

SB

145



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 26, 1987

The Honorable Jan Faiks
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Faiks:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska longevity bonus program.

The original longevity bonus program that was enacted in 1972 has been radically changed as a result of the Alaska Supreme Court decision in Schafer v. Vest, 680 P.2d 1169 (Alaska 1984). The program's original intent -- to benefit those pioneers who built the state -- has been irrevocably altered. Because the original program benefitted only those who were residents before statehood, it eventually would have phased out naturally as territorial residents died or left the state.

As a result of that court decision, the program now simply requires one year of residence. Consequently, we now have a program that grows larger every year. At the same time we are faced with an unprecedented crisis in our budget. We can no longer afford to provide this substantial benefit to an ever increasing population of senior citizens.

The attached bill has three main components. First, it reduces the maximum amount of the bonus to \$200 a month. The bonus was increased substantially during the height of our oil wealth: in 1980, it went from \$150 to \$200, and in 1981 it went from \$200 to \$250.

Second, the bill limits the bonus to those individuals who reach age 65 before January 1, 1988. In 1985, both houses of the legislature passed programs that used a 1988 cut-off date (ch. 99, SLA 1985). (The effective dates for those programs were never triggered.) The House "stairstepping" approach simply limited the bonus to those individuals who reached age 65 by that date. The Senate annuity approach provided additional general fund payments to younger individuals; the payments were to decrease yearly until they were gone. Thus, even in 1985 when our fiscal picture was much brighter, both houses decided to terminate general fund payments to those younger than age 65 in 1988. This bill, then, incorporates that idea.

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Finally, the bill places an income cap on eligibility for the bonus. The full bonus would be available only to those individuals whose income (excluding longevity bonus and permanent fund dividend income) is less than \$20,000 (or whose joint income, for a married couple, is less than \$40,000). As an individual's income goes up, the amount of the bonus goes down, until, at the income level of \$25,000, an individual will not receive a bonus. A part of the intent of the original program was to provide a financial incentive to Alaska's seniors to remain in the state. The income cap would allow the great majority of Alaskan seniors to continue to receive the bonus; however, it would terminate benefits for the more fortunate segment of that population.

Placing an income cap on the longevity bonus raises the question of whether the one-year residency requirement would withstand judicial scrutiny. The question arises because the United States Supreme Court, in Shapiro v. Thompson, 394 U.S. 618 (1969), invalidated a one-year residency requirement for welfare payments. The residency requirement in Shapiro was struck because the court determined that the welfare program was designed to provide the "basic necessities of life." The question is whether a court would find that the longevity bonus payment is designed to provide a basic necessity of life.

The longevity bonus, as embodied in this bill, is not designed to provide a basic necessity of life. First, the state has other programs, such as old age assistance and medicaid, which provide the most substantial benefits in the nation for the elderly -- programs that are available to needy seniors upon arrival in the state. Second, the income-cap provisions do not establish a typical welfare program because the income test makes no asset determination; an individual's property is not considered in determining eligibility. Since the majority of Alaskan seniors would continue to qualify for the bonus, the income-cap provisions are more properly viewed as a retirement supplement to all but a small segment of senior citizens, rather than as a program to fulfill basic needs. Finally, the fact that the bill would terminate the program entirely for those who do not reach age 65 before January 1, 1988 weighs against characterizing the program as a provision for basic needs.

The one-year residency requirement is not a "durational" residency requirement in that its intent is not to distinguish between short-term residents and longer-term residents. Rather, the purpose of the requirement is to determine, in an administratively feasible manner, which seniors

are truly Alaskans and which are merely visitors. Because senior citizens are typically not tied by employment to one location, they can spend substantial amounts of time away from their true home. A shorter residency requirement would make the bonus available to seniors who are on extended visits to Alaska, but who do not intend to make Alaska their home. In view of the nature of the program, and the nature of the senior citizen population, I believe that a one-year residency requirement would be upheld. However, if it were successfully challenged, that requirement is severable under AS 01.10.030.

A section-by-section analysis follows:

Section 1 of the bill amends AS 47.45.010(a) to establish the January 1, 1988 age qualification date and change the amount of the bonus to \$200. The changes take effect July 1, 1987 under sec. 8 of the bill.

Section 2 of the bill also amends AS 47.45.010(a). Under sec. 9 of the bill, the amendments in sec. 2 would take effect January 1, 1988. The amendments in sec. 2 are set out showing the changes in AS 47.45.010(a) as already amended by sec. 1. The sec. 2 amendments continue the January 1, 1988 age qualification date established by sec. 1 of the bill, and add a reference to the income qualification requirement in proposed AS 47.45.015. Then, instead of stating a set amount for the bonus, amended AS 47.45.010(a) will refer instead to proposed AS 47.45.016, the schedule of bonus amounts. As mentioned earlier, that schedule is tied to income levels.

Section 3 of the bill adds two new sections to AS 47.45. Proposed AS 47.45.015 sets out the income qualification requirement described earlier, and proposed AS 47.45.016 sets out the schedule of bonus amounts. Sections 4 and 5 of the bill make conforming amendments to AS 47.45.020 and 47.45.-070. Sections 3 -- 5 also take effect January 1, 1988, under sec. 9 of the bill.

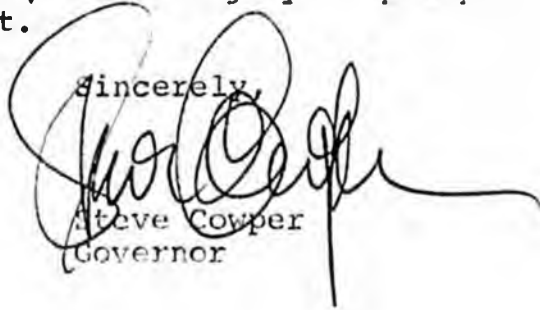
Section 6 of the bill repeals the provisions of ch. 99, SLA 1985 that have never taken effect, and the provision in the current law dealing with tax treatment of the bonus (AS 47.-45.120(a)). The latter is repealed because it is possible that the Internal Revenue Service will find that the income-capped bonus is not taxable; either way, our statutes need not address federal tax treatment. However, if the federal government does tax that income, and if a state personal

income tax is enacted this year, the longevity bonus should be taxed by the state. These repeals take effect July 1, 1987, under sec. 8 of the bill.

Section 7 of the bill repeals the "hold harmless" provision (AS 47.45.122). That statute authorizes providing public assistance to individuals whose assistance is denied or reduced because they received a longevity bonus. Because the state has been assured by the federal government that the bonus, under the income-cap program, will be disregarded in determining eligibility for those benefits, the "hold harmless" provision, and the money needed to implement it, will no longer be necessary. Under sec. 9 of the bill, the repeal would take effect at the same time that the income-cap provisions take effect, January 1, 1988.

This bill is essential to deal with the issues presented by the longevity bonus program, and I urge your prompt and favorable consideration of it.

Sincerely,



Steve Cowper
Governor

No 65

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Senate
Bill Version: SB145a
Publish Date: 2-27-87

REQUEST _____

Revision Date: SB145

Agency Affected: Administration

Title: An Act relating to the Longevity Bonus Program effective date.

BRU: Longevity Bonus

Sponsor: Governor

Components: Grants; Administrative

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	0	0	0	0	0
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:

There is no fiscal impact beyond what is included in the Governor's FY 88 budget request, as revised approximately March 1, 1987. The attached pages present the full cost of the revised program.

Prepared By: John Andrews *[Signature]* Phone: 465-2200
Division: Commissioner's Office *[Signature]* Date: 2/27/87

Approved by Commissioner: Garrey Peska *[Signature]* Date: 2/23/87
Agency: Department of Administration

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

February 23, 1987

ATTACHMENT -- LONGEVITY BONUS FISCAL NOTE

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ADMINISTRATION (dollars in thousands)

	FY 87 Revised *****	FY 88 Total *****	FY 89 Total *****	FY 90 Total *****	FY 91 Total *****	FY 92 Total *****
Personal Services	258.9	389.8	300.0	300.0	300.0	300.0
Travel	0.9	0.9	1.0	1.0	1.0	1.0
Contractual	53.1	95.5	60.0	60.0	60.0	60.0
Supplies	4.3	5.1	5.0	5.0	5.0	5.0
Equipment	0.0	24.2	0.0	0.0	0.0	0.0
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Total Operating (all G.F.)	317.2 *****	515.5 *****	366.0 *****	366.0 *****	366.0 *****	366.0 *****
Perm Full Time	6.0	9.0	8.0	8.0	8.0	8.0
Perm Part Time	1.0	4.0	0.0	0.0	0.0	0.0
Months	81.6	126.6	96.0	96.0	96.0	96.0

No 66

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

SENATE

BILL VERSION: SB 145 b

PUBLISH DATE: 2/27/87

REQUEST: SB 145

Revision Date: _____

Title: An act Relating to the Alaska

Longevity Bonus Program

Sponsor: _____

Requestor Governor

Agency Affected: Health & Social Services

BRU: Assistance Payments BRU

Components: OAA-ALB Hold Harmless

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-	-0-	-0-	-0-	-0-	-0-
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 :

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 also assumes that the needs-based requirements meet federal standards.

Prepared by: John R. Faber, Director

Phone: 465-3347

Division: Division of Public Assistance

Date: 2-24-87

Approved by Commissioner: Misha M. Muesow

Date: 2-24-87

Agency: Department of Health & Social Services

Distribution (by preparer):

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Division of Public Assistance - 581456

Assistance Payments BRU

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

The Alaska Longevity Bonus Hold Harmless Program (OAA-ALBHH) was established by CSSB No. 56 with an effective date of June 1985. Federal rules require the State to count the ALB received by aged recipients with less than 25 years residence when determining eligibility for Social Security Administration's and State's Supplemental Security Income (SSI) Old Age Assistance Program. The FY87 OAA-ALB Hold Harmless component 1) replaces the amount of Federal SSI payment lost to a Bonus recipient when SSI counts the Longevity Bonus as available (income) and 2) continues to "disregard" the SSI-countable Bonus in computing Old Age Assistance (OAA) Supplemental payments.

If in FY88 the Alaska Longevity Bonus program were changed such that the ALB received by an individual was "needs-based," then federal rules would "disregard" the ALB payment and not treat the ALB as available income. Thus, ALB payments that are based on need eliminates the need for the protection of the OAA-ALB Hold Harmless program. The Bonus would not be counted as income when calculating federal SSI and State OAA Supplemental assistance payments.

	6-Month Impact				
	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
OAA-ALB Hold Harmless Program reduction due to Needs-based ALB	1556.0	3608.3	4251.7	4855.1	5427.8
Amount of OAA-ALB HH that replaces lost SSI payments	622.4	1443.3	1700.7	1942.0	2171.1
Amount of OAA-ALBHH that replaces State OAA payments	933.6	2165.0	2551.0	2913.1	3256.7
Net Savings Under Needs-based (The Amount of OAA-ALBHH that replaces lost SSI payments)	622.4	1443.3	1700.7	1942.0	2171.1

Under a needs-based ALB the Social Security Administration's SSI payments that are restored result in net general fund savings. That amount of ALB Hold Harmless that had replaced State OAA payments shifts back to Old Age Assistance. If this legislation does not pass, the projected net savings of 622.4 must be restored to the OAA-ALBHH component in FY88.

No. 67

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: SB145c
Publish Date: 2-27-87

Revision Date: 5/1/85
Title: An Act Relating to the Alaska
Longevity Bonus Program

Agency Affected: Health & Social Services
BRU: Medical Assistance

Sponsor: _____
Requestor: Governor

Components: Alaska Longevity Bonus
Hold Harmless

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
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						
OTHER						
TOTAL						

POSITIONS:

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

ANALYSIS :

The Governor's FY88 budget assumes the elimination of the Medical Assistance - Alaska Longevity Bonus Hold Harmless program. It is important to note that the dollars saved by this proposed legislation have already been removed from the Governor's FY88 budget request. If this legislation does not pass, projected FY88 costs of \$571.5 must be appropriated to the Medical Assistance BRU FY88 budget. This analysis also assumes that the needs based

preparer: _____ Phone: 465-3355
Division: Medical Assistance Date: 2/24/87

Approved by Commissioner: Mary K. Munson Date: 2/24/87
Agency: Health and Social Services

Distribution (by preparer):

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- Legislative Sponsor
- Requestor
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- Senate Secretary

Division of Medical Assistance

Medical Assistance BRU

The Alaska Longevity Bonus (ALB) Hold Harmless program was established by CSSB56 with an effective date of June 1985. Federal rules require the state to count the ALB payments received by Medicaid applicants when determining eligibility. The Division has submitted an FY87 supplemental to Hold Harmless those who would lose Medicaid eligibility as a result of receipt of the ALB. If, for FY88 the ALB program is changed to a needs based program which meets federal requirements then federal rules would require the ALB payment be disregarded in the Medicaid eligibility determination process. This would then eliminate the need for the ALB Hold Harmless protection. (The Hold Harmless replaces the amount of Medicaid reimbursement lost to the state when federal rules cause recipient ineligibility). For FY88 the Division submitted an amendment which would provide a Hold Harmless for the first six months of FY88.

The following assumes passage of an ALB program based on need with an effective date of January 1, 1988, and approval of the Divisions' FY88 budget amendment for six months of Hold Harmless protection.

	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>
Medicaid Eligibles (monthly average)	3,107	3,293	3,491
Average Annual Cost per recipient	\$3,251	\$3,494	\$3,756
Old Age Assistance (OAA) 397 ineligible due to receipt of ALB - 94% utilize medical services	374	396	420
Total estimated annual cost of hold harmless program	\$1,142,921	\$1,300,606	\$1,483,261
Amount of hold harmless replacing list Medicaid funds	\$571,460	\$650,304	\$741,630
Amount of savings under needs based program	-0-*	\$650,303	\$741,630

* Results from the Legislature zeroing the Medicaid Hold Harmless in FY87, and therefore not included in the FY88 base and requesting full funding (general fund match and general funds for federal replacement) for first six months of FY88.