

SB

56

SENATE COMMITTEE REPORT

FURTHER:

JUDICIARY
FINANCE

3/3/87

DATE TURNED INTO OFFICE _____

Mr. President:

HESS

Committee considered SB 56

making effective an annuity program and amendments to the longevity bonus program and the permanent fund dividend program provided in secs. 2 - 18, ch. 99, SLA 1985; efd.

and recommended:

replace with _____ CS FOR _____) same title
 or adopt _____ CS FOR SB 56 (SA)) new title
 attached amendment(s) ~~HESS~~ OS and NOT HESS - SA

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Paul Josephson
David Green
Kirk Balford
J. Hartshorn

Paul A. Frisk Do Pass
Chairman signature and recommendation

Committee Backup Attached

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of FEB. 4, 1987 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: HESS
JUDICIARY
FINANCE

**FISCAL NOTE(S) ATTACHED 1 **
IN ACCORDANCE WITH AS 24.08.035
(see below)
1/20/87

DATE TURNED INTO OFFICE MAR. 2, 1987

Mr. President:

STATE AFFAIRS Committee considered SB 56

making effective an annuity program and amendments to the longevity bonus program and the permanent fund dividend program provided in secs. 2 - 18, ch.99, SLA 1985; and providing for an effective date, and recommended:

replace with CS SB 56(SA) [] same title
[] new title
[] attached amendment(s) and

~~do pass~~

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

letter of intent adopted and attached

** Committee attached or [] adopted fiscal note(s)
[] zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]

William L. Keenly "No Rec"
John Leahy "No Rec"

[Signature]

Chairman signature and recommendation

[] Committee Backup Attached

Alaska State Legislature

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IN SESSION:
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JUNEAU, ALASKA 99811
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Senator Mitch Aboud
CHAIRMAN

Senate Committee on State Affairs

LETTER OF INTENT

The Senate State Affairs Committee has considered CSSB 56 (State Affairs) "An Act making effective an annuity program and amendments to the longevity bonus program and the permanent fund dividend program provided in secs. 2-18, Ch.99, SLA 1985; and providing for an effective date.

It is the intent of the Senate State Affairs committee that the Department of Revenue and the Department of Administration take steps to educate and inform the public about the annuity program and the changes to the permanent fund dividend program and the Alaska longevity bonus program that are made effective by this Act



CHAIRMAN, SENATE STATE AFFAIRS COMMITTEE

3/2/87
DATE

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CS SB 5654
Publish Date: 3-3-87

REQUEST _____

Revision Date: _____
Title: * (see below) _____

Agency Affected: Administration
BRU: Longevity Bonus

Sponsor: Kerttula
Requestor: Senate State Affairs

Components: Administration, Grants

* Making Effective an Annuity Program and Amending Alaska Longevity Bonus and Permanent Fund Dividend.

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	0	184.5	184.5	184.5	184.5	184.5
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	81.0	81.0	81.0	81.0	81.0
SUPPLIES	0	11.1	11.1	11.1	11.1	11.1
EQUIPMENT	0	20.0	4.0	4.0	4.0	4.0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	(300.0)	(800.0)	(1,600.0)	(2,800.0)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	296.6	(19.4)	(519.4)	(1,319.4)	(2,519.4)
CAPITAL	0	750.0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	(300.0)	(800.0)	(1,600.0)	(2,800.0)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	1,046.6	280.6	280.6	280.6	280.6
TOTAL	0	1,046.6	(19.4)	(519.4)	(1,319.4)	(2,519.4)

POSITIONS:

FULL-TIME	0	5	5	5	5	5
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach _____ page if necessary. The implementation of the annuity program to replace the Longevity Bonus Program will result in a decrease in general funds committed to the program. The difference is shown on the Grants and Claims line. The amount is based on the difference in costs of the annuity program and the current law as shown in Appendix A of 1986 Ballot Measure No. 3, Questions and Answers About Proposed Longevity Bonus Alternatives prepared by the Division of Strategic Planning, September 1986.

Funds for operating the program will come from the annuity investment fund (AS 43.27.110) as provided in AS 43.23.110(d).

Prepared By: Michael P. McMullen Phone: 465-2200
Division: Commissioner's Office Date: 2/11/87

Approved by Commissioner: Garrey Peska Date: 2/11/87
Agency: Department of Administration

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

CONTINUATION of FISCAL NOTE ANALYSIS

For SB 56

We estimate that approximately four full-time employees will be needed to administer this program on a continuing basis. We estimate that a program supervisor and chief accountant will be needed with two other staff members.

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 estimate that four positions are needed to administer this program:

Supervisor: Retirement and Benefits Specialist III
Accountant: Accountant II
Technician: Retirement and Benefits Technician I/II
Clerk: Accounting Clerk III

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.

We estimate that the annuity program will be fully automated to reduce the need for staff. We estimate that one-time system analysis, development, and construction costs would be \$750,000.

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.

A zero inflation rate is assumed for this fiscal note.

APPENDIX A

General Fund Costs of Proposed Bonus Program Alternatives

-----millions of dollars-----

<u>Fiscal Year</u>	<u>Costs of House Proposal</u>	<u>Costs of Senate Annuity Proposal</u>	<u>Costs of Current Law</u>
1988	49.3	49.9	49.9
1989	47.7	52.4	52.7
1990	45.5	54.8	55.6
1991	43.3	56.6	58.2
1992	41.1	57.9	60.7
1993	38.9	58.9	63.4
1994	36.7	59.2	65.9
1995	34.6	59.2	68.8
1996	32.5	58.2	71.4
1997	30.3	56.1	73.6
1998	28.2	53.2	76.1
1999	26.1	49.1	78.5
2000	24.1	43.7	81.1
2001	22.1	36.8	83.6
2002	20.2	28.2	86.2
2003	18.3	18.3	88.9
2004	16.5	16.5	91.6
2005	14.8*	14.8*	94.9†

*Annual general fund costs continue declining, and reach zero by about 2034.

†Annual general fund costs likely to continue increasing.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: CSSB No. 56 (SA) (b)
Publish Date: 3-10-87

Revision Date: _____

Agency Affected: Health & Social Services
BRU: Assistance Payments BRU

Title: An act Relating to the Alaska
Longevity Bonus Program

Sponsor: _____

Components: OAA-ALB Hold Harmless

Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	622.4	3608.3	4162.4	4617.2	5020.1
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	622.4	3608.3	4162.4	4617.2	5020.1

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-	622.4	3608.3	4162.4	4617.2	5020.1
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 :

The FY88 Governor's budget assumes elimination of the Old Age Assistance - Alaska Longevity Bonus Hold Harmless (OAA-ALBHH) program, effective January 1, 1988. It is important to note that the dollars saved by this proposed legislation have been removed from the Governor's FY88 budget request. If this legislation does not pass, projected FY88 costs of \$622.4 must be restored to the Public Assistance BRU FY88 Budget. This analysis assumes continuation of the Hold Harmless program.

Prepared by: John R. Taber, Director Phone: 465-3347
Division: Division of Public Assistance Date: 3-4-87

Approved by Commissioner: Myra M. Mumm Date: 3/9/87
Agency: Department of Health & Social Services

Distribution (by preparer) :

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

Division of Public Assistance

Assistance Payments BRU

Old Age Assistance - Alaska Longevity Bonus Hold Harmless (OAA-ALBHH)

1. The Governor's FY88 budget presumes a needs-based Longevity Bonus, which would eliminate the need for a Hold Harmless program. CSSB No. 56 continues the Hold Harmless program; costs reflect restoration of a full Hold Harmless for the Bonus, but no Hold Harmless provision for annuity payments.
2. We assume the first annuity payments will be made in July, 1989, but that no Old Age Assistance applicants or recipients will elect to participate.
3. We assume that the Annuity and Bonus payments will be as follows:

	<u>Bonus</u>	<u>Annuity</u>
FY88	\$250	0
FY89	\$250	0
FY90	\$242	\$ 7.74
FY91	\$233	\$16.71
FY92	\$223	\$26.76

4. Costs assume average age of new applicants for Old Age Assistance will be 65.

	6-Month Impact				
	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
OAA-ALB Hold Harmless Program expenditure	1556.0	3608.3	4162.4	4617.2	5020.1
Amount of OAA-ALB HH that replaces lost SSI payments	622.4	1443.3	1687.9	1902.2	2089.1
Amount of OAA-ALBHH that replaces State OAA payments	933.6	2165.0	2474.5	2715.0	2931.0