASSUMPTIONS

1. The number of persons who would be affected in mental health facilities, Pioneers' Homes and nursing homes was approximately 608 as of February 1985. For the purpose of this fiscal note, it is assumed this number would remain unchanged. ($608 \times 12 \times \$250 = \$1,824,000$ saving)
2. There are approximately 133 nursing care residents of the Pioneers' Homes who use the Longevity Bonus to pay their monthly charges for care. Loss of the Longevity Bonus to these people would result in loss of revenue as program receipts for the Pioneers' Homes. ($133 \times 12 \times \$250 = \$399,000$ est. loss of program receipts)
3. Of the approximately 133 residents in Pioneers' Homes who would be affected, approximately 93 would have incomes reduced to the point they would become eligible for the monthly stipend payable under AS 47.25.020 (b) and (c). ($93 \times 12 \times \$100 = \$111,600$)

No consideration has been given to persons who may occupy the Juneau Pioneers' Home beginning in FY 88 because information is not available at this time about their income or needs.

3/15/85
 New Version of
 Fiscal Note
 need other
 hearing at 3/14/85

STATE OF ALASKA 1985 LEGISLATIVE SESSION
 FISCAL NOTE

Revision Date: March 18, 1985

Page 1 of 2

FISCAL DETAIL

B 56 (Judiciary) Agency Affected: Administration
 itv Program Program Category Affected: Social and
 Economic Assistance for the Aged
 BRU, Program or Subprogram(s) Affected:
 Longevity Bonus Program and Pioneers' Homes

(Thousands of Dollars)

OPERATING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(1,702.4)	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)

CAPITAL	0	0	0	0	0	0
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REVENUE	0	(399.0)	(399.0)	(399.0)	(399.0)	(399.0)
---------	---	---------	---------	---------	---------	---------

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	(1,303.4)	(1,313.4)	(1,313.4)	(1,313.4)	(1,313.4)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	(1,303.4)	(1,313.4)	(1,313.4)	(1,313.4)	(1,313.4)

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Joyce Manson Phone: 465-4400
 Division: Pioneers' Benefits Date: March 18, 1985

Approved by Commissioner: Lisa Rudd Date: 3/19/85
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: March 18, 1985

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REQUEST

Bill/Resolution No.: CSSB 56 (Judiciary)
Title: Longevity Bonus/Annuity Program

Sponsor: Ray

Requestor: _____

Date of Request: _____

FISCAL DETAIL

Agency Affected: Administration

Program Category Affected: Social and Economic Assistance for the Aged

BRU, Program or Subprogram(s) Affected: _____

Longevity Bonus Program and Pioneers' Homes

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(1,702.4)	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)
CAPITAL	0	0	0	0	0	0
REVENUE	0	(399.0)	(399.0)	(399.0)	(399.0)	(399.0)

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	(1,303.4)	(1,313.4)	(1,313.4)	(1,313.4)	(1,313.4)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	(1,303.4)	(1,313.4)	(1,313.4)	(1,313.4)	(1,313.4)

POSITIONS:

	0	0	0	0	0	0
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Joyce Manson, Director

Division: Pioneers' Benefits

Phone: 465-4400

Date: March 18, 1985

Approved by Commissioner: Lisa Rudd

Agency: Department of Administration

Date: 3/19/85

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

CSSB 56 (Judiciary)
Fiscal Note Analysis
Prepared by Division of Pioneers' Benefits
Department of Administration
March 18, 1985

ASSUMPTIONS

This version of the bill makes persons who reside in nursing homes and government operated mental health facilities ineligible for the Longevity Bonus.

This fiscal note addresses administrative costs for the Longevity Bonus Program, as well as the impact on the Pioneers' Homes.

Two payment systems will be run in the Longevity Bonus Program. The first would pay a monthly target amount for those eligibles age 65 before January 1, 1986. The second would pay monthly payments, varying each year, for those age 65 after January 1, 1986. The second system would be impacted by information from the Annuity program. Since information from the Annuity program is not available, the impact cannot be calculated for this fiscal note.

FY 86 Longevity Bonus Administrative Costs (Start-up)

Contractual Services	\$10,000
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Computer System Modification by Contractor

The Longevity Bonus program would need additional resources for modifications to data processing files.

Printing Costs already in 86 Budget

FY 87 Longevity Bonus Administrative Costs (Operations)

No Additional Costs

ASSUMPTIONS

1. Those persons who would be affected in mental health facilities, Pioneers' Homes and nursing homes was approximately 608 as of February 1985. For the purpose of this fiscal note, it is assumed this number will remain unchanged. (608 x 12 x \$250 = \$1,824,000 saving)
2. There are approximately 133 nursing care residents of the Pioneers' Homes who use the Longevity Bonus to pay their monthly charges for care. Loss of the Longevity Bonus to these people would result in loss of revenue as program receipts for the Pioneers' Homes. (133 x 12 x \$250 = \$399,000 est. loss of program receipts)
3. Of the approximately 133 residents in Pioneers' Homes who would be affected, approximately 93 would have incomes reduced to the point they would become eligible for the monthly stipend payable under AS 47.25.020 (b) and (c). (93 x 12 x \$100 = \$111,600)

No consideration has been given to persons who may occupy the Juneau Pioneers' Home beginning in FY 88 because information is not available at this time about their income or needs.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

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REQUEST

Bill/Resolution No.: CSSB 56 (Judiciary)
 Title: Longevity Bonus/Annuity
 Program _____
 Sponsor: Ray
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Administration
 Program Category Affected: Social and Economic Assistance for the Aged
 BRU, Program or Subprogram(s) Affected: Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL						
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	10.0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	10.0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	10.0	0	0	0	0

POSITIONS:

	0	0	0	0	0	0
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Joyce Munson, Director
 Division: Pioneers' Benefits

Phone: 465-4400

Date: March 12, 1985

Approved by Commissioner: Lisa Rudd
 Agency: Department of Administration

Date: 3-13-85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CSSB 56 (Jud)

CSSB 56 (Judiciary)
 Fiscal Note Analysis
 Prepared by Division of Pioneers' Benefits
 Department of Administration
 March 12, 1985

ASSUMPTIONS

The Judiciary Committee version of SB 56 would have no effect on the Longevity Bonus Program in relation to CSSB 56 (SA).

This fiscal note addresses administrative costs only for the Longevity Bonus Program.

Two payment systems will be run in the Division of Pioneers' Benefits. The first would pay a monthly target amount for those eligibles age 65 before January 1, 1986. The second would pay monthly payments, varying each year, for those age 65 after January 1, 1986. The second system would be impacted by information from the Annuity program.

The Longevity Bonus program would need additional resources for modifications to data processing files.

FY 86 Administrative Costs (Start-up)

Contractual Services	\$10,000
Computer System Modification by Contractor	

Printing Costs already in 86 Budget

FY 87 Administrative Costs (Operations)

No Additional Cost

A/B

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

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REQUEST

Bill/Resolution No.: S.B. 56
 Title: Longevity Bonus/Annuity
Program
 Sponsor: Ray
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Administration
 Program Category Affected: Social and
Economic Assistance for the Aged
 BRU, Program or Subprogram(s) Affected:
Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL						
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	10.0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	10.0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	10.0	0	0	0	0

POSITIONS:	0	0	0	0	0	0
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By:  Director
 Division: Pioneers' Benefits

Phone: 465-4400

Date: January 22, 1985

Approved by Commissioner: Lisa Rudd
 Agency: Department of Administration

Date: 1/23/85

Distribution (by Agency preparing fiscal note):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

AK

These fiscal notes
were all attached
to the bill when
it was received
in SFC

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date:

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FISCAL DETAIL

. 56
ity

Agency Affected: Administration

Program Category Affected: Social and

Economic Assistance for the Aged

BRU, Program or Subprogram(s) Affected:

Longevity Bonus Program

(Thousands of Dollars)

	85	FY 86	FY 87	FY 88	FY 89	FY 90
100 PERSONNEL	0	0	0	0	0	0
20 TRAVEL						
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	10.0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	10.0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	10.0	0	0	0	0

POSITIONS:	0	0	0	0	0	0
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: *[Signature]* Director
Division: Pioneers' Benefits

Phone: 465-4400

Date: January 22, 1985

Approved by Commissioner: Lisa Rudd
Agency: Department of Administration

Date: 1/23/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

S.B. 56
Fiscal Note Analysis
Prepared by Division of Pioneers' Benefits
Department of Administration
January 22, 1985

ASSUMPTIONS

This fiscal note addresses administrative costs only for the Longevity Bonus Program.

Two payment systems will be run in the Division of Pioneers' Benefits. The first would pay a monthly target amount for those eligibles age 65 before January 1, 1986. The second would pay monthly payments, varying each year, for those age 65 after January 1, 1986. The second system would be impacted by information from the Annuity program.

The Longevity Bonus program would need additional resources for modifications to data processing files.

FY 86 Administrative Costs (Start-up)

Contractual Services	\$10,000
Computer System Modification by Contractor	
Printing Costs already in 86 Budget	

FY 87 Administrative Costs (Operations)

No Additional Cost

A/G

IV
STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 56
 Title: An act amending the Longevity Bonus and PFD programs
 Sponsor: Ray, Halford, et al
 Requestor: Senate State Affairs
 Date of Request: 1/17/85

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: General Govt.
 BRU, Program of Subprogram(s) Affected: PFD BRU - Administrative Services, Enforcement, Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	229.2	-	-	-	-
200 TRAVEL	-	2.5	-	-	-	-
300 CONTRACTUAL	-	1073.5	-	-	-	-
400 SUPPLIES	-	1.0	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	1306.2	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	1306.2	-	-	-	-
TOTAL	-	1306.2	-	-	-	-

POSITIONS:

FULL-TIME	-	4	-	-	-	-
PART-TIME	-	3	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

(See attached)

Prepared By: Ervin B. Jones, Director
 Division: Administrative Services

Phone: 465-2313
 Date: 1/21/85

Approved by Commissioner: [Signature]
 Agency: _____

Date: 1/23/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

SB 56
Fiscal Note Analysis
Department of Revenue
PFD BRU - Administrative Services Component
January 21, 1985

As can be seen from the attached analysis of the bill, section by section, the primary impact on the Administrative Services component of the Permanent Fund Dividend BRU is going to be in Data Processing. This impact can be summarized in three areas:

- 1) The need to completely re-program the 1985 PFD system, with its approximately one hundred DP programs, both batch and on-line. These programs are for both the IBM mainframe and for the WANG VS system that is used in Anchorage and in Juneau.
- 2) The dramatic changes wrought by this bill will push the Department to combine all years in some fashion. Carrying multiple, separate systems on-line, and maintaining these separate systems has become very costly in terms of data processing resources. Revenue has been looking at a modified system that allows both look-up and interaction with prior year accounts, but the addition of the annuity based 1986 system will severely complicate that system design.
- 3) The addition of the annuity choice and its related edit requirements will impact the data entry section.

The incremental costs of performing these functions between the assumed effective date of approximately July 1, 1985 and the end of FY86 is estimated as follows:

Personal Services

- 1) Reprogram for 1986 PFD system
 - 1 Analyst/Programmer V, R21, @ \$4,653.05/Mo
including salary and benefits for 12 months \$55,836
 - 1 Analyst/Programmer IV, R19, @ \$4100.75/Mo
including salary and benefits for 12 months \$49,209
- 2) Project to consolidate 1986 system with prior four years (online, same as above)
 - 1 Analyst/Programmer V, R21, @ \$4,653.05/Mo
including salary and benefits for 12 months \$55,836
 - 1 Analyst/Programmer IV, R19, @ \$4100.75/Mo
including salary and benefits for 12 months \$49,209
- 3) Data capture of additional data required on PFD applications.
 - 3 Data Entry Clerk I's, R8, @ \$2,120.77/Mo
including salary and benefits, for 3 Mos each \$19,087

SB 56
Fiscal Note Analysis
Department of Revenue
PFD BRU - Administrative Services Component
January 21, 1985

TOTAL Personal Services	\$229,200
<u>Travel</u> (all 3 projects)	\$2,500
To pay travel/per diem costs of system analysts attending meetings in Anchorage and Juneau to map out the needed changes to the current PFD system.	
TOTAL Travel	\$2,500
<u>Contractual</u>	
1) To contract with Wang Labs, Inc to modify the existing garnishment system for PFD's. The Analyst/Programmer who built the original garnishment system currently works for Wang Labs, Inc as a systems consultant. Assuming he was available, he could redesign the system much faster than any other programmer available. This amount is calculated at \$80/hour X 8 hour days X 5 day weeks X 16 weeks =	\$51,200
2) 4 Wang 4250 workstations rented for 12 Mos, @ \$398/Mo including emulator boards @ \$805 each, so they may be used as IBM terminals or Wang terminals =	\$22,300
3) Data Processing chargeback to the Department of Administration for development on the mainframe. This is a very difficult figure to estimate before knowing more specifically how the system will be designed. Based on our past experience, however when the 1982 PFD system was completely redone during FY83, the cost is estimated as	\$1,000,000
TOTAL Contractual	\$1,073,500
Supplies	1,000
TOTAL Administrative Services Cost	\$1,306,200

Alaska Department of Revenue
Enforcement Division
Fiscal Impact of SB 56
January 21, 1985

The fiscal impact of SB 56 is \$-0- given the following assumptions.

1. Garnishment EDP programming changes can be accomplished at least three months before the 1986 payment schedule begins.
2. Orders of Restitution are served on the Division just as any other garnishment document, such as writs or Orders to Withhold.
3. Language is included that assures a creditor may not defeat a State agency by electing an annuity. If this is not done, the potential impact is a loss of revenue. Although not readily estimateable it is not anticipated to be significant.
4. Deposit and fund crediting procedures for collections of erroneously paid annuities are kept simple and/or allocation between funds are determined by the Department of Administration.

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STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

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REQUEST

Bill/Resolution No.: SB 56
 Title: An act amending the Longevity
 bonus program
 Sponsor: Ray
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Administration
 Program Category Affected: _____
Centralized Administrative Services
 BRU, Program or Subprogram(s) Affected: _____
Data Processing Services/Annuity Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		60.0	63.0	66.2	69.5	72.9
100 Ptmnt & Bnfts						
200 Travel						
300 Contractual						
400 Supplies		.5	.5	.6	.6	.6
500 Equipment		4.0	4.2	4.4	4.6	4.9
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	64.5	67.7	71.2	74.7	78.4

CAPITAL		750.0				
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		814.5	67.7	71.2	74.7	78.4
TOTAL	-0-	814.5	67.7	71.2	74.7	78.4

POSITIONS:

FULL-TIME	-0-	1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director *J.K. Humphreys* Phone: 465-4470
 Division: Retirement & Benefits Date: 1-22-85

Approved by Commissioner: Lisa Rudd *LJR* Date: 1/23/85
 Agency: Department of Administration

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

Senate Bill 56
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

January 22, 1985

IV Analysis:

This Fiscal Note addresses costs in the Data Processing Services BRU. We estimate that the annuity program will be fully automated to reduce the need for staff. We estimate that system analysis, development and construction costs would be \$750,000 and would be a capital appropriation from "other funds".

We anticipate the need for one full-time programmer/analyst IV to provide guidance in the development of the annuity systems with the contractors and, after implementation, to provide ongoing maintenance.

We estimated an inflation rate of 5%. Further, we assumed that "other funds" would be available for FY 86 costs.

A/B

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: SB 56
 Title: An act amending the
longevity bonus program
 Sponsor: Ray
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Administration
 Program Category Affected: _____
Labor Services
 BRU, Program or Subprogram(s) Affected: _____
Annuity Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		124.5	164.7	173.0	181.6	190.7
100 Ptmnt & Bnfts						
200 Travel						
300 Contractual		8.0	8.4	8.8	9.3	9.7
400 Supplies		1.6	1.7	1.8	1.9	1.9
500 Equipment		16.0				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	150.1	174.8	183.6	192.8	202.3
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		150.1	174.8	183.6	192.8	202.3
TOTAL	-0-	150.1	174.8	183.6	192.8	202.3

POSITIONS:

-0-

FULL-TIME		4	4	4	4	4
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys Director Phone: 465-4470
 Division: Retirement & Benefits Date: 1-22-85

Approved by Commissioner: Lisa Rudd Date: 1/23/85
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Senate Bill 56
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

January 22, 1985

IV: Analysis: This Fiscal Note addresses costs in the Labor Services Program Category. The cost of the annuity program is anticipated to be borne entirely by the participants. We estimate that approximately four full-time employees will be needed to administer this program on a continuing basis. We estimate that the program supervisor and chief accountant will be needed for the entire first year to assist in the development and analysis of the computer system needs with the other two staff members being needed for only half of FY 86 to assist with the implementation and testing.

We estimated an inflation rate of 5% in all categories. Further, we assumed that "other funds" would be available for FY 86 costs.

We estimate that four positions are needed to administer this program.

Supervisor: Retirement & Benefits Specialist III
Accountant: Accountant II
Technician: Retirement & Benefits Technician I/II
(6 months FY86, full-time thereafter)
Clerk: Accounting Clerk III
(6 months FY86, full-time thereafter)

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STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 56
 Title: Longevity Bonus, Permanent Fund Dividend, and Annuity Programs
 Sponsor: Ray
 Requestor: Senate State Affairs
 Date of Request: January 17, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	9.3	11.1	14.8	19.3	24.7
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	9.3	11.1	14.8	19.3	24.7
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER Annuity Investment Fund	-	9.3	11.1	14.8	19.3	24.7
<u>TOTAL</u>	-	9.3	11.1	14.8	19.3	24.7

POSITIONS:

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

ANALYSIS: See attached analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: January 22, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 1/22/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

SB 56
Fiscal Note Analysis

Costs in this fiscal note are based on the following projected balances of the annuity investment fund:

<u>Fiscal Year</u>	<u>Average Fund Balance (\$ Millions)</u>
1986	\$ 53
1987	88
1988	159
1989	244
1990	347

These projections assume three years of front-loading , 30% participation by eligibles, and 12% rate of return on investments.

Based on these average balances the following costs would be incurred (\$000):

<u>Fiscal Year</u>	<u>Securities Custody</u>
1986	9.3
1987	11.1
1988	14.8
1989	19.3
1990	24.7

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STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 02/22/85

REQUEST

Bill/Resolution No: CS SB56(SA)
 Title: An Act Amending the Longevity Bonus Program & Permanent Fund Dividend Program Establishing an Annuity Program and Providing an Effective Date.
 Sponsor: Ray (et all)
 Requestor:
 Date of Request: January 22, 1985

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: Revenue Collections & Management

BRU, Program or Subprogram(s) Affected: Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	78.3	164.3	174.2	184.7	195.8
200 TRAVEL	-	13.5	25.2	27.2	28.8	31.1
300 CONTRACTUAL	-	404.5	414.6	138.5	138.7	139.0
400 SUPPLIES	-	2.0	.8	.9	1.0	1.1
500 EQUIPMENT	-	5.0	-0-	-0-	-0-	-0-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	503.3	604.9	340.8	353.2	367.0
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	503.3	604.9	340.8	353.2	367.0
<u>TOTAL</u>	-	503.3	604.9	340.8	353.2	367.0

POSITIONS:

FULL-TIME	-	5	5	5	5	5
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: See attached.

Prepared By: Sally Smith, Director
 Division: Public Services

Phone: 465-2392
 Date: February 22, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 2/26/85

ASSUMPTIONS

490,000 eligible individuals
1986 application period, beginning April 1

PROGRAM SUMMARY

Public education and application assistance will be provided in rural and urban areas. Phone, letter and computer response to inquiries as well as application assistance will be provided at Public Service Centers in Anchorage, Fairbanks and Juneau, and forms distribution and application assistance will be available at various Legislative Information and Governor's Offices throughout the state.

Hearings on regulations to be promulgated for the new law will be conducted in various cities (Juneau, Anchorage, Fairbanks, Nome, Kotzebue, Barrow, Kodiak and Ketchikan).

Technical training will be provided for those individuals who will be assisting the general public in completing their applications.

EXPENDITURES

FY '86 FY '87

This revision corrects erroneously calculated personal services.

Personal Services

2 FT Document Proc. Clk 3 in Anchorage	30.5	64.1
2 FT Document Proc. Clk 3 in Juneau	30.5	64.1
1 FT Document Proc. Clk 3 in Fairbanks	<u>17.3</u>	<u>36.1</u>
	78.3	164.3

The experience with the Permanent Fund Dividend start-up was that we had an insufficient number of telephone lines and insufficient personnel to handle the volume of "walk-ins." Being available to explain the program adequately could prevent the need to reopen filing as happened with 1982 and 1983 PFD's.

Travel

Regulation Hearings		
Two employees to Anchorage, Fairbanks, Nome, Kotzebue, Kodiak, Barrow and Ketchikan	3.1	-0-
Administrative		
Anchorage, Fairbanks, and Legislative Information and Governor's Offices	<u>10.4</u>	<u>25.2</u>
	13.5	25.2

Contractual

*1/Advertising Campaign	250.0	50.0
Postage	10.0	11.0
*2/Long Distance Charges	100.0	250.0
Computer Terminals (2)	8.5	17.2
Space Rental (Anchorage, Juneau)	<u>36.0</u>	<u>86.4</u>
	404 5	414.6

Office Supplies

Supplies	2.0	.8
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Office Equipment

Desk, chair, filing cabinet, etc. for each new position	5.0	-0-
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FUNDING

The fiscal note from January 22, 1985 incorrectly shows the funding as being from general fund sources. More appropriately, these monies should be drawn from the Annuity Investment Fund. This revision reflects that change.

*1/Advertising

The experience of the Permanent Fund Dividend program is an indication of the need for adequate advertising. Because of inadequacies, the PFD filing period was reopened for both 1982 and 1983 filing years. Public Services currently spends \$50,000 on contracts to work in and with rural Alaska for filing assistance. Communities which no longer receive assistance would again need this contact.

A public awareness campaign would provide basic information on the change in program expectations while providing the public with phone numbers and names of contractors for further information.

*2/Long Distance Charges

When first calculating the figures, we erroneously figured the bulk of the calls came during the filing period which would likely be contained in FY '86. On closer scrutiny of our past experience we found that the major impact was during check distribution, later in the calendar year. To correct this error, figures for FY '86 and FY '87 have been reversed. Historically, once the program is fully implemented, the calls drop off. This drop should occur in FY '88.

POSITION TITLE Document Processing Clerk III				GRADE/STEP 10B	BARG. UNIT G	PAGE/LINE	C.N.	APPROV.	GEN.
TYPE OF POSITION PFT	STAFF MONTHS 6	RP NUMBER	PCN NUMBER	BUD. PRIORITY	LOCATION JBA	ELECTION DISTRICT	LEG.		
CONTINUATION LEVEL				ADDITION		JUSTIFICATION			
TYPE OF EXPENDITURE			AMOUNT						
1 PERSONAL SERVICES			2			3			
Salary			12,810						
Benefits			4,394						
Supplemental Benefits									
Fixed Benefits									
TOTAL PERSONAL SERVICES			01			17,204			
Travel			02						
Contractual			03						
Commodities			04						
Equipment			05			1,000			
Other									
TOTAL COST						18,204			
RECEIPT CODE				FUNDING SOURCE					
				Federal Receipts 1002					
				C.F. Match 1003					
				General Funds 1004					
				I-A Receipts 1005					
				Program Receipts 1028					
				Other				18,204	
FOR BSM USE ONLY									
KEY NUMBER									

**REQUEST FOR
NEW POSITION**

AGENCY Revenue
 PROGRAM Revenue Collections & Management
 BRU PFD
 COMPONENT Public Services Operating

FY 86

Page 1 of 1
 Revised Date _____

POSITION TITLE Document Processing Clerk III				RANGE/STEP 10B	BARG. UNIT G	PAGE/LINE	COV.	APPROV.	DIS.
TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT 4	LEG.		

NEGOTIATION LEVEL		ADDITION	AMOUNT
1	2		3
PERSONAL SERVICES			
Salary	22,716		
Benefits	7,792		
Supplemental Benefits			
Fixed Benefits			
TOTAL PERSONAL SERVICES	01		30,508
Travel	02		
Contractual	03		
Utilities	04		
Equipment	05		2,000
Other			
TOTAL COST			32,508

JUSTIFICATION

RECEIPT CODE	FUNDING SOURCE	AMOUNT
	Federal Receipts 1002	
	C.F. Match 1003	
	General Funds 1004	
	IGA Receipts 1005	
	Program Receipts 1078	
	Other	32,508

FOR BSA USE ONLY
KEY NUMBER _____

**REQUEST FOR
NEW POSITION**

AGENCY Revenue
 PROGRAM Revenue Collections & Management
 BRU PFG
 COMPONENT public Services Operating

FY 86

Page 1 of 1
 Revised Date _____

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STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CS SB 56 (SA)
 Title: Longevity Bonus, Permanent Fund Dividend and Annuity
 Sponsor: Senate State Affairs
 Requestor: Senate Judiciary
 Date of Request: February 15, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	9.3	11.1	14.8	19.3	24.7
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	9.3	11.1	14.8	19.3	24.7
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER Annuity Investment Fund	-	9.3	11.1	14.8	19.3	24.7
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: See attached analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: February 15, 1985

Approved by Commissioner: Henry J. Sturdale
 Agency: Department of Revenue

Date: 2/21/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CS SB 56
Fiscal Note Analysis

Costs in this fiscal note are based on the following projected balances of the Annuity Investment Fund:

<u>Fiscal Year</u>	<u>Average Fund Balance (\$ Millions)</u>
1986	\$ 53
1987	88
1988	159
1989	244
1990	347

These projections assume three years of front-loading, 30% participation by eligibles, and 12% rate of return on investments.

Based on these average balances, the following costs would be incurred (\$000):

<u>Fiscal Year</u>	<u>Securities Custody</u>
1986	9.3
1987	11.1
1988	14.8
1989	19.3
1990	24.7

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CSSB 56 (SA)
 Title: An act amending the Longevity Bonus program
 Sponsor: Ray, Halford, et al
 Requestor: Senate Judiciary
 Date of Request: 2/15/85

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: General Government
 BRU, Program of Subprogram(s) Affected: PF - Admin. Services, Enforcement, Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	229.2	-	-	-	-
200 TRAVEL	-	2.5	-	-	-	-
300 CONTRACTUAL	-	73.5	-	-	-	-
400 SUPPLIES	-	1.0	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	306.2	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	306.2	-	-	-	-
TOTAL	-	306.2	-	-	-	-

POSITIONS:

FULL-TIME	-	4	-	-	-	-
PART-TIME	-	3	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: See attached.

Prepared By: Ervin B. Jones, Director
 Division: Administrative Services

Phone: 465-2313
 Date: _____

Approved by Commissioner: Mary G. Skudole
 Agency: Revenue

Date: 2/21/85

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

CSSB 56
Fiscal Note Analysis
Department of Revenue
PFD BRU - Administrative Services Component
February 19, 1985

As can be seen from the attached analysis of the bill, section by section, the primary impact on the Administrative Services component of the Permanent Fund Dividend BRU is going to be in Data Processing. This impact can be summarized in three areas:

- 1) The need to completely re-program the 1985 PFD system, with its approximately one hundred DP programs, both batch and on-line. These programs are for both the IBM mainframe and for the WANG VS system that is used in Anchorage and in Juneau.
- 2) The dramatic changes wrought by this bill will push the Department to combine all years in some fashion. Carrying multiple, separate systems on-line, and maintaining these separate systems has become very costly in terms of data processing resources. Revenue has been looking at a modified system that allows both look-up and interaction with prior year accounts, but the addition of the annuity based 1986 system will severely complicate that system design.
- 3) The addition of the annuity choice and its related edit requirements will impact the data entry section.

The incremental costs of performing these functions between the assumed effective date of approximately July 1, 1985 and the end of FY86 is estimated as follows:

Personal Services

1) Reprogram for 1986 PFD system

1 Analyst/Programmer V, R21, @ \$4,653.05/Mo
including salary and benefits for 12 months \$55,836

1 Analyst/Programmer IV, R19, @ \$4100.75/Mo
including salary and benefits for 12 months \$49,209

2) Project to consolidate 1986 system with
prior four years (online, same as above)

1 Analyst/Programmer V, R21, @ \$4,653.05/Mo
including salary and benefits for 12 months \$55,836

1 Analyst/Programmer IV, R19, @ \$4100.75/Mo
including salary and benefits for 12 months \$49,209

3) Data capture of additional data required
on PFD applications.

3 Data Entry Clerk I's, R8, @ \$2,120.77/Mo
including salary and benefits, for 3 Mos each
\$79,087

CSSB 56
Fiscal Note Analysis
Department of Revenue
PFD BRU - Administrative Services Component
February 19, 1985

TOTAL Personal Services	\$229,200
<u>Travel</u> (all 3 projects)	\$2,500
To pay travel/per diem costs of system analysts attending meetings in Anchorage and Juneau to map out the needed changes to the current PFD system.	
TOTAL Travel	\$2,500
<u>Contractual</u>	
1) To contract with Wang Labs, Inc to modify the existing garnishment system for PFD's. The Analyst/Programmer who built the original garnishment system currently works for Wang Labs, Inc as a systems consultant. Assuming he was available, he could redesign the system much faster than any other programmer available. This amount is calculated at \$80/hour X 8 hour days X 5 day weeks X 16 weeks	= \$51,200
2) 4 Wang 4250 workstations rented for 12 Mos, @ \$398/Mo including emulator boards @ \$805 each, so they may be used as IBM terminals or Wang terminals	= \$22,300
TOTAL Contractual	\$73,500
Supplies	1,000
TOTAL Administrative Services Cost	\$306,200

~~8~~ DEPARTMENT OF REVENUE -

The proposed legislation directly impacts four divisions within DOR:

- Division of Administrative Services
- Division of Enforcement
- Division of Treasury
- Division of Public Services

For purposes of convenience, we have consolidated our responses into categories instead of along division lines:

- I. Introduction - The Annuity Program
- II. Section-by-Section Analysis of Amendments to AS 43
- III. Proposed Amendments
- IV. Division(s) Fiscal Notes

I
Introduction
The Annuity Program

Annuity Program

Under the annuity program established by SB 56, an eligible Alaska resident under the age of 65 as of January 1, 1986 may forego all or a portion, but not less than 25%, of their permanent fund dividend in exchange for a credit to an individual annuity account. Upon reaching the age of 65, that person will receive a monthly annuity for the remainder of their life that is based on the accumulated value of their annuity account, including interest, at age 65.

As it does currently, the Enforcement Division of the Department of Revenue will determine eligibility for a dividend. Under SB 56 the division of Administrative Services will provide to the Department of Administration, the amount, if any, each resident's annuity account would be credited as a result of electing such credit rather than a cash dividend. The total of such credits will be transferred to the annuity investment fund from the dividend fund.

The Treasury Division of the Department of Revenue will invest the annuity investment fund. Investments permitted are the same as those of the Public Employees Retirement Fund except that the fund may also be invested in commercial insurance contracts. *Periodically, the Treasury Division will notify the Department of Administration of the income realized by the fund. The Department of Administration will allocate this as a pro-rata credit to each person's annuity account based on the balance in their account.

At age 65, a monthly annuity payment will be established for each individual. It will be determined by either the annuity available on the market which can be purchased with the amount in the annuitant's account or an amount determined by the Department of Administration based on then current interest rates, mortality tables, and amounts on the account if an "in-house" option is chosen to meet the liability for annuity payments. Under the "in-house" option the State would continue to manage the investment of the funds in annuitants' accounts at age 65 and thereafter.

Each year, the legislature may appropriate from the annuity investment account the amount required to make the monthly payments to annuitants who are 65 or older. The amounts required will be transferred to the Department of Administration which will make the payments.

The appropriation could be of "the amount required by AS 43.23.130" or the Department of Administration could provide an estimate each year which would be inexact due to deaths during the year of annuitants or those who would become annuitants in that year.

Comments

The private insurance option transfers from the fund the risk of inadequate earnings on post-65 annuitants' accounts to cover liabilities for payments. Of course the risk is not totally avoided since there is always some credit risk that the insurer will fail.

However, by incorporating the private insurance option into the investment fund as an investment, a conflict can arise with AS 43.23.110(c) which required crediting annuity accounts with investment fund earnings. If average fund rate-of-return is less than that on the insurance contracts, full payment of monthly annuities to those over 65 cannot be made while also crediting under-65 accounts at the average rate of return. This is because in this case the average rate of return on under-65 accounts would be higher than the actual returns. Of course, the credits can be made since they don't require cash payment and over time the problem may be eliminated by years in which average fund earnings exceed insurance contract rates of return.

A more definitive solution might be to credit under-65 accounts only with earnings net of annuity payments, to establish separate funds for those over and under 65, or to make the insurance contracts simply contracts of the Department of Administration and not investments of the annuity investment funds. In the case of "in-house" management, similar conflict would exist AS 43.23.110(c) when assumed rates of return and mortality differ from that realized.

The other major aspect of the annuity program which may present technical problems is the allocation from "front-loading" in AS 43.23.110(b)(2) and (3). If the base amount in (b)(2) is a separate

appropriation or allocation in the legislation appropriating the "front-loading", then that base amount can be determined. In any event, (b)(3)'s derivation remains ambiguous.

II

Alaska Department of Revenue Section by Section Analysis of SB 56 January 21, 1985

- Section 1: Intent section, no effect on Department of Revenue except that paragraph (4), lines 3-5 sets up the relationship of two choices: annuity is the default unless applicant chooses cash. This affects form design and programming.
- Section 2: Amends AS 43.23.005(c). Replaces the word "payment" with "dividend," for consistency reasons. There is no direct effect on the Department of Revenue.
- Section 3: Amends AS 43.23.005 by establishing alternatives for PFD applicants:
- a) If person is 65 or older on December 31, 1985, there is only one choice - 100% cash dividend.
 - b) If person is under 65 on December 31, 1985, there are two basic choices:
 - 1) 100% cash.
 - 2) At least 25% cash, and between 1 and 75% annuity.
- Section 4: Amends AS 43.23.015(a). This change would appear to have no effect on the Department of Revenue unless the intent is to limit the Department of Revenue's ability to adopt regulations defining residency, etc., as opposed to just establishing the process.
- Section 5: Amends AS 43.23.015(b) by changing the affidavit printed on the application, so that the applicant signs a statement that he or she understands that they will lose all dividends and interest credited to his/her annuity account. It should be amended to say the person also loses all the legislative appropriations credited under AS 43.23.110 (Section 16 of this bill). This represents a major forms change, and more importantly, creates substantial collection problems leaving many questions unanswered. For example, it is clear that the Department of Revenue can use collection procedures to collect money paid to applicants as cash dividends and within the limits of Section 10, as well as collect funds transferred to the Department of Administration based on an option for annuity, however what about:

- 1) Collecting annuities already paid to a person over 65? Who collects it and how?
- 2) If Revenue attempts to retrieve money from the Department of Administration after conviction or discovery of error, which agency goes after money from the annuitant? Under what provision of law? What if there aren't enough funds in the dividends account?

Section 6: Amends AS 43.23.015(e) in an attempt at consistency. But given the extreme difficulties that exist in administering a trust for persons in custody of a public agency (typically children in custody of the Department of Health & Social Services) and the animosity that is generated in the parents, giving a state agency the option of irrevocably placing a custodial person's dividend in an annuity account seems certain to generate extreme animosity from those parents and potential law suits for the recovery of the funds.

Section 7: Amends AS 43.23.015(f) for consistency with the new concept of the PFD annuity. It is important to note that this does nothing to correct the potential problem mentioned in the analysis of Section 6. Otherwise there is no effect on the Department of Revenue.

Section 8: Amends AS 43.23.015 by adding a paragraph directing the Department of Revenue to provide an option on the PFD application. For consistency's sake, the wording on line 16-17 should be changed to reflect the wording of the option as given in Section 3. Section 8 implies only two choices: 100% cash or 100% annuity. This doesn't square with Section 3, which provides that every applicant receives at least 25% of the dividend value in cash. It should also be noted that the use of the term "permanent fund dividend" on line 17 in juxtaposition to the term "cash" implies that the term "permanent fund Dividend" is defined as meaning annuity credit. This is not the definition provided in Section 15. The only effect on the Department of Revenue of this section is to modify the form and explain the choices to the public.

Section 9: Amends AS 43.23.035 to reflect the new concept of the PFD annuity option. It is unclear as to whether "additional credits" on line 24 means an allocation of future legislated appropriations and/or interest accrued to original annuity credits. The language here should be coordinated with the language in Section 5. Again, there are enforcement/collection problems. What if annuity payments have already started and there is not enough left to pay back all the erroneously credited dividends? How is the balance collected, and by whom? To what fund(s) are collections credited?

Section 10: Amends AS 43.23.035 to provide a mechanism for the Department of Revenue to collect dividends erroneously credited to the annuity investment account. This section also distinguishes between the remedy available to the Department of Revenue when the error is the fault of the state and when the error is the fault of the individual. It is difficult to evaluate which date starts the clock - date credited, or date discovered.

Section 11: Amends AS 43.23.055 to redefine the duties of the Department of Revenue to reflect the new concept of a PFD annuity option. Lines 19-20 again implies two choices - 100% cash or 100% annuity. Under the provisions of Section 3, everyone receives at least 25% cash. Lines 11-13 on page 6 requires the Department of Revenue to provide information to the Department of Administration necessary to maintain the individual annuity account records and administer the annuity program. It would appear that this information exchange would consist of the following:

- 1) Each week, starting with the first PFD payment run in October, the Department of Revenue would notify the Department of Administration (via a computer tape) of those applicants who came up for payment and who chose that a percentage of their dividend be credited to their annuity account. This will allow the Department of Administration to credit the account with the proper amount and as of the date on which the applicant would have otherwise been paid cash. This reporting will go on weekly as long as the Department of Revenue is making payments from that particular year's file.
- 2) On a regular basis, the Department of Revenue would have to provide the Department of Administration with the interest rate that reflects the earnings of the annuity investment fund.
- 3) On a case by case basis over a 10-year period the Department of Revenue - Enforcement would notify the Department of Administration of erroneous payments and seek reimbursement from the annuity investment fund.

Sections 12 & 13: Amend AS 43.23.065 to reflect the new concept of a PFD annuity option. The general effect of Sections 12 and 13, taken together, seems to be that the portion of a dividend which is taken as a credit to an annuity is not subject to levy, execution, garnishment, attachment, or other remedies for the collection of debt. As a statute change unrelated to the annuity concept, Section 12 provides for 100% attachment of a cash dividend to satisfy a court-ordered restitution under AS 12.55.045 - 12.55.051 or 12.55.100. It is important that the court order will serve to attach

the dividend only if served on the Department of Revenue timely, as in the case of any other attachment order (CSED, IRS, etc.). Section 13 goes further by providing that in the case of a CSED arrearage or in the case of a civil judgement or order of restitution, the Department of Revenue or the Alaska courts, respectively, may require the defendant to take his/her entire PFD in cash. First of all, it is important to note that neither the Department of Revenue nor the court can force a person to apply for a dividend, but can force a selection of cash once the applicant has filed. There are two potential problems with Section 13:

- 1) The Department of Revenue cannot determine that an applicant meets the criteria of Section 13 until either CSED or a court agency serves an attachment order on the Department of Revenue - Enforcement, and in the case of CSED, indicating a past-due debt, and
- 2) Given that the overall thrust of Sections 12 and 13 is to exempt dividends selected as annuity credits from attachment, in the case of a person who owes (under Section 13) less than the amount of the total dividend, and originally chose the annuity option, it would seem that only an amount necessary to satisfy the debts under both the proposed AS 43.23.065(b) and (c) could be converted to the cash option, with the residual amount still protected from general attachment. This needs to be clarified.

Section 14: Amends AS 43.23.075 to reflect the new concept of a PFD annuity option. There is no effect on the Department of Revenue.

Section 15: Amends AS 43.23.095(b) to change the definition of "permanent fund dividend" to include the PFD annuity option. There is no effect on the Department of Revenue, save substantial changes to existing regulations.

Section 16: This section establishes the Annuity Program, to be administered by the Department of Administration. Although this section of the bill has very little impact on the Department of Revenue - PFD BRU, the following thoughts are offered for consideration:

- 1) AS 43.23.110(a), as proposed, provides for the gross amount selected as annuity credits to be transferred from the PFD fund to the annuity investment fund annually. As previously noted, the Department of Revenue could provide a magnetic file weekly as annuity participants come up for payment. The question is when does the interest envisioned in the proposed AS 43.23.110(c) begins to accrue: at payment of the residual cash dividend, or at some annual date upon transfer of the gross amount.

2) AS 43.23.110(b), as proposed, provides that the Legislature may appropriate additional funds to the annuity investment fund. Since this appropriation will likely be made during January - May of a given year, it should be clarified as to whether the appropriation is to be allocated between annuity participants of that same calendar year, or amongst those who selected the annuity option for the prior calendar year. If as the bill implies, the former is the case, then the Legislature will be making an appropriation without prior knowledge of the number of participants or the total amount of dividends selected as annuity credits. The applications are filed between April 1 - June 30 and the information is not on computer file until approximately July 31.

AS 43.23.110(b)(1), as proposed, appears to have the same constitutional flaws that caused the Legislature to include the children of Alaska in the PFD program in 1982.

AS 43.23.110(b)(2), as proposed, does not specify what portion of the appropriation should be used as the "base" amount. Also there needs to be definitions of the formula for determining the base amount, i.e. half the appropriation divided by the number of eligible annuitants.

AS 43.23.110(b)(3), as proposed, is a very confusing paragraph and makes no comprehensible sense. The formula for showing the appropriation must be clarified and simplified to the point that it can be easily explained to the public, in written form in the application booklet, in person during the required rural assistance program, and to the tens of thousands of Alaskans who will be asking the Department of Revenue's Public Services Assistance Centers for a lucid explanation.

AS 43.23.110(b)(4), as proposed, again implies that a person has an option of opting for 100% annuity, in contradiction of Section 3.

AS 43.23.110(c), as proposed, requires the Department of Revenue to provide the Department of Administration with the appropriate interest rate. The question unanswered is how often? The other implication is that the monies in the annuity investment fund are not to be co-mingled with other monies in the General Fund, but truly invested as a separate fund. This needs to be nailed down.

AS 43.23.130, as proposed, describes the benefit PFD applicants would receive in exchange for the option of receiving their whole dividend in cash, versus accepting up to 75% of the dividend in annuity credit. For this reason, it is extremely important that this section be very clear

to the reader, and it is. In (f) of this section, there appears to be an attempt to shelter the original dividend given up, in part, for an annuity credit, from taxation by the federal government as income in the year the dividend was available in cash. The doctrine of "constructive receipt" would hold the dividend taxable in the current year and this will have to be pointed out to recipients of the dividend at the time their dividend is paid, whether it is paid in credits or in cash.

Section 22: Provides an implementation schedule for the provisions of this bill and makes the Act applicable to PFD years 1986 and thereafter. This defines the time period in which the Department of Revenue has to accomplish all of the necessary program changes. The Department of Revenue will have from the date this bill becomes law until March 31, 1986. This accelerated schedule will be costly and will make it very difficult to get everything on line by the 1986 filing period.

Section 23: Provides an effective date.

III
Alaska Department of Revenue
Suggested Amendments to SB 56
January 21, 1985

Submitted by Division of Administrative Services:

Eliminate Internal Contradictions Regarding Cash vs Annuity

1. Section 1 and Section 3 are contradictory as to the options available and should be modified.

Page 2, lines 3 - 5 implies that the entire dividend is applied to the annuity account absent a conscious election by the applicant.

Page 2, lines 22-24 says that the only choice other than 100% cash is 25% or more cash and between 1 and 75% annuity. Per Section 3, there does not appear to be a 100% annuity option.

2. Page 4, lines 16-17 should be amended to reflect the same wording of Section 3, to eliminate the contradiction regarding the available options.

Making Annuity/Cash Election Irrevocable

3. Page 5, lines 17-20 like Section 1, implies only two choices: 100% cash or 100% annuity. This should be amended to square with Section 3.
4. It is important that the election be binding and irrevocable. If people change their mind, make a mistake, or whatever, there should be no opportunity to change election. Otherwise, the cost of this program will go up dramatically.

Limit Choice

5. Page 2, lines 19-25 should be amended to limit the choice of hybrid payments to:
 - a) 100% cash,
 - b) 25% cash, 75% annuity credit,
 - c) 50% cash, 50% annuity credit, or
 - d) 75% cash, 25% annuity credit.

As it currently reads, there are at least 76 real options, significantly complicating the administration of the program.

Avoidance of Debts to State Agencies

6. Page 7, line 13 should be amended by adding a new subsection (d) to include debts to a state agency as a valid reason for compelling an applicant to elect a cash dividend.

Submitted by Division of Treasury: Comments on SB 56

1. Page 6, line 15

"(a)" should be inserted before "Fifty."

2. Page 8

Sec. 43.23.110(a) should include the statement that "Income of the annuity investment fund shall be added to the principal of the annuity investment fund." However, the Attorney General in a November 30, 1982 opinion expressed some doubt about whether a retention of investment earnings by a fund is permissible under the Constitution's prohibition of dedicated revenues.

3. Page 10, line 6

Add "purchased from insurance companies which have a Best's Policyholders' Rating of A or better and belong to Best's financial size Group XV at the time of purchase" at the end of the sentence.

4. Page 10, line 23

"received" should be "receive"

Treasury Division's Comments on SB 56

1. Page 6, line 15

"(a)" should be inserted before "Fifty."

2. Page 8

Sec. 43.23.110(a) should include the statement that "Income of the annuity investment fund shall be added to the principal of the annuity investment fund." However, the Attorney General in a November 30, 1982 opinion expressed some doubt about whether a retention of investment earnings by a fund is permissible under the Constitution's prohibition of dedicated revenues.

3. Page 9

Sec. 43.23.110(b)(2) and (3) are not clear as to how the credits for "front-loading" are to be determined.

4. Page 9, line 20

"rate of interest" should be amended to "rate of return"

5. Page 10, line 6

Add "purchased from insurance companies which have a Best's Policyholders' Rating of A or better and belong to Best's financial size Group XV at the time of purchase" at the end of the sentence.

1/5

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 02/19/85

REQUEST

Bill/Resolution No: CS SB56(SA)
 Title: An Act Amending the Longevity Bonus Program & Permanent Fund Dividend Program Establishing an Annuity Program and Providing an Effective Date.
 Sponsor: Ray (et al)
 Requestor:
 Date of Request: January 22, 1985

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: Revenue Collections
 BRU, Program or Subprogram(s) Affected: Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	60.7	159.9	172.7	183.1	197.2
200 TRAVEL	-	13.5	25.2	27.2	28.8	31.1
300 CONTRACTUAL	-	404.5	414.6	138.5	138.7	139.0
400 SUPPLIES	-	2.0	.8	.9	1.0	1.1
500 EQUIPMENT	-	5.0	-0-	-0-	-0-	-0-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	485.7	600.5	339.3	351.6	368.4
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	485.7	600.5	339.3	351.6	368.4
<u>TOTAL</u>	-	485.7	600.5	339.3	351.6	368.4

POSITIONS:

FULL-TIME	-	5	5	5	5	5
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: See attached.

Prepared By: Sally Smith, Director
 Division: Public Services

Phone: 465-2392

Date: February 19, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 2/21/85

1.	POSITION TITLE Document Processing Clerk III				RANGE/STEP 10A	BARG. UNIT G	PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION JBA	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	9,865								
6.	Benefits	1,618								
7.	Supplemental Benefits	605								
8.	Fixed Benefits	1,137								
9.	TOTAL PERSONAL SERVICES	01	13,225							
10.	Travel	02								
11.	Contractual	03								
12.	Commodities	04								
13.	Equipment	05	1,000							
14.	Other									
15.	TOTAL COST		14,225							
	RECEIPT CODE			FUNDING SOURCE						
16.			Federal Receipts 1002							
17.			G.F. Match 1003							
18.			General Funds 1004							
19.			I-A Receipts 1005							
20.			Program Receipts 1028							
21.			Other							14,225
FOR B&M USE ONLY KEY NUMBER _____										

**REQUEST FOR
NEW POSITION**

AGENCY Revenue
PROGRAM Revenue Collections
BRU Public Services
COMPONENT Operating

Page 1 of 1
Revised Date _____

FY 86

1.	POSITION TITLE Document Processing Clerk III				RANGE/STEP 10A	BARG. UNIT G	PAGE/LINE	COV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 24	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT 4	LEG.		
3.	CONTINUATION LEVEL		ADDITION		JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	17,480								
6.	Benefits	2,866								
7.	Supplemental Benefits	1,071								
8.	Fixed Benefits	2,264								
9.	TOTAL PERSONAL SERVICES	01		23,681						
10.	Travel	02								
11.	Contractual	03								
12.	Commodities	04								
13.	Equipment	05		2,000						
14.	Other									
15.	TOTAL COST			25,681						
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts	1002							
17.		G.F. Match	1003							
18.		General Funds	1004							
19.		I-A Receipts	1005							
20.		Program Receipts	1028							
21.		Other		25,681						
FOR B&M USE ONLY KEY NUMBER _____										

**REQUEST FOR
NEW POSITION**

AGENCY Revenue
PROGRAM Revenue Collections
BRU Public Services
COMPONENT Operating

Page 1 of 1
Revised Date _____

FY 86

1.	POSITION TITLE Document Processing Clerk III				RANGE/STEP 10A	BARC. UNIT G	PAGE/LINE	COV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 24	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION EBA	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1	2		3						
	PERSONAL SERVICES									
5.	Salary	17,480								
6.	Benefits	2,866								
7.	Supplemental Benefits	1,071								
8.	Fixed Benefits	2,264								
9.	TOTAL PERSONAL SERVICES	01		23,681						
10.	Travel	02								
11.	Contractual	03								
12.	Commodities	04								
13.	Equipment	05		2,000						
14.	Other									
15.	TOTAL COST			25,681						
16.	RECEIPT CODE	FUNDING SOURCE								
17.		Federal Receipts 1002								
18.		G.F. Match 1003								
19.		General Funds 1004								
20.		I-A Receipts 1005								
21.		Program Receipts 1028								
		Other		25,681						
FOR B&M USE ONLY KEY NUMBER _____										

**REQUEST FOR
NEW POSITION**

AGENCY Revenue
PROGRAM Revenue Collections
BRU Public Services
COMPONENT Operating

Page 1 of 1
Revised Date _____

FY 86

ASSUMPTIONS

490,000 eligible individuals
1986 application period, beginning April 1

PROGRAM SUMMARY

Public education and application assistance will be provided in rural and urban areas. Phone, letter and computer response to inquiries as well as application assistance will be provided at Public Service Centers in Anchorage, Fairbanks and Juneau, and forms distribution and application assistance will be available at various Legislative Information and Governor's Offices throughout the state.

Hearings on regulations to be promulgated for the new law will be conducted in various cities (Juneau, Anchorage, Fairbanks, Nome, Kotzebue, Barrow, Kodiak and Ketchikan).

Technical training will be provided for those individuals who will be assisting the general public in completing their applications.

EXPENDITURES

FY '86 FY '87

Personal Services

2 FT Document Proc. Clk 3 in Anchorage	23.7	62.5
2 FT Document Proc. Clk 3 in Juneau	23.7	62.5
1 FT Document Proc. Clk 3 in Fairbanks	13.3	34.9

The experience with the Permanent Fund Dividend start-up was that we had an insufficient number of telephone lines and insufficient personnel to handle the volume of "walk-ins." Being available to explain the program adequately could prevent the need to reopen filing as happened with 1982 and 1983 PFD's.

Travel

Regulation Hearings		
Two employees to Anchorage, Fairbanks, Nome, Kotzebue, Kodiak, Barrow and Ketchikan	3.1	-0-
Administrative		
Anchorage, Fairbanks, and Legislative Information and Governor's Offices	10.4	25.2

Contractual

*1/Advertising Campaign	250.0	50.0
Postage	10.0	11.0
*2/Long Distance Charges	100.0	250.0
Computer Terminals (2)	8.5	17.2
Space Rental (Anchorage, Juneau)	36.0	86.4

<u>Office Supplies</u>	FY '86	FY '87
Supplies	2.0	.8
<u>Office Equipment</u>		
Desk, chair, filing cabinet, etc. for each new position	5.0	-0-

FUNDING

The fiscal note from January 22, 1985 incorrectly shows the funding as being from general fund sources. More appropriately, these monies should be drawn from the Annuity Investment Fund. This revision reflects that change.

*1/Advertising

The experience of the Permanent Fund Dividend program is an indication of the need for adequate advertising. Because of inadequacies, the PFD filing period was reopened for both 1982 and 1983 filing years. Public Services currently spends \$50,000 on contracts to work in and with rural Alaska for filing assistance. Communities which no longer receive assistance would again need this contact.

A public awareness campaign would provide basic information on the change in program expectations while providing the public with phone numbers and names of contractors for further information.

*2/Long Distance Charges

When first calculating the figures, we erroneously figured the bulk of the calls came during the filing period which would likely be contained in FY '86. On closer scrutiny of our past experience we found that the major impact was during check distribution, later in the calendar year. To correct this error, figures for FY '86 and FY '87 have been reversed. Historically, once the program is fully implemented, the calls drop off. This drop should occur in FY '88.

A/B

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____ Page 1 of 2

REQUEST
Bill/Resolution No.: CSSB 56 (SA)
Title: An act amending the
longevity bonus program
Sponsor: State Affairs
Requestor: _____
Date of Request: _____

FISCAL DETAIL
Agency Affected: Department of Administration
Program Category Affected: _____
Labor services
BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		124.5	164.7	173.0	181.6	190.7
100 Ptmnt & Bnfts						
200 Travel						
300 Contractual		61.0	67.1	73.8	81.2	89.3
400 Supplies		10.6	12.7	15.3	18.3	22.0
500 Equipment		16.0				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	212.1	244.5	262.1	281.1	302.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	-0-	212.1	244.5	262.1	281.1	302.0
TOTAL	-0-	212.1	244.5	262.1	281.1	302.0

POSITIONS: -0-

FULL-TIME		4	4	4	4	4
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director Phone: 465-4470
Division: Retirement & Benefits Date: 2/21/85

Approved by Commissioner: Lisa Rudd Date: 2-21-85
Agency: Department of Administration

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

Labor Services

CS Senate Bill 56 (State Affairs)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

February 21, 1985

IV Analysis: This Fiscal Note addresses costs in the Data Processing Services BRU. We estimate that the annuity program will be fully automated to reduce the need for staff. We estimate that system analysis, development and construction costs would be \$750,000 and would be a capital appropriation from "other funds".

We anticipate the need for one full-time programmer/analyst IV to provide guidance in the development of the annuity systems with the contractors and, after implementation, to provide ongoing maintenance. We also estimate a cost of \$20.0 for computer records storage.

We estimated an inflation rate of 5%. Further, we assumed that "other funds" would be available for FY 86 costs.

A/B

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 56 (SA)
 Title: An act amending the longevity bonus program
 Sponsor: State Affairs
 Requestor: Judiciary
 Date of Request: 2/20/85

FISCAL DETAIL

Agency Affected: Department of Administration
 Program Category Affected: Centralized Administrative Services
 BRU, Program or Subprogram(s) Affected: BRU, Program or Subprogram(s) Affected:
 Data Processing Services/Annuity Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		60.0	63.0	66.2	69.5	72.9
100 Ptmnc & Bnfts						
200 Travel						
300 Contractual		20.0	21.0	22.0	23.2	24.3
400 Supplies		.5	.5	.6	.6	.6
500 Equipment		4.0	4.2	4.4	4.6	4.9
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	84.5	88.7	93.2	97.9	102.7
CAPITAL		750.0				
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		834.5	88.7	93.2	97.9	102.7
TOTAL	-0-	834.5	88.7	93.2	97.9	102.7

POSITIONS:

FULL-TIME	-0-	1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director
 Division: Retirement & Benefits

Phone: 465-4470

Date: 2/21/85

Approved by Commissioner: Lisa Rudd
 Agency: Department of Administration

Date: 2-21-85

Distribution (by Agency preparing fiscal note):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

central. administration

CS Senate Bill 56 (State Affairs)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

February 21, 1985

IV: Analysis: This Fiscal Note addresses costs in the Labor Services Program Category. The cost of the annuity program is anticipated to be borne entirely by the participants. We estimate that approximately four full-time employees will be needed to administer this program on a continuing basis. We estimate that the program supervisor and chief accountant will be needed for the entire first year to assist in the development and analysis of the computer system needs with the other two staff members being needed for only half of FY 86 to assist with the implementation and testing.

We are basing this Fiscal Note on the assumption that the Department of Revenue will verify ages of those who elect to participate in the annuity program. This is critical.

We estimated an inflation rate of 5% in all categories. Further, we assumed that "other funds" would be available for FY 86 costs.

We estimate that four positions are needed to administer this program.

Supervisor: Retirement & Benefits Specialist III
Accountant: Accountant II
Technician: Retirement & Benefits Technician I/II
(6 months FY86, full-time thereafter)
Clerk: Accounting Clerk III
(6 months FY86, full-time thereafter)

We propose that a notification will be sent to all Alaska boxholders to inform them of the provisions of the bill and to advise them of the contact persons or agencies. We estimate an annual cost of \$20.0 for independent audits. We also propose that there will be annual statements of account that will be sent to approximately 150,000 participants. This cost is estimated to be \$41.0 for FY 86.

A/B

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 56(SA)
 Title: Longevity Bonus/Annuity
 Program _____
 Sponsor: Ray
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Administration
 Program Category Affected: Social and
Economic Assistance for the Aged
 BRU, Program or Subprogram(s) Affected:
Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL						
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	10.0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	10.0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	10.0	0	0	0	0

POSITIONS:	0	0	0	0	0	0
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: E. Louis Keller, Director

Phone: 465-4400

Division: Pioneers' Benefits

Date: February 19, 1985

Approved by Commissioner: Lisa Rudd

Date: 2-21-85

Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CSSB 56(SA)
Fiscal Note Analysis
Prepared by Division of Pioneers' Benefits
Department of Administration
February 19, 1985

ASSUMPTIONS

This fiscal note addresses administrative costs only for the Longevity Bonus Program.

Two payment systems will be run in the Division of Pioneers' Benefits. The first would pay a monthly target amount for those eligibles age 65 before January 1, 1986. The second would pay monthly payments, varying each year, for those age 65 after January 1, 1986. The second system would be impacted by information from the Annuity program.

The Longevity Bonus program would need additional resources for modifications to data processing files.

FY 86 Administrative Costs (Start-up)

Contractual Services	\$10,000
Computer System Modification by Contractor	
Printing Costs already in 86 Budget	

FY 87 Administrative Costs (Operations)

No Additional Cost

POSITION PAPER

CSSB 56 (STATE AFFAIRS)

This bill would affect three departments of state government, i.e., administration, revenue, and health and social services.

Basically the bill would amend the longevity bonus program and the permanent fund dividend program, establish an annuity program, and provide for an effective date. The effect of the bill would be to phase out the general funded longevity bonus program and replace it with individual annuity accounts funded primarily by deferral of participants permanent fund dividends by approximately the year 2003. The bill would also authorize the legislature to "front-load" the annuity fund with annual appropriations.

The bill "grandparents" in those citizens who are 65 years of age before January 1, 1986 in the longevity bonus program for their lifetime.

Following are some of the potential problems of administration, areas where it might be desirable to amend this bill before passage, and possible legal and social difficulties with the bill as proposed.

1. On page 2, under Section 3, AS 43.23.005 (d) beginning in midline 22 reads, "Alternatively, a person may elect to receive not less than 25 percent of the dividend in cash and the remainder as an annuity credit." This could create a problem of where a citizen may request any amount of permanent fund dividend in cash as long as it is more than 25 percent of the whole.

To amend the section as follows would greatly enhance the ability of those charged with administrative responsibilities to administer the fund and make elections simpler for participants. "Alternatively, a person may elect to receive 25, 50, or 75 percent of the dividend in cash and the remainder as an annuity credit." It is possible this could be addressed by regulations.

2. Page 6, Section 11, AS 43.23.055 (5) causes the commissioner of revenue to provide the commissioner of administration with information necessary to maintain individual annuity account records and administer the annuity program.

The regulations that would be written must meet the needs of both departments and at least the following information must be transmitted to the commissioner of administration: the verified age of the participant; the address of participant; the social security number of the participant; the particular election made by the participant; i.e., amount of cash or annuity credit; any deferrals that may affect the participant's account; the funds earnings; and the amount of any appropriations to the fund for distribution.


Much of the above information would have to come from the application for the permanent fund dividend and the verification of age would need to be accomplished by the department of revenue.

3. On page 8, Section 16, AS 43.23.110 (b) the legislature is authorized, if they deem appropriate, to appropriate money from either general funds or earnings of the undistributed income account in the Alaska permanent fund into the annuity investment fund. This is a process of "front-loading."

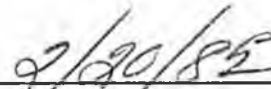
Inasmuch as the "front-loading" need not occur every year, or in any year, and inasmuch as it is the opinion of the longevity bonus committee's tax counsel that the permanent fund dividend is taxable in years when no "front-loading" occurs, the problem of record keeping becomes apparent.

4. On page 9, Section 16, AS 43.23.110 (b) (2) (3) the bill deals with two levels of increment earnings on individual annuity accounts. One level for persons age 18 through 35 and an escalating level for persons age 35 through 65.
5. On page 10, Section 16, AS 43.23.110 (e) the bill states that any costs of administration funded under this subsection will be allocated equally among all individual annuity accounts. Under this section it seems apparent that the writers of this bill have made the assumption that "front-loading" will occur at least during the first years of the program. If such "front-loading" should not occur during these initial years, sufficient funds may not be available for administrative costs.
6. The bill is vague on what happens to account balances of participants over the age of 65. If annuities vary from year to year, then do account balances also? When a participant becomes eligible to receive an annuity, what happens to that account balance? Does it get redistributed, or is a special reserve fund perhaps established? What if a participant over 65 dies? This lack of a definite cut off point greatly complicates the program and restricts the choice of participants.
7. On page 12, Section 19, AS 47.45.070 (2) under "Unqualified Persons" the bill states that participants become unqualified upon being admitted into a nursing home as defined in AS 08.70.180. This may raise the legal question of whether or not the state could disqualify an otherwise qualified annuity participant merely because that participant changes their place of residence, i.e., a nursing home.
8. It appears that it would be possible to provide for beneficiaries of those over the age of 65 without incurring undue costs. This would answer the concerns many have expressed.


At this point, the Department of Administration is maintaining a neutral position on this bill.



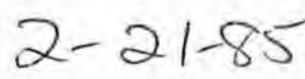
E. Louis Keller, Director
Division of Pioneers' Benefits



Date



Commissioner Lisa Rudd
Department of Administration



Date

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB No. 56
 Title: "An Act amending the LB prgm,
 & the PFD prgm, estab. an annuity...
 Sponsor State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Health & Social Services
 Program Category Affected: Soc. & Econ.
 Assistance for general population
 BRU, Program or Subprogram(s) Affected: Adult Public Assistance, Old Age Assist-
 ance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		(760.0)	(830.7)			
800 MISCELLANEOUS						
TOTAL OPERATING		(760.0)	(830.7)			

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		(760.0)	(830.7)			
FEDERAL FUNDS						
OTHER						
TOTAL		(760.0)	(830.7)			

POSITIONS:

FULL-TIME		-0-	-0-			
PART-TIME		-0-	-0-			
TEMPORARY		-0-	-0-			

ANALYSIS: Attach a separate page if necessary

Budgeted FY86 and FY87 Old Age Assistance expenditures are currently predicated on all Longevity Bonus payments being disregarded as countable income. CSSB No. 56 provides for no "hold-harmless" OAA coverage for those who receive countable Bonus payments. Therefore, beginning July 1, 1985, OAA payments will be reduced (or ended) for the approximately 750 recipients who are receiving countable Bonus payment

Prepared By: John R. Taber, Director Phone: 465-3347
 Division: Public Assistance Date: _____

Approved by Commissioner: [Signature] Date: 2/21/85 JCC
 Agency: Health & Social Services

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

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB No. 56
 Title: "An Act amending the L.B. prgm & the PFD prgm, estab. an annuity."
 Sponsor: State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Health & Social Service
 Program Category Affected: Soc. & Econ. assistance for general pop.
 BRU, Program or Subprogram(s) Affected: Medical Assistance, Medicaid

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES		-0-	-0-			
200 TRAVEL		-0-	-0-			
300 CONTRACTUAL		-0-	-0-			
400 SUPPLIES		-0-	-0-			
500 EQUIPMENT		-0-	-0-			
600 LAND & STRUCTURES		-0-	-0-			
700 GRANTS, CLAIMS		-0-	-0-			
800 MISCELLANEOUS		-0-	-0-			
TOTAL OPERATING		-0-	-0-			
CAPITAL						
		-0-	-0-			
REVENUE						
		-0-	-0-			

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-			
FEDERAL FUNDS	-0-	-0-			
OTHER	-0-	-0-			
TOTAL	-0-	-0-			

POSITIONS:

FULL-TIME	-0-	-0-			
PART-TIME	-0-	-0-			
TEMPORARY	-0-	-0-			

ANALYSIS: Attach a separate page if necessary

As written, CSSB No. 56 would result in no net increase in Medicaid expenditures beyond what is budgeted for FY'86.

(Continued)

Prepared By: Rod Betit, Director *R Betit*
 Division: Division of Medical Assistance

Phone: 465-3355
 Date: _____

Approved by Commissioner: John R. Poy
 Agency: Health & Social Services

Date: 2/21/85 *JCC*

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Were a full cash and medical hold-harmless adopted by amending CSSB No. 56, the costs would be

Federal (SSI) Payment	1,400,000	1,530,517
State (OAA) Payment	760,000*	830,737*
Non Nursing Home Medical	413,847	471,609
Nursing Home Medical	-0- @	-0- @
	<u>\$1,813,847</u>	<u>\$2,002,126</u>

* As these costs are already budgeted for FY 86, this is a non-add item.
@ No cost if the exclusion is effective upon enactment of SB 56.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: SB56
 Title: An Act Amending the Longevity Bonus Program & Permanent Fund Dividend Program Establishing an Annuity Program and Providing an Effective Date.
 Sponsor: Ray (et all)
 Requestor:
 Date of Request: January 22, 1985

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: Revenue Collections

BRL, Program or Subprogram(s) Affected
Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	60.7	159.9	172.7	183.1	197.2
200 TRAVEL	-	13.5	25.2	27.2	28.8	31.2
300 CONTRACTUAL	-	554.5	264.6	138.5	138.7	138.0
400 SUPPLIES	-	2.0	.8	.9	1.0	1.0
500 EQUIPMENT	-	5.0	-0-	-0-	-0-	-0-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	635.7	450.5	339.3	351.6	367.2
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	635.7	450.5	339.3	351.6	367.2
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	635.7	450.5	339.3	351.6	367.2

POSITIONS:

FULL-TIME	-	5	5	5	5	5
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: See attached.

Prepared By: Sally Smith, Director
 Division: Public Services

Phone: 465-2392
 Date: January 22, 1985

Approved by Commissioner: [Signature]
 Agency: [Signature]

Date: 1/23/85

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

ASSUMPTIONS

Fiscal Note SB56

490,000 eligible individuals
 1986 application period (April 1st)

PROGRAM SUMMARY

Public education and application assistance will be provided in rural and urban areas. Phone, letter and computer response to inquiries as well as application assistance will be provided at Public Service Centers in Anchorage, Fairbanks and Juneau and forms distribution and application assistance will be available at various Legislative Information and Governor's Office locations throughout the state.

Hearings on regulations to be promulgated for the new law will be conducted in various cities (Juneau, Anchorage, Fairbanks, Nome, Kotzebue, Barrow, Kodiak and Ketchikan).

Technical training will be provided for those individuals who will be assisting the general public in completing their applications.

BUDGET

Personnel Services

	FY86	FY87
2FT Document Proc. Clk 3 in Anchorage	23.7	62.5
2FT Document Proc Clk 3 in Juneau	23.7	62.5
1FT Document Proc. Clk in Fairbanks	13.3	34.9

Travel

	FY86	FY87
--	------	------

Regulation Hearings

Two Employees to Anch, Fbks, Nome, Kotzebue, Kodiak, Barrow, Ketch	3.1	-0-
--	-----	-----

Administrative

Anch, Fbks, and Legislative Info. & Governor's Office locations	10.4	25.2
---	------	------

Contractural

	FY86	FY87
Advertising Campaign	250.0	50.0
Postage	10.0	11.0
Long distance charges	250.0	100.0
Computer Terminals (2)	8.5	17.2
Space rental (Anch & Juneau)	36.0	86.4

Office Supplies

	FY86	FY87
Office supplies	2.0	.8
Office Equipment (desk, chair, file cabinet, etc. for each new position)	5.0	-0-

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: March 8, 1985

REQUEST

Bill/Resolution No.: CSSB 56
 Title: "An Act amending the L.B. prgm & the PFD prgm. estab. an annuity.
 Sponsor: State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Health & Social Services
 Program Category Affected: Social & Econ. Assistance for the General Population
 BRU, Program or Subprogram(s) Affected: Medical Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS		-0-	-0-	-0-	-0-	-0-
800 MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE		(413.8)	(471.6)	(537.2)	(611.3)	(697.1)
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FUNDING: (Thousands of Dollars)

GENERAL FUND		413.8	471.6	537.2	611.3	697.1
FEDERAL FUNDS		(413.8)	(471.6)	(537.2)	(611.3)	(697.1)
OTHER						
TOTAL		-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

As written, CSSB 56 would result in no net increase in the Medical Assistance BRU expenditures beyond what is budgeted for FY '86. However, the Legislature's intent to hold harmless individuals who lose Medicaid benefits due solely to the receipt of the ALB would result in an increase in State fund expenditures under the GRM-Exception program, and a decrease in Federal receipts under Medicaid. While these adjustments offset each other, the State fund portion of the Medicaid Assistance BRU funding increases by ~~5413.8~~.

Prepared By: Rod Betit, Director
 Division: Medical Assistance

Phone: 465-3355
 Date: 3/7/85

Approved by Commissioner: [Signature]
 Agency: Health & Social Services

Date: 3/8/85

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

Table I

This table shows the State general fund match and federal financial participation in the Medicaid program for those expenditures likely to be affected by changes in the current ALB statute. By simply eliminating Medicaid coverage both state and federal expenditures would be reduced. Any change which established an ALB hold harmless provision would result in the loss of FFP. ALB hold harmless program would be funded by transferring the general fund match in the Medicaid program to the ALB hold harmless and adding to it new State general fund in an amount equal to the lost FFP. Because there are a number of legislative proposals seeking to amend the current ALB statute, the following two tables were developed to use in analyzing the impact of these proposals. The comment section on the fiscal note of each bill states whether Medicaid is being eliminated or hold harmless.

Line G. Distribution: Expenditures for non-nursing home clients who may lose Medicaid eligibility.

	FY86	FY87	FY88	FY89	FY90
FED	413,847	471,609	537,173	611,285	697,133
GF	466,678	531,814	605,748	689,321	786,128
TOTAL	880,525	1,003,423	1,142,921	1,300,606	1,483,261

Line I distribution: Expenditures for nursing home clients who may lose Medicaid eligibility.

FED	521,070	590,716	679,971	774,727	887,715
GF	781,605	886,074	1,019,956	1,162,090	1,331,572
TOTAL	1,302,675	1,476,790	1,699,927	1,936,817	2,219,287

Table II

The attached table was prepared to project the offset of various ALB legislative proposals on the Medicaid program. The table represents: a) the nursing home daily rate; b) the nursing home cost for 365 days of services; c) the average cost per non nursing home recipient; d) the recipient share of nursing home costs; e) the number of monthly OAA eligibles; f) the number of ineligible non nursing home OAA due to receipt of ALB; g) the FFP for non nursing home OAA ineligibles; h) the number of ineligible OAA nursing home clients and; i) the FFP for ineligible nursing home clients.

MEDICAL ASSISTANCE COST ANALYSIS

	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>
a. NH cost per day (7.5% annual increase)	123.	132.50	142.	153.	164.	177.
b. NH cost per year ((365 days)(a))	44,895.	48,362.	51,830.	55,845.	59,860.	64,605.
c. Non-NH medical cost/recipient/yr(7.5% annual)	2,617	2,813.	3,024.	3,251.	3,494.	3,756.
d. NH recipient cost sharing per year	11,304	11,705	12,660	13,152	12,692	14,232
e. Medicaid eligibles (monthly average)	2,609	2,768	2,937	3,107	3,293	3,491
f. OAA Med ineligibles due to ALB	314	333	353	374	396	420
g. OAA ineligibles cost (Federal Share at 47%) [.94(f)(c)]	363,044	413,847	471,609	537,173	611,285	697,133
h. NH ineligibles	31	33	35	37	39	41
i. NH ineligibles cost (Federal Replacement at 40%) (hb+hc - hd)	448,979	521,070	590,716	679,971	774,727	887,715

Assumptions:

1. FY84 was used as the base year for calculating recipients and expenditures.
2. In FY84 the average non-nursing home OAA recipient cost was \$2,434 per year.
3. The average cost per year was inflated yearly by a 4.5% inflation factor as indicated by the Anchorage Medical Services CPI. and a 3% intensity of service factor. The intensity factor includes such items as increases in technology, construction of new hospital beds, increases in morbidity and mortality and changes in method of treatment. The division feels the intensity factor is necessary to reflect the high medical risk in the elderly population.
4. The projected number of recipients will increase at 6% per year in line with the general population growth projected in the aged population.
5. In FY86 the number of non-nursing home OAA eligibles who will lose Medicaid coverage will be 333. Of these 94% will utilize medical services.
6. Since Medicaid non-long term care expenditures are composed of 47% federal and 53% state money, the state will need to provide state general funds to replace the 47% federal financial participation. The FFP rate for nursing homes is 40% federal 60% state.
7. The above table represents the cost associated with providing a medical hold harmless program for those OAA recipients who would lose Medicaid eligibility. Line "i" represents the FFP replacement cost for all nursing home hold harmless recipients. Line G is the FFP replacement for non-nursing home recipients.

REVISED
POSITION PAPER
CSSB 56

"An Act amending the Longevity Bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date".

I. IMPACT OF LONGEVITY BONUS PROGRAM CHANGES ON PUBLIC ASSISTANCE RECIPIENTS: a. Medical Benefits: Enactment of the amendments to the Longevity Bonus Program included in CSSB 56 would protect Medicaid coverage for approximately 33 nursing home residents, and by an accompanying letter of intent CSSB 56 would also provide a medical hold harmless for an additional 333 non-nursing home recipients who are expected to lose Medicaid benefits. The FY86 cost for protecting the medical benefits of the 333 in the non-nursing home group is \$413,800 in state funds.

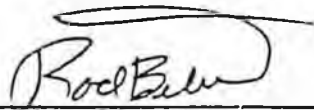
b. Public Assistance Cash Benefits: CSSB 56 does not provide a hold harmless for the approximately 750 Alaskans whose Longevity Bonus will cause them to lose an average of \$240 in monthly cash benefits from state Old Age Assistance (OAA) and federal Supplemental Security Income benefits (SSI). The loss of these benefits will be felt beginning July 1, 1985 for many of these 750 Alaskans. The Department is holding Old Age Assistance payments harmless at the present time but must stop doing so on June 30, 1985 unless new statutory and budget authority have been created by the legislature before that date. Funding for continuation of the Old Age Assistance hold harmless is not in the Department's current FY86 request.

II. IMPACT OF ANNUITY PROGRAM ON PUBLIC ASSISTANCE RECIPIENTS: Enactment of the annuity program proposed in CSSB 56 would not have a substantial effect on most public assistance and Medicaid recipients. These individuals, whose annual incomes are less than \$10,000, cannot afford to defer their Permanent Fund checks, as they have an immediate need for these funds to buy basic necessities.

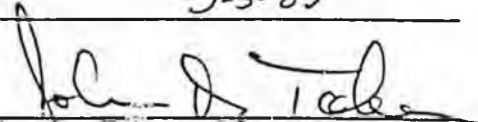
III. IMPACT ON FEDERAL OLD AGE ASSISTANCE WAIVER: The Department is unable to make any commitments as to whether changes in the Longevity Bonus Program due to CSSB 56 will again alter the federal government's position and, perhaps, end the special exclusion for 25-year residents who receive the bonus. If this were to occur, the number of recipients placed in jeopardy and the costs of providing them with "hold-harmless" protection would grow substantially beyond our current estimates.

POSITION PAPER/Department of Health & Social Services:

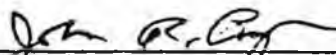
IV. DEPARTMENT OF HEALTH & SOCIAL SERVICES RECOMMENDATION: Given the broad policy issues addressed by CSSB 56 and the minor involvement of Department of Health & Social Services program issues, the Department does not take a position either supporting or opposing CSSB 56. The most critical hold harmless concerns of the Department are met by CSSB 56 with the medical provisions. However, should the legislature decide to add a financial assistance hold harmless for both Old Age Assistance and Supplemental Security Income payments to the medical hold harmless provisions now in this bill and the accompanying letter of intent, additional appropriations will be required. While a financial assistance hold harmless is being separately considered in SB 128, the Department recommends that the legislature examine these issues together in order that the full impact may be seen.

Recommended By: 
Rod Beñit, Director
Division of Medical Assistance

Date: 3-5-85

Recommended By: 
John R. Taber, Director
Division of Public Assistance

Date: 3-5-85

Approved By: 
John R. Pugh, Commissioner
Department of Health & Social
Services

Date: 3/8/85

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 3-5-85

REQUEST

Bill/Resolution No.: CSSB No. 56
 Title: "An Act amending the LB prgm & the PFD prgm, estab. an annuity.."
 Sponsor: State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Health & Social Services
 Program Category Affected: Soc. & Econ. Assistance for general population
 BRU Program or Subprogram(s) Affected: Adult Public Assistance, Old Age Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		-0-	-0-	-0-	-0-	-0-
800 MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL		-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME		-0-	-0-	-0-	-0-	-0-
PART-TIME		-0-	-0-	-0-	-0-	-0-
TEMPORARY		-0-	-0-	-0-	-0-	-0-

ANALYSIS: Attach a separate page if necessary

FY86 Adult Public Assistance formula need is predicated on Longevity Bonus payments being regarded as countable income. CSSB No. 56 does not create "hold-harmless" OAA coverage for those who receive countable Bonus payments.

Prepared By: John R. Taber Director Phone: 465-3347
 Division: Public Assistance Date: 3-5-85

Approved by Commissioner: John R. O'Byrne Date: 3/8/85 JCC
 Agency: Health & Social Services

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 56 (Jud)
 Title: An act amending the
longevity bonus program
 Sponsor: State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Administration
 Program Category Affected: _____
Labor services
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		124.5	164.7	173.0	181.6	190.7
100 Rtmnt & Bnfts						
200 Travel						
300 Contractual		61.0	67.1	73.8	81.2	89.3
400 Supplies		10.6	12.7	15.3	18.3	22.0
500 Equipment		16.0				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	212.1	244.5	262.1	281.1	302.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	-0-	212.1	244.5	262.1	281.1	302.0
TOTAL	-0-	212.1	244.5	262.1	281.1	302.0

POSITIONS:

-0-

FULL-TIME		4	4	4	4	4
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director
 Division: Retirement & Benefits

Phone: 465-4470
 Date: 3/12/85

Approved by Commissioner: Lisa Rudd
 Agency: Department of Administration

Date: 3-13-85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CS Senate Bill 56 (Judiciary)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

March 12, 1985

IV: Analysis: This Fiscal Note addresses costs in the Labor Services Program Category. The cost of the annuity program is anticipated to be borne entirely by the participants. We estimate that approximately four full-time employees will be needed to administer this program on a continuing basis. We estimate that the program supervisor and chief accountant will be needed for the entire first year to assist in the development and analysis of the computer system needs with the other two staff members being needed for only half of FY 86 to assist with the implementation and testing.

We are basing this Fiscal Note on the assumption that the Department of Revenue will verify ages of those who elect to participate in the annuity program. This is critical.

We estimated an inflation rate of 5% in all categories. Further, we assumed that "other funds" would be available for FY 86 costs.

We estimate that four positions are needed to administer this program.

Supervisor: Retirement & Benefits Specialist III
Accountant: Accountant II
Technician: Retirement & Benefits Technician I/II
(6 months FY86, full-time thereafter)
Clerk: Accounting Clerk III
(6 months FY86, full-time thereafter)

We propose that a notification will be sent to all Alaska boxholders to inform them of the provisions of the bill and to advise them of the contact persons or agencies. We estimate an annual cost of \$20.0 for independent audits. We also propose that there will be annual statements of account that will be sent to approximately 150,000 participants. This cost is estimated to be \$41.0 for FY 86.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 56 (Jud)
 Title: An act amending the longevit bonus program
 Sponsor: State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Administration
 Program Category Affected: Centralized Administrative Services
 BRU, Program or Subprogram(s) Affected: BRU, Program Processing Services/Annuity Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
Operating						
100 Personal Svcs		60.0	63.0	66.2	69.5	72.9
100 Print & Bnfts						
200 Travel						
300 Contractual		20.0	21.0	22.0	23.2	24.3
400 Supplies		.5	.5	.6	.6	.6
500 Equipment		4.0	4.2	4.4	4.6	4.9
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	84.5	88.7	93.2	97.9	102.7

CAPITAL		750.0				
---------	--	-------	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND						
FEDERAL FUNDS						
OTHER		834.5	88.7	93.2	97.9	102.7
TOTAL	-0-	834.5	88.7	93.2	97.9	102.7

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director
 Division: Retirement & Benefits

Phone: 465-4470
 Date: 3/12/85

Approved by Commissioner: Lisa Rudd
 Agency: Department of Administration

Date: 3-13-85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CS Senate Bill 56 (Judiciary)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

March 12, 1985

IV Analysis: This Fiscal Note addresses costs in the Data Processing Services BRU. We estimate that the annuity program will be fully automated to reduce the need for staff. We estimate that system analysis, development and construction costs would be \$750,000 and would be a capital appropriation from "other funds".

We anticipate the need for one full-time programmer/analyst IV to provide guidance in the development of the annuity systems with the contractors and, after implementation, to provide ongoing maintenance. We also estimate a cost of \$20.0 for computer records storage.

We estimated an inflation rate of 5%. Further, we assumed that "other funds" would be available for FY 86 costs.

FISCAL NOTE SUMMARY

Attached are a total of eight fiscal notes for the most current version of Senate Bill 56. Three of the fiscal notes are from the Department of Administration, three from Revenue and two are from Health and Social Services. The amounts are as follows:

<u>Department of Administration</u>	<u>FY 86 Costs</u>
Centralized Administrative Services	\$ 84,500 (Operating) \$ 750,000 (Capital)
Social and Economic Assistance for the Aged	\$ 10,000
Labor Services	\$ 212,100
Department Total	\$1,056,600
<u>Department of Health and Social Services</u>	
Social and Economic Assistance	\$ -0-
Social and Economic Assistance	\$ (413,800)
Department Total	\$ (413,800)
<u>Department of Revenue</u>	
Collections and Management	\$ 503,300
Treasury	\$ 9,300
General Government	\$ 306,200
Department Total	\$ 818,800
TOTAL FISCAL IMPACT	\$1,461,600

3/19/85
SFC
in Table
12-10

CSSB 56 (JUD) FISCAL NOTE SUMMARY

Department of Administration

1. Centralized Administrative Services

*Depts
Admin*
\$ 84,000 Operating Program Receipts
\$ 750,000 Capital Program Receipts

1 new full-time employee
There is no complete backup for the \$750,000 Capital

2. Labor Services

\$ 212,100 Operating Program Receipts

4 new full-time employees

3. Pioneer Benefits

(\$1,303,400) Operating General Funds

There is a savings from the Department of Administration as CSSB 56 (JUD) disqualifies people in nursing homes and in the nursing home wings in Pioneers Homes from receiving Longevity Bonus.

Department of Health and Social Services

1. Medical Assistance

\$ 413,800 Operating General Funds

No new employees

These funds are needed to replace loss of federal Medicaid funds for approx. 333 people who will become ineligible for Medicaid because of receipt of the Longevity Bonus.

Federal officials require these elderly Alaskans to apply for the Longevity Bonus even if it causes loss of Medicaid benefits.

2. Public Assistance

\$ 0

Department of Revenue

✓ 1. Public Services

5/11/78
\$ 503,000 Operating Program Receipts
(\$ 250,000 Advertising Campaign)
(\$ 100,000 Long distance charges)

5 new full-time positions

✓ 2. General Government

12/11/78
\$ 306,200 Operating Program Receipts

Need to reprogram the Permanent Fund Dividend system
(Under contractual 4 new Wang workstations)

4 new full-time positions

3 new part-time positions

✓ 3. Treasury

12/11/78
\$ 9,300 Operating Program Receipts

No new positions

Securities custody on the Annuity Investment Fund

3/19/85
OKC
Jim Finkle

POLICY DECISIONS FOR SENATE BILL 56

- 1) Do you include a 3% escalator clause or not? If you do, it costs an additional \$450 million in nominal dollars up to the year 2034.
- 2) Do you include death/survivor benefits? If you do, it cost an additional \$78 million in nominal dollars up to the year 2034.
- 3) What are the decisions on Hold/Harmless? Cover medical insurance only? Cover Nursing Homes? Cover Old Age Assistance? Cover SSI (Supplemental Security Income for Blind, Aged or Disabled)? Refer to graph provided by Rod Betit of Health and Social Services.
- 4) What are the decision regarding front loading? If the program is front-loaded, how much in total and how much is each annuity account credited? Remember that front loading has 2 supposed advantages, adds tax deferability for the program and speeds up the winding down of Longevity Bonus funding requirements.
- 5) What about mandatory contributions as with Representative Larsons bill. Again, this adds tax deferability if that is important. As proposed in his bill, would end state support for ALB payments immediately. Requires that a portion of everyone's PFD (approx. 21% in 1986) be used to fund current recipients plus 50% of the remainder be used to fund a mandatory annuity program.

SB 56

POLICY CONSIDERATIONS OF FRONT LOADING

CSSB 56 authorizes the legislature to make an appropriation in any year into the annuity accounts of individuals who have chosen, in that year, to contribute their permanent fund dividends to their annuity accounts. The appropriation may be made, under the bill, either from the general fund or from the income of the undistributed income account within the permanent fund.

The bill sets out a formula for the allocation of this appropriation, or "front loading," among the annuity accounts. Individuals from age 18 through 35 receive a base amount, for example \$50, and that amount is increased by a percentage, for example 10%, for each year of age above 35. 1/ Under this formula using this base and this "tilt" an individual at age 65 would receive approximately \$700 of front loading in his or her account.

1/ The cost projections done by the Division of Strategic Planning which include front loading have used a base amount of \$50 and a "tilt" of 10%, and have hypothesized that the legislature would appropriate for front loading for three years. The projections further assume that with this front loading, approximately half of all Alaskans would choose to defer, with heavy participation among older Alaskans and little participation among younger Alaskans. Obviously, these projections are dependant upon many variables which may or may not prove to be true.

The State Special Committee on the Alaska Longevity Bonus Program provided for this "front loading" for several reasons. First, front loading is an obvious incentive to participate in the program, and that incentive increases the older the individual. Second, front loading in the early years saves general fund obligations for the ALB program in later years. Because the annuity accounts are increased by front loading, the residual ALB payment decreases more rapidly with front loading than without it. As a result, front loading in early years actually saves nominal dollars over the life of the program, and results in only a slight constant dollar increase.

Finally, tax counsel to the Committee concluded that under Internal Revenue Service rules, front loading annuity account will probably protect annuity investments from taxation in the year in which the dividend is issued.

SB 56

POLICY CONSIDERATIONS OF 3% ESCALATOR

CSSB 56 provides that the amount of the Alaska Longevity Bonus is increased by 3% annually beginning in FY 87. 1/ This element of the bill is one of the most costly provisions over time - in nominal dollars through the year 2034, the bill with the escalator (without front loading) is estimated to cost \$1,401 million; without the escalator the cost is estimated at \$916 million.

The State Special Committee on the Alaska Longevity Bonus Program included the 3% escalator because it recognized that the ALB, which was initially \$100, has been increased over the years and it anticipated similar pressure on the legislature to increase the bonus in the future. The committee felt that a guideline of 3% was a fiscally conservative measure to inform Alaska's seniors about what they could expect, and relieve this pressure on the legislature. Others believe that future increases, if any, should be left to future legislators who will be better able to assess cost of living increases.

ANALYSIS FOR SENATE BILL 57

An Act relating to preferential use of Alaska agricultural or fisheries products

This bill would require that any agricultural or fisheries products purchased with state money must be Alaskan in origin if they are competitively priced, available and of like quality when compared with Outside products.

It also states that this requirement shall be inserted in all calls for bids by the state and in any contracts awarded by the state for agricultural or fisheries products.

As originally introduced, this bill required that any Alaskan agricultural must receive an inspection certificate before being purchased by the state. This requirement was deleted from the Resources Committee Substitute.

You may recall that a similar bill (SB 411) passed the Senate last year but died in the House.

There is no fiscal impact.

SECTIONAL ANALYSIS CSSB 56 (JUD)

SECTION 1

Findings and Purpose

SECTION 2

A parent, guardian, or other authorized representative may elect to receive an annuity share on behalf of the eligible minor or individual in lieu of a cash dividend.

SECTION 3

A person who is eligible to receive a permanent fund dividend may elect to receive an annuity share in lieu of a cash dividend. Alternatively, a person may elect up to 75% in cash and the remainder as a annuity credit.

SECTION 4

The Commissioner of Revenue shall adopt regulations establishing the process for determining eligibility of individuals for permanent fund dividend.

SECTION 5

The permanent fund application form shall be prepared to allow an applicant to elect to receive cash in lieu of a permanent fund dividend.

SECTION 6

If a public agency claims a cash dividend on behalf of individuals, the public agency shall hold the dividend in trust for the individual.

SECTION 7

The state is not responsible for a guardian or parents decision for an individual on whether to take an annuity credit or cash dividend.

SECTION 8

The permanent fund dividend application form shall be prepared to allow an applicant, other than a person who is 65 before January 1, 1986 to elect to receive cash in lieu of a permanent fund dividend.

SECTION 9

Conforms the penalties and enforcement laws to include annuity credits.

SECTION 10

Sets up a procedure so if a permanent fund dividend is credited to an individuals account erroneus a debit can be made against the account. If the credit is the fault of the individual, the debit must be made within 10 years. If the credit is the fault of the state, the debit must be made within 3 years.

SECTION 11

Adds duties to the Department of Revenue to maintain records of annuity shares for individuals and adopt regulations (to the extent allowable) to structure the annuity program so that annuity benefits are not taxable to people until they actually receive the annuity money.

SECTION 12

Allows only cash payments exempt from attachment for collection of debt.

SECTION 13

Allows only cash payments for those ordered by the courts or attached for collections.

SECTION 14

Conforming language to contain annuity credits within the eligibility laws and regulations for public assistance,

SECTION 15

New definition of permanent fund dividend to include annuities.

SECTION 16

Establishes the Annuity Investment Fund within the state treasury. An amount, equal to the permanent fund dividend multiplied by the number of persons electing to receive an annuity share, shall be annually credited to the Annuity Account. The Legislature may appropriate either general funds or earnings from the undistributed income account in the Alaska Permanent Fund. The definition of permanent fund

dividend is amended to include annuities. Establishes the Annuity Fund. Money in the Annuity Fund is appropriated by the Legislature to pay annuities. An individual who holds one or more annuity shares may receive an annuity upon reaching the age of 65. The annuity will be paid monthly as a straight life annuity or other payment plan authorized by the Commissioner of the Department of Administration. If the annuitant dies before age 65 a lump sum payment is made to the beneficiary.

SECTION 17

Deletes the dollar amount in the Longevity Bonus program.

SECTION 18

Makes the Longevity bonus payment \$250 plus a 3% annum minus the maximum possible annuity.

SECTION 19

Adds people residing in nursing homes, and the nursing home wing of of Pioneer Homes as unqualified persons to receive Longevity borus payments. (This is to protect those people on Medicaid who were adversely impacted by Federal regulations)

SECTION 20

Repealers of existing Longevity Bonus Program

SECTION 21

Repealers of existing Longevity Bonus Program

SECTION 22

This act applies to Permanent Fund dividends for years beginning after December 31, 1985.

SECTION 23

Immediate Effective Date

POSITION PAPER FOR

COMMITTEE SUBSTITUTE FOR SENATE BILL No. 56

For "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date."

I. Alaska Longevity Bonus - Enactment of the amendments to the Longevity Bonus Program included in CSSB 56 would protect Medicaid coverage for approximately 33 nursing home residents in FY86; however, benefits for approximately 750 Alaskans who currently receive Old Age Assistance, Medicaid, and federal Supplemental Security Income payments as outlined below would continue to be seriously jeopardized. This negative impact is a combined result of federal and state statutes that require the Longevity Bonus to be counted as income when determining these individuals' eligibility for assistance for residents of less than 25 years.

Nursing home residents are excluded from receiving the Longevity Bonus by CSSB 56 and therefore will continue to be eligible for Medicaid if their income is under \$975 per month.

Federal Supplemental Security Income (SSI) recipients are not protected by CSSB 56 and therefore those who are not 25-year residents by October 1, 1985 would suffer either a reduction or a termination of their federal SSI grant.

Old Age Assistance (OAA) recipients would also suffer either a reduction in their state grant or a termination of their grant.

Medicaid recipients who are not residing in a nursing home and who become ineligible for Old Age Assistance and Supplemental Security Income will also become ineligible for Medicaid. CSSB 56 does not provide a hold-harmless to replace the loss of these Medicaid benefits. The Department estimates that 333 elderly Alaskans will lose Medicaid benefits in FY86.

These low-income Longevity Bonus recipients can be protected from financial harm by the enactment of a series of amendments to General Relief and Longevity Bonus statutes (substantially as proposed in CSSB No. 128), to provide that:

- (1) The Department will use General Relief funds to replace federal SSI payments lost or reduced by the federal government counting some bonus payments as income;
- (2) The Department will use General Relief funds to replace Old Age Assistance (OAA) payments lost or reduced by the Adult Public Assistance program following the SSI policy of counting some Bonus payments as income; and

- (3) The Department will use General Relief-Medical funds to provide medical assistance to anyone who loses Medicaid coverage solely because their Longevity Bonus payments were counted as income.

The majority of the 750 individuals who would lose benefits under CSSB 56, as now written, depend on federal SSI and the state OAA payments as their primary source of income. Their medical bills are covered by Medicaid. The Department believes it essential, for basic humanitarian reasons, that enactment of CSSB 56 be accompanied by a "hold-harmless" provision that would protect those who would lose cash and medical assistance because they receive the Longevity Bonus.

If a hold-harmless provision is not enacted during this session, the Department will be compelled by federal requirements to end Medicaid eligibility for approximately 333 recipients and to reduce Old Age Assistance grants to an additional 400 recipients starting July 1, 1985.

II. Annuity Program - Enactment of the annuity program proposed in CSSB 56 would not have a substantial effect on most public assistance and Medicaid recipients. These individuals, whose annual incomes are less than \$10,000, cannot afford to defer their Permanent Fund checks, as they have an immediate need for these funds to buy basic necessities.

III. Federal Waiver - The Department is unable to make any commitments as to whether any changes in the Longevity Bonus Program will again alter the federal government's position and, perhaps, end the special exclusion for 25-year residents who receive the Bonus. If this were to occur, the number of recipients placed in jeopardy and the costs of providing them with "hold-harmless" protection would grow substantially beyond our current estimates.

RECOMMENDATION

Given the broad scope of this policy change and the fact that public assistance is only a minor part of it, we do not take any position either supporting or opposing this bill. However, we do oppose any change in the Longevity Bonus Program which does not include a hold-harmless for SSI, Old Age Assistance, and Medicaid recipients. We recommend adding a complete hold-harmless for SSI, Old Age Assistance, and Medicaid.

Recommended by: Rod Betit 2/21/85
Rod Betit, Director
Division of Medical Assistance

Date: _____

Recommended by: John R. Taber
John R. Taber, Director
Division of Public Assistance

Date: 2/21/85

Approved by: John R. Pugh
John R. Pugh, Commissioner
Department of Health & Social
Services

Date: 2/21/85

POSITION PAPER

BILL NO.: SENATE BILL NO. 56

DATE: 1-24-85

TITLE: "An Act amending the longevity bonus program and the permanent dividend program, establishing an annuity program, and providing for an effective date."

CONTACT: DHSS/3030
DOA/2200
DOR/2300

1. INTRODUCTION -

Senate Bill 56 amends various sections of the Alaska Statutes regarding the longevity bonus and the Permanent Fund and thereby creates three major impacts:

a) Continues the bonus program for all persons age 65 by 1986 and pays these persons a benefit level of \$250 per month plus 3% per annum for life. b) Phases out the bonus program for everyone younger than 65 (in 1986) and pays these persons an ever-reducing benefit level until sometime in the early part of the 21st Century when the benefit reaches zero. c) Creates a state supplemental retirement program (the annuity program) for those under 65 (in 1986) who choose to defer/invest their annual permanent fund dividends.

This position paper contains analyses provided by the Departments of Health and Social Services, Administration, and Revenue. The Departments of Revenue and Administration have provided fiscal notes for the costs of administration of both the altered Longevity Bonus Program and the Annuity Program.

Fiscal notes are limited to the administrative costs of implementation of this Act, because the program costs (the cost of living escalator in the Longevity Bonus Program and the front loading costs in the annuity program) are so interrelated and dependent upon one another that the variables generate a multitude of different estimated costs of the program.

When this bill was presented to the Alaska Longevity Bonus Task Force, the authors of the bill envisioned a 3% escalator in the longevity bonus and a front loading match of 25% of the Permanent Fund dividend checks which were deferred. The number of checks deferred was based upon an assumption that 30% of those eligible to defer would defer 100% of their check. Based upon all of these assumptions, the costs of the program would be an additional \$25.2 million in FY 86, \$26.5 million in FY 87, and \$27.7 million in FY 88 above that which is already budgeted for the current longevity bonus payment. The drafters also assumed that these front loading costs would cease after FY 88.

Therefore the costs of the bill using these assumptions would be as follows:

	<u>FY86</u>	<u>FY87</u>	<u>FY-88</u>	<u>Source</u>
Front-Loading	25,200.0	26,500.0	27,000.7	Gen. Fund/Reserve Acct. PF
PFD BRU	1,306.2	-0-	-0-	Annuity Fund
Treasury BRU	9.3	11.1	14.8	Annuity Fund
Public Svcs BRU	635.7	450.5	339.3	General Fund
Longevity Bonus BRU	10.0	-0-	-0-	General Fund
Annuity DP BRU	814.5	67.7	71.2	Annuity Fund
Annuity Mgt BRU	150.1	174.8	183.6	Annuity Fund
SB 56 Cost:	<u>28,125.8</u>	<u>27,204.1</u>	<u>27,609.6</u>	
ALB Program	50,200.0	53,900.0	57,300.0	General Fund
Total Cost:	<u>78,325.8</u>	<u>81,104.1</u>	<u>84,909.6</u>	

2. DEPARTMENT OF ADMINISTRATION -

The Department of Administration has two concerns about the 3% annual escalation of the longevity bonus proposed in SB56. First, it is artificial, not based on real inflation projections. Second, the cost-of-living increase is only for grandfathered seniors, paid for by the reduction in benefits paid to those seniors who were not grandfathered.

Under the annuity program described in Senate Bill 56, the Department of Administration will administer individual annuity accounts for 30% of the Permanent Fund dividend eligibles. This account management will include approximately 145,500 accounts in FY 86.

<u>FY</u>	<u># of PFD Eligibles</u>			<u># of Annuity Accounts</u>
FY86	485,000	x	30%	= 145,500
FY87	490,000	x	30%	= 147,000
FY88	500,000	x	30%	= 150,000
FY89	510,000	x	30%	= 153,000
FY90	521,000	x	30%	= 156,300

The Department will also make annuity payments to those persons over the age of 65 who were eligible. The payment stream of each individual account will be based on actuarial tables. Each year the analysis will have to be redone because account balances and fund balances would vary. The attached fiscal notes describe the resources required to manage these accounts.

3. DEPARTMENT OF REVENUE -

The proposed legislation directly impacts four divisions within DOR:

- Division of Administrative Services
- Division of Enforcement
- Division of Treasury
- Division of Public Services

For purposes of convenience, we have consolidated our responses into categories instead of along division lines:

- I. Introduction - The Annuity Program
- II. Section-by-Section Analysis of Amendments to AS 43
- III. Proposed Amendments
- IV. Division(s) Fiscal Notes

I Introduction The Annuity Program

Annuity Program

Under the annuity program established by SB 56, an eligible Alaska resident under the age of 65 as of January 1, 1986 may forego all or a portion, but not less than 25%, of their permanent fund dividend in exchange for a credit to an individual annuity account. Upon reaching the age of 65, that person will receive a monthly annuity for the remainder of their life that is based on the accumulated value of their annuity account, including interest, at age 65.

As it does currently, the Enforcement Division of the Department of Revenue will determine eligibility for a dividend. Under SB 56 the division of Administrative Services will provide to the Department of Administration, the amount, if any, each resident's annuity account would be credited as a result of electing such credit rather than a cash dividend. The total of such credits will be transferred to the annuity investment fund from the dividend fund.

The Treasury Division of the Department of Revenue will invest the annuity investment fund. Investments permitted are the same as those of the Public Employees Retirement Fund except that the fund may also be invested in commercial insurance contracts. *Periodically, the Treasury Division will notify the Department of Administration of the income realized by the fund. The Department of Administration will allocate this as a pro-rata credit to each person's annuity account based on the balance in their account.

At age 65, a monthly annuity payment will be established for each individual. It will be determined by either the annuity available on the market which can be purchased with the amount in the annuitant's account or an amount determined by the Department of Administration based on then current interest rates, mortality tables, and amounts on the account if an "in-house" option is chosen to meet the liability for annuity payments. Under the "in-house" option the State would continue to manage the investment of the funds in annuitants' accounts at age 65 and thereafter.

Each year, the legislature may appropriate from the annuity investment account the amount required to make the monthly payments to annuitants who are 65 or older. The amounts required will be transferred to the Department of Administration which will make the payments.

The appropriation could be of "the amount required by AS 43.23.130" or the Department of Administration could provide an estimate each year which would be inexact due to deaths during the year of annuitants or those who would become annuitants in that year.

Comments

The private insurance option transfers from the fund the risk of inadequate earnings on post-65 annuitants' accounts to cover liabilities for payments. Of course the risk is not totally avoided since there is always some credit risk that the insurer will fail.

However, by incorporating the private insurance option into the investment fund as an investment, a conflict can arise with AS 43.23.110(c) which required crediting annuity accounts with investment fund earnings. If average fund rate-of-return is less than that on the insurance contracts, full payment of monthly annuities to those over 65 cannot be made while also crediting under-65 accounts at the average rate of return. This is because in this case the average rate of return on under-65 accounts would be higher than the actual returns. Of course, the credits can be made since they don't require cash payment and over time the problem may be eliminated by years on which average fund earnings exceed insurance contract rates of return.

A more definitive solution might be to credit under-65 accounts only with earnings net of annuity payments, to establish separate funds for those over and under 65, or to make the insurance contracts simply contracts of the Department of Administration and not investments of the annuity investment funds. In the case of "in-house" management, similar conflict would exist AS 43.23.110(c) when assumed rates of return and mortality differ from that realized.

The other major aspect of the annuity program which may present technical problems is the allocation from "front-loading" in AS 43.23.110(b)(2) and (3). If the base amount in (b)(2) is a separate

appropriation or allocation in the legislation appropriating the "front-loading", then that base amount can be determined. In any event, (b)(3)'s derivation remains ambiguous.

II

Alaska Department of Revenue
Section by Section Analysis of SB 56
January 21, 1985

- Section 1: Intent section, no effect on Department of Revenue except that paragraph (4), lines 3-5 sets up the relationship of two choices: annuity is the default unless applicant chooses cash. This affects form design and programming.
- Section 2: Amends AS 43.23.005(c). Replaces the word "payment" with "dividend," for consistency reasons. There is no direct effect on the Department of Revenue.
- Section 3: Amends AS 43.23.005 by establishing alternatives for PFD applicants:
- a) If person is 65 or older on December 31, 1985, there is only one choice - 100% cash dividend.
 - b) If person is under 65 on December 31, 1985, there are two basic choices:
 - 1) 100% cash.
 - 2) At least 25% cash, and between 1 and 75% annuity.
- Section 4: Amends AS 43.23.015(a). This change would appear to have no effect on the Department of Revenue unless the intent is to limit the Department of Revenue's ability to adopt regulations defining residency, etc., as opposed to just establishing the process.
- Section 5: Amends AS 43.23.015(b) by changing the affidavit printed on the application, so that the applicant signs a statement that he or she understands that they will lose all dividends and interest credited to his/her annuity account. It should be amended to say the person also loses all the legislative appropriations credited under AS 43.23.110 (Section 16 of this bill). This represents a major forms change, and more importantly, creates substantial collection problems leaving many questions unanswered. For example, it is clear that the Department of Revenue can use collection procedures to collect money paid to applicants as cash dividends and within the limits of Section 10, as well as collect funds transferred to the Department of Administration based on an option for annuity, however what about:

- 1) Collecting annuities already paid to a person over 65? Who collects it and how?
- 2) If Revenue attempts to retrieve money from the Department of Administration after conviction or discovery of error, which agency goes after money from the annuitant? Under what provision of law? What if there aren't enough funds in the dividends account?

Section 6: Amends AS 43.23.015(e) in an attempt at consistency. But given the extreme difficulties that exist in administering a trust for persons in custody of a public agency (typically children in custody of the Department of Health & Social Services) and the animosity that is generated in the parents, giving a state agency the option of irrevocably placing a custodial person's dividend in an annuity account seems certain to generate extreme animosity from those parents and potential law suits for the recovery of the funds.

Section 7: Amends AS 43.23.015(f) for consistency with the new concept of the PFD annuity. It is important to note that this does nothing to correct the potential problem mentioned in the analysis of Section 6. Otherwise there is no effect on the Department of Revenue.

Section 8: Amends AS 43.23.015 by adding a paragraph directing the Department of Revenue to provide an option on the PFD application. For consistency's sake, the wording on line 16-17 should be changed to reflect the wording of the option as given in Section 3. Section 8 implies only two choices: 100% cash or 100% annuity. This doesn't square with Section 3, which provides that every applicant receives at least 25% of the dividend value in cash. It should also be noted that the use of the term "permanent fund dividend" on line 17 in juxtaposition to the term "cash" implies that the term "permanent fund dividend" is defined as meaning annuity credit. This is not the definition provided in Section 15. The only effect on the Department of Revenue of this section is to modify the form and explain the choices to the public.

Section 9: Amends AS 43.23.035 to reflect the new concept of the PFD annuity option. It is unclear as to whether "additional credits" on line 24 means an allocation of future legislated appropriations and/or interest accrued to original annuity credits. The language here should be coordinated with the language in Section 5. Again, there are enforcement/collection problems. What if annuity payments have already started and there is not enough left to pay back all the erroneously credited dividends? How is the balance collected, and by whom? To what fund(s) are collections credited?

Section 10: Amends AS 43.23.035 to provide a mechanism for the Department of Revenue to collect dividends erroneously credited to the annuity investment account. This section also distinguishes between the remedy available to the Department of Revenue when the error is the fault of the state and when the error is the fault of the individual. It is difficult to evaluate which date starts the clock - date credited, or date discovered.

Section 11: Amends AS 43.23.055 to redefine the duties of the Department of Revenue to reflect the new concept of a PFD annuity option. Lines 19-20 again implies two choices - 100% cash or 100% annuity. Under the provisions of Section 3, everyone receives at least 25% cash. Lines 11-13 on page 6 requires the Department of Revenue to provide information to the Department of Administration necessary to maintain the individual annuity account records and administer the annuity program. It would appear that this information exchange would consist of the following:

- 1) Each week, starting with the first PFD payment run in October, the Department of Revenue would notify the Department of Administration (via a computer tape) of those applicants who came up for payment and who chose that a percentage of their dividend be credited to their annuity account. This will allow the Department of Administration to credit the account with the proper amount and as of the date on which the applicant would have otherwise been paid cash. This reporting will go on weekly as long as the Department of Revenue is making payments from that particular year's file.
- 2) On a regular basis, the Department of Revenue would have to provide the Department of Administration with the interest rate that reflects the earnings of the annuity investment fund.
- 3) On a case by case basis over a 10-year period the Department of Revenue - Enforcement would notify the Department of Administration of erroneous payments and seek reimbursement from the annuity investment fund.

Sections 12 & 13: Amend AS 43.23.065 to reflect the new concept of a PFD annuity option. The general effect of Sections 12 and 13, taken together, seems to be that the portion of a dividend which is taken as a credit to an annuity is not subject to levy, execution, garnishment, attachment, or other remedies for the collection of debt. As a statute change unrelated to the annuity concept, Section 12 provides for 100% attachment of a cash dividend to satisfy a court-ordered restitution under AS 12.55.045 - 12.55.051 or 12.55.100. It is important that the court order will serve to attach

the dividend only if served on the Department of Revenue timely, as in the case of any other attachment order (CSED, IRS, etc.). Section 13 goes further by providing that in the case of a CSED arraignment or in the case of a civil judgement or order of restitution, the Department of Revenue or the Alaska courts, respectively, may require the defendant to take his/her entire PFD in cash. First of all, it is important to note that neither the Department of Revenue nor the court can force a person to apply for a dividend, but can force a selection of cash once the applicant has filed. There are two potential problems with Section 13:

- 1) The Department of Revenue cannot determine that an applicant meets the criteria of Section 13 until either CSED or a court agency serves an attachment order on the Department of Revenue - Enforcement, and in the case of CSED, indicating a past-due debt, and
- 2) Given that the overall thrust of Sections 12 and 13 is to exempt dividends selected as annuity credits from attachment, in the case of a person who owes (under Section 13) less than the amount of the total dividend, and originally chose the annuity option, it would seem that only an amount necessary to satisfy the debts under both the proposed AS 43.23.065(b) and (c) could be converted to the cash option, with the residual amount still protected from general attachment. This needs to be clarified.

Section 14: Amends AS 43.23.075 to reflect the new concept of a PFD annuity option. There is no effect on the Department of Revenue.

Section 15: Amends AS 43.23.095(b) to change the definition of "permanent fund dividend" to include the PFD annuity option. There is no effect on the Department of Revenue, save substantial changes to existing regulations.

Section 16: This section establishes the Annuity Program, to be administered by the Department of Administration. Although this section of the bill has very little impact on the Department of Revenue - PFD BRU, the following thoughts are offered for consideration:

- 1) AS 43.23.110(a), as proposed, provides for the gross amount selected as annuity credits to be transferred from the PFD fund to the annuity investment fund annually. As previously noted, the Department of Revenue could provide a magnetic file weekly as annuity participants come up for payment. The question is when does the interest envisioned in the proposed AS 43.23.110(c) begins to accrue: at payment of the residual cash dividend, or at some annual date upon transfer of the gross amount.

2) AS 43.23.110(b), as proposed, provides that the Legislature may appropriate additional funds to the annuity investment fund. Since this appropriation will likely be made during January - May of a given year, it should be clarified as to whether the appropriation is to be allocated between annuity participants of that same calendar year, or amongst those who selected the annuity option for the prior calendar year. If as the bill implies, the former is the case, then the Legislature will be making an appropriation without prior knowledge of the number of participants or the total amount of dividends selected as annuity credits. The applications are filed between April 1 - June 30 and the information is not on computer file until approximately July 31.

AS 43.23.110(b)(1), as proposed, appears to have the same constitutional flaws that caused the Legislature to include the children of Alaska in the PFD program in 1982.

AS 43.23.110(b)(2), as proposed, does not specify what portion of the appropriation should be used as the "base" amount. Also there needs to be definitions of the formula for determining the base amount, i.e. half the appropriation divided by the number of eligible annuitants.

AS 43.23.110(b)(3), as proposed, is a very confusing paragraph and makes no comprehensible sense. The formula for showing the appropriation must be clarified and simplified to the point that it can be easily explained to the public, in written form in the application booklet, in person during the required rural assistance program, and to the tens of thousands of Alaskans who will be asking the Department of Revenue's Public Services Assistance Centers for a lucid explanation.

AS 43.23.110(b)(4), as proposed, again implies that a person has an option of opting for 100% annuity, in contradiction of Section 3.

AS 43.23.110(c), as proposed, requires the Department of Revenue to provide the Department of Administration with the appropriate interest rate. The question unanswered is how often? The other implication is that the monies in the annuity investment fund are not to be co-mingled with other monies in the General Fund, but truly invested as a separate fund. This needs to be nailed down.

AS 43.23.130, as proposed, describes the benefit PFD applicants would receive in exchange for the option of receiving their whole dividend in cash, versus accepting up to 75% of the dividend in annuity credit. For this reason, it is extremely important that this section be very clear

to the reader, and it is. In (f) of this section, there appears to be an attempt to shelter the original dividend given up, in part, for an annuity credit, from taxation by the federal government as income in the year the dividend was available in cash. The doctrine of "constructive receipt" would hold the dividend taxable in the current year and this will have to be pointed out to recipients of the dividend at the time their dividend is paid, whether it is paid in credits or in cash.

Section 22: Provides an implementation schedule for the provisions of this bill and makes the Act applicable to PFD years 1986 and thereafter. This defines the time period in which the Department of Revenue has to accomplish all of the necessary program changes. The Department of Revenue will have from the date this bill becomes law until March 31, 1986. This accelerated schedule will be costly and will make it very difficult to get everything on line by the 1986 filing period.

Section 23: Provides an effective date.

III
Alaska Department of Revenue
Suggested Amendments to SB 56
January 21, 1985

Submitted by Division of Administrative Services:

Eliminate Internal Contradictions Regarding Cash vs Annuity

1. Section 1 and Section 3 are contradictory as to the options available and should be modified.

Page 2, lines 3 - 5 implies that the entire dividend is applied to the annuity account absent a conscious election by the applicant.

Page 2, lines 22-24 says that the only choice other than 100% cash is 25% or more cash and between 1 and 75% annuity. Per Section 3, there does not appear to be a 100% annuity option.

2. Page 4, lines 16-17 should be amended to reflect the same wording of Section 3, to eliminate the contradiction regarding the available options.

Making Annuity/Cash Election Irrevocable

3. Page 5, lines 17-20 like Section 1, implies only two choices: 100% cash or 100% annuity. This should be amended to square with Section 3.
4. It is important that the election be binding and irrevocable. If people change their mind, make a mistake, or whatever, there should be no opportunity to change election. Otherwise, the cost of this program will go up dramatically.

Limit Choice

5. Page 2, lines 19-25 should be amended to limit the choice of hybrid payments to:
 - a) 100% cash,
 - b) 25% cash, 75% annuity credit,
 - c) 50% cash, 50% annuity credit, or
 - d) 75% cash, 25% annuity credit.

As it currently reads, there are at least 76 real options, significantly complicating the administration of the program.

Avoidance of Debts to State Agencies

6. Page 7, line 13 should be amended by adding a new subsection (d) to include debts to a state agency as a valid reason for compelling an applicant to elect a cash dividend.

Submitted by Division of Treasury: Comments on SB 56

1. Page 6, line 15

"(a)" should be inserted before "Fifty."

2. Page 8

Sec. 43.23.110(a) should include the statement that "Income of the annuity investment fund shall be added to the principal of the annuity investment fund." However, the Attorney General in a November 30, 1982 opinion expressed some doubt about whether a retention of investment earnings by a fund is permissible under the Constitution's prohibition of dedicated revenues.

3. Page 10, line 6

Add "purchased from insurance companies which have a Best's Policyholders' Rating of A or better and belong to Best's financial size Group XV at the time of purchase" at the end of the sentence.

4. Page 10, line 23

"received" should be "receive"

4. DEPARTMENT OF HEALTH AND SOCIAL SERVICES-

a) Alaska Longevity Bonus - Enactment of the amendments to the Longevity Bonus Program included in SB56 would not adversely affect nursing home residents but would continue to seriously jeopardize many needy elderly Alaskans who currently receive old age assistance, medicaid, and federal supplemental security income payments as outlined below. This negative impact is a direct result of the federal and state statutes specifying which longevity bonus payments must be counted as income when determining these individuals' eligibility for assistance.

Nursing home residents are excluded from receiving the longevity bonus and therefore will be protected from either the loss of their medicaid coverage or a loss or decrease in their state assistance grant.

Federal supplemental security income (SSI) recipients are not protected and therefore would suffer either a reduction of their SSI grant or a termination of their federal SSI grant.

Old Age Assistance (OAA) recipients would also suffer either a reduction in their state grant or a termination of their grant.

Medicaid recipients who are not residing in a nursing home and who have a gross income in excess of 300% of the SSI need standard (i.e., \$975) will become ineligible for medicaid.

These low-income longevity bonus recipients can be protected from financial harm by the enactment of the following amendments to the Adult Public Assistance statutes (AS 47.25.430ff) to provide that:

(i) The department shall increase the amount of an individual's Adult Public Assistance payment by the amount of any reduction in assistance provided under Title XVI of the Social Security Act which occurs solely because of considering payments made under AS 47.45 as available income; and

(ii) Notwithstanding AS 47.25.435, in determining eligibility for Adult Public Assistance and the amount of Adult Public Assistance payment, the department will not consider any payment made under AS 47.45 as income available to the applicant or recipient.

The costs of protecting these individuals from the harm caused by the loss of their assistance coverage would be:

	FY86	FY87
Federal (SSI) Payment	1,400,000	1,530,517
State (OAA) Payment	760,000*	830,737*
Non Nursing Home Medical	413,847	471,609
Nursing Home Medical	-0-@	-0-@
	<u>\$1,813,847</u>	<u>\$2,002,126</u>

* As these costs are already budgeted for FY 86- this is a non-add item.

@ No cost if the exclusion is effective upon enactment of SB56.

The majority of these individuals receive most of their income from the federal SSI and the state APA programs while their primary source of payment for medical bills is medicaid.

The department believes that it is therefore absolutely essential for basic humanitarian reasons that enactment of SB56 be accompanied by enactment of a "hold-harmless" program that would protect those harmed by receipt of the proposed longevity bonus.

b) Annuity Program - Enactment of the annuity program proposed in SB56 would not have a substantial effect on most public assistance and medicaid recipients. These individuals, whose annual incomes are less than \$10,000, cannot afford to defer their Permanent Fund checks as they have an immediate need for these funds to buy basic necessities.

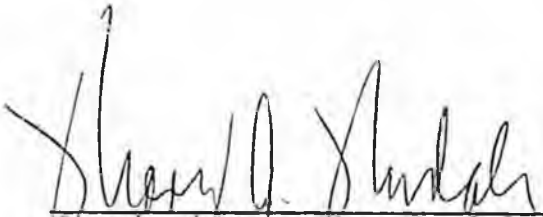
c) Federal Waiver - Currently, people who are eligible to receive the longevity bonus before October 1, 1985, have grandfathered eligibility rights to federal SSI and medicaid because federal law prohibits counting their bonus payments as income. People not eligible to receive the longevity bonus by this date are not covered under this grandfather clause. As they begin to receive countable bonus payments, their SSI assistance and OAA is reduced or terminated. Those whose assistance is terminated become ineligible for medicaid.

This change from the previous universal exclusion of consideration of the longevity bonus as income was precipitated by the 1984 change in the residency eligibility standards for the Longevity Bonus Program.

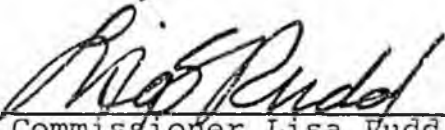
The Department is unable to make any commitments as to whether any changes in the Longevity Bonus Program will again

alter the federal government's position and, perhaps, end the special exclusion for 25-year residents who receive the Bonus. If this were to occur, the number of recipients placed in jeopardy and the costs of providing them with a "hold-harmless" protection would grow substantially beyond the estimate provided above.

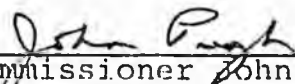
Approved:



Commissioner Mary Nordale
Department of Revenue



Commissioner Lisa Rudd
Department of Administration



Commissioner John Pugh
Department of Health and
Social Services

Alaska Department of Revenue
Enforcement Division
Fiscal Impact of SB 56
January 21, 1985

The fiscal impact of SB 56 is \$-0- given the following assumptions.

1. Garnishment EDP programming changes can be accomplished at least three months before the 1986 payment schedule begins.
2. Orders of Restitution are served on the Division just as any other garnishment document, such as writs or Orders to Withhold.
3. Language is included that assures a creditor may not defeat a State agency by electing an annuity. If this is not done, the potential impact is a loss of revenue. Although not readily estimateable it is not anticipated to be significant.
4. Deposit and fund crediting procedures for collections of erroneously paid annuities are kept simple and/or allocation between funds are determined by the Department of Administration.

AMENDMENT

To: CSSB 55 (Jud)

By: Senator Faiks

Page 9, Line 11

After the word "determined", insert, "by the legislature"

Page 9, Line 16

Delete "shall be" and insert "is"

Page 9, Line 17

After the word "established", insert, "by the legislature"

HARD COPY

3/18/85

EFFECTS OF MANDATORY CONTRIBUTIONS

The enclosed chart was prepared by the House Research Agency for Representative Larson and House Bill 222. A copy of the latest version of that bill was not yet available however Representative Larson will be at this morning's meeting to explain.

Essentially, HB 222 would ~~require mandatory contributions to~~ fund both current Longevity Bonus recipients as well as future annuitants. The bill establishes the following:

- 1) Beginning in 1986, approximately 20.9% of each Alaskan's Permanent Fund Dividend would be used to fund a \$250 bonus to those people that are 65 years of age or older by 1/1/86. It is estimated that the dividend for 1986 will be around \$496 hence this bill would reduce that to \$393.
- 2) The second feature of HB 222 would require that an additional 50% of the remaining PFD balance would go directly into an annuity fund. Therefore, $\frac{1}{2}$ of \$393 would result in a 1986 Permanent Fund Dividend of \$196.50.
- 3) The third main provision of HB 222 would be to make contribution of the remaining 50% optional.
- 4) This 50% mandatory contribution into the annuity plan results in tax deferability ie. that money is not considered income hence it is not taxed until you start to collect.
- 5) The state would no longer have to fund current Longevity Bonus payments because that would now be funded from a percentage of each Alaskan's PFD.

3/18/85

LONGEVITY BONUS COST REVALYSIS
 (20000 (revised))
 Full paid from PFD Account

John Long
John

Fiscal Year	Div 63 after 1/7/86	Div 63 after 1/7/86	Eligible Recipients	Target Bonus	Maximum Bonus	Residual Bonus	Monthly Payment with Full PFD Contribution	Monthly Payment with Half PFD Contribution	Annual Cumulative PF Cost (millions)	Annual PF Cost (millions)	Annual CF Cost (millions)	Dividend Pool (millions)	Revised Dividend Pool (millions)	Original PFD	Revised X PFD	Decrease in PFD	(Full PFD) Monthly Balance	Cash Dividend	% Decrease in Cash Dividend
1966	10,039	1,705	16,244	\$250	\$0.00	\$250	\$250	\$250	\$50.2	\$0.0	\$0.0	\$240.6	\$190.4	\$496	\$393	50.9	\$410	\$196	50
1967	14,349	3,419	17,768	250	30.96	256	250	248	102.7	0.0	0.0	400.0	313.7	543	436	19.7	701	218	69
1968	13,600	5,109	18,709	250	61.72	241	250	246	157.0	0.0	0.0	500.0	341.4	577	469	10.8	1,444	214	53
1969	12,974	6,034	19,008	250	14.24	226	250	245	213.1	0.0	0.0	510.0	352.9	619	509	17.8	2,119	234	53
1970	12,393	8,630	20,913	250	20.66	222	250	240	270.7	0.0	0.0	521.0	352.9	672	567	16.3	2,733	295	53
1971	11,416	10,332	21,748	250	28.24	222	250	238	309.0	0.0	0.0	537.0	352.9	744	633	14.8	3,099	317	52
1972	10,943	11,506	22,449	250	37.10	213	250	236	372.3	0.0	0.0	547.0	352.9	814	703	11.3	3,492	317	52
1973	10,325	13,500	23,825	250	47.63	202	250	235	445.3	0.0	0.0	554.0	352.9	884	771	10.6	3,912	310	52
1974	9,606	15,193	24,799	250	57.02	190	250	230	501.9	0.0	0.0	564.0	352.9	964	842	9.3	4,359	310	52
1975	8,945	16,946	25,891	250	67.91	176	250	213	568.6	0.0	0.0	574.0	352.9	1,042	943	8.0	4,832	310	52
1976	8,291	18,048	26,339	250	80.10	163	250	202	608.1	0.0	0.0	584.0	352.9	1,120	1,030	7.3	5,339	310	52
1977	7,644	19,048	26,692	250	94.10	141	250	198	658.1	0.0	0.0	594.0	352.9	1,200	1,132	6.7	5,874	310	52
1978	7,012	21,643	28,655	250	109.14	120	250	192	708.4	0.0	0.0	604.0	352.9	1,280	1,239	6.1	6,438	310	52
1979	6,396	23,160	29,556	250	125.94	96	250	182	758.4	0.0	0.0	614.0	352.9	1,360	1,349	5.4	7,032	310	52
1980	5,789	24,712	30,501	250	143.63	70	250	172	808.4	0.0	0.0	624.0	352.9	1,440	1,464	4.1	7,656	310	51
1981	5,225	26,254	31,479	250	162.17	40	250	162	858.4	0.0	0.0	634.0	352.9	1,520	1,582	3.0	8,300	310	50
1982	4,676	27,792	32,468	250	181.52	10	250	152	908.4	0.0	0.0	644.0	352.9	1,600	1,705	2.0	8,974	310	50
1983	4,156	29,322	33,478	250	200.77	0	250	142	958.4	0.0	0.0	654.0	352.9	1,680	1,830	1.5	9,678	310	50
1984	3,666	30,851	34,517	250	220.02	0	250	132	1,008.4	0.0	0.0	664.0	352.9	1,760	1,985	1.0	10,412	310	50
1985	3,210	32,381	35,591	250	239.27	0	250	122	1,058.4	0.0	0.0	674.0	352.9	1,840	2,117	0.5	11,176	310	50
1986	2,760	33,912	36,672	250	258.52	0	250	112	1,108.4	0.0	0.0	684.0	352.9	1,920	2,252	0.0	11,970	310	50
1987	2,310	35,442	37,752	250	277.77	0	250	102	1,158.4	0.0	0.0	694.0	352.9	2,000	2,387	0.0	12,784	310	50
1988	1,860	36,972	38,832	250	297.02	0	250	92	1,208.4	0.0	0.0	704.0	352.9	2,080	2,522	0.0	13,618	310	50
1989	1,410	38,502	39,912	250	316.27	0	250	82	1,258.4	0.0	0.0	714.0	352.9	2,160	2,657	0.0	14,472	310	50
1990	960	40,032	40,992	250	335.52	0	250	72	1,308.4	0.0	0.0	724.0	352.9	2,240	2,792	0.0	15,346	310	50
1991	510	41,562	42,072	250	354.77	0	250	62	1,358.4	0.0	0.0	734.0	352.9	2,320	2,927	0.0	16,240	310	50
1992	60	43,092	43,152	250	374.02	0	250	52	1,408.4	0.0	0.0	744.0	352.9	2,400	3,062	0.0	17,154	310	50
1993	0	44,622	44,232	250	393.27	0	250	42	1,458.4	0.0	0.0	754.0	352.9	2,480	3,197	0.0	18,088	310	50
1994	0	46,152	45,312	250	412.52	0	250	32	1,508.4	0.0	0.0	764.0	352.9	2,560	3,332	0.0	19,042	310	50
1995	0	47,682	46,392	250	431.77	0	250	22	1,558.4	0.0	0.0	774.0	352.9	2,640	3,467	0.0	19,916	310	50
1996	0	49,212	47,472	250	451.02	0	250	12	1,608.4	0.0	0.0	784.0	352.9	2,720	3,602	0.0	20,810	310	50
1997	0	50,742	48,552	250	470.27	0	250	2	1,658.4	0.0	0.0	794.0	352.9	2,800	3,737	0.0	21,724	310	50
1998	0	52,272	49,632	250	489.52	0	250	0	1,708.4	0.0	0.0	804.0	352.9	2,880	3,872	0.0	22,658	310	50
1999	0	53,802	50,712	250	508.77	0	250	0	1,758.4	0.0	0.0	814.0	352.9	2,960	4,007	0.0	23,612	310	50
2000	0	55,332	51,792	250	528.02	0	250	0	1,808.4	0.0	0.0	824.0	352.9	3,040	4,142	0.0	24,586	310	50
2001	0	56,862	52,872	250	547.27	0	250	0	1,858.4	0.0	0.0	834.0	352.9	3,120	4,277	0.0	25,580	310	50
2002	0	58,392	53,952	250	566.52	0	250	0	1,908.4	0.0	0.0	844.0	352.9	3,200	4,412	0.0	26,594	310	50
2003	0	60,000	55,032	250	585.77	0	250	0	1,958.4	0.0	0.0	854.0	352.9	3,280	4,547	0.0	27,628	310	50
2004	0	61,608	56,112	250	605.02	0	250	0	2,008.4	0.0	0.0	864.0	352.9	3,360	4,682	0.0	28,682	310	50
2005	0	63,216	57,192	250	624.27	0	250	0	2,058.4	0.0	0.0	874.0	352.9	3,440	4,817	0.0	29,756	310	50
2006	0	64,824	58,272	250	643.52	0	250	0	2,108.4	0.0	0.0	884.0	352.9	3,520	4,952	0.0	30,850	310	50
2007	0	66,432	59,352	250	662.77	0	250	0	2,158.4	0.0	0.0	894.0	352.9	3,600	5,087	0.0	31,964	310	50
2008	0	68,040	60,432	250	682.02	0	250	0	2,208.4	0.0	0.0	904.0	352.9	3,680	5,222	0.0	33,098	310	50
2009	0	69,648	61,512	250	701.27	0	250	0	2,258.4	0.0	0.0	914.0	352.9	3,760	5,357	0.0	34,252	310	50
2010	0	71,256	62,592	250	720.52	0	250	0	2,308.4	0.0	0.0	924.0	352.9	3,840	5,492	0.0	35,426	310	50

Prepared by the House Research Agency 10-HR-05

15-HR-05

Ballot: G.F. &

ASSUMED PARTICIPATION RATE BY AGE GROUP

AGE	RATE	AGE	RATE
18	.2%	41	43.5%
19	.4%	42	47.5%
20	.7%	43	51.5%
21	1.0%	44	55.4%
22	1.5%	45	59.3%
23	2.0%	46	63.2%
24	2.7%	47	66.8%
25	3.5%	48	70.4%
26	4.4%	49	73.7%
27	5.5%	50	76.8%
28	6.8%	51	79.7%
29	8.3%	52	82.4%
30	10.0%	53	84.8%
31	12.0%	54	87.0%
32	14.1%	55	88.9%
33	16.6%	56	90.6%
34	19.2%	57	92.1%
35	22.1%	58	93.4%
36	25.2%	59	94.5%
37	28.6%	60	95.5%
38	32.1%	61	96.3%
39	35.8%	62	96.9%
40	39.6%	63	97.4%
		64	97.9%

Prepared by the Division of Strategic Planning.
3/17/85

INDIVIDUAL FRONT-LOADING PAYMENTS BY AGE

ASSUMPTIONS:

(Base amount = \$50.00; Tilt = 10 percent per year)

AGE	AMOUNT	AGE	AMOUNT
1	\$.00	34	\$50.00
2	\$.00	35	\$50.00
3	\$.00	36	\$55.00
4	\$.00	37	\$60.50
5	\$.00	38	\$66.55
6	\$.00	39	\$73.21
7	\$.00	40	\$80.53
8	\$.00	41	\$88.58
9	\$.00	42	\$97.44
10	\$.00	43	\$107.18
11	\$.00	44	\$117.90
12	\$.00	45	\$129.69
13	\$.00	46	\$142.66
14	\$.00	47	\$156.92
15	\$.00	48	\$172.61
16	\$.00	49	\$189.87
17	\$.00	50	\$208.86
18	\$50.00	51	\$229.75
19	\$50.00	52	\$252.72
20	\$50.00	53	\$278.00
21	\$50.00	54	\$305.80
22	\$50.00	55	\$336.37
23	\$50.00	56	\$370.01
24	\$50.00	57	\$407.01
25	\$50.00	58	\$447.72
26	\$50.00	59	\$492.49
27	\$50.00	60	\$541.74
28	\$50.00	61	\$595.91
29	\$50.00	62	\$655.50
30	\$50.00	63	\$721.05
31	\$50.00	64	\$793.15
32	\$50.00	65	\$872.47*
33	\$50.00	66 & OVER	\$.00

* CSSB56 (Jud) provides for payments to persons age 65 (p. 9, line 15). Accompanying calculations assume that payments stop at age 64.

Prepared by the Division of Strategic Planning.

3/17/85

3/18/85

11/29/84

Memorandum to: State Special Committee on the
Alaska Longevity Bonus Program

SUMMARY

Johnson & Higgins was retained to review, as actuaries, technical materials presented to the Committee.

Our review of materials prepared by the Division of Strategic Planning showed their work to be complete and accurate. Our only suggestion is regarding the anticipated level of participation. We feel that lower and higher levels of participation should be examined, since the results will probably vary and are more likely to average well below a 50% participation.

We have expressed some concern over the proposals offered by Benefit Concepts. The investment package they are recommending is very attractive, but we have expressed serious doubt that it can actually be delivered. Further analysis by Benefit Concepts is needed and should be investigated carefully. Our calculations have shown that the proposals offered to date will not be nearly as attractive as suggested by Benefit Concepts.

3/18/85

3/18/85

CONTACT: ROD BETIT 465-3355

DATE: MARCH 6, 1985

SUMMARY OF LONGEVITY BONUS HOLD HARMLESS
DIVISION OF MEDICAL ASSISTANCE

BILL NO.	HOLD HARMLESS COVERAGE				FY86 HOLD HARMLESS COSTS (SAVINGS) IN STATE DOLLARS				
	MEDICAL	NURSING HOME	OAA	SSI	MEDICAL	NURSING HOME	OAA	SSI	TOTAL
CSSB56	YES	YES	NO	NO	\$413.8	-0-	-0-	-0-	413.8
CSSB128	YES	YES	YES	YES	413.8	521.1*	760.0	1400.0	3094.9
HB210	NO	YES	NO	NO	(466.7)	-0-	-0-	-0-	(466.7)
HB212	YES	YES	YES	YES	413.8	521.1*	760.0	1400.0	3094.9
HB222	NO	YES	NO	NO	(466.7)	-0-	-0-	-0-	(466.7)**
HB239	NO	NO	NO	NO	(466.7)	(781.6)	-0-	-0-	(1248.3)

* Note: This \$521.1 could be avoided if a nursing home exclusion is added to HB212, or the exclusion passes the Legislature in a separate piece of legislation (ie SB56, HB210, HB222)

** Note: In FY87 an additional savings of \$496.1 would occur in the Department's Permanent Fund (PFD) Hold Harmless budget. This is due to HB222's mandatory PFD contribution to the annuity which will reduce the Department's PFD Hold Harmless costs for AFDC (240.8), Aid to the Disabled (100.0), and Medicaid (155.3).

R. Jett
10/23/84

CASE TYPE I

CASE TYPE II

CASE TYPE III

	Client with exempt ALB and no other income			Client with countable ALB and no other income			Client with countable ALB and \$400 other income (INC)			
	SSI + OAA + ALB = TOTAL			SSI + OAA + ALB = TOTAL			SSI + OAA + ALB + INC = TOTAL			
BEFORE LATEST ACTION TAKEN BY CONGRESS	314	252	250 = \$816	314	252	-0- = \$565	-0-	186	-0-	400 = \$386
1) APPLY RULE PASSED BY CONGRESS (EMER REG)	314	252	250 = \$816	84	252	250 = \$586	-0-	-0-	250	400 = \$650
2) HOLD HARMLESS OAA BENEFITS ONLY	314	252	250 = \$816	84	252	250 = \$586	-0-	186	250	400 = \$836
3) HOLD HARMLESS SSI AND OAA BENEFITS	314	252	250 = \$816	84	482	250 = \$816	-0-	186	250	400 = \$836

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YEAR	DAA EXEMPT	DAA NON- EXEMPT	DAA TOTAL	(1)	(2)				(1) MINUS (2)	YEAR
				RAISE ALL DAA BY \$250/MO COST	HOLD HARMLESS NON-EXEMPTS				COMPARISON	
					MEDICAL	DAA	SSI	TOTAL		
1	1,750	750	2,500.0	7,500.0	413.7	760.0	1,400.0	2,573.7	4,926.3	1
2	1,610	990	2,600.0	7,800.0	546.1	1,003.2	1,848.0	3,397.3	4,402.7	2
3	1,470	1,230	2,700.0	8,100.0	678.5	1,246.4	2,296.0	4,220.9	3,879.1	3
4	1,330	1,470	2,800.0	8,400.0	810.9	1,489.6	2,744.0	5,044.5	3,355.5	4
5	1,190	1,710	2,900.0	8,700.0	943.2	1,732.8	3,192.0	5,868.0	2,832.0	5
6	1,050	1,950	3,000.0	9,000.0	1,075.6	1,976.0	3,640.0	6,691.6	2,308.4	6
7	910	2,190	3,100.0	9,300.0	1,208.0	2,219.2	4,088.0	7,515.2	1,784.8	7
8	770	2,430	3,200.0	9,600.0	1,340.4	2,462.4	4,536.0	8,338.8	1,261.2	8
9	630	2,670	3,300.0	9,900.0	1,472.8	2,705.6	4,984.0	9,162.4	737.6	9
10	490	2,910	3,400.0	10,200.0	1,605.2	2,948.8	5,432.0	9,986.0	214.0	10
11	350	3,150	3,500.0	10,500.0	1,737.5	3,192.0	5,880.0	10,809.5	(309.5)	11
12	210	3,390	3,600.0	10,800.0	1,869.9	3,435.2	6,328.0	11,633.1	(833.1)	12
13	70	3,630	3,700.0	11,100.0	2,002.3	3,678.4	6,776.0	12,456.7	(1,356.7)	13
14	0	3,800	3,800.0	11,400.0	2,096.1	3,850.7	7,093.3	13,040.1	(1,640.1)	14
15	0	3,900	3,900.0	11,700.0	2,151.2	3,552.0	7,280.0	13,383.2	(1,683.2)	15
16	0	4,000	4,000.0	12,000.0	2,206.4	4,053.3	7,466.7	13,726.4	(1,726.4)	16
17	0	4,100	4,100.0	12,300.0	2,261.6	4,154.7	7,653.3	14,069.6	(1,769.6)	17

ASSUMPTIONS:

- 1) DAA Exempt declines by 140 cases per year - 8% Death Rate
- 2) DAA total cases increases by 100 cases per year
- 3) Raising qualifying limit by \$250 for DAA would not cause higher caseload growth
- 4) All costs projected in current dollars
- 5) If all DAA cases were raised by \$250; APD and ABL cases will not receive same increase

CONCLUSION:

Hold Harmless is most cost effective solution until year 10

ROD BETIT, DIRECTOR
 DIVISION OF MEDICAL ASSISTANCE
 March 8, 1985
 EXEMPTS.WKS

CSSB 56 - MAJOR FEATURES

CSSB 56 (Judiciary) is a bill which would gradually phase out the Alaska Longevity Bonus (ALB) program and replace it with annuities funded by the permanent fund dividends of participants. The major features are:

1. Three percent annual increase in amount of ALB (the 3% escalator) (Sec. 18 - AS 47.45.015 (a)).

The monthly longevity bonus is increased above \$250 by 3% each year beginning in FY 87. This provision has a very significant fiscal impact on the cost of the program under the bill over the years.

2. Grandfathering current seniors (Sec. 18 - AS 47.45.15(b)).

An individual who reaches age 65 before January 1, 1986 will receive the full amount of the longevity bonus as increased in paragraph 1.

3. Establishing annuity accounts (Sec. 16).

An individual who is not grandfathered as set out in paragraph 2 may deposit his or her permanent fund dividend in an annuity account which will be managed by the state. If the individual dies before reaching age 65, his or her account balance (less any "front-loading" contributions - see paragraph 5 below) will be paid to his or her spouse or beneficiary. (This provision was added in the Senate State Affairs Committee.) Upon reaching age 65, the individual will receive an annuity payment each month based on his or her account balance. The annuity payment will be a straight life annuity or other payment plan (such as joint and survivor) authorized by the Department of Administration. (Choice of payment plans was added by the Senate Judiciary Committee.)

4. Reduction of ALB payments (Sec. 18 - AS 47.45.015(a)).

For individuals who are not grandfathered (see paragraph 2), the monthly longevity bonus payment is \$250 plus the 3% annual addition reduced by the maximum possible annuity that could be received by a person who is 65 year old that year. This provision phases out the ALB program by amount over time, as the annuity accounts increase. An individual reaching age 65 who has participated in the annuity program every year will receive, from the longevity bonus combined with his or her annuity, approximately \$250 plus the 3% escalation. An individual who does not participate will receive only the declining longevity bonus payment.

5. Front loading (Sec. 16 - AS 43.23.110(b)).

The bill authorizes the legislature to annually add to the annuity accounts by an appropriation either from the general fund or from the earnings of the undistributed income account. Thus, an individual who invests his or her permanent fund dividend would have that dividend plus an additional amount contributed by the state credited to his or her annuity account. The appropriation would be allocated among individual annuity accounts according to a formula set out in the bill.

The formula is heavily weighted in favor of older Alaskans. There would be a base amount, for example \$50, credited to individuals from age 18 through 35. For individuals older than 35, the base amount is increased by a percentage, for example 10%, for every year over 35. Thus, using the \$50 base and the 10% "tilt," an individual at or near age 65 would receive approximately \$800 in front loading.

The State Special Committee on the Alaska Longevity Bonus Program included the front loading authorization for three reasons. First, front loading would be a substantial incentive, particularly for those nearing retirement age, to participate in the annuity program. The Committee perceived that the closer one gets to retirement age, the more important it is to provide for retirement - thus older Alaskans would receive increased amounts.

Second, front loading increases the maximum possible annuity. Since the reduced longevity bonus payment is a function of the maximum possible annuity (see paragraph 4), front loading in the early years of the program reduces general fund obligations for the longevity bonus program in future years. Thus, front loading for three years actually reduces the total nominal dollar costs of the program through FY 2034. In constant dollars, front loading of about \$67 million in the first three years would save about \$44 million in bonus payments later, for a net cost of about \$23 million over those years. 1/ The Committee recognized that oil revenues are predicted to decline in future years, and recommended front loading now in order to reduce the demands on the general fund in future years.

Finally, front loading brings tax deferrability. Special tax counsel retained by the Committee concluded that if the legislature provides a substantial front load to annuity accounts in a particular year, an individual should not be subject to tax on his or her dividend that year.

SB 56

POLICY CONSIDERATIONS OF 3% ESCALATOR

CSSB 56 provides that the amount of the Alaska Longevity Bonus is increased by 3% annually beginning in FY 87. 1/ This element of the bill is one of the most costly provisions over time - in nominal dollars through the year 2034, the bill with the escalator (without front loading) is estimated to cost \$1,401 million; without the escalator the cost is estimated at \$916 million.

The State Special Committee on the Alaska Longevity Bonus Program included the 3% escalator because it recognized that the ALB, which was initially \$100, has been increased over the years and it anticipated similar pressure on the legislature to increase the bonus in the future. The committee felt that a guideline of 3% was a fiscally conservative measure to inform Alaska's seniors about what they could expect, and relieve this pressure on the legislature. Others believe that future increases, if any, should be left to future legislators who will be better able to assess cost of living increases.

SB 56

POLICY CONSIDERATIONS OF FRONT LOADING

CSSB 56 authorizes the legislature to make an appropriation in any year into the annuity accounts of individuals who have chosen, in that year, to contribute their permanent fund dividends to their annuity accounts. The appropriation may be made, under the bill, either from the general fund or from the income of the undistributed income account within the permanent fund.

The bill sets out a formula for the allocation of this appropriation, or "front loading," among the annuity accounts. Individuals from age 18 through 35 receive a base amount, for example \$50, and that amount is increased by a percentage, for example 10%, for each year of age above 35. 1/ Under this formula using this base and this "tilt" an individual at age 65 would receive approximately \$700 of front loading in his or her account.

1/ The cost projections done by the Division of Strategic Planning which include front loading have used a base amount of \$50 and a "tilt" of 10%, and have hypothesized that the legislature would appropriate for front loading for three years. The projections further assume that with this front loading, approximately half of all Alaskans would choose to defer, with heavy participation among older Alaskans and little participation among younger Alaskans. Obviously, these projections are dependant upon many variables which may or may not prove to be true.

The State Special Committee on the Alaska Longevity Bonus Program provided for this "front loading" for several reasons. First, front loading is an obvious incentive to participate in the program, and that incentive increases the older the individual. Second, front loading in the early years saves general fund obligations for the ALB program in later years. Because the annuity accounts are increased by front loading, the residual ALB payment decreases more rapidly with front loading than without it. As a result, front loading in early years actually saves nominal dollars over the life of the program, and results in only a slight constant dollar increase.

Finally, tax counsel to the Committee concluded that under Internal Revenue Service rules, front loading annuity account will probably protect annuity investments from taxation in the year in which the dividend is issued.

CSSB 56 Costs
(All amounts in millions)

<u>FY 86</u>		
	<u>No 3%</u>	<u>3%</u>
<u>No FL</u>	50.2	50.2
<u>FL</u>	50.2	50.2

<u>FY 87</u>		
	<u>No 3%</u>	<u>3%</u>
<u>No FL</u>	53.1	54.7
<u>FL</u>	52.8 GF	54.4 GF
	25.2 Opt	25.2 Opt
Total:	<u>78.0</u>	<u>79.6</u>

<u>FY 88</u>		
	<u>No 3%</u>	<u>3%</u>
<u>No FL</u>	55.7	59.1
<u>FL</u>	54.8 GF	58.2 GF
	26.5 Opt	26.5 Opt
Total:	<u>81.3</u>	<u>84.7</u>

<u>FY 89</u>		
	<u>No 3%</u>	<u>3%</u>
<u>No FL</u>	58.2	63.7
<u>FL</u>	56.3 GF	61.8 GF
	27.7 Opt	27.7 Opt
Total:	<u>84.0</u>	<u>89.5</u>

CUMULATIVE THRU FY 2034 NOMINAL DOLLARS		
	<u>No 3%</u>	<u>3%</u>
<u>No FL</u>	942.7	1,479.5
<u>FL</u>	883.9 GF	1,385.5 GF
	79.4 Opt	79.4 Opt
Total:	<u>963.3</u>	<u>1,464.9</u>

CUMULATIVE THRU FY 2034 CONSTANT 1985 DOLLARS		
	<u>No 3%</u>	<u>3%</u>
<u>No FL</u>	578.0	813.2
<u>FL</u>	546.5 GF	769.5 GF
	66.6 Opt	66.6 Opt
Total:	<u>613.1</u>	<u>836.3</u>

No 3% = Remove 3% annual increase in amount of ALB from bill (\$ 18).
 3% = Bill as currently drafted, with annual increase in amount of ALB of 3%
 FL = Front loading in the amounts indicated, for three years only
 GF = General fund obligations (ALB costs)
 Opt = Optional; bill permits front loading from either general fund or income of undistributed income account.

*With Death Benefits
Included*

SB 56 Costs
(All amounts in millions)

FY 86		
	<u>No 3%</u>	<u>3%</u>
No FL	50.2	50.2
<u>FL</u>	50.2	50.2

FY 87		
	<u>No 3%</u>	<u>3%</u>
No FL	53.1	54.7
<u>FL</u>	52.8 GF	54.4 GF
	25.2 Opt	25.2 Opt
Total:	78.0	79.6

FY 88		
	<u>No 3%</u>	<u>3%</u>
No FL	55.7	59.1
<u>FL</u>	54.8 GF	58.2 GF
	26.5 Opt	26.5 Opt
Total:	81.3	84.7

FY 89		
	<u>No 3%</u>	<u>3%</u>
No FL	58.2	63.7
<u>FL</u>	56.3 GF	61.8 GF
	27.7 Opt	27.7 Opt
Total:	84.0	89.5

CUMULATIVE THRU FY 2034 NOMINAL DOLLARS		
	<u>No 3%</u>	<u>3%</u>
No FL	916.5	1,401.7
<u>FL</u>	857.6 GF	1,307.8 GF
	79.4 Opt	79.4 Opt
Total:	937.0	1,387.2

CUMULATIVE THRU FY 2034 CONSTANT 1985 DOLLARS		
	<u>No 3%</u>	<u>3%</u>
No FL	566.1	783.7
<u>FL</u>	533.8 GF	738.7 GF
	66.6 Opt	66.6 Opt
Total:	600.4	805.3

No 3% = Remove 3% annual increase in amount of ALB from bill (\$ 18).
 3% = Bill as currently drafted, with annual increase in amount of ALB of 3%
 FL = Front loading in the amounts indicated, for three years only
 GF = General fund obligations (ALB costs)
 Opt = Optional; bill permits front loading from either general fund or income of undistributed income account.

*Without
Death/Survivor
Benefits*

15



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

March 12, 1985

MEMORANDUM

TO: Representative Al Adams
Attention: Louann Cutler

FROM: Gretchen Keiser *Gretchen Keiser*
Legislative Analyst

RE: Longevity Bonus Cost Analysis
Research Request 85-218; Supplemental Information

You requested that this agency prepare a series of simplified tables which present the total recipients, annual and cumulative costs for the various stairstepping options. We were also asked to graph the annual and cumulative costs of the various stairstepping options. These tables and graphs are attached.

Please contact us if we can be of further assistance.

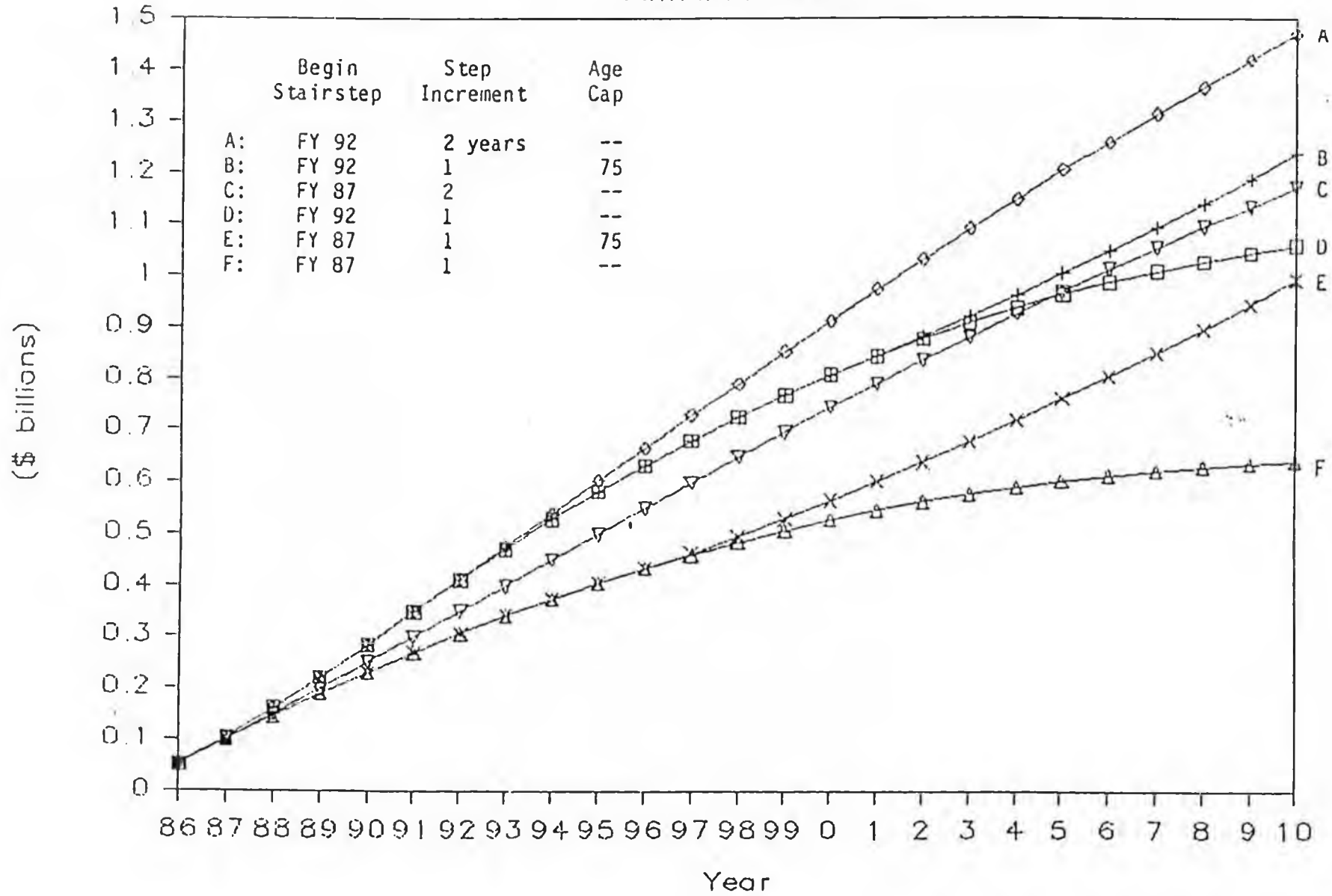
GK

Attachments

3/15/85

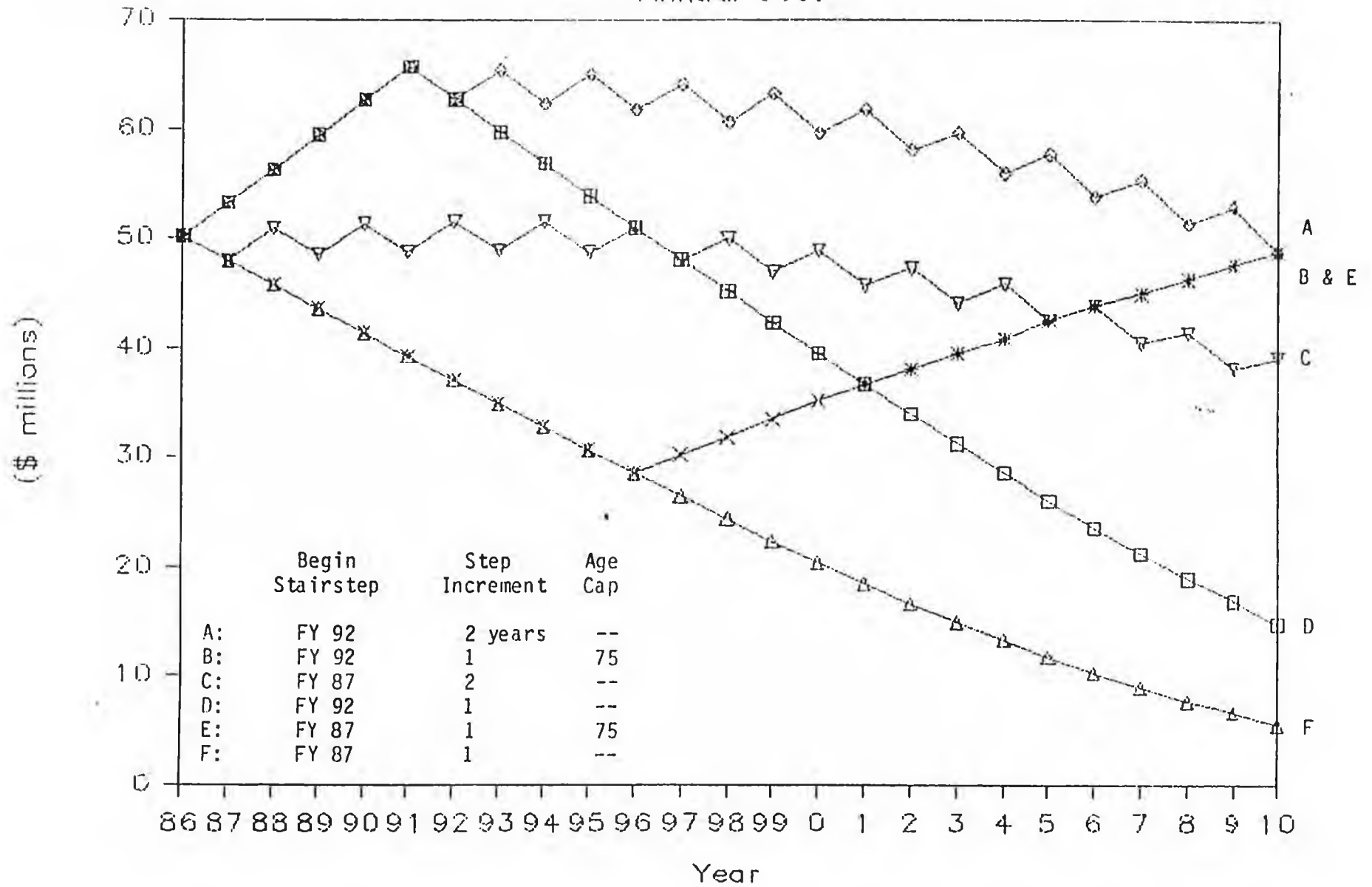
LONGEVITY BONUS COST ANALYSIS

Cumulative Cost



LONGEVITY BONUS COST ANALYSIS

Annual Cost



	Begin Stairstep	Step Increment	Age Cap
A:	FY 92	2 years	--
B:	FY 92	1	75
C:	FY 87	2	--
D:	FY 92	1	--
E:	FY 87	1	75
F:	FY 87	1	--

LONGEVITY BONUS COST ANALYSIS

HB 239

Begin Stairstep: FY 92
 Step Increment: 1
 Age Cap: None

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (millions)	Cumulative Cost (millions)
1986	65	16,744	\$250	\$50.2	\$50.2
1987	65	17,768	250	53.8	103.5
1988	65	18,769	250	56.3	159.8
1989	65	19,828	250	59.5	219.3
1990	65	20,913	250	62.7	282.1
1991	65	21,908	250	65.7	347.8
1992	66	20,925	250	62.8	410.6
1993	67	19,938	250	59.8	470.4
1994	68	18,952	250	56.9	527.2
1995	69	17,974	250	53.9	581.2
1996	70	17,001	250	51.0	632.2
1997	71	16,032	250	48.1	680.3
1998	72	15,071	250	45.2	725.5
1999	73	14,116	250	42.3	767.8
2000	74	13,169	250	39.5	807.3
2001	75	12,233	250	36.7	844.0
2002	76	11,313	250	33.9	878.0
2003	77	10,411	250	31.2	909.2
2004	78	9,530	250	28.6	937.8
2005	79	8,676	250	26.0	963.8
2006	80	7,851	250	23.6	987.4
2007	81	7,059	250	21.2	1,008.5
2008	82	6,304	250	18.9	1,027.5
2009	83	5,635	250	16.9	1,044.4
2010	84	4,922	250	14.8	1,059.1

Prepared by the House Research Agency 11-Mar-85

Begin Stairstep: FY 92
 Step Increment: 1
 Age Cap: 75

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (millions)	Cumulative Cost (millions)
1986	65	16,744	\$250	\$50.2	\$50.2
1987	65	17,768	250	53.3	103.5
1988	65	18,769	250	56.3	159.8
1989	65	19,828	250	59.5	219.3
1990	65	20,913	250	62.7	282.1
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1993	67	19,938	250	59.8	470.4
1994	68	18,952	250	56.9	527.2
1995	69	17,974	250	53.9	581.2
1996	70	17,001	250	51.0	632.2
1997	71	16,032	250	48.1	680.3
1998	72	15,071	250	45.2	725.5
1999	73	14,116	250	42.3	767.8
2000	74	13,169	250	39.5	807.3
2001	75	12,233	250	36.7	844.0
2002	75	12,689	250	38.1	882.1
2003	75	13,190	250	39.6	921.7
2004	75	13,632	250	40.9	962.6
2005	75	14,180	250	42.5	1,005.1
2006	75	14,638	250	43.9	1,049.0
2007	75	14,994	250	45.0	1,094.0
2008	75	15,446	250	46.3	1,140.3
2009	75	15,897	250	47.7	1,188.0
2010	75	16,297	250	48.9	1,236.9

Prepared by the House Research Agency

12-Mar-85

LONGEVITY BONUS COST ANALYSIS

HB 239

Begin Stairstep: Fr 92
 Step Increment: 2
 Age Cap: None

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (millions)	Cumulative Cost (millions)
1986	65	16,744	\$250	\$50.2	\$50.2
1987	65	17,768	250	53.3	103.5
1988	65	18,769	250	56.3	159.8
1989	65	19,828	250	59.5	219.3
1990	65	20,913	250	62.7	282.1
1991	65	21,908	250	65.7	347.8
1992	66	20,925	250	62.8	410.6
1993	66	21,815	250	65.4	476.0
1994	67	20,776	250	62.3	538.3
1995	67	21,681	250	65.0	603.4
1996	68	20,591	250	61.8	665.2
1997	68	21,366	250	64.1	729.3
1998	69	20,230	250	60.7	789.9
1999	69	21,088	250	63.3	853.2
2000	70	19,905	250	59.7	912.9
2001	70	20,603	250	61.8	974.7
2002	71	19,383	250	58.1	1,032.9
2003	71	19,911	250	59.7	1,092.6
2004	72	18,657	250	56.0	1,148.6
2005	72	19,247	250	57.7	1,206.3
2006	73	17,961	250	53.9	1,260.2
2007	73	18,451	250	55.4	1,315.6
2008	74	17,139	250	51.4	1,367.0
2009	74	17,672	250	53.0	1,420.0
2010	75	16,297	250	48.9	1,468.9

Prepared by the House Research Agency

12-Mar-85

LONGEVITY BONUS COST ANALYSIS

HR 239

Begin Stairstep: FY 87
 Step Increment: 1
 Age Cap: None

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (millions)	Cumulative Cost (millions)
1986	65	16,744	\$250	\$50.2	\$50.2
1987	66	16,012	250	48.0	98.3
1988	67	15,277	250	45.8	144.1
1989	68	14,540	250	43.6	187.7
1990	69	13,809	250	41.4	229.1
1991	70	13,082	250	39.2	268.4
1992	71	12,360	250	37.1	305.5
1993	72	11,642	250	34.9	340.4
1994	73	10,927	250	32.8	373.2
1995	74	10,216	250	30.6	403.8
1996	75	9,511	250	28.5	432.4
1997	76	8,810	250	26.4	458.8
1998	77	8,122	250	24.4	483.2
1999	78	7,449	250	22.3	505.5
2000	79	6,794	250	20.4	525.9
2001	80	6,160	250	18.5	544.4
2002	81	5,550	250	16.7	561.0
2003	82	4,967	250	14.9	575.9
2004	83	4,413	250	13.2	589.2
2005	84	3,893	250	11.7	600.8
2006	85	3,408	250	10.2	611.1
2007	86	2,961	250	8.9	619.9
2008	87	2,549	250	7.6	627.6
2009	88	2,221	250	6.7	634.3
2010	89	1,840	250	5.5	639.8

Prepared by the House Research Agency

12-Mar-85

Begin Stairstep: FY 87
 Step Increment: 2
 Age Cap: None

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (millions)	Cumulative Cost (millions)
1986	65	16,744	\$250	\$50.2	\$50.2
1987	66	16,012	250	48.0	98.3
1988	66	16,989	250	51.0	149.2
1989	67	16,204	250	48.6	197.8
1990	67	17,109	250	51.3	249.2
1991	68	16,277	250	48.8	298.0
1992	68	17,184	250	51.6	349.6
1993	69	16,308	250	48.9	398.5
1994	69	17,183	250	51.5	450.0
1995	70	16,261	250	48.8	498.8
1996	70	17,001	250	51.0	549.8
1997	71	16,032	250	48.1	597.9
1998	71	16,669	250	50.0	647.9
1999	72	15,661	250	47.0	694.9
2000	72	16,302	250	48.9	743.8
2001	73	15,253	250	45.8	789.6
2002	73	15,785	250	47.4	836.9
2003	74	14,701	250	44.1	881.0
2004	74	15,296	250	45.9	926.9
2005	75	14,180	250	42.5	969.5
2006	75	14,638	250	43.9	1,013.4
2007	76	13,500	250	40.5	1,053.9
2008	76	13,817	250	41.5	1,095.3
2009	77	12,715	250	38.1	1,133.5
2010	77	13,042	250	39.1	1,172.6

Prepared by the House Research Agency

12-Jan-85

LONGEVITY BONUS COST ANALYSIS

HB 239

Begin Stairstep: FY 87
 Step Increment: 2
 Age Cap: 75

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (millions)	Cumulative Cost (millions)
1986	65	16,744	\$250	\$50.2	\$50.2
1987	66	16,012	250	48.0	98.3
1988	66	16,989	250	51.0	149.2
1989	67	16,204	250	48.6	197.8
1990	67	17,109	250	51.3	249.2
1991	68	16,277	250	48.8	298.0
1992	68	17,184	250	51.6	349.6
1993	69	16,308	250	48.9	398.5
1994	69	17,183	250	51.5	450.0
1995	70	16,261	250	48.8	498.8
1996	70	17,001	250	51.0	549.8
1997	71	16,032	250	48.1	597.9
1998	71	16,669	250	50.0	647.9
1999	72	15,661	250	47.0	694.9
2000	72	16,302	250	48.9	743.8
2001	73	15,253	250	45.8	789.6
2002	73	15,785	250	47.4	836.9
2003	74	14,701	250	44.1	881.0
2004	74	15,296	250	45.9	926.9
2005	75	14,180	250	42.5	969.5
2006	75	14,638	250	43.9	1,013.4
2007	75	14,994	250	45.0	1,058.3
2008	75	15,446	250	46.3	1,104.7
2009	75	15,897	250	47.7	1,152.4
2010	75	16,297	250	48.9	1,201.3

Prepared by the House Research Agency

12-Mar-85

Rep. Bill O. (15)

SENATE FINANCE COMMITTEE TESTIMONY

MADAME CHAIR, MEMBERS OF THE COMMITTEE:

AS YOU KNOW, THE HOUSE STATE AFFAIRS COMMITTEE IS IN THE MIDST OF HEARINGS ON BOTH THE ANNUITY PROPOSALS AND THE STAIRSTEPPING PROPOSAL. THEY HAVE HEARD ALOT OF TESTIMONY AND DEBATED THE ISSUES EXTENSIVELY, BUT THEY HAVE NOT YET COMPLETED THEIR HEARINGS AND HAVE NOT YET MARKED UP ANY LEGISLATION. SO, I CAN'T REALLY TELL YOU TODAY WHAT BILL THE HOUSE WILL ACT ON, SINCE REPRESENTATIVE HURLEY'S COMMITTEE IS STILL REVIEWING THE OPTIONS. HOWEVER, I CAN TELL YOU THAT THE HOUSE IS VERY INTERESTED IN COMPLETING WORK ON THIS ISSUE BEFORE THE END OF THE REGULAR SESSION. WE LOOK FORWARD TO WORKING WITH THE SENATE TO DEVELOP LEGISLATION THAT IS AGREEABLE TO BOTH BODIES.

TODAY I'M GOING TO OUTLINE FOR YOU SOME OF MY PERSONAL THOUGHTS ABOUT THE PROS AND CONS OF THE ANNUITY AND STAIRSTEPPING APPROACHES. AS YOU KNOW, MY PERSONAL PREFERENCE FOR RESOLUTION OF THIS ISSUE IS HB 239, THE SO CALLED "STAIRSTEPPING" PROPOSAL. THE BILL WOULD MAKE ONLY ONE CHANGE TO THE CURRENT PROGRAM --- IT WOULD INCREASE THE AGE OF ELIGIBILITY BY ONE YEAR, EACH YEAR, BEGINNING IN FY 92. THE EFFECT OF THIS CHANGE IS TO EVENTUALLY PHASE OUT THE PROGRAM BECAUSE NO ONE YOUNGER THAN 65 IN JULY OF 1991 WOULD BE ELIGIBLE FOR A BONUS. IN OTHER WORDS, ANYONE WHO TURNS 60 BY JULY OF 1986 WILL BE ELIGIBLE FOR A MONTHLY BONUS FOR LIFE WHEN THEY BECOME 65. THE BILL ALLOWS THOSE PRESENTLY IN

3/18/85

THEIR 60s TO CONTINUE GETTING A BONUS BECAUSE I BELIEVE THAT THERE ARE MANY INDIVIDUALS IN THIS AGE GROUP WHO ARE COUNTING ON RECEIVING THE BONUS EVEN THOUGH THEY ARE NOT ELIGIBLE YET. ALSO, I BELIEVE THERE ARE MANY ELDERS IN THEIR SIXTIES WHO NEED THE BONUS EVEN THOUGH THEY ARE NOT YET RECEIVING IT. OF COURSE ANY AGE CUT OFF IS ULTIMATELY ARBITRARY, BUT A LINE MUST BE DRAWN SOMEWHERE, AND I THINK 60 IS A GOOD PLACE TO DRAW THAT LINE.

IN TERMS OF LONG RANGE GENERAL FUND COSTS, HB 239 IS PROBABLY GOING TO BE A LITTLE LESS EXPENSIVE THAN THE TWO ANNUITY PROPOSALS. I THINK ITS IMPORTANT TO REMEMBER, HOWEVER, THAT THOSE ANNUITY PROPOSALS REALLY HAVE A MUCH LARGER TOTAL COST BECAUSE IN ADDITION TO THE GENERAL FUND MONIES NEEDED TO PAY FOR THE RESIDUAL LONGEVITY BONUS PROGRAM, EACH INDIVIDUAL ALASKAN CONTRIBUTES THEIR DIVIDEND CHECK IN ORDER TO RECEIVE AN ANNUITY. THUS, THE TRUE COST OF THE PROGRAM INCLUDES THIS AMOUNT THAT INDIVIDUALS WILL PAY OUT OF THEIR OWN POCKETS. HB 239 ENDS THE PROGRAM AND THE COST ASSOCIATED WITH IT WHEREAS THE ANNUITY PROPOSALS REPLACE THE OLD PROGRAM WITH A STATE RETIREMENT PROGRAM AND SHIFT THE COST FROM THE STATE TO THE PEOPLE.

THIS DIFFERENCE IN TOTAL COST UNDERSCORES PERHAPS THE MAJOR POLICY CHOICE THAT WE FACE IN RESOLVING THE FUTURE OF THE BONUS PROGRAM. STAIRSTEPPING ENDS THE PROGRAM WITH PLENTY OF NOTICE. IT ALLOWS YOUNGER INDIVIDUALS THE TIME NEEDED TO ADJUST AND MAKE ALTERNATIVE ARRANGEMENTS. IN CONTRAST, THE ANNUITY PROPOSALS END THE CURRENT BONUS PROGRAM AND ESTABLISH A STATE SPONSORED

RETIREMENT PROGRAM IN ITS PLACE. THE MAIN QUESTION THE LEGISLATURE FACES IS WHETHER THE STATE SHOULD BE IN THE RETIREMENT BUSINESS. DO WE NEED TO ESTABLISH A PROGRAM TO ENCOURAGE ALASKANS TO SAVE FOR THEIR RETIREMENT, OR IS THIS SOMETHING THAT IS BETTER HANDLED ON AN INDIVIDUAL BASIS IN THE PRIVATE SECTOR?

MY PREFERENCE IS TO KEEP THE STATE OUT OF THE RETIREMENT BUSINESS. THIS IS ESPECIALLY IMPORTANT, I THINK, IF THE ANNUITY OPTION OFFERED BY THE STATE IS NOT GOING TO BE COMPETITIVE WITH RETIREMENT OPTIONS AVAILABLE IN THE PRIVATE SECTOR. OUR STATE AFFAIRS COMMITTEE HAS HEARD TESTIMONY INDICATING THAT THE ANNUITY WILL ONLY BE COMPETITIVE IF IT IS TAX DEFERRABLE. YET IT IS MY UNDERSTANDING THAT TAX DEFERABILITY IS LIKELY ONLY FOR THOSE YEARS THAT THE ANNUITY IS SUBSIDIZED. I AM NOT PREPARED TO SUPPORT SUBSIDIZATION FOR THREE REASONS: (1) IT GOES AGAINST ONE OF THE MAJOR PURPOSES OF THE ANNUITY PROPOSAL -- TO RELIEVE THE STATE'S BURDEN TO SUPPORT THE PROGRAM, (2) I DO NOT THINK THERE IS ENOUGH GENERAL FUND MONEY TO ACCOMPLISH ANNUAL FRONTLOADING AND (3) I DO NOT SUPPORT USING THE UNCDISTRIBUTED INCOME ACCOUNT FOR THIS PURPOSE.

also survivors' benefits

ANOTHER MAJOR ISSUE THAT WE FACE IS HOW POOR ELDERS WILL FARE UNDER BOTH APPROACHES. THE QUESTION OF ELDERS 65 AND OVER IS ADDRESSED IN ALL PLANS BY ALLOWING THEM TO CONTINUE RECEIVING BOTH A BONUS AND A DIVIDEND FOR THE REST OF THEIR LIVES. BUT WHAT ABOUT LOWER INCOME ELDERS THAT HAVE NOT YET TURNED 65? I

BELIEVE THAT ONLY THE AFFLUENT CAN AFFORD TO INVEST IN THE ANNUITY PROGRAM PROPOSED IN SB 56. THEREFORE, LESS FORTUNATE ELDERS ARE GOING TO HAVE TO MAKE A CHOICE THAT THEY CANNOT AFFORD --- EITHER THEY GET A BONUS EQUIVALENT TO \$3000 PER YEAR AND NO DIVIDEND OR THEY GET A REDUCED BONUS AND CONTINUE TO GET A FULL DIVIDEND. HB 239 ALLOWS POORER ELDERS TO CONTINUE TO GET BOTH THEIR BONUS AND THEIR DIVIDEND. I THINK THESE TWO SOURCES OF INCOME ARE BOTH VERY IMPORTANT TO ELDERS, ESPECIALLY THOSE THAT LIVE IN RURAL ALASKA.

ONE OF THE BIGGEST CRITICISMS OF HB 239 IS THAT IT DOES NOT HELP ANY ONE, AFFLUENT OR POOR, WHO DOES NOT REACH 65 BY JULY, 1991. THIS MEANS THAT SOME LONG TERM RESIDENTS WILL NOT RECEIVE A BONUS. ONE OF THE MAIN GOALS OF STAIRSTEPPING IS TO INSURE THAT THOSE WHO NOW COUNT ON THE BONUS ARE ABLE TO RECEIVE IT FOR THE REST OF THEIR LIVES, NOT TO INSURE THAT FUTURE GENERATIONS OF ELDER ALASKANS CONTINUE TO RECEIVE A BONUS. IT IS MY UNDERSTANDING THAT THE ORIGINAL PURPOSE OF THE BONUS PROGRAM WAS TO ENCOURAGE PRE STATEHOOD ELDER ALASKANS TO STAY IN ALASKA IN THEIR SENIOR YEARS. I BELIEVE THAT STAIRSTEPPING IS THE ONLY AFFORDABLE AND FAIR WAY TO PROTECT THE BONUS OF THE LARGE MAJORITY OF THESE ELDERS.

SOME SAY THAT THE ANNUITY PROPOSAL IN SB 56 IS ALSO A STAIRSTEPPING PROPOSAL BECAUSE IT PHASES OUT THE GENERAL FUND COST OF THE PROGRAM. BUT I THINK THERE IS A BIG DIFFERENCE BETWEEN STAIRSTEPPING BY AGE AND STAIRSTEPPING BY DOLLAR

DECREASES. THE BIG DIFFERENCE IS THE WAY IN WHICH THE POOREST ELDERS ARE TREATED. STAIRSTEPPING BY AGE INSURES THAT THESE POOREST ELDERS CONTINUE TO RECEIVE THE FULL BONUS AND THE FULL DIVIDEND CHECK. STAIRSTEPPING BY DOLLAR DECREASES MAKES THESE INDIVIDUALS SUFFER, IN MY OPINION, BECAUSE OF THE CHOICE THEY HAVE TO MAKE BETWEEN SOURCES OF INCOME.

NOW I KNOW THAT ALOT OF SENIORS OBJECT TO THE LEGISLATURE CONSIDERING FINANCIAL NEED IN RESOLVING THIS PROBLEM. I HAVE RESPECTED THAT POINT OF VIEW BY NOT ADVANCING A SOLUTION THAT IS BASED SOLELY ON NEED. BUT I THINK I WOULD BE ACTING IRRESPONSIBLY IF I DID NOT CONSIDER HOW LOW INCOME SENIORS ARE GOING TO FARE UNDER THE VARIOUS SOLUTIONS BEFORE US. STAIRSTEPPING ADDRESSES THEIR NEEDS WITHOUT MAKING THE LONGEVITY BONUS NEEDS BASED. THE POOREST ELDERS ARE TREATED FAIRLY WITHOUT ATTACHING ANY STIGMA TO THE BONUS THAT BETTER OFF ELDERS WOULD ALSO RECEIVE. IN OTHER WORDS, ALL CURRENT ELDERS ARE TREATED EQUALLY AND THE NEEDS OF BOTH ARE MET. THE TRADE OFF, OF COURSE, IS THAT YOUNGER ALASKANS, LIKE YOU AND ME, WOULD NOT GET A BONUS.

THESE COMMENTS SHOULD NOT BE INTERPRETED AS EVIDENCE OF A LACK OF CONCERN FOR THE RETIREMENT YEARS OF THOSE ALASKANS WHO WILL NOT REACH 65 BY FY 92. INSTEAD, THEY REFLECT A PHILOSOPHY OF TRULY "SUBSTITUTING PRIVATE THRIFT FOR PUBLIC LARGESSE", THE SUPPOSED THEME OF THE ANNUITY PROPOSAL. I DO NOT THINK THAT WE NEED TO FORCE OR EVEN ENCOURAGE YOUNGER ALASKANS TO SAVE BY ESTABLISHING A STATE RETIREMENT PROGRAM. THERE ARE PLENTY OF SAVINGS OPTIONS

AVAILABLE IN THE PRIVATE SECTOR FOR THOSE INDIVIDUALS WHO ARE IN A POSITION TO DEFER CASH UNTIL A FUTURE POINT IN TIME.

I THINK ITS ALSO IMPORTANT TO REMEMBER ALL THE OTHER STATE PROGRAMS THAT EXIST TO SERVE THE ELDERLY. I'LL ONLY REMIND YOU OF A FEW: WE PROVIDE LOW COST HOUSING TO SENIORS, WE SUPPLEMENT THEIR SOCIAL SECURITY CHECKS THROUGH OLD AGE ASSISTANCE, WE PROVIDE THEM WITH TAX RELIEF, AND WE PROVIDE GRANTS FOR SENIOR CENTERS AND THE LIKE IN ALMOST EVERY ALASKAN COMMUNITY. THE POINT TO BE MADE IS THAT THE BONUS IS NOT THE ONLY WAY IN WHICH WE SHOW OUR ELDERLY HOW IMPORTANT THEY REALLY ARE TO US.

MOREOVER, IT IS LIKELY THAT A FUTURE LEGISLATURE WILL DECIDE THAT SOME OTHER METHOD OF ASSISTING POOR ELDERS IS NECESSARY TO SUPPLEMENT A PHASED OUT LONGEVITY BONUS PROGRAM. I DO NOT THINK THAT THIS IS SOMETHING THAT WE, THE LEGISLATURE OF 1985, CAN ANALYZE AND REACT TO AT THIS TIME. WE SHOULD NOT VIEW OUR ACTION THIS YEAR AS THE FINAL ACTION THAT WILL EVER BE TAKEN TO ASSIST ALASKAN ELDERS. THE COURTS HAVE TOLD US THAT THE 25 YEAR RESIDENCY REQUIREMENT OF THE ORIGINAL PROGRAM WAS UNCONSTITUTIONAL. WE HAVE TO LIVE WITH THIS FACT. I BELIEVE WE SHOULD END THAT PROGRAM IN AS FAIR A MANNER AS POSSIBLE AND LET FUTURE LEGISLATURES DECIDE IF ANOTHER PROGRAM IS NEEDED TO ASSIST ALASKAN ELDERS AT THAT FUTURE POINT IN TIME.

EVEN IF I AM NOT SUCCESSFUL IN CONVINCING MY COLLEAGUES THAT WE SHOULD LEAVE THE QUESTION OF A REPLACEMENT PROGRAM TO FUTURE

LEGISLATORS, I WILL CONTINUE TO PRESS FOR SEPARATE CONSIDERATION OF PHASING OUT THE BONUS AND ESTABLISHING A STATEWIDE RETIREMENT PROGRAM. I REALLY DO BELIEVE THAT THEY ARE TWO DIFFERENT ISSUES. IF YOU REALLY WANT TO SET UP AN ANNUITY PROGRAM, IT WOULD BE MUCH MORE ATTRACTIVE TO ME IF IT WAS NOT TIED TO THE PHASE OUT OF THE BONUS PROGRAM. I HAVE TOLD YOU MY FEELINGS ABOUT TODAY'S ELDERS NEEDING BOTH THEIR FULL BONUS AND THE FULL DIVIDEND. ADDITIONALLY, I FEEL STRONGLY THAT WE SHOULD NOT RUSH TO CHANGE THE DIVIDEND PROGRAM. I'M NOT CONVINCED THAT THE GENERAL PUBLIC SUPPORTS ANY CHANGES TO THE DIVIDEND PROGRAM, AND I WANT TO HEAR MORE FROM THEM.

WITH REGARD TO THE HOLD HARMLESS ISSUE, I THINK WE ARE ALL BASICALLY IN AGREEMENT ON THE HOLD HARMLESS ISSUE. WHAT WE ARE NOT FULLY TOGETHER ON YET IS HOW TO DEAL WITH THE LARGER QUESTION. I HOPE THAT THESE REMARKS WILL AID YOU IN THAT TASK AND I PLEDGE TO KEEP WORKING WITH ALL LEGISLATORS UNTIL WE DO FIND A MUTUALLY AGREEABLE SOLUTION.

ALSO, MADAME CHAIR, I WILL MENTION BRIEFLY THAT THERE ARE MANY DIFFERENT WAYS TO STAIRSTEP. DEPENDING ON WHEN YOU START, IF YOU STOP AT A GIVEN POINT IN TIME, HOW OFTEN YOU RAISE THE AGE, AND WHETHER OR NOT YOU STAIRSTEP BY DOLLARS OR BY AGE, THE RESULTS ARE DIFFERENT FROM HB 239. MY STAFF IS PREPARED TO BRIEF YOU FURTHER ON THIS POINT IF YOU ARE INTERESTED.

THANK YOU, MADAME CHAIR, I WOULD BE HAPPY TO ANSWER ANY QUESTIONS.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

February 28, 1985

SUBJECT: Sectional analysis of HB 239
(phase out of longevity bonus program)

TO: Representative Albert P. Adams
Chairman, House Finance Committee

FROM: Keith B. Levy ^{KBL}
Legislative Counsel

You have requested a sectional analysis of HB 239, the so-called "stair-stepping" longevity bonus bill.

Section 1 of the bill provides that, on July 1, 1991, the age requirement for eligibility to receive a longevity bonus payment will increase from 65 to 66 years of age. On July 1 of each year after that, the age of eligibility will increase by one year so that in 1992 it will be 67, in 1993 it will be 68, and so on. As a result, anyone who is not 65 years old before July 1, 1991, will never become eligible for the program. After that date, the only people not already eligible for the longevity bonus who may begin receiving the bonus are those who move to the state, meet the new age requirements, and meet the other requirements such as the one year residency requirement. Because there will be very few new recipients, the program will gradually phase itself out through the mortality of those already eligible when the stair-stepping begins.

Section 2 repeals sec. 11, ch. 38, SLA 1984, which would have repealed the longevity bonus program on June 30, 1985. This is necessary to make it clear that the longevity bonus program is not repealed on that date.

Section 3 provides for an immediate effective date.

If I may be of any further assistance please feel free to contact me.

KBL:ojb
J12/036

3/18/85

SENATE STATE AFFAIRS COMMITTEE
LETTER OF INTENT
ON SENATE BILL 56

The legislature is aware that changes in the federal statutory scheme for determining eligibility for assistance programs have created problems for individuals newly eligible to receive the Alaska Longevity Bonus. Specifically, eligibility for the Bonus is resulting in some needy individuals losing the benefits for which they were previously eligible. The Department of Health and Social Services has informed the legislature that they can rectify the most serious aspects of the problem if sufficient funds are appropriated, and if the legislature expresses its intent that the Department do so. The funds needed are estimated to be \$413,847.00. This letter is evidence of that legislative intent.

Prior to the last Congress, federal law provided that income from the Alaska Longevity Bonus program would not be counted as income for the purpose of determining eligibility for Supplemental Social Security (SSI). 42 U.S.C. 1382(b)(2)(B). Last year, the Alaska Longevity Bonus program was amended to open the program up to any individual over age 65 who had resided in the state for one year. Congress amended the above-cited statute to provide that income from the bonus would not be counted only if an individual became eligible prior to September 30, 1985 and if that individual met the 25 year residency requirement of the former law. Thus, individuals who either do not meet the 25 year requirement or who become eligible for the bonus after September 30, 1985 will have the bonus counted as income for SSI and, as a result, for medicaid. Further, even if an individual does not apply for the bonus, the bonus is treated as a "prior resource" which must be exhausted before assistance can be claimed.

For those individuals without medical problems, these changes in the law mean that what they receive from the bonus is deducted from what they would have received from assistance programs. They are not worse off, but they do not receive the benefit of the bonus. However, if receipt of the bonus makes them ineligible for assistance, they also lose eligibility for medicaid, and receipt of the bonus does not offset lost medical benefits. SB 56 provides that a resident of a nursing home is not eligible for the bonus, thus nursing home residents are protected from losing medical benefits because of the bonus. It is the individual who is not in a nursing home, but who receives medical assistance through medicaid, who may be harmed by receipt of the bonus.

It is the intent of the legislature that the Department of Health and Social Services take steps to insure that eligibility for the Alaska Longevity Bonus not deprive needy individuals of necessary medical care.


Senator Mitch Abood, Chairman
Senate State Affairs Committee

Offered: 1/30/85
Referred: Judiciary

Original sponsors: Ray, Halford,
Bennett, et al

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR SENATE BILL NO. 56 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act amending the longevity bonus program and the
7 permanent fund dividend program, establishing an
8 annuity program; and providing for an effective
9 date."

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

11 * Section 1. FINDINGS AND PURPOSE. The legislature finds and declares
12 that

13 (1) it is in the public interest to continue the longevity bonus
14 program; however, as oil reserves decline over the years, it will become
15 increasingly difficult to provide the benefits of the longevity bonus
16 program through the general fund; as a result, that program must be phased
17 out over the years;

18 (2) it is appropriate that individuals save for their own re-
19 tirement, and it is also appropriate that the state establish both means
20 and incentives for Alaska residents to set aside retirement funds; accord-
21 ingly, it is a purpose of this legislation to create an annuity program,
22 and to encourage Alaskans to participate in that program by authorizing
23 general fund supplements that would result in annuity payments that are
24 larger than an individual could earn through private investment of the
25 permanent fund dividend;

26 (3) many retired Alaskans have made their retirement plans in
27 reliance on the availability of both the existing longevity bonus and the
28 permanent fund dividend; accordingly, the legislature finds that it is
29 appropriate to continue both those programs for these individuals;

1 (4) the most suitable source of funds for the annuity program
2 created by this Act are those permanent fund earnings currently distributed
3 as dividends; therefore this Act applies the annual permanent fund dividend
4 of younger Alaskans to annuity accounts unless the individual alternatively
5 elects to receive cash; in so doing, this Act will promote wise stewardship
6 of the permanent fund by giving each participant a direct financial stake
7 in its long-term profitability; and

8 (5) neither the longevity bonus program, nor the annuity pro-
9 gram, should be viewed as a form of welfare; other state and federal pro-
10 grams are available to meet the basic necessities of life, and amounts
11 received by an individual under this Act are not calculated on the basis of
12 need.

13 * Sec. 2. AS 43.23.005(c) is amended to read:

14 (c) A parent, guardian, or other authorized representative may
15 claim a permanent fund dividend on behalf of an unemancipated minor or
16 on behalf of an incompetent individual who is eligible to receive a
17 dividend [PAYMENT] under this section.

18 * Sec. 3. AS 43.23.005 is amended by adding a new subsection to read:

19 (d) A person who is eligible to receive a permanent fund divi-
20 dend under this section, or who is authorized to claim a dividend on
21 behalf of another under (c) of this section, may elect to receive cash
22 in lieu of an annuity share. Alternatively, a person may elect to
23 receive not less than 25 percent of the dividend in cash and the
24 remainder as an annuity credit. A person who is 65 years of age
25 before January 1, 1986, may only receive cash.

26 * Sec. 4. AS 43.23.015(a) is amended to read:

27 (a) The commissioner shall adopt regulations under the Adminis-
28 trative Procedure Act (AS 44.62) establishing the process for de-
29 termining the eligibility of individuals for permanent fund dividends.

1 The commissioner may require an individual to provide proof of eli-
2 gibility, and the commissioner may use other information available
3 from other state departments or agencies to determine the eligibility
4 of an individual.

5 * Sec. 5. AS 43.23.015(b) is amended to read:

6 (b) The department shall prescribe and furnish an application
7 form for claiming a permanent fund dividend. The application must
8 contain a statement of eligibility and a certification of residency in
9 substantially the following form:

10 I certify that

11 () I am a state resident on the date of this application
12 and I have been a state resident for at least six months immediately
13 preceding the date of this application; or

14 () (name), the individual on whose behalf I am applying,
15 is a state resident and has been a state resident for at least six
16 months immediately preceding the date of this application.

17 I understand that a false claim of residency to obtain a perma-
18 nent fund dividend for myself or for another is a criminal offense and
19 that if convicted I will forfeit future permanent fund dividends and
20 that I will lose or must repay all permanent fund dividends that have
21 been credited or paid to me, including any accrued interest in my
22 annuity account. I understand that this penalty is in addition to any
23 criminal penalties imposed.

24 _____
25 (signature of individual, parent,
26 guardian, or other authorized
27 representative)

28 * Sec. 6. AS 43.23.015(e) is amended to read:

29 (e) If a public agency claims a cash [PERMANENT FUND] dividend

1 on behalf of an individual under this section, the public agency shall
2 hold the dividend in trust for the individual. Money held in trust
3 under this subsection shall be invested by the commissioner in accor-
4 dance with AS 37.10.070.

5 * Sec. 7. AS 43.23.015(f) is amended to read:

6 (f) A minor or an incompetent individual may not maintain a
7 claim against the state or an officer or employee of the state based
8 either on the manner in which the parent, guardian, or authorized
9 representative other than a public agency of the state managed or
10 disposed of permanent fund dividends received on behalf of the minor
11 or incompetent, or an election made or not made on that individual's
12 behalf under AS 43.23.005(d) [INDIVIDUAL].

13 * Sec. 8. AS 43.23.015 is amended by adding a new subsection to read:

14 (i) The permanent fund dividend application form shall be pre-
15 pared to allow an applicant, other than a person who is exempt under
16 AS 47.4^r.015(b), to elect to receive cash in lieu of a permanent fund
17 dividend.

18 * Sec. 9. AS 43.23.035 is amended to read:

19 Sec. 43.23.035. PENALTIES AND ENFORCEMENT. (a) In addition to
20 any criminal penalties imposed by state law, if an individual is
21 convicted of a crime in connection with a false statement made in a
22 certification required under AS 43.23.015, and the conviction is not
23 reversed, that individual forfeits all permanent fund dividends cred-
24 ited or paid, together with any additional credits to that indi-
25 vidual's annuity account and is not eligible for a future permanent
26 fund dividend.

27 (b) If the commissioner determines that a cash [PERMANENT FUND]
28 dividend should not have been claimed by or paid to an individual, the
29 commissioner may use all collection procedures or remedies available

1 for collection of taxes under this title to recover the payment of a
2 permanent fund dividend that was improperly made. A notice of an
3 improperly paid dividend must be sent to the individual within 10
4 years after the improper payment. If notice is not sent within the
5 10-year period, proceedings may not be commenced in court for recovery
6 of the improper payment.

7 * Sec. 10. AS 43.23.035 is amended by adding a new subsection to read:

8 (c) If the commissioner determines that a permanent fund divi-
9 dend should not have been credited to an individual's annuity account,
10 the commissioner may, after notice and opportunity for hearing, direct
11 the commissioner of administration to debit the individual's annuity
12 account for the amount wrongly credited. If the credit is the fault
13 of the individual, the debit must be made within 10 years. If the
14 credit is the fault of the state, the debit must be made within three
15 years.

16 * Sec. 11. AS 43.23.055 is amended to read:

17 Sec. 43.23.055. DUTIES OF THE DEPARTMENT. The department shall

18 (1) annually make payments to individuals who are 65 years
19 of age before January 1, 1986, and to individuals who elect to receive
20 cash under AS 43.23.005(d) [PAY PERMANENT FUND DIVIDENDS FROM THE
21 DIVIDEND FUND];

22 (2) adopt regulations under the Administrative Procedure
23 Act (AS 44.62) that establish procedures and time limits for claiming
24 a permanent fund dividend or for electing an annuity share; the de-
25 partment shall set the time limit for applications for permanent fund
26 dividends so that the number of eligible applicants is determined by
27 October 1 of the year for which the dividend is declared and permanent
28 fund dividends for a year are paid before April 30 of the year follow-
29 ing that year;

1 (3) adopt regulations under the Administrative Procedure
2 Act (AS 44.62) that establish procedures and time limits for an indi-
3 vidual upon emancipation or upon reaching majority to apply for perma-
4 nent fund dividends not credited or received during minority because
5 the parent, guardian, or other authorized representative did not apply
6 on behalf of the individual; [AND]

7 (4) assist residents of the state, particularly in rural
8 areas, who because of language, disability, or inaccessibility to
9 public transportation need assistance to establish eligibility and to
10 apply for permanent fund dividends; and

11 (5) provide the commissioner of administration with infor-
12 mation necessary to maintain individual annuity account records, and
13 administer the annuity program.

14 * Sec. 12. AS 43.23.065 is amended to read:

15 Sec. 43.23.065. EXEMPTION OF PERMANENT FUND DIVIDENDS. Fifty
16 percent of a cash [THE ANNUAL] permanent fund dividend payment [PAY-
17 ABLE TO AN INDIVIDUAL] is exempt from levy, execution, garnishment,
18 attachment, or any other remedy for the collection of debt. This
19 exemption applies to an eligible individual's permanent fund dividend
20 both before and after payment is made to the individual. An exemption
21 is not available under this section for cash permanent fund dividend
22 payments [DIVIDENDS] taken to satisfy (1) child support obligations
23 required by court order or decision of the child support enforcement
24 agency under AS 47.23.140 - 47.23.220; (2) a debt owed by an eligible
25 individual to an agency of the state, unless the debt is contested and
26 an appeal is pending, or the time limit for filing an appeal has not
27 expired; or (3) court ordered restitution under AS 12.55.045 -
28 12.55.051 or 12.55.100. A child support obligation under (1) of this
29 section has priority over a debt owed to an agency of the state, and a

1 permanent fund dividend may not be taken to satisfy a debt under (2)
2 of this section until any portion of the dividend necessary to satisfy
3 a child support obligation has been taken.

4 * Sec. 13. AS 43.23.065 is amended by adding new subsections to read:

5 (b) When an individual owes a past-due debt described in (a)(1)
6 of this section, the department shall require that the individual take
7 the individual's permanent fund dividend in cash.

8 (c) The courts of this state may, as a condition of any civil
9 judgment or restitution order under AS 12.55.045 - 12.55.051 or
10 12.55.100, require the defendant to take the defendant's permanent
11 fund dividend in cash.

12 * Sec. 14. AS 43.23.075 is amended to read:

13 Sec. 43.23.075. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) In
14 determining the eligibility of an individual under a public assistance
15 program administered by the Department of Health and Social Services
16 in which eligibility for assistance is based on financial need, the
17 Department of Health and Social Services may not consider a permanent
18 fund dividend as income or resources received by the recipient of
19 public assistance or by a member of the recipient's household unless
20 required to do so by federal law or regulation. The Department of
21 Health and Social Services shall notify all recipients of public
22 assistance of the effects of [RECEIVING] a permanent fund dividend
23 credit or cash payment.

24 (b) An individual who is denied medical assistance under 42
25 U.S.C. 1396 - 1396p (Social Security Act, Title XIX) solely because of
26 the credit or receipt of a permanent fund dividend by the individual
27 or by a member of the individual's household is eligible for state-
28 funded medical assistance under the general relief assistance program
29 (AS 47.25.120 - 47.25.300). The individual is entitled to receive,

1 for a period not to exceed four months, the same level of medical
2 assistance as the individual would have received under 42 U.S.C.
3 1396 - 1396p (Social Security Act, Title XIX) had there been no perma-
4 nent fund dividend program.

5 (c) An individual who is denied assistance solely because perma-
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7 member of the individual's household are counted as income or re-
8 sources under federal law or regulation is eligible for cash assis-
9 tance under the general relief assistance program (AS 47.25.120 -
10 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual
11 is entitled to receive, for a period not to exceed four months, the
12 same amount as the individual would have received under other public
13 assistance programs had there been no permanent fund dividend program.

14 * Sec. 15. AS 43.23.095(6) is repealed and reenacted to read:

15 (6) "permanent fund dividend" means a credit to an annuity
16 account under this chapter except that, as applied to an individual
17 who may receive only cash under AS 43.23.005(d) or 43.23.065, it means
18 a cash payment under this chapter;

19 * Sec. 16. AS 43.23 is amended by adding new sections to read:

20 ARTICLE 2. ANNUITY PROGRAM.

21 Sec. 43.23.110. ANNUITY INVESTMENT FUND. (a) The annuity
22 investment fund is established as a separate fund in the state trea-
23 sury. Notwithstanding AS 37.13.145, an amount equal to the permanent
24 fund dividends taken as annuity credits under this chapter shall be
25 annually transferred from the dividend fund to the annuity investment
26 fund.

27 (b) The legislature may appropriate either general funds, or
28 earnings of the undistributed income account in the Alaska permanent
29 fund, to the annuity investment fund. Funds appropriated under this

1 subsection shall be allocated to the individual annuity accounts of
2 those who are eligible to receive a dividend for that year and do not
3 elect cash under AS 43.23.005(d). The allocation shall be made in the
4 following manner:

5 (1) a credit will be made to the account of each individual
6 who is at least 18 years old;

7 (2) the credit for each person from the age of 18 through
8 age 35 is the base amount; the size of the base amount is determined
9 according to the amount of the appropriation;

10 (3) the credit for persons over the age of 35 is the base
11 amount, increased for each year of age over 35 up to and including the
12 age of 65; the incremental increase for each year of age is a percent-
13 age over the credit for the prior year of age; that percentage shall
14 be established with due regard for historical and projected permanent
15 fund returns on investment;

16 (4) if a person elects to receive a portion of the dividend
17 in cash under AS 43.23.005(d), the allocation to which that person is
18 otherwise entitled will be reduced proportionately.

19 (c) Money in the annuity investment fund shall be invested by
20 the commissioner of revenue in investments authorized under AS 39.-
21 35.110. The commissioner of administration shall credit individual
22 annuity accounts with earnings at a rate equal to the rate of interest
23 earned by the annuity investment fund.

24 (d) The legislature may annually appropriate to the Department
25 of Administration an amount sufficient to pay monthly annuity payments
26 for the subsequent fiscal year under AS 43.23.130 from the annuity
27 investment fund. Funds appropriated under this subsection shall be
28 transferred from the annuity investment fund to the Department of
29 Administration in order to meet the current demands of the annuity

1 program.

2 (e) The legislature may annually appropriate from the annuity
3 investment fund an amount sufficient to administer the annuity pro-
4 gram. Any costs of administration funded under this subsection shall
5 be allocated equitably among all individual annuity accounts.

6 (f) Notwithstanding AS 39.35.110 or (c) of this section, the
7 commissioner of revenue may invest all or part of the annuity invest-
8 ment fund in commercial insurance contracts.

9 Sec. 43.23.120. ANNUITY PROGRAM. (a) The annuity program is
10 administered by the commissioner of administration. The commissioner
11 of administration shall adopt regulations necessary to implement the
12 annuity program.

13 (b) The commissioner of administration shall maintain records of
14 individual annuity accounts and make annuity payments under AS 43.23.-
15 130.

16 Sec. 43.23.130. PAYMENT OF ANNUITIES. (a) An individual with
17 one or more annuity credits may receive an annuity upon reaching the
18 age of 65.

19 (b) An annuity under this section is a monthly payment during
20 the life of the annuitant. The amount of the monthly payment shall be
21 based upon the principal and accrued interest in the person's annuity
22 account and shall be paid in the form of a straight life annuity. The
23 size of the annuity may not vary on account of the individual's sex.

24 (c) An individual need not be a resident of the state to be
25 eligible to received an annuity payment from the individual's account.

26 (d) Except as provided in (e) of this section, an annuity
27 account may not be assigned, sold, or otherwise transferred from one
28 individual to another. The right to receive an annuity under this
29 section terminates upon the death of the person who is eligible for

1 the annuity and does not pass to that person's estate.

2 (e) If a person dies before age 65, a lump sum payment shall,
3 subject to appropriation, be paid to the surviving spouse by right of
4 survivorship unless a different beneficiary was designated. When no
5 spouse survives and no beneficiary was designated, the lump sum shall
6 be paid to the decedent's estate. The lump sum payment shall include
7 all permanent fund dividend contributions made by the individual,
8 together with interest, but shall not include any credits to the
9 individual's account made pursuant to AS 43.23.110(b), or interest on
10 those credits.

11 (f) An individual does not receive a vested property right in an
12 annuity payment until that payment is made. Notwithstanding this
13 section, the state is not obligated to provide annuity payments for
14 annuity credits granted under AS 43.23.005.

15 * Sec. 17. AS 47.45.010(a) is amended to read:

16 (a) A person who is 65 years of age or over, who resides in the
17 state for at least one year immediately preceding application for a
18 longevity bonus under this chapter may apply to the commissioner of
19 administration for qualification to receive a monthly bonus [OF \$250].

20 * Sec. 18. AS 47.45 is amended by adding a new section to read:

21 Sec. 47.45.015. AMOUNT OF BONUS. (a) Except as provided in (b)
22 of this section, the monthly longevity bonus is equal to \$250, in-
23 creased by three percent each year beginning in fiscal year 1987,
24 minus the maximum possible annuity for a person 65 years of age under
25 the annuity program (AS 43.23.110 - 43.23.130), as determined by the
26 commissioner of administration.

27 (b) A person who is 65 years of age before January 1, 1986, is
28 entitled to the full longevity bonus payment without reduction for the
29 annuity program.

1 * Sec. 19. AS 47.45.070 is amended to read:

2 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is
3 one who

4 (1) does not meet the age or residence requirements as
5 provided for under this chapter;

6 (2) meets the age and residence requirements of this chap-
7 ter but either is confined in a state or federal mental health insti-
8 tution or facility and is certified by the state as unable to manage
9 personal affairs, or resides in a nursing home as that term is defined
10 in AS 08.70.180; however, if that person, at the time of commitment or
11 commencement of residence, provided the principal support of a spouse,
12 the commissioner of administration may determine to pay the confined
13 person's bonus to the person's spouse until the spouse is qualified
14 for a bonus;

15 (3) is otherwise qualified but confined in a penal or
16 correctional institution or facility; upon completion of sentence or
17 upon the conferral of a pardon, parole or probation, the person may
18 make application; confinement outside the state shall be considered as
19 residence in the state if a person was convicted and sentenced from a
20 court in Alaska; revocation of parole or probation shall be cause for
21 immediate disqualification until release from confinement is again
22 effected;

23 (4) voluntarily leaves the state and remains absent from
24 the state for a continuous period of more than 180 days.

25 * Sec. 20. Section 11, ch. 38, SLA 1984 is amended to read:

26 Sec. 11. Sections 7 and 9 of this [THIS] Act [AND AS 47.45] are
27 repealed June 30, 1985.

28 * Sec. 21. AS 43.23.045(c) is repealed.

29 * Sec. 22. This Act applies only to permanent fund dividends for years

1 beginning after December 31, 1985. Notwithstanding the amendments to
2 AS 43.23 made by this Act, permanent fund dividends for 1985 and prior
3 years shall be made under the law as it existed before the effective date
4 of this Act.

5 * Sec. 23. This Act takes effect immediately in accordance with AS 01.-
6 10.070(c).

Introduced: 1/15/85
Referred: State Affairs and
Finance

BY RAY, HALFORD, BENNETT, KERTTULA, KELLY,
ZIEGLER, FAIKS, V.FISCHER, SACKETT,
STURGULEWSKI, DEVRIES, FERGUSON,
P.FISCHER, ELIASON, ABOOD, FAHRENKAMP,
AND COGHILL

1 IN THE SENATE

2

SENATE BILL NO. 56

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act amending the longevity bonus program and the
7 permanent fund dividend program, establishing an
8 annuity program; and providing for an effective
9 date."

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

11 * Section 1. FINDINGS AND PURPOSE. The legislature finds and declares
12 that

13 (1) it is in the public interest to continue the longevity bonus
14 program; however, as oil reserves decline over the years, it will become
15 increasingly difficult to provide the benefits of the longevity bonus
16 program through the general fund; as a result, that program must be phased
17 out over the years;

18 (2) it is appropriate that individuals save for their own re-
19 tirement, and it is also appropriate that the state establish both means
20 and incentives for Alaska residents to set aside retirement funds; accord-
21 ingly, it is a purpose of this legislation to create an annuity program,
22 and to encourage Alaskans to participate in that program by authorizing
23 general fund supplements that would result in annuity payments that are
24 larger than an individual could earn through private investment of the
25 permanent fund dividend;

26 (3) many retired Alaskans have made their retirement plans in
27 reliance on the availability of both the existing longevity bonus and the
28 permanent fund dividend; accordingly, the legislature finds that it is
29 appropriate to continue both those programs for these individuals;

1 (4) the most suitable source of funds for the annuity program
2 created by this Act are those permanent fund earnings currently distributed
3 as dividends; therefore this Act applies the annual permanent fund dividend
4 of younger Alaskans to annuity accounts; unless the individual alternatively
5 elects to receive cash; in so doing, this Act will promote wise stewardship
6 of the permanent fund by giving each participant a direct financial stake
7 in its long-term profitability; and

8 (5) neither the longevity bonus program, nor the annuity pro-
9 gram, should be viewed as a form of welfare; other state and federal pro-
10 grams are available to meet the basic necessities of life, and amounts
11 received by an individual under this Act are not calculated on the basis of
12 need.

13 * Sec. 2. AS 43.23.005(c) is amended to read:

14 (c) A parent, guardian, or other authorized representative may
15 claim a permanent fund dividend on behalf of an unemancipated minor or
16 on behalf of an incompetent individual who is eligible to receive a
17 dividend [PAYMENT] under this section.

18 * Sec. 3. AS 43.23.005 is amended by adding a new subsection to read:

19 (d) A person who is eligible to receive a permanent fund divi-
20 dend under this section, or who is authorized to claim a dividend on
21 behalf of another under (c) of this section, may elect to receive cash
22 in lieu of an annuity share. Alternatively, a person may elect to
23 receive not less than 25 percent of the dividend in cash and the
24 remainder as an annuity credit. A person who is 65 years of age
25 before January 1, 1986, may only receive cash.

26 * Sec. 4. AS 43.23.015(a) is amended to read:

27 (a) The commissioner shall adopt regulations under the Adminis-
28 trative Procedure Act (AS 44.62) establishing the process for de-
29 termining the eligibility of individuals for permanent fund dividends.

1 The commissioner may require an individual to provide proof of
2 eligibility, and the commissioner may use other information available
3 from other state departments or agencies to determine the eligibility
4 of an individual.

5 * Sec. 5. AS 43.23.015(b) is amended to read:

6 (b) The department shall prescribe and furnish an application
7 form for claiming a permanent fund dividend. The application must
8 contain a statement of eligibility and a certification of residency in
9 substantially the following form:

10 I certify that

11 () I am a state resident on the date of this application
12 and I have been a state resident for at least six months immediately
13 preceding the date of this application; or

14 () (name), the individual on whose behalf I am applying,
15 is a state resident and has been a state resident for at least six
16 months immediately preceding the date of this application.

17 I understand that a false claim of residency to obtain a perma-
18 nent fund dividend for myself or for another is a criminal offense and
19 that if convicted I will forfeit future permanent fund dividends and
20 that I will lose or must repay all permanent fund dividends that have
21 been credited or paid to me, including any accrued interest in my
22 annuity account. I understand that this penalty is in addition to any
23 criminal penalties imposed.

24

25 _____
26 (signature of individual, parent,
27 guardian, or other authorized
representative)

28 * Sec. 6. AS 43.23.015(e) is amended to read:

29 (e) If a public agency claims a cash [PERMANENT FUND] dividend

1 on behalf of an individual under this section, the public agency shall
2 hold the dividend in trust for the individual. Money held in trust
3 under this subsection shall be invested by the commissioner in
4 accordance with AS 37.10.070.

5 * Sec. 7. AS 43.23.015(f) is amended to read:

6 (f) A minor or an incompetent individual may not maintain a
7 claim against the state or an officer or employee of the state based
8 either on the manner in which the parent, guardian, or authorized
9 representative other than a public agency of the state managed or
10 disposed of permanent fund dividends received on behalf of the minor
11 or incompetent, or an election made or not made on that individual's
12 behalf under AS 43.23.005(d) [INDIVIDUAL].

13 * Sec. 8. AS 43.23.015 is amended by adding a new subsection to read:

14 (i) The permanent fund dividend application form shall be pre-
15 pared to allow an applicant, other than a person who is 65 years of
16 age before January 1, 1986, to elect to receive cash in lieu of a
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22 certification required under AS 43.23.015, and the conviction is not
23 reversed, that individual forfeits all permanent fund dividends cred-
24 ited or paid, together with any additional credits to that indi-
25 vidual's annuity account and is not eligible for a future permanent
26 fund dividend.

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29 commissioner may use all collection procedures or remedies available

1 for collection of taxes under this title to recover the payment of a
2 permanent fund dividend that was improperly made. A notice of an
3 improperly paid dividend must be sent to the individual within 10
4 years after the improper payment. If notice is not sent within the
5 10-year period, proceedings may not be commenced in court for recovery
6 of the improper payment.

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11 the commissioner of administration to debit the individual's annuity
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19 of age before January 1, 1986, and to individuals who elect to receive
20 cash under AS 43.23.005(d) [PAY PERMANENT FUND DIVIDENDS FROM THE
21 DIVIDEND FUND];

22 (2) adopt regulations under the Administrative Procedure
23 Act (AS 44.62) that establish procedures and time limits for claiming
24 a permanent fund dividend or for electing an annuity share; the de-
25 partment shall set the time limit for applications for permanent fund
26 dividends so that the number of eligible applicants is determined by
27 October 1 of the year for which the dividend is declared and permanent
28 fund dividends for a year are paid before April 30 of the year follow-
29 ing that year;

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6 on behalf of the individual; [AND]

7 (4) assist residents of the state, particularly in rural
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24 agency under AS 47.23.140 - 47.23.220; (2) a debt owed by an eligible
25 individual to an agency of the state, unless the debt is contested and
26 an appeal is pending, or the time limit for filing an appeal has not
27 expired; or (3) court ordered restitution under AS 12.55.045 -
28 12.55.051 or 12.55.100. A child support obligation under (1) of this
29 section has priority over a debt owed to an agency of the state, and a

1 permanent fund dividend may not be taken to satisfy a debt under (2)
2 of this section until any portion of the dividend necessary to satisfy
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5 (b) When an individual owes a past-due debt described in (a)(1)
6 of this section, the department shall require that the individual take
7 the individual's permanent fund dividend in cash.

8 (c) The courts of this state may, as a condition of any civil
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16 in which eligibility for assistance is based on financial need, the
17 Department of Health and Social Services may not consider a permanent
18 fund dividend as income or resources received by the recipient of
19 public assistance or by a member of the recipient's household unless
20 required to do so by federal law or regulation. The Department of
21 Health and Social Services shall notify all recipients of public
22 assistance of the effects of [RECEIVING] a permanent fund dividend
23 credit or cash payment.

24 (b) An individual who is denied medical assistance under 42
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27 or by a member of the individual's household is eligible for state-
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29 (AS 47.25.120 - 47.25.300). The individual is entitled to receive,

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7 member of the individual's household are counted as income or re-
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10 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual
11 is entitled to receive, for a period not to exceed four months, the
12 same amount as the individual would have received under other public
13 assistance programs had there been no permanent fund dividend program.

14 * Sec. 15. AS 43.23.095(6) is repealed and reenacted to read:

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20 investment fund is established as a separate fund in the state trea-
21 sury. Notwithstanding AS 37.13.145, an amount equal to the permanent
22 fund dividends taken as annuity credits under this chapter shall be
23 annually transferred from the dividend fund to the annuity investment
24 fund.

25 (b) The legislature may appropriate either general funds, or
26 earnings of the undistributed income account in the Alaska permanent
27 fund, to the annuity investment fund. Funds appropriated under this
28 subsection shall be allocated to the individual annuity accounts of
29 those who are eligible to receive a dividend for that year and do not

1 elect cash under AS 43.23.005(d). The allocation shall be made in the
2 following manner:

3 (1) a credit will be made to the account of each individual
4 who is at least 18 years old;

5 (2) the credit for each person from the age of 18 through
6 age 35 is the base amount; the size of the base amount is determined
7 according to the amount of the appropriation;

8 (3) the credit for persons over the age of 35 is the base
9 amount, increased for each year of age over 35 up to and including the
10 age of 65; the incremental increase for each year of age is a percent-
11 age over the credit for the prior year of age; that percentage shall
12 be established with due regard for historical and projected permanent
13 fund returns on investment;

14 (4) if a person elects to receive a portion of the dividend
15 in cash under AS 43.23.005(d), the allocation to which that person is
16 otherwise entitled will be reduced proportionately.

17 (c) Money in the annuity investment fund shall be invested by
18 the commissioner of revenue in investments authorized under AS 39.-
19 35.110. The commissioner of administration shall credit individual
20 annuity accounts with earnings at a rate equal to the rate of interest
21 earned by the annuity investment fund.

22 (d) The legislature may annually appropriate to the Department
23 of Administration an amount sufficient to pay monthly annuity payments
24 for the subsequent fiscal year under AS 43.23.130 from the annuity
25 investment fund. Funds appropriated under this subsection shall be
26 transferred from the annuity investment fund to the Department of
27 Administration in order to meet the current demands of the annuity
28 program.

29 (e) The legislature may annually appropriate from the annuity

1 investment fund an amount sufficient to administer the annuity pro-
2 gram. Any costs of administration funded under this subsection shall
3 be allocated equitably among all individual annuity accounts.

4 (f) Notwithstanding AS 39.35.110 or (c) of this section, the
5 commissioner of revenue may invest all or part of the annuity invest-
6 ment fund in commercial insurance contracts.

7 Sec. 43.23.120. ANNUITY PROGRAM. (a) The annuity program is
8 administered by the commissioner of administration. The commissioner
9 of administration shall adopt regulations necessary to implement the
10 annuity program.

11 (b) The commissioner of administration shall maintain records of
12 individual annuity accounts and make annuity payments under AS 43.23.-
13 130.

14 Sec. 43.23.130. PAYMENT OF ANNUITIES. (a) An individual with
15 one or more annuity credits may receive an annuity upon reaching the
16 age of 65.

17 (b) An annuity under this section is a monthly payment during
18 the life of the annuitant. The amount of the monthly payment shall be
19 based upon the principal and accrued interest in the person's annuity
20 account and shall be paid in the form of a straight life annuity. The
21 size of the annuity may not vary on account of the individual's sex.

22 (c) An individual need not be a resident of the state to be
23 eligible to received an annuity payment from the individual's account.

24 (d) An annuity share may not be assigned, sold, or otherwise
25 transferred from one individual to another. The right to receive an
26 annuity under this section terminates upon the death of the person who
27 is eligible for the annuity and does not pass to that person's estate.

28 (e) If a person dies before age 65, that person's account shall
29 be distributed equitably among the annuity accounts of all individuals

1 of the same age.

2 (f) An individual does not receive a vested property right in an
3 annuity payment until that payment is made. Notwithstanding this
4 section, the state is not obligated to provide annuity payments for
5 annuity credits granted under AS 43.23.005.

6 * Sec. 17. AS 47.45.010(a) is amended to read:

7 (a) A person who is 65 years of age or over, who resides in the
8 state for at least one year immediately preceding application for a
9 longevity bonus under this chapter may apply to the commissioner of
10 administration for qualification to receive a monthly bonus [OF \$250].

11 * Sec. 18. AS 47.45 is amended by adding a new section to read:

12 Sec. 47.45.015. AMOUNT OF BONUS. (a) Except as provided in (b)
13 of this section, the monthly longevity bonus is equal to \$250, in-
14 creased by three percent each year beginning in fiscal year 1987,
15 minus the maximum possible annuity for a person 65 years of age under
16 the annuity program (AS 43.23.110 - 43.23.130), as determined by the
17 commissioner of administration.

18 (b) A person who is 65 years of age before January 1, 1986, is
19 entitled to the full longevity bonus payment without reduction for the
20 annuity program.

21 * Sec. 19. AS 47.45.070 is amended to read:

22 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is
23 one who

24 (1) Does not meet the age or residence requirements as
25 provided for under this chapter;

26 (2) meets the age and residence requirements of this chap-
27 ter but either is confined in a state or federal mental health insti-
28 tution or facility and is certified by the state as unable to manage
29 personal affairs, or resides in a nursing home as that term is defined

1 in AS 08.70.180; however, if that person, at the time of commicment or
2 commencement of residence, provided the principal support of a spouse,
3 the commissioner of administration may determine to pay the confined
4 person's bonus to the person's spouse until the spouse is qualified
5 for a bonus;

6 (3) is otherwise qualified but confined in a penal or
7 correctional institution or facility; upon completion of sentence or
8 upon the conferral of a pardon, parole or probation, the person may
9 make application; confinement outside the state shall be considered as
10 residence in the state if a person was convicted and sentenced from a
11 court in Alaska; revocation of parole or probation shall be cause for
12 immediate disqualification until release from confinement is again
13 effected;

14 (4) voluntarily leaves the state and remains absent from
15 the state for a continuous period of more than 180 days.

16 * Sec. 20. Section 11, ch. 38, SLA 1984 is amended to read:

17 Sec. 11. Sections 7 and 9 of this [THIS] Act [AND AS 47.45] are
18 repealed June 30, 1985.

19 * Sec. 21. AS 43.23.045(c) is repealed.

20 * Sec. 22. This Act applies only to permanent fund dividends for years
21 beginning after December 31, 1985. Notwithstanding the amendments to
22 AS 43.23 made by this Act, permanent fund dividends for 1985 and prior
23 years shall be made under the law as it existed before the effective date
24 of this Act.

25 * Sec. 23. This Act takes effect immediately in accordance with AS 01.-
26 10.070(c).

COMMITTEE REPORT
SENATE

FURTHER:

FINANCE

1/30/85

Date 3-8-85

Mr. President

The Committee on JUDICIARY considered SB 56

amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SBS6 (Jud)
new title
- same title and recommends DO PASS + ADOPT STATE AFFAIRS
LETTER OF INTEREST
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Robert Ziegler
Gene Fink
Rich Halford

MEMBERS HAVING
OTHER RECOMMENDATIONS

1

Rich Ziegler
Chairman
DO PASS
Chairman recommendation

COMMITTEE REPORT
SENATE

Judith Addley
FINANCE

FURTHER:

1/15/85

Date January 29, 1985

Mr. President

The Committee on STATE AFFAIRS considered SB 56

amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; efd.

and ~~a majority of~~ the committee (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 56 (SA)
new title
- same title and recommends do pass
- and attached a "LETTER OF INTENT" NEW FISCAL NOTES
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Tom Kelly
Bill Ray
V. Fischer
Edo DeVie

MEMBERS HAVING
OTHER RECOMMENDATIONS

Quentin McDowell
 Chairman
Do Pass
 Chairman recommendation