

SB

56

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  
 attached amendment(s) and  new title

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

*Joe Jones*

*William L. Henry "No Rec"*  
*Rich Uhler "No Rec"*

*[Signature]*

Chairman signature and recommendation

Committee Backup Attached

FEBRUARY 25, 1987 SECTIONAL CSSB 56 (State Affairs) Draft #2

This bill puts into effect the annuity plan voted on by the people of Alaska in November 1986, which is contained within Chapter 99, SLA 1985. The changes to that annuity plan are contained within Sections 1-5 of this committee substitute

Section 1

Allows for cash contributions into the annuity accounts

Section 2

If a cash contribution is made, the cash contribution may not exceed the amount of the permanent fund dividend for that year.

Section 3

Conforming language so that a cash contribution can be made.

Section 4

Conforming language so that a cash contribution can be made.

Section 5

Adds language to allow for a emergency withdrawal. The amount withdrawn shall be limited to the amount sufficient only to meet the emergency and may not exceed the amount in the individual's annuity account. Regulated by the Commissioner of Revenue.

Section 6

Repeals the stair-stepping plan contained within Chapter 99, SLA 1985.

Section 7

This act apply for only to those permanent fund dividends after December 31, 1987.

Section 8

Immediate Effective Date Clause

# Alaska State Legislature

INTERIM OFFICE  
1024 WEST SIXTH AVENUE  
ANCHORAGE, ALASKA 99501  
(907) 274-2843

IN SESSION  
POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-4714



Senator Mitch Abood  
CHAIRMAN

## Senate Committee on State Affairs

### SECTIONAL ANALYSIS FOR CSSB 56 STATE AFFAIRS

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#### Section 2

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STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: SB 56  
Publish Date: \_\_\_\_\_

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 a separate 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 43.23.110) as provided in AS 43.23.110(d).

Prepared By: Michael P. McMullen *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

*Garrey Peska*

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.

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

2 (a) The commissioner shall adopt regulations under the Adminis-  
3 trative Procedure Act (AS 44.62) establishing the process for de-  
4 termining the eligibility of individuals for permanent fund dividends.  
5 The commissioner may require an individual to provide proof of eli-  
6 gibility, and the commissioner may use other information available  
7 from other state departments or agencies to determine the eligibility  
8 of an individual.

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

10 (b) The department shall prescribe and furnish an application  
11 form for claiming a permanent fund dividend. The application must  
12 contain a statement of eligibility and a certification of residency in  
13 substantially the following form:

14 I certify that

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

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

21 I understand that a false claim of residency to obtain a perma-  
22 nent fund dividend for myself or for another is a criminal offense and  
23 that if convicted I will forfeit future permanent fund dividends and  
24 that I will lose or must repay all permanent fund dividends that have  
25 been credited or paid to me, and any accrued interest in my annuity  
26 account. I understand that this penalty is in addition to any crimi-  
27 nal penalties imposed.

28

29

\_\_\_\_\_  
(signature of individual, parent,



## LAWS OF ALASKA

1985

Source

CCSSA 36

Chapter No.

99

AN ACT

Relating to a longevity bonus, and providing for an effective date.

---

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

THE ACT FOLLOWS ON PAGE 1, LINE 9

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: June 7, 1985  
Actual Effective Date: Sections 2 - 18 take effect on the date that section 1 of this Act is repealed; section 1 takes effect on the date that sections 2 - 18 of this Act are repealed; sections 19 - 24 take effect June 8, 1985

Offered: 5/11/85

Original sponsors: Ray, Halford,  
Bennett, et al

1 IN THE SENATE BY THE 2d CONFERENCE COMMITTEE  
2 CONFERENCE CS FOR 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 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. AS 47.45.010(a) is amended to read:

10 (a) A person who is 65 years of age on or before January 1, 1988  
11 [OR OVER], who resides in the state for at least one year immediately  
12 preceding application for a longevity bonus under this chapter may  
13 apply to the commissioner of administration for qualification to  
14 receive a monthly bonus of \$250 upon reaching age 65.

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

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

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

21 (d) A person who is eligible to receive a permanent fund divi-  
22 dend under this section, or who is authorized to claim a dividend on  
23 behalf of another under (c) of this section, may elect to receive the  
24 dividend either in cash or as an annuity credit. Alternatively, a  
25 person may elect to receive 25 percent, 50 percent, or 75 percent of  
26 the dividend in cash and the remainder as an annuity credit. A person  
27 who is 65 years of age on or before January 1, 1988 may only receive  
28 the permanent fund dividend in cash and may not elect to receive  
29 an annuity credit.

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

2 (a) The commissioner shall adopt regulations under the Adminis-  
3 trative Procedure Act (AS 44.62) establishing the process for de-  
4 termining the eligibility of individuals for permanent fund dividends.  
5 The commissioner may require an individual to provide proof of eli-  
6 gibility, and the commissioner may use other information available  
7 from other state departments or agencies to determine the eligibility  
8 of an individual.

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

10 (b) The department shall prescribe and furnish an application  
11 form for claiming a permanent fund dividend. The application must  
12 contain a statement of eligibility and a certification of residency in  
13 substantially the following form:

14 I certify that

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

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

21 I understand that a false claim of residency to obtain a perma-  
22 nent fund dividend for myself or for another is a criminal offense and  
23 that if convicted I will forfeit future permanent fund dividends and  
24 that I will lose or must repay all permanent fund dividends that have  
25 been credited or paid to me, and any accrued interest in my annuity  
26 account. I understand that this penalty is in addition to any crimi-  
27 nal penalties imposed.

28

29

\_\_\_\_\_  
(signature of individual, parent,

1 guardian, or other authorized  
2 representative)

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

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

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

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

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

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

22 \* Sec. 9. AS 43.23.035 is amended to read:

23 Sec. 43.23.035. PENALTIES AND ENFORCEMENT. (a) In addition to  
24 any criminal penalties imposed by state law, if an individual is  
25 convicted of a crime in connection with a false statement made in a  
26 certification required under AS 43.23.015, and the conviction is not  
27 reversed, that individual forfeits all permanent fund dividends cred-  
28 ited or paid, together with any interest credited to that individual's  
29 annuity account and is not eligible for a future permanent fund divi-  
30

1       dend.

2           (b) If the commissioner determines that a cash [PERMANENT FUND,  
3       dividend should not have been claimed by or paid to an individual, the  
4       commissioner may use all collection procedures or remedies available  
5       for collection of taxes under this title to recover the payment of a  
6       permanent fund dividend that was improperly made. A notice of an  
7       improperly paid dividend must be sent to the individual within 10  
8       years after the improper payment. If notice is not sent within the  
9       10-year period, proceedings may not be commenced in court for recovery  
10       of the improper payment.

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

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

20       \* Sec. 11. AS 43.23.055 is amended to read:

21           Sec. 43.23.055. DUTIES OF THE DEPARTMENT. The department shall  
22           (1) annually make payments to individuals who elect to  
23       receive cash under AS 43.23.005(d) [PAY PERMANENT FUND DIVIDENDS FROM  
24       THE DIVIDEND FUND];

25           (2) adopt regulations under the Administrative Procedure  
26       Act (AS 44.62) that establish procedures and time limits for claiming  
27       a permanent fund dividend or for electing an annuity credit; the de-  
28       partment shall set the time limit for applications for permanent fund  
29       dividends so that the number of eligible applicants is determined by

1        October 1 of the year for which the dividend is declared and permanent  
2        fund dividends for a year are paid before April 30 of the year follow-  
3        ing that year;

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

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

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

17        \* Sec. 12. AS 43.23.065 is amended to read:

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

1 expired; or (3) court ordered restitution under AS 12.55.045 - 12.55.-  
2 051 or 12.55.100. A child support obligation under (1) of this sec-  
3 tion has priority over a debt owed to an agency of the state, and a  
4 permanent fund dividend may not be taken to satisfy a debt under (2)  
5 of this section until any portion of the dividend necessary to satisfy  
6 a child support obligation has been taken.

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

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

13 (c) The courts of this state may, as a condition of any civil  
14 judgment or restitution order under AS 12.55.045 - 12.55.051 or 12.-  
15 55.100, require the defendant to take the defendant's permanent fund  
16 dividend in cash.

17 \* Sec. 14. AS 43.23.075 is amended to read:

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

29 (b) An individual who is denied medical assistance under 42

1 U.S.C. 1396 - 1396p (Social Security Act, Title XIX) solely because of  
2 the credit or receipt of a permanent fund dividend by the individual  
3 or by a member of the individual's household is eligible for state-  
4 funded medical assistance under the general relief assistance program  
5 (AS 47.25.120 - 47.25.300). The individual is entitled to receive,  
6 for a period not to exceed four months, the same level of medical  
7 assistance as the individual would have received under 42 U.S.C.  
8 1396 - 1396p (Social Security Act, Title XIX) had there been no perma-  
9 nent fund dividend program.

10 (c) An individual who is denied assistance solely because perma-  
11 nent fund dividends credited to or received by the individual or by a  
12 member of the individual's household are counted as income or re-  
13 sources under federal law or regulation is eligible for cash assis-  
14 tance under the general relief assistance program (AS 47.25.120 -  
15 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual  
16 is entitled to receive, for a period not to exceed four months, the  
17 same amount as the individual would have received under other public  
18 assistance programs had there been no permanent fund dividend program.

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

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

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

23 ARTICLE 2. ANNUITY PROGRAM.

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

1 ly transferred from the dividend fund to the annuity investment fund.

2 (b) Money in the annuity investment fund shall be invested by  
3 the commissioner of revenue in investments authorized under AS 39.-  
4 35.110. The commissioner of administration shall credit the net  
5 income of the annuity investment fund to the individual annuity  
6 accounts.

7 (c) The legislature may annually appropriate to the Department  
8 of Administration an amount sufficient to pay monthly annuity payments  
9 for the subsequent fiscal year under AS 43.23.130 from the annuity  
10 investment fund. Funds appropriated under this subsection shall be  
11 transferred from the annuity investment fund to the Department of  
12 Administration in order to meet the current demands of the annuity  
13 program.

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

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

23 Sec. 43.23.120. ANNUITY PROGRAM. (a) The annuity program is  
24 administered by the commissioner of administration. The commissioner  
25 of administration shall adopt regulations necessary to implement the  
26 annuity program.

27 (b) The commissioner of administration shall maintain records of  
28 individual annuity accounts and make annuity payments under AS 43.23.-  
29 130.

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

4           (b) An annuity under this section is a monthly payment based  
5 upon the principal and accrued interest in the person's annuity  
6 account. An annuity shall be paid as a straight life annuity or other  
7 payment plan authorized by the commissioner of the Department of  
8 Administration. The size of the annuity may not vary on account of  
9 the individual's sex.

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

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

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

1 ed.

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, minus  
14 the maximum possible straight life annuity for a person 65 years of  
15 age under the annuity program (AS 43.23.110 - 43.23.130), as deter-  
16 mined by the commissioner of administration.

17 (b) A person who is 65 years of age on or before January 1,  
18 1988, is entitled to the full longevity bonus payment without reduc-  
19 tion for the annuity program.

20 \* Sec. 19. AS 47.45.030 is amended to read:

21 Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification, a  
22 recipient shall notify the commissioner of administration when the  
23 recipient expects to be absent from the state if the absence is for a  
24 continuous period that exceeds 30 days. After that notification, the  
25 recipient may no longer receive bonuses from the Department of Admin-  
26 istration after the last regularly approved monthly application. Upon  
27 returning to the state, the recipient may again make application for a  
28 bonus. Whenever the absence is for a continuous period that exceeds 90  
29 [180] days the recipient shall be disqualified from receiving bonuses

1 for the next 12 calendar months after returning to the state. However,  
2 when the commissioner of administration determines a period of absence  
3 is beyond the control of the recipient, the recipient may not be  
4 disqualified if the recipient still otherwise qualifies upon returning  
5 to the state. Continual absences from the state, even though  
6 reported, and failure to notify the commissioner of an expected  
7 absence may be grounds for disqualification.

8 \* Sec. 20. AS 47 45.070 is amended to read:

9 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is  
10 one who

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

13 (2) meets the age and residence requirements of this chap-  
14 ter but either is confined in a state or federal mental health insti-  
15 tution or facility and is certified by the state as unable to manage  
16 personal affairs, or resides in a nursing home as that term is defined  
17 in AS 08.70.190; however, if that person, at the time of commitment or  
18 commencement of residence, provided the principal support of a spouse,  
19 the commissioner of administration may determine to pay the confined  
20 person's bonus to the person's spouse until the spouse is qualified  
21 for a bonus;

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

1 (4) voluntarily leaves the state and remains absent from  
2 the state for a continuous period of more than 90 [180] days.

3 \* Sec. 21. AS 47.45 is amended by adding a new section to read:

4 Sec. 47.45.122. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) An  
5 individual whose public assistance is denied or reduced solely because  
6 of the receipt of a bonus under this chapter by the individual or by a  
7 member of the individual's household is eligible for assistance under  
8 the general relief assistance program in AS 47.25.120 - 47.25.300.  
9 Notwithstanding the limit in AS 47.25.130, the individual is entitled  
10 to receive the same amount as the individual would have received under  
11 other public assistance programs had the individual not received a  
12 longevity bonus.

13 (b) In this section "other public assistance" means

- 14 (1) Supplemental Security Income (42 U.S.C. 1381 - 1385);  
15 (2) Medicaid (42 U.S.C. 1396 - 1396p); and  
16 (3) Adult Public Assistance (AS 47.25.430 - 47.25.615).

17 \* Sec. 22. The lieutenant governor shall place before the qualified  
18 voters of the state at the next general election the following question,  
19 advisory to the legislature. The question shall appear on the ballot in  
20 substantially the following form:

21 Q U E S T I O N

22 Under legislation proposed in 1985, only individuals who turn  
23 65 on or before January 1, 1988, who have lived in Alaska  
24 for at least one year, will be entitled to receive an Alaska  
25 longevity bonus of \$250 a month.

26 The legislature is considering a program that would allow  
27 younger Alaskans to use all or part of their permanent fund  
28 dividend to purchase an annuity that they will receive when  
29 they turn 65, since they will no longer receive the full

1           longevity bonus. In the early years of the program, the  
2           annuity payment would have to be supplemented with a declin-  
3           ing bonus payment paid for with state funds, since initially  
4           the annuity payment would not on its own provide an amount  
5           equal to \$250 a month.

6           Should the legislature adopt this program?

7                           Yes [    ]                           No [    ]

8           \* Sec. 23. Section 11, ch. 38, SLA 1984 is amended to read:

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

11           \* Sec. 24. AS 43.23.045(c) is repealed.

12           \* Sec. 25. Sections 2 - 18 of this Act take effect on the date that  
13           sec. 1 of this Act is repealed.

14           \* Sec. 26. Section 1 of this Act takes effect on the date that secs.  
15           2 - 18 of this Act are repealed.

16           \* Sec. 27. Sections 19 - 24 of this Act take effect immediately in  
17           accordance with AS 01.10.070(c).

**Ballot Language For  
Advisory Vote on Longevity  
Bonus Annuity Program**

The Fourteenth Alaska State Legislature considered two alternatives to the present longevity bonus program. Both were adopted into law, but neither will take effect unless the legislature chooses one of them. The legislature has asked for an advisory vote of the public on the annuity option which is described below.

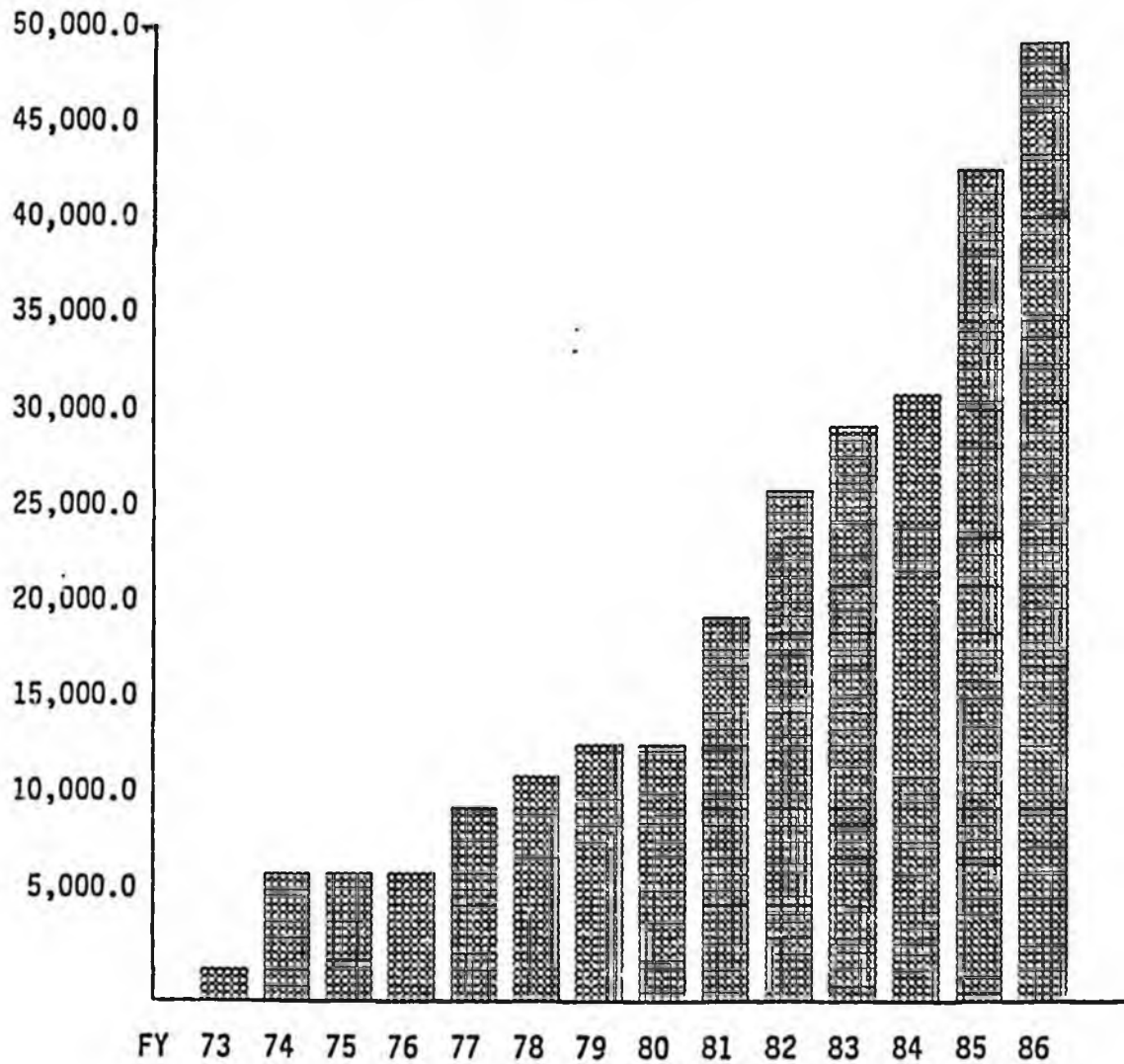
The annuity option provides that every individual who reaches age 65 by January 1, 1988, including those already receiving the bonus, would receive a longevity bonus payment of \$250 per month. In addition, a person under age 65 on January 1, 1988, could participate in an optional annuity program by depositing all or part of his or her permanent fund dividends in an account held by the state. Upon reaching age 65, a person would receive a monthly payment in an amount determined by how much was contributed to the account. The annuity payments would be supplemented with declining longevity bonus payments paid for with general funds until the annuity accounts were large enough to provide monthly payments of \$250 a month.

The second option provides that every individual who is 65 years old by January 1, 1988, including those already receiving the bonus, will receive a longevity bonus payment of \$250 per month, but that anybody younger than age 65 by January 1, 1988, would not be eligible for benefits.

Should the legislature adopt the annuity option?

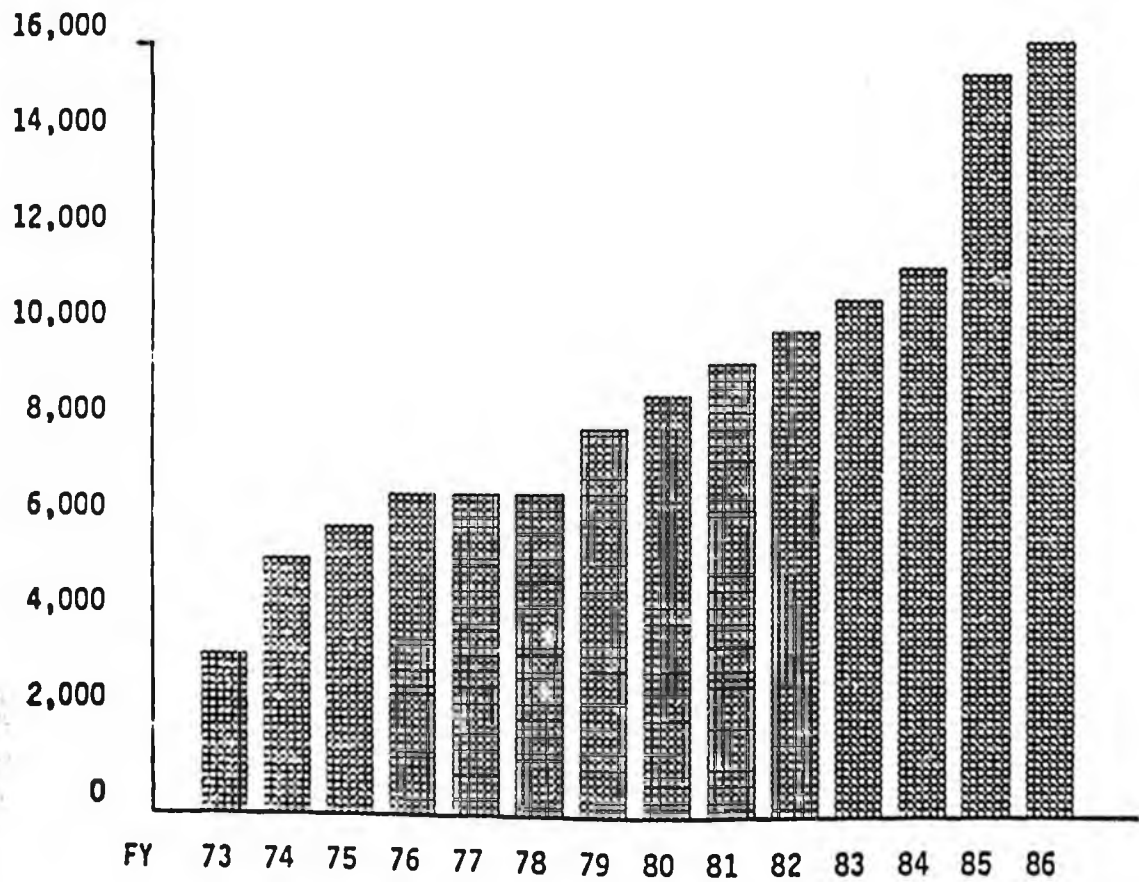
YES ( )      NO ( )

ANNUAL EXPENDITURES (IN THOUSANDS)  
LONGEVITY BONUS PROGRAM



9/7C1/1220-16

QUALIFIED RECIPIENTS  
LONGEVITY BONUS PROGRAM



9/7C1/1220-14

**LONGEVITY BONUS PROGRAM COSTS\***  
(millions of dollars)

<u>Fiscal Year</u>	<u>Current Law</u>	<u>SB-56 Annuity Program</u>	<u>SB-57</u>	
			<u>Annuity Minimum</u>	<u>Program Variant Maximum</u>
1988	51.2	51.2	51.1	51.2
1989	52.7	52.4	51.4	52.4
1990	55.6	54.8	51.8	54.8
1991	58.2	56.6	50.6	56.6
1992	60.7	57.9	48.1	57.9
1993	63.4	58.9	44.2	58.9
1994	65.9	59.2	38.8	59.2
1995	68.8	59.2	31.8	59.2
1996	71.4	58.2	23.2	58.2
1997	73.6	56.1	12.8	56.1
1998	76.1	53.2	0.0	53.2
1999	78.5	49.1	0.0	49.1
2000	81.1	43.7	0.0	43.7
2001	83.6	36.8	0.0	36.8

\*Grants only. Does not include administrative costs.

OMB/Policy, 2/16/87.

**LONGEVITY BONUS PROGRAM COSTS\***  
(millions of dollars)

<u>Fiscal Year</u>	<u>Current Law</u>	<u>SB-56 Annuity Program</u>	<u>SB-57</u>	
			<u>Annuity Minimum</u>	<u>Program Variant Maximum</u>
1988	51.2	51.2	51.1	51.2
1989	52.7	52.4	51.4	52.4
1990	55.6	54.8	51.8	54.8
1991	58.2	56.6	50.6	56.6
1992	60.7	57.9	48.1	57.9
1993	63.4	58.9	44.2	58.9
1994	65.9	59.2	38.8	59.2
1995	68.8	59.2	34.6	59.2
1996	71.4	58.2	32.5	58.2
1997	73.6	56.1	30.3	56.1
1998	76.1	53.2	28.2	53.2
1999	78.5	49.1	26.2	49.1
2000	81.1	43.7	24.1	43.7
2001	83.6	36.8	22.1	36.8

\*Grants only. Does not include administrative costs.

OMB/Policy, 2/16/87 (revised)

# Alaska State Legislature

SENATE ADVISORY COUNCIL

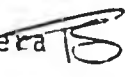


Pouch V  
State Capital  
Juneau, Alaska 99811  
Phone: (907) 465-3114

## MEMORANDUM

TO: Senator Mitch Abood  
Alaska State Senate

ATTN: Carol Horos

FROM: Paula d. Scavera   
Researcher

DATE: January 26, 1987

RE: Longevity Bonus

Attached is the information you requested on longevity bonus. The first page is a simplified form on where longevity bonus is. The second is a status on the Vest vs. Alaska court case.

As soon as the other information is compiled I will forward it to you.

## WHERE ARE WE ON LONGEVITY BONUS?

The 14th Alaska Legislature considered two alternatives to the present longevity bonus program. Both were adopted, but neither will take effect unless the legislature repeals the other. The legislature asked for an advisory vote on the annuity option in the last general election and the vote was 99,222 for and 65,789 against.

## WHAT IS THE ANNUITY OPTION?

The annuity option that was voted on provides that every individual who reaches 65 by January 1, 1988 (and has one year residency) including those already receiving the bonus would receive a longevity bonus payment of \$250 per month. A person under age 65 on January 1, 1988 could participate in an optional annuity program by depositing all or part of his or her permanent fund dividends in an account held by the state. Upon reaching age 65, a person could receive a monthly payment in an amount determined by how much was contributed to the account. The annuity payments would be supplemented with a declining longevity bonus payment paid for with general funds.

## WHAT WAS THE OTHER ALTERNATIVE ADOPTED?

The other alternative provides that anyone who is 65 years old by January 1, 1988 and have one year residency will receive a longevity bonus. Therefore, if you are not 65 years of age by January 1, 1988 you would not receive the bonus.

## WHAT IF THE LEGISLATURE DOESN'T REPEAL EITHER ALTERNATIVE?

If the Legislature doesn't repeal either alternative the existing longevity bonus would continue. The existing program being that anyone 65 or older with one year residency shall receive \$ 250 per month bonus. The estimated cost for this is \$ 51 million in FY 88.

## VEST VS. ALASKA

The Alaska Supreme Court ruled in the case Vest vs. Alaska, that the residency requirements of the longevity bonus program violated the equal protection provisions of the Alaska and United States Constitutions. That was in 1984.

Within the next few weeks, Judge Carpeneti will rule on whether or not elderly Alaskans that were denied longevity bonuses because of residency requirements are entitled to retroactive longevity bonuses because the residency requirements of the original statute unconstitutionally discriminated against them.

If the state is ordered to pay retroactive longevity bonus payments, the real question is how far back would they have to go (that could be 10 years, 5 years, 1 year or anything in between). There is a chance that the judge could order no retroactive payments at all.

Every year that the state is ordered to issue retroactive payments could possibly result in about a \$15 million expenditure (assuming 5,000 individuals were made eligible by the reduction of the residency requirement, \$250 per month times 12 months for 5,000 individuals).

Oral arguments by the state and Mr. Vest's attorney's were presented to Judge Bud Carpeneti on June 10, 1986. Judge Carpeneti is late with his ruling; it has been over 6 months, so a ruling will be coming very shortly.

The attorney for the state is Deborah Vogt. 465-3500 She is located in the Attorney General's office on the 4th floor of the Capital Building and she has copies of all briefs.

The attorney for Mr. Vest is Henry Camarot of Camarot, Sandberg, Hunter and Smith in Anchorage.

OPAG POSITION PAPER

ON

**LONGEVITY BONUS, RENTER'S REBATE & PROPERTY TAX EXEMPTION LEGISLATION**

Introduction: The Older Persons Action Group (OPAG), a statewide nonprofit advocate for Alaska's senior citizens, believes that all residents of the state should share equally in our oil wealth. Consequently, we maintain that the **Longevity Bonus** and the Property Tax Exemption/Renters Rebate Programs must be continued undiminished.

Background: What purpose was the bonus and the exemptions supposed to serve? It was to provide elderly, longtime Alaskans with "incentive to continue uninterrupted residency in the state." In 1972, only 2.3 percent of all Alaskans were 65 years of age or older, compared with 10 percent for the nation as a whole. The 1972 legislature concluded that the high costs and rigors of Alaska life were forcing "pioneers....to live out their retirement years in areas far away from the land they loved and nurtured,...(thus) depriving future generations of Alaskans of the benefits of their wisdom and experience." The lawmakers went out of their way to emphasize that the payments were not to be considered as any "form, type or manner of public relief," but rather a reward for hardships suffered during territorial days and an incentive to remain in the state.

These elders established homes, communities and envisioned a new state. They paid Territorial and state income and property taxes, selected Prudhoe, other state lands and made statehood a reality.

RECEIVED  
MAR 02 1987

Discussion: Younger people will benefit, quite properly, from the oil income and the Permanent Fund for many years to come. Older Alaskans have much less time to share these benefits; therefore, older Alaskans are receiving a Longevity Bonus and a tax exemption on their residences to compensate for the shorter time available to them. To reduce or eliminate either of these programs will create inequity of benefits for seniors.

The population mix should contain a proper proportion of seniors. They do not fill the jails, require schools or child care centers, nor compete for jobs, student loans, or business or farm loans. They do spend money, stimulate the economy, create employment, do very extensive free volunteer work and contribute to charities. The annual volunteer work that seniors do statewide with many agencies is valued in thousands of hours, worth millions of dollars.

Prior to introduction of the Bonus and Exemption, most seniors who could afford it moved "south" when they retired. They sold or rented their homes, withdrew check/savings accounts, and took their pensions, annuities, social security, health care benefits, and other assets and left to survive in a warmer and less expensive climate.

Things have changed. Now our studies show that more seniors stay in Alaska. They are neither rich nor poor, but are most often middle income. If these benefits, namely Bonus and Tax Exemption, are withdrawn or greatly reduced as proposed recently by the Governor, we predict that many seniors will feel the pinch and head "south" taking with them income and assets.

To find out how important these incomes and assets are, OPAG directed its Board to make a study of the money received by Alaskan seniors residing in Alaska, and funds spent by agencies that support the elderly in Alaska. We contacted the Social Security Administration, Unions, Military, Veterans Administration, the state retirement programs, etc. and asked, "What do you spend in Alaska in support of Alaskan senior citizens? Please include all monies for direct or indirect support of such seniors, including but not limited to expenditures for health care, staff salaries, rentals, disability compensation, retirement pay etc." We were amazed as we added the answers:

<u>SOURCE</u>	<u>\$ PER YEAR</u>
Social Security Administration	136,562,000
Medicare	35,000,000
SSI	10,000,000
Medicaid	42,340,000 (seniors only)
Teachers' Pensions	25,740,293
Unions and Industry Pensions	100,000,000 (est.)
Retired Military, all services	66,940,192
Retired Federal Workers	60,925,872
Retired State Workers	38,842,061
Veterans Administration Seniors	24,595,783
Retired State National Guard	<u>505,200</u>
	\$541,451,401

Analysis: Annually, roughly half a billion dollars are spent in support of Alaskan seniors through retirement/medical programs. In addition, a sizeable amount is contributed to the economy by other senior incomes and investments. It is obvious that this

large sum for direct and indirect support does affect the economy significantly.

It is also obvious that if large numbers of seniors feel they must leave the state, the negative impact experienced by the economy will be very depressing to it. Please note that the cost of the Longevity Bonus/Exemptions of some 50 million dollars is not included in the above total; and that seniors being in Alaska are the cause of dollar infusion into the economy at a rate of approximately eleven times more than the Bonus/Exemption cost.

A spot survey taken February 13 at the Anchorage Senior Center indicated that 57% of the Alaskan elder present would leave Alaska if both the Longevity Bonus and Tax Exemption/Renters Rebate were eliminated.

Conclusions: The Older Persons Action Group has concluded that reduction or elimination of the Longevity Bonus or Property Tax Exemption/Renters Rebate would:

- a. impact most middle income and all lower income senior in a significantly adverse manner.
- b. force many seniors to leave the State for less expensive areas.
- c. have a severe impact on the State economy in proportion to the loss of their incomes and capital assets.
- d. cause a loss of population balance resulting in a reduction of maturity and experience levels in that population.
- e. impact not only the economy, but impact all the agencies and services that use volunteer labor throughout the State.

P O S I T I O N

Therefore, it is recommended to the public and to our elected officials that the Longevity Bonus and the Property Tax Exemption/Renters Rebate Programs be left intact in such manner that they continue to meet the objective of encouraging retired Alaskans to remain in the state.

Copies of this position paper may be obtained by contacting:  
The Older Persons Action Group (OPAG), 325 East 3rd Avenue,  
Anchorage, Alaska 99501 Telephone (907) 276-1059

P.O. Box 2308  
Palmer, AK 99645

February 23, 1987

*C*  
*Long Bonus*  
*my*

RECEIVED  
FEB 25 1987

Senator Mitch Abood, Chairman  
Senate State Affairs  
Box V  
Juneau, AK 99811

Dear Senator Abood:

I testified during the teleconference held, Mon. Feb. 16, 1987 concerning the Longevity Bonus and the related annuity bills which are currently in the Senate State Affairs Committee. I had also listened to the first teleconference held Wed. Feb. 11, 1987. All of the testimony with the exception of mine was redundant and could more or less be summed up: Leave my longevity bonus alone, keep it like it is and don't touch my permanent fund dividend.

Since my testimony developed a different view I thought it appropriate to send my thoughts in writing.

"I am not Longevity Bonus recipient, yet. However I am 64 years old and will be eligible for the Bonus in September of this year. I have lived in Palmer, Alaska since 1955. The views I am about to express are my own.

I do realize that SB 56 and SB 57 are attempts to address the Longevity Bonus problem by developing an annuity program by using part of an individual's permanent fund check. The option of the annuity program was given by the voters by an advisory referendum vote last November. However, the two advisory options on the ballot didn't address the problem of the cost of the Longevity Bonus program. This problem should have been faced by the 14th Legislature but was sidetracked because of political reasons and passed off to the people by a referendum.

The issue as I see it; the Longevity Bonus program is no longer a program as intended but rather a bonus for those 65 years old or older. The program is a drain on the general fund, and particularly now that fund are dwindling. I believe the annual fiscal outlay is close to \$50 million with an annual increase of around 7%. If the program is to continue there has to be a plan developed where it is total burden on the general fund. The two bills SB 56 and SB 57 will not significantly help relieve this financial burden for a long time. Furthermore, both bills are predicated on the permanent fund dividend continuing at least to the turn of the century.

From what I have read about Gov. Cowper's proposal for the Longevity Bonus program, to me this seems to be the only realistic approach given so far, that is to reduce payments to \$200/month and have an income cap of \$20,000/ annually. I realize this an unpopular statement but I do feel the Governor's approach does deal with the cost of the program."

Sincerely,

*Gene Annas*

Mr. Gene Annas

RECEIVED  
FEB 24 1987

*Send to me this -*  
*(M)*

PO Box 112827  
Anchorage, AK 99511

February 17, 1987

Senator Mitch Abood, Chairman  
Senate State Affairs Committee  
P. O Box V  
Juneau, AK 99811

Dear Senator Abood:

As I hope you will recall, I testified rather tentatively yesterday concerning the longevity bonus.

As promised, enclosed are copies of my letter to Governor Cowper and his reply.

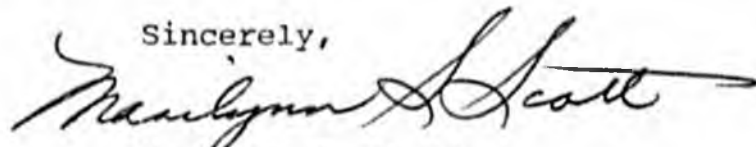
Also enclosed is a "handout" I received at the school board meeting here in Anchorage last night. There are so many conflicting pieces of information available that it is virtually impossible for us as citizens to make wise recommendations. I hope it is easier for you in Juneau to make wise decisions.

If funds are available, I believe the state should continue the ~~longevity bonus~~ for those currently eligible for the economic reasons listed in my letter to the governor.

I am still not sure about the annuity plan because I am not at all sure the permanent fund dividend program should continue. Furthermore, if a true annuity program is being developed, those permanent fund dividends dedicated to this purpose probably should be transferred to the retirement system and managed there, with a right of withdrawal before age 65 just as state retirees have the option to withdraw what they have deposited if they leave state employment. I would think not making these arrangements could eventually result in a lawsuit.

My husband and I look forward to hearing more on these subjects.

Sincerely,



Marilynn S. Scott

cc: Senator Jan Faiks

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 4, 1987

Marilynn S. Scott, Ed. D.  
P.O. Box 112827  
Anchorage, AK 99511

Dear Dr. Scott:

Thank you for your letter expressing concerns for the future of the Longevity Bonus Program.


The state must reduce the cost of many programs as a result of drastically declining revenues, and it is well known that the rising cost of the Longevity Bonus Program must be curtailed. This issue will be dealt with during the current legislative session. Although it is not possible to predict what the eventual outcome will be, we intend to work closely with the members of the Legislature to reduce the cost of the program with a minimum of harm to the people who depend on the bonus for the necessities of life.

We appreciate that you have taken the time to express your views on this sensitive issue, and want you to know that your comments will be carefully considered.

Sincerely

A handwritten signature in cursive script, appearing to read "Steve Cowper".

Steve Cowper  
Governor

C  


PO Box 112827  
Anchorage, AK 99511  
(907) 345-1698  
January 3, 1987

The Honorable Steve Cowper,  
Governor of the State of Alaska  
Post Office Box A  
Juneau, Alaska 99801

Dear Governor Cowper:

I am writing this letter after having watched your recent interview on station KAKM because it appears you are open to suggestions. I am a 25-year resident of Alaska, 64 years of age, and now retired but formerly an assistant superintendent of the Anchorage School District.

Although my husband is 66 and currently a recipient of the longevity bonus, this is not a petition to perpetuate the present system. Rather, it is a request that you and your team of advisors reconsider the entire program.

Basically, I believe that if Alaska cannot afford the program--which is entirely possible, it should be discontinued in its entirety. The longevity program was initiated to help make it possible for Alaska's pioneer senior citizens to remain in Alaska after reaching retirement age. It was not intended to be a welfare program. Had the original plan remained in force, neither my husband nor I would have been eligible under its provisions. The Zobel suit changed all of that. I believe we need to consider the original intent. If it were to become a "welfare" program for the indigent elderly, the State would simply set up an additional bureaucratic organization to inspect all applicants' finances. Better that additional funds be made available to social service departments and agencies to take care of the truly indigent with existing programs, attract federal welfare dollars, and really save some money for the state.

On the other hand, I want to add another consideration. The way the regulations are currently written, those drawing the longevity bonus cannot be away from the state for more than thirty days. Now, no one can live in Alaska on \$250.00 per month. These elder citizens who are spending nearly all their time in the state are spending much more and contributing much more than \$250.00 a month to their local economies. They buy food and clothing and housing and cars and gasoline and eat in restaurants and go to the theater, for example. They use the services of banks, physicians, lawyers, dentists and pharmacists--probably to a greater extent than the average younger individual. In our case, if it were not for the bonus, we would spend much more time out of Alaska--and much more of our disposable income would be spent outside.

It seems to me the business community might want to give this some thought. I am wondering whether the economists have done any research on the financial impact to the state's economy if 50 to 60% of Alaska's senior citizens were to be gone more of the time, or permanently.

Mr. Richard Gay, formerly a professor at Alaska Methodist University and a much-respected member of the Anchorage community, recently wrote a "letter to the editor" for one of our papers in which he stated that without the longevity bonus he and his wife would probably have to leave Alaska. That would be a very real loss for this community--and I am sure they are not the only ones. If they were to go, they would take all their other spendable income with them.

Also, it does not seem to me that Alaska makes good use of its senior citizens. I do some volunteer work for the Anchorage School District, but I could do more. Many of Alaska's retirees are able-bodied. How about trading the longevity bonus for everyone for volunteer work from those who are able and wish to receive the bonus? I haven't fleshed out any plan, but I am sure it could be done with a minimum of paid bureaucracy. Management of the program could in itself be primarily a volunteer effort.

Again, let's completely do away with the longevity bonus if we must, but let's not make it another welfare program. Furthermore, let's be sure that doing away with it will not be "throwing out the baby with the bath." Let's look for alternatives.

My other concern is the Permanent Fund Dividend program which seems to be a sacred cow. I believe it should be reduced or distribution temporarily cancelled to provide funds for an adequate state government. When a business runs into financial difficulty or a shortage of funds to carry out needed activities, it reduces or cancels dividends to stockholders. In the case of the State of Alaska, it appears to me that this approach should also apply. A change in the Dividend program should certainly be considered before talking of increased taxes.

My observations tell me that Permanent Fund Dividends are often not well spent. They may go for booze or drugs or foolish extravagances. They may be garnisheed, hocked or sold. Of course, some families are very wise in their use of their dividends, but chances are very good that they would fare just as well without them, or they would use other state-managed safety nets that would incorporate federal funding. Deleting the cost of managing the distribution of both the longevity bonus and the dividend would save the state a good deal of money.

In the newspapers I don't see a thorough discussion of these points. I would like to know that they are being thoughtfully considered and not discarded out of hand.

I am mailing this letter to Juneau, but also plan to bring a copy to the reception at the Anchorage Senior Center on Thursday, where I hope to have an opportunity to chat with you.

Please accept my best wishes for a successful term as governor.

Sincerely,

Marilynn S. Scott, Ed.D.

GARRI R. CONSTANTINE  
BOX 207  
DOUGLAS, ALASKA 99824  
789-5108

*C*  
*ask Paul to write me*  
*an answer on this*  
*7*

*Cap 423*

Dear Senator Abood

I am writing in support of your recently introduced legislation designed to overhaul the ~~Longevity Bonus~~, and restructure it as an annuity program. The question I have is, will I as a 35 year old lifetime Alaskan be able to contribute my annual dividend to the annuity program, provided it passes, and what kind of return will I reasonably be able to expect upon attaining age 65. Add, if I die before collecting my annuity, will my daughter or other surviving relative be able to retrieve my contributin from the annuity fund.

I am also concerned that the fund be available only to old timers who maintain residence in the State. My parents have retired out of state and do not collect either dividends of Longevity Bonus, and I feel this is proper. I do hear there are quite a few cases of senior citizens retiring out of state and continuing to collect Dividends and Longevity, and I am curious if you have any plans to address this problem.

Thank you for this concept, and good luck getting it through.

Respectfully Submitted

*Garri R. Constantine*  
Garri R. Constantine

cc: Sen. Kertula  
Sen. Duncan

RECEIVED  
MAR 05 1987

February 15, 1987

Senator Mitch Abood  
P. O. Box V  
Juneau, Alaska 99811

Dear Senator Abood:

This is in response to your hearings concerning the ~~Alaska Longevity Bonus~~.

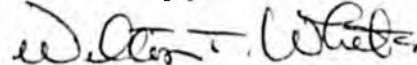
Although I do not fully understand the Annuity Credit alternative proposed in SB57 it appears that it does provide an option for the person(s) electing to remain in Alaska after reaching the age of 65 in the future as well as the continuance of the existing program and therefore I do support SB57.

Regarding the suggested proposal from the Governors office to reduce the amount of the bonus and place a cap on income it fails to differentiate between those who live in subsidized facilities as opposed to those trying to make it on their own on an income often just above the threshold he suggests.

Although I realize that it is unpopular the reintroduction of the state income tax might help resolve this and many other problems you face as it would require 'high income' seniors to participate in the cost of state government as well as helping stabilize the operational income of the state.

Thank you for your consideration.

Sincerely,



Wilton T. White  
Box 254  
Kodiak, Alaska 99615

486-5410

Original sponsors: Kerttula, Halford  
and Fischer

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 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act amending and making effective an annuity  
7 program and amendments to the longevity bonus program  
8 and the permanent fund dividend program provided for  
9 in secs. 2 - 18, ch. 99, SLA 1985; and providing for  
10 an effective date."

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

12 \* Section 1. AS 43.23.110(a) is amended to read:

13 (a) The annuity investment fund is established as a separate  
14 fund in the state treasury. The annuity investment fund consists of  
15 money transferred from the dividend fund, cash contributions under  
16 AS 43.23.125, and income earned by the annuity investment fund.  
17 Notwithstanding AS 37.13.145, an amount equal to the permanent fund  
18 dividends taken as annuity credits under this chapter shall be annual-  
19 ly transferred from the dividend fund to the annuity investment fund.

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23 AS 43.23.005(d) but does not elect to do so or who elects to receive  
24 only a portion of the permanent fund dividend as an annuity credit may  
25 make a cash contribution to that individual's annuity account. The  
26 total amount credited and contributed to an annuity account in a year  
27 may not exceed the amount of the permanent fund dividend for that  
28 year.

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3 the age of 65.

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

22 \* Sec. 5. AS 43.23 is amended by adding a new section to read:

23 Sec. 43.23.135. EMERGENCY WITHDRAWALS. An individual may make a  
24 withdrawal from that individual's annuity account before reaching the  
25 age of 65 if the individual establishes to the satisfaction of the  
26 commissioner that the withdrawal is necessary to meet an unforeseeable  
27 emergency. The amount withdrawn may not exceed the amount actually  
28 necessary to meet the emergency. The commissioner shall define the  
29 term "unforeseeable emergency" by regulation. An individual may only

1        make one withdrawal under this section and may pay it back with inter-  
2        est under terms established by the commissioner.

3        \* Sec. 6. Section 1, ch. 99, SLA 1985, is repealed.

4        \* Sec. 7. Chapter 99, SLA 1985, and secs. 1 - 5 of this Act apply only  
5        to permanent fund dividends for years beginning after December 31, 1987.  
6        Notwithstanding the amendments to AS 43.23 made by ch. 99, SLA 1985, and  
7        this Act, permanent fund dividends for 1987 and prior years shall be made  
8        under the law as it existed before the effective date of this Act.

9        \* Sec. 8. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465 3800

MEMORANDUM

February 19, 1987

SUBJECT: Letter of intent for CSSB 56(SA)  
(Longevity Bonus)

TO: Senator Mitch Abood  
Chairman, State Affairs Committee

FROM: Keith B. Levy *KBL*  
Legislative Counsel

Enclosed is a draft Committee Substitute for SB 56, relating to the Alaska longevity bonus and the annuity program. You also requested a letter of intent pertaining to the bill. This office does not generally prepare letters of intent. However, the following language incorporated into a letter of intent should accomplish your purpose:

It is the intent of the legislature 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.

If I may be of further assistance, please advise.

KBL:mkr  
m9/029

Enclosure

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU, ALASKA 99801  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

February 7, 1987

SUBJECT:           Durational residency requirement for  
                  longevity bonus (SB 56 and SB 57)

TO:                 Senator Mitch Abood, Chair  
                  Senate State Affairs Committee

FROM:              Keith B. Levy <sup>KBL</sup>  
                  Legislative Counsel

You have asked whether making the Alaska longevity bonus a "needs based" program with an income cap for eligibility of \$20,000 or \$25,000 would require reducing the residency requirement for the program from one year to 30 days. While it is difficult to predict with certainty the maximum durational residence requirement that is constitutionally permitted under any particular set of facts, it is true that making the longevity bonus "needs based" would open the current one year requirement up to serious attack.

A one year durational residency requirement presents potential constitutional problems in any state legislation. In the case of a program which provides the "basic necessities of life," however, the invalidity of such a durational residence requirement is almost certain. Thus, a one year residence requirement for the longevity bonus program, even in its current form, is open to constitutional challenge. Making the program "needs based" would make a successful challenge more likely if the court views the program as providing the basic necessities of life.

In Shapiro v. Thompson, 394 U.S. 618, 22 L.Ed.2d 600 (1969), the United States Supreme Court struck down various state provisions requiring indigents to be state residents for one year before being eligible for state welfare benefits. The court observed that in each case there was no question that the indigents were state residents, but they were being denied welfare benefits solely because they had not been residents for the one year period. The court concluded

that, while the state may require that welfare recipients be state residents, the one year requirement penalized the constitutional right to travel:

. . . any classification which serves to penalize the exercise of that right, unless shown to be necessary to promote a compelling governmental interest, is unconstitutional. (Emphasis in original.) Shapiro, 22 L.Ed.2d, at 615.

The court rejected various arguments of the states involved, including the argument that the one year waiting period served to prevent fraudulent receipt of benefits. The court pointed out that fraud can be prevented and residency established without the extensive waiting period. Shapiro, 22 L.Ed.2d, at 616 - 617.

In a footnote, the Shapiro court did state that its ruling was limited to the facts of the case:

We imply no view of the validity of waiting-period or residence requirements determining eligibility to vote, eligibility for tuition-free education, to obtain a license to practice a profession, to hunt or fish, and so forth. Such requirements may promote compelling state interests on the one hand, or, on the other, may not be penalties upon the exercise of the right of interstate travel.

Shapiro, 22 L.Ed.2d, n. 21, at 617.

The holding in Shapiro was extended to apply to medical benefits in Memorial Hospital v. Maricopa County, 415 U.S. 250, 39 L.Ed.2d 306 (1974):

Whatever the ultimate parameters of the Shapiro penalty analysis, it is at least clear that medical care is as much "a basic necessity of life" to an indigent as welfare assistance. And governmental privileges or benefits necessary to basic sustenance have often been viewed as being of greater constitutional significance than less essential forms of governmental entitlements. (Footnotes omitted. Memorial Hospital, 39 L.Ed.2d, at 315.)

The court acknowledged that a one year residence requirement may sometimes be justified, as in the case of charging lower tuition to one year residents attending a state university:

While we fully recognize the value of higher education, we cannot equate its attainment with food, clothing and shelter. Shapiro involved the immediate and pressing need for preservation of life and health of persons unable to live without public assistance, and their dependent children. Thus, the residence requirement in Shapiro could cause great suffering and even loss of life. The durational residence requirements for attendance at publicly financed institutions of higher learning do not involve similar risks. (Memorial Hospital, 30 L.Ed.2d, n. 15, at 316.)

Accordingly, the court left open the possibility that a one year residence requirement could be upheld in certain instances, but not where the benefit involved is one of the basic necessities of life.

It is difficult to say whether the Alaska Supreme Court would view an income cap of \$20,000 or \$25,000 as making the longevity bonus a benefit involving the "basic necessities of life" within the meaning of the Shapiro and Memorial Hospital cases. It can certainly be argued that any income cap would make the program a "welfare" benefit so that the court would view it as providing basic necessities. And the lower the income cap gets, the more likely the court will reach this conclusion. Thus, a \$20,000 income cap is more subject to challenge than a \$25,000 cap.

Section 1(b), ch. 38, SLA 1984, states:

The longevity bonus program is not a form of welfare and is not a substitute for or supplement to public assistance. Other programs are available to provide the basic necessities of life. The longevity bonus program is intended to encourage elderly Alaskans to spend their retirement years in the comfort of their homes.

This language is obviously intended to protect against a challenge under Shapiro and Memorial Hospital. However, setting an income cap on eligibility for the bonus would seem to repudiate that language by making the bonus available only to those Alaskans who need it.

In Dunn v. Blumstein, 405 U.S. 330, 31 L.Ed.2d 274 (1972), the United States Supreme Court struck down a one year residence requirement for the right to vote as penalizing that important constitutional right. In a similar case, the Alaska Supreme Court struck down a 75 day residence requirement for voting in state elections. State v. Van Dort, 502 P.2d 453, 454 (Alaska 1972). In each case, however, the court did find that a 30 day residence requirement would serve the compelling state interest in preventing voter fraud and voting by nonresidents.

In subsequent cases, the Alaska Supreme Court seems to have taken an even broader interpretation of the right to travel and a more critical view of durational residence requirements than the United States Supreme Court. For example, in State v. Adams, 522 P.2d 1125 (Alaska 1974), the court held that a one year residence requirement to obtain a divorce in a state court violates the state constitution. This is in contrast to the United States Supreme Court opinion in Sosna v. Iowa, 419 U.S. 393, 42 L.Ed. 2d 532 (1976), in which the court upheld Iowa's one year residence requirement for seeking a divorce in the state, under the federal constitution. The court in Adams went so far as to say:

All durational residency requirements inherently infringe upon the fundamental constitutional right of interstate travel. Hence, all such requirements are prima facie invalid and will be countenanced only when they serve a compelling state interest. (Footnotes omitted. Adams, at 1131.)

In State v. Wylie, 516 P.2d 142 (Alaska 1973), the court struck down a one year residence requirement for public employment, saying the state had failed to advance a compelling justification for the requirement.

The standard for reviewing durational residence requirements in Alaska was altered somewhat after the Alaska Supreme Court adopted a new test under which state equal protection challenges are considered:

The classification must be reasonable, not arbitrary, and must rest upon some ground of difference having a fair and substantial relation to the object of the legislation, so that all persons similarly circumstanced shall be treated alike. (Isakson v. Rickey, 550 P.2d 359 (Alaska 1976).)

Even under the new standard, however, the court requires the state to provide a high level of justification before it will sustain a durational residence requirement. Applying this new standard, the court struck down a borough ordinance requiring one year of residence in the borough to participate in the borough's land lottery. Gilman v. Martin, 662 P.2d 120 (Alaska 1983).

The significance of the Adams, Wiley, and Gillman cases is that the court struck down the one year residence requirements even though they did not involve "basic necessities of life." Thus, it appears that the Alaska Supreme Court goes much further than the United States Supreme Court in durational residence challenges. Accordingly, even if the longevity bonus is not viewed as providing the basic necessities of life, the one year residence requirement could be overturned by the court. The Alaska Supreme Court has upheld durational residence requirements for eligibility to run for the state legislature (Gilbert v. State, 526 P.2d 1131 (Alaska 1974)); for eligibility to perform jury duty (Hampton v. State, 569 P.2d 138 (Alaska 1977)); and for eligibility to run for a municipal office (Castner v. City of Homer, 598 P.2d 953 (Alaska 1979)). However, the distinguishing factor in each of these cases is that the residence requirement was for a position involving important policy making responsibilities.

The longevity bonus in any form seems to be more akin to the cases in which the durational residence requirements were struck down than the cases in which they were upheld. It is simply a state benefit, not a policy making position. The kinds of justifications the state could put forth for the one year requirement -- protection of fiscal integrity of the program and preventing people from moving to the state solely to obtain the benefit -- have been rejected by both the Alaska Supreme Court and United States Supreme Court. However, setting an income cap for eligibility for the program will certainly add to the arguments against the one year requirement, since such a change is likely to make the program more of a "basic necessity of life" rather than a mere supplement to income.

In Jeffrey v. Colorado State Department of Social Services, 599 P.2d 874 (Colorado 1979), the Colorado Supreme Court struck down a state old-age pension plan which contained a durational residence requirement. The court rejected the argument that the pension was merely an income supplement

Senator Abood  
February 7, 1987  
Page 6

because, under state law, the pension benefit was reduced in proportion to the amount of an individual's other income. This provision made it clear to the court that the pension was intended to meet the basic necessities of life, not to supplement other income. Similarly, setting an income cap on eligibility for the longevity bonus would add to the arguments that the program provides basic needs and the one year durational residence requirement is unconstitutional.

In conclusion, it is possible that the Alaska Supreme Court would find the one year residence requirement for the longevity bonus unconstitutional even in the program's present form. However, setting an income cap for eligibility for the program will certainly add to the likelihood that the residence requirement would be struck down if challenged. The strength of such a challenge will depend, in part, on the details of how the "needs based" program would operate. The lower the level of income at which an individual becomes eligible, the greater the likelihood that the court will view the program as providing the basic necessities of life, thus increasing the chance that the one year requirement will be struck down.

If I may be of further assistance, please advise.

KBL:mkr  
m8/105

Original sponsors: Kerttula, Halford  
and Fischer

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

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5 A BILL

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# 1986 Ballot Measure No.3

## Questions and Answers About Proposed Longevity Bonus Alternatives

September 1986

Division of Strategic Planning

**OMB**

STATE OF ALASKA  
BILL SHEFFIELD, GOVERNOR

STAFF PAPERS AND REPORTS

OFFICE OF MANAGEMENT AND BUDGET

**QUESTIONS AND ANSWERS  
ABOUT PROPOSED  
LONGEVITY BONUS ALTERNATIVES**

By Gregg Erickson

September 1986

Division of Strategic Planning  
Office of Management and Budget  
State of Alaska

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## Introduction

In November 1986 Alaska's voters will be asked to advise lawmakers on the future of the Alaska longevity bonus program. The voter's pamphlet prepared by the Division of Elections contains a description of the ballot measure, including *pro* and *con* statements. This report provides a more detailed analysis of the alternative proposals, and why the legislature decided to put the matter before the electorate.

Gordon S. Harrison  
Associate Director  
September 1986

## QUESTIONS AND ANSWERS ABOUT PROPOSED LONGEVITY BONUS ALTERNATIVES

### *What is the Alaska Longevity Bonus?*

The bonus program pays \$250 per month to almost every Alaskan resident who is 65 or older and who has lived in the state for the one year immediately preceding the date of application.

### *How long has the state been making these payments?*

The program was established in 1972, and the first checks were sent out in January of 1973. Initially the monthly check was \$100, but increases were granted in 1976, 1978, 1980, and finally in 1981, when the present level of \$250 per month was established. Until 1984, eligibility was restricted to persons who were present in Alaska during territorial days, and who had 25 years continuous residency in Alaska. In 1984, however, the residency requirement was reduced to one year, opening the program to most elderly Alaskans.

### *Isn't it pretty unusual for a state to pay its residents money just because they happen to be above a certain age?*

Alaska is the only state where age alone entitles a person to a cash benefit, but it is quite common for non-cash benefits or various subsidies to be awarded solely on the basis of age. For example, persons 65-and-over are entitled to an additional federal income tax deduction, and many states allow property tax credits to the elderly.

### *What purpose was the bonus supposed to serve?*

It was to provide elderly, longtime Alaskans with "an incentive to continue uninterrupted residency in the state." In 1972, only 2.3 percent of all Alaskans were 65 years of age or older, compared with 10 percent for the nation as a whole. The 1972 legislature concluded that the high costs and rigors of Alaska life were forcing "pioneers...to live out their retirement years in areas far away from the land they loved and nurtured,...[thus] depriving future generations of Alaskans of the benefits of their wisdom and experience." The lawmakers went out of their way to emphasize that the payments were not to be considered as any "form, type or manner of public relief," but rather a reward for hardships suffered during territorial days and an incentive to remain in the state.

### *If the purpose of the bonus program was to keep oldtimers from leaving, why did the state open the program to newcomers in 1984?*

In April 1984, in the case of *Vest v. Alaska*, the Alaska Supreme Court ruled that the residency requirements of the bonus program violated the equal protection provisions of the Alaska and U.S. constitutions. Rodney Vest, the plaintiff, had

established residence in Alaska in April 1959. Under the original law, Vest would never have been eligible to receive the bonus because he arrived in the state three months after it ceased to be a territory. In 1982, at the age of 67, Vest argued that it was unfair and unconstitutional to deny him the payments just because he was a relative newcomer.

The court agreed, explaining that "[i]t is [the] supposition that living in territorial Alaska makes an individual entitled to special *legal* stature that is impermissible. The federal Constitution prohibits states from making such determinations. The basic predisposition to take care of one's own -- and no one else's -- is no longer a permissible goal for a state that has joined the federal union." The court did not order the state to pay Mr Vest the bonus. Instead, it struck down the entire program. With the final Supreme Court decision in the Vest case coming in early April of 1984, the legislature had to produce some sort of constitutional replacement for the bonus in the final two months of the session, or see the program expire altogether.

Even though it never directly benefited more than about two percent of the state's population, the residency-based bonus program had enjoyed broad political support. Sudden financial dislocations to the 10,000 elderly receiving the bonus in early 1984 would not have been desirable under any circumstances; legislators had no trouble agreeing that it was particularly undesirable in a year when 51 of the 60 legislative seats were up for election. Although a number of other approaches were proposed, legislators soon decided that it was better to extend the bonus to the 5,000 elderly not then receiving the entitlement, than to cut off, "cold turkey," the 10,000 who were. A bill was passed which re-established the bonus as a program for almost everyone over 65 with one year of Alaska residency. (To avoid loss of federally funded welfare benefits, the legislature later removed the eligibility of persons in nursing homes.)

The new law was to be temporary, and by its own terms was to be repealed in June of 1985, though the next legislature put that date off into the indefinite future. A special committee was established, chaired by former Governor Jay Hammond, to report in early 1985 on the feasibility of replacing the bonus "with an annuity program, a needs based program, or other longevity program." Establishment of the Hammond committee and the limited life assigned to the newly universalized bonus reflected the view that the fundamental changes in the bonus program forced by the courts and growing costs required a major rethinking of this part of the state's policy toward the elderly.

***How much additional cost resulted from opening the program to everyone 65-and-over?***

The program cost \$27.5 million in fiscal 1983, the last full fiscal year of the residency-based program; in the first full fiscal year of the universalized program (FY 85) the cost was \$43.1 million, a 57 percent increase. Costs of the universal program (which we still have) are currently growing at a rate of about 6 percent per year. Some evidence suggests that the availability of the bonus has caused a

slight increase in elderly migration to Alaska, mostly by individuals with adult children in the state. But even without this effect other demographic factors suggest that the number of 65-and-over Alaskans will get larger, even if the state as a whole loses population. Unless there are program changes, OMB estimates that the bonus's share of the state's general revenues will grow, due to the combination of declining spending elsewhere and an expanding elderly population, from about 1.8 percent in fiscal 1986 to the neighborhood of 4 percent in fiscal 1990. The prospect of this fiscal growth has forced politicians to search for alternatives to the current bonus program.

*What alternatives have been considered?*

More than a dozen proposals have been advanced, but in general there have been four different approaches.

1. Phase-out the bonus over a relatively extended period, either by gradually reducing the monthly benefit (say, by \$25 per year), or by progressively raising the eligibility age. The latter approach was sometimes described as "stairstepping," and in 1985 was generally the approach taken by the House of Representatives

2. Transform the bonus into a welfare program. Only those elderly able to demonstrate "need" in relation to some measure of wealth or income would receive payments.

3. Two plans were advanced that would require recipients to provide some sort of public service work to maintain eligibility for the bonus, but would otherwise leave the universal elderly benefit unchanged.

4. Gradually replace the publicly funded bonus payment (which would be phased-out over a period of years) with the proceeds of an individually purchased annuity. (An annuity is a contract which guarantees the holder regular payments under specified circumstances, for example monthly payments after the holder reaches a certain age.) Funds for purchase of the annuity contract would come from the individual's own permanent fund dividend. Those who chose to keep their dividend would receive no annuity payments and after the phase-out, no bonus payments either.

The Hammond committee recommended a type of annuity plan tied to the Permanent Fund dividend, although a minority on the committee favored either a more straightforward phase-out of the bonus or its transformation into a public assistance program with a "needs" test for eligibility. In 1985, legislators were able to agree on phasing-out the bonus as a universal entitlement for elderly Alaskans, but could not agree on how to accomplish that objective.

The House supported a relatively uncomplicated phase-out, accomplished by restricting eligibility to individuals who reach 65 before January 1, 1988. Costs would begin to decline in 1988 as mortality gradually reduces the size of the eligible population. The Senate favored a version of the Hammond committee's annuity plan. The Senate would also phase-out payments from general revenue, though not as quickly as the House proposal. Costs under the Senate plan would continue to increase until about 1994. Individuals who had opted to enroll in the annuity part of

the Senate plan (and had given up their dividends) could eventually receive annuity payments comparable to the old bonus payments.

After the two sides had been deadlocked for several weeks, they adopted both ideas into law, but made neither effective until the other is repealed. The idea was that one or the other plan would be repealed in 1987. To help the 1987 legislature decide, the advice of the voters will be solicited at the November 1986 election. Until the legislature acts again the current bonus program -- with its growing population of beneficiaries -- remains on the books.

*So in November voters will be choosing between the Senate's plan and the House's plan?*

Not exactly. The ballot measure will briefly describe both proposals, and note that both were adopted into law but that neither will take effect unless the legislature chooses one of them. Then it will ask "Should the legislature adopt the annuity option?" -- yes or no.

*But if a majority votes "no" on the Senate's annuity plan, won't the House plan be put into effect?*

Not necessarily. Although the legislature's actions imply that a "no" vote is a vote for the House plan, the members of the 1987 legislature may see it only as a vote against the Senate approach. Even an unambiguous "yes" vote does not insure that the legislature will act to put the annuity phase-out plan supported by the Senate into effect. This is only an advisory ballot; regardless of what voters may intend by voting "yes" or "no," legislators are legally free to disregard the results of the advisory ballot.

*Why didn't the legislature put both options directly before the voters, and have whichever plan the voters approved become law?*

It is not clear why the legislature decided to put the question to the voters as a "yes" or "no" on the Senate proposal rather than a choice between the alternatives on which the legislature deadlocked. We do know why the vote is advisory only: According to attorneys, allowing the voters to actually choose which proposal becomes law would be an unconstitutional and illegal delegation of legislative power.

*Who actually wrote the language of the ballot measure?*

The legislature included language for the ballot measure in the 1985 act. The language that will appear on the ballot is slightly different, having been revised for clarity by the lieutenant governor, the state's chief elections officer. The wording that will appear on the ballot is found in Appendix B. The original ballot language can be found on page 12 of the current longevity bonus law, reprinted here in Appendix D.

***How would the bonus be changed if the 1987 legislature adopts either of the two proposals?***

Let's start with the House proposal since it is simpler. If you were born before January 1, 1923, the bonus program will continue for you as if nothing had changed. If you were born on or after that date you will get nothing. Looking at it another way, if you turn 65 before 1988, you are grandfathered "in;" if your 65th birthday comes in 1988 or anytime after, you are "out."

Among the effects of the House plan is that everyone getting the bonus now will remain eligible in the future. Another effect of this arrangement is that the minimum age to qualify for the bonus will increase by one year each year. At the beginning of 1989, eligibility will be restricted to those 66 and older; at the beginning of 1990, the only persons eligible will be age 67 and older. By the year 2034 the eligibility age will have risen to 111. Somewhere around that time the last eligible individual in Alaska will have died, and the program will end.

***What about a person born before 1923 who just arrived in Alaska? Do newcomers get the bonus too?***

Yes, after they have lived in Alaska for the required one year. A person arriving in Alaska in 1990 at age 70, for example, would be eligible sometime in 1991, after he or she had established residency by living here for one year.

***How about an eligible person who leaves Alaska and then returns?***

Before receiving each month's check, recipients certify with a postcard that they are physically present in Alaska. Bonus recipients who plan to be absent from the state for more than 30 days are required to notify the state so that payments can be stopped. Payments immediately resume when the person returns if the total time voluntarily spent out of state during the preceding 12 months was less than 90 days. If the total voluntary absence is greater than 90 days the individual is treated like any other newcomer, and must wait a full year to again qualify.

Until 1985, the limit on voluntary absences was 180 days. Analysts have long noted a seasonal cycle in bonus payments with peaks occurring in late summer and troughs in late winter which were believed to reflect increased travel outside the state during the colder months. After shortening the length of a permitted absence, several hundred otherwise eligible recipients dropped out of the program, suggesting that some elderly Alaskans may be willing to forgo the financial benefits of the bonus in favor of maintaining the practice of prolonged winter trips out-of-state.

***Would this 90 day limit also apply under the Senate plan?***

Yes. With respect to people born before 1923 (e.g., people who reach 65 before 1938) the two proposals and the current law are identical -- those people are grandfathered and for them it will be as if the law were never changed. People born after 1937 (e.g. people now younger than 49) would also be treated identically under either the House or Senate proposal -- they will never get a bonus.

*The differences between the Senate and House plans must be particularly important for people born between 1923 and 1937, since the choice doesn't seem to matter for anybody else.*

The only individuals with a direct personal stake in the choice between the two alternatives for phasing-out the bonus are people born between 1923 and 1937, i.e., people who are now between age 49 and age 63. Under the House plan they will never receive a bonus. Under the Senate plan they would receive a bonus after they turn 65, but the amount of the bonus check would be reduced each year in step with the increasing maximum possible annuity payment obtainable under the Senate annuity proposal.

In a general sense, of course, everyone has a stake in the choice of plan, as citizens in a more or less just society and as taxpayers whose money is redistributed to the elderly by means of the bonus program.

*What is "the maximum possible annuity payment" under the Senate plan, and how does it relate to the bonus that the Senate plan would give to persons who become 65 in 1988 or later?*

The Senate plan would create an optional annuity purchase program funded with permanent fund dividends. If you chose the maximum level of participation in the program (which would be available only to those born in 1923 or later) you would receive no dividend. Instead, the state would use your money to establish an annuity account on your behalf. Interest earned on your investment would accrue to the account, and on reaching age 65 the money in the account would be used to purchase an annuity, probably from a large insurance company, with you as the beneficiary. For the rest of your life you would get a fixed monthly annuity check. The amount of the declining bonus received by persons with birth dates in 1923 or later is determined by amount of the maximum possible monthly straight life annuity payment for a person giving up all possible permanent fund dividends, subtracted from \$250. The idea was that the combined bonus and annuity of those who made the maximum contributions would never fall below \$250 per month.

For example, a person turning 65 in 1988 (i.e., born in 1923) would have had the opportunity to give up only one dividend, of about \$600. The maximum straight life annuity that could be purchased with \$600 for a person age 65 would be about \$5 per month, so the bonus in 1988 for persons turning 65 in that year would be about \$245 per month.

A person turning 65 in the year 2000 (i.e., someone now age 51) could have contributed a maximum of 13 full permanent fund dividends. OMB estimates that the maximum annuity obtainable from this investment in 2000 will be about \$164 per month. Thus the bonus received in 2000 by everyone between the ages of 65 and 77 would be \$86 (\$250 minus \$164). This bonus would be received regardless of whether or not the individual had participated in the proposed annuity program. As shown in the table below, sometime around 2003, the maximum annuity will exceed \$250 per month. Thereafter no bonuses will be paid to persons born in 1923 or

later. The table is necessarily based on guesswork concerning future permanent fund dividends, annuity investment earnings, and the implementation of the annuity mechanism in the Senate bill. The exact amounts will not be known until a few months before they are paid.

Table 1.  
**SENATE ANNUITY PLAN**  
 Estimated Monthly Bonus Payments For Persons  
 Reaching Age 65 in 1988 or Later (Born in 1923 or Later)

<u>Fiscal Year</u>	<u>Maximum Monthly Annuity</u>	<u>Monthly Bonus</u>
1988	\$5	\$245
1989	\$12	\$238
1990	\$29	\$231
1991	\$27	\$223
1992	\$36	\$214
1993	\$46	\$204
1994	\$57	\$193
1995	\$70	\$180
1996	\$85	\$165
1997	\$101	\$149
1998	\$120	\$130
1999	\$141	\$109
2000	\$164	\$86
2001	\$190	\$60
2002	\$219	\$31
2003 and after	further growth	\$-0-

Remember, persons who reach 65 before 1988 are not affected by the declining bonus. They continue to get the full \$250 per month under either the House or Senate proposals.

***Who will be responsible for managing my annuity account investment?***

The state Commissioner of Revenue.

***Suppose I put my dividend into the annuity. Can I get my money out if I have a sudden financial emergency?***

No. Once invested in the state sponsored annuity your money will not be available to you until you become 65, and then only as monthly annuity payments.

***Do I lose my annuity if I leave the state?***

No. If you invested in the annuity program and are 65 or over, you are entitled to your monthly annuity check, regardless of where you reside. The checks won't necessarily start coming by themselves, however; you will probably have to apply for them.

***What if I should die? Will my survivors get anything?***

Persons contributing to the annuity will be able to choose a survivor benefits option, but doing so will reduce the monthly annuity amount that you will receive. The declining bonus amounts shown in Table 1 are calculated using the "maximum possible straight life annuity," which is obtained by foregoing all dividends and not choosing the survivors option. The annuity investments of those who die before age 65, without having chosen the survivor option will be divided equitably among the accounts of those who survive.

***Assuming the Senate plan is adopted, can I avoid paying income taxes on my permanent fund dividend by giving it to the state to put in my annuity account?***

No. Regardless of whether you take the dividend in cash or have it put in your annuity account, you still will be required to report it as taxable income on your federal income tax return.

***What about the interest earned by my annuity account or the monthly annuity payments? Would taxes be due on either of these?***

Under the current federal income tax law, the interest earned on your annuity account is not taxable as it accrues. Any tax liability on the interest accruals is avoided through wording in the statute that denies any legal obligation to pay anything to you. When you do receive your annuity payments, however, you will have to pay taxes on the part of each annuity payment that is paid from the interest earnings on your contributions.

***Are you saying that the state is not legally bound to pay me back any of the permanent fund dividend money I might deposit in my annuity account?***

That is correct. The law says that notwithstanding anything else, the state "is not obligated to provide annuity payments for annuity credits...." (AS 43.23.130 .) Without this language you would be required to pay taxes each year on the interest accruing to your account. According to the attorney general's office, the state's deferred compensation plan for its own employees operates under similar language.

***How would the proposed revisions to the federal tax code affect the Senate's annuity plan?***

The effects of the new tax bill on the annuity program are not yet clear.

***Could I take my permanent fund dividend to an insurance company right now, and use it to buy an annuity much like the one that the state would be offering under the Senate plan?***

Yes, many such plans are available from insurance companies, banks, and other institutions.

***Will the state annuity proposed under the Senate plan be more attractive than plans now available from insurance companies and others?***

Alaskans will choose or not choose to give up their dividend based on the details of the annuity program available from the state, the earnings rate that they expect to receive from the state, and how well the program is marketed. None of these details are known, but there are reasons to anticipate that few people will opt for the annuity.

***Why might the annuity plan not be popular?***

A dividend recipient must first decide that he or she wishes to devote the proceeds of the dividend to obtaining additional retirement security. National economic data indicates that Americans devote less than 10 percent of incremental income to savings as a whole. Retirement saving, such as the proposed annuity plan, is a smaller subcategory. Demographic and economic factors suggest that the marginal savings rate in Alaska is lower, although surveyed recipients of the 1982 and 1983 dividends reported that they devoted from 18 to 20 percent of those dividends to savings generally. In any event, the percentage of their dividend that most Alaskans would wish to save is likely to be less than the minimum 25 percent annuity contribution allowed under the Senate proposal.

But if a dividend recipient should wish to devote as much as 25 percent of the dividend to retirement savings, will he or she prefer the state's annuity plan over the alternatives? Insurance industry sources, though naturally disposed to favor their own annuity products, are confident that few will choose the state plan over their own offerings, in part due to the inaccessibility of the individual's investment under the Senate plan. "When I sell annuities to people, the one thing everyone asks about is the ability to get their money out in an emergency," noted one agent. "I just don't think anyone will be very interested in a plan that doesn't have that escape hatch, even if it did offer a better earnings rate."

These factors might be overcome by aggressive marketing or relative ease in obtaining the state sponsored annuity. If the Senate annuity plan is adopted, however, a section along the following lines will have to be added to the permanent fund dividend application.

**SECTION 11.**

**(CHECK ONLY ONE BOX.)**

A. I wish to receive 100 percent of my dividend as cash in a check from the state

*If you checked box A you have completed your dividend application. Be sure it is properly signed and witnessed and received by the Department of Revenue or postmarked before June 30, 1987.*

B. I wish to have all or part of my dividend used to create an annuity account which will be maintained for me by the state.

*If you checked box B, you must use the boxes in Section 12 on the next page to choose the options you prefer.*

**SECTION 12.**

A. How much of your dividend should go to you as cash and how much to your annuity account (CHECK ONLY ONE BOX).

- 100 percent to my annuity account.
- 75 percent to my annuity account, 25 percent to me as cash in a check from the state.
- 50 percent to my annuity account, 50 percent to me as cash in a check from the state.
- 25 percent to my annuity account, 75 percent to me as cash in a check from the state.

B. Indicate below whether or not you wish to choose the survivor's option. Remember, you may not change your choice once an annuity credit is issued to your account.

(CHECK ONLY ONE BOX).

- I do not want the survivor's option. I understand that my survivors will receive nothing from my annuity should I die before reaching age 65.
- I want the survivor's option. I understand that my annuity payments on reaching age 65 will be reduced as a result of this choice.

Experts will no doubt word the application differently. Even so, the natural inclination of most applicants will be to choose the cash and skip the rest.

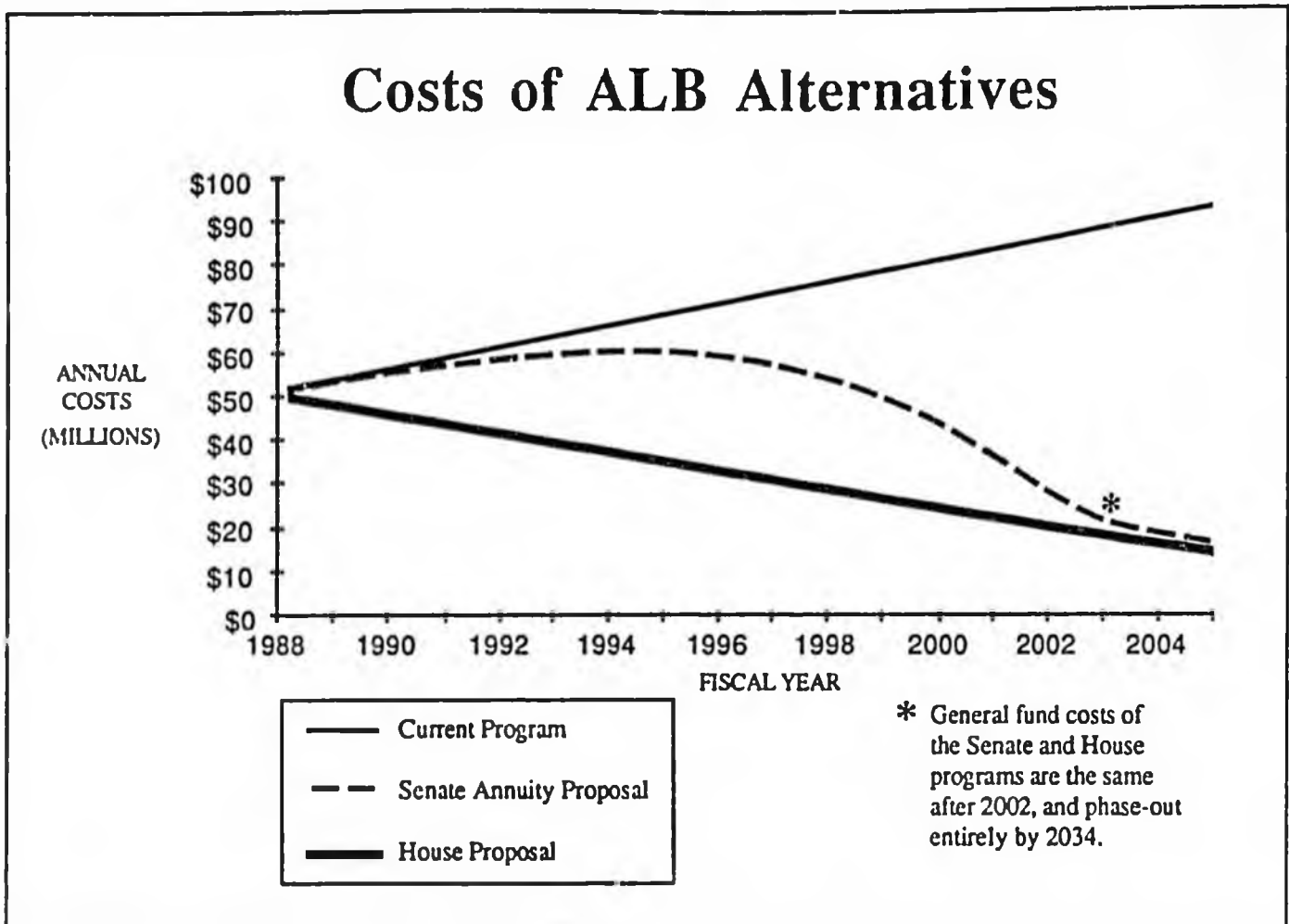
***Will a shortage of annuity participants create any problems?***

The administrative costs of the annuity program are to be deducted from the annuity investment fund. These deductions will likely be a proportionately greater burden if relatively few Alaskans choose to participate in the annuity program.

***What about the cost to the taxpayers? The Senate plan is better for folks who are now 49 to 63, but doesn't that also mean it is going to cost more?***

Yes, because it pays bonuses to those younger individuals the Senate annuity plan will cost more than the House approach, especially during the 1990s. For example, OME estimates that in 1995 the cost of the House program will be \$34.6 million, compared with \$59.2 million for the Senate bill in that year. After about 2002, the declining bonuses which the Senate program will pay to these younger individuals will have been eliminated by the increasing maximum annuity, so the costs of both programs will be the same after that year. The total costs through the year 2002 are \$521 million for the House plan, \$774 million for the Senate plan, and \$1,026 million for the current law. Under either the House or Senate program all costs will end by 2034. Here is a chart showing the annual estimated costs of the House and Senate alternatives and the costs of the current law if it is left unchanged. The annual costs are also shown in the Table in Appendix A.

Chart 1



***What happens if the permanent fund dividends are eliminated sometime in the future?***

Under the Senate proposal, permanent fund dividends play a critical role in the phase-out of bonus payments. Indeed, if the dividends were eliminated in 1987, the result -- under the Senate proposal -- would be an indefinite continuation of the bonus. In the Senate plan the declining dividend going to those born in 1923 or later is determined by subtracting the maximum possible monthly annuity from \$250. But what if the maximum possible annuity is zero, as it would be if the dividend program were eliminated in 1987? In that case the bonus of those born in 1923 and later would never decline below \$250 per month, and no phase-out would occur. Costs of the Senate program would then be the same as costs of continuing the current program.

Elimination of the dividends in later years would mean that the maximum possible monthly annuity would grow much more slowly than anticipated, and the bonuses received by those born in 1923 or later would decline more slowly than shown in Table 1. As a result, the costs of the Senate plan would be greater than the amounts shown in Chart 1 and Appendix A, though still less than the costs of continuing the current program.

*Assuming the Senate plan were adopted, doesn't the tie between the dividend and the annuity lock the state into the dividend program in the future?*

That argument has been made. As a legal matter, the legislature would remain perfectly free to eliminate either the dividend, the bonus program, or both at any time it chose. As a practical matter, the connection between the two programs under the Senate proposal may make the dividend politically more difficult to eliminate. Some see that as a good result, others the opposite.

## 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	35.8	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.

## APPENDIX B

### Ballot Language For Advisory Vote on Longevity Bonus Annuity Program

The Fourteenth Alaska State Legislature considered two alternatives to the present longevity bonus program. Both were adopted into law, but neither will take effect unless the legislature chooses one of them. The legislature has asked for an advisory vote of the public on the annuity option which is described below.

The annuity option provides that every individual who reaches age 65 by January 1, 1988, including those already receiving the bonus, would receive a longevity bonus payment of \$250 per month. In addition, a person under age 65 on January 1, 1988, could participate in an optional annuity program by depositing all or part of his or her permanent fund dividends in an account held by the state. Upon reaching age 65, a person would receive a monthly payment in an amount determined by how much was contributed to the account. The annuity payments would be supplemented with declining longevity bonus payments paid for with general funds until the annuity accounts were large enough to provide monthly payments of \$250 a month.

The second option provides that every individual who is 65 years old by January 1, 1988, including those already receiving the bonus, will receive a longevity bonus payment of \$250 per month, but that anybody younger than age 65 by January 1, 1988, would not be eligible for benefits.

Should the legislature adopt the annuity option?

YES ( )      NO ( )

# APPENDIX C



## LAWS OF ALASKA

1985

Source

CCSSB 56

Chapter No.

99

### AN ACT

Relating to a longevity bonus; and providing for an effective date.

---

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

THE ACT FOLLOWS ON PAGE 1, LINE 9

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: June 7, 1985  
Actual Effective Date: Sections 2 - 18 take effect on the date that section 1 of this Act is repealed; section 1 takes effect on the date that sections 2 - 18 of this Act are repealed; sections 19 - 24 take effect June 8, 1985

Offered: 5/11/85

Original sponsors: Ray, Halford,  
Bennett, et al

1 IN THE SENATE BY THE 2d CONFERENCE COMMITTEE  
2 CONFERENCE CS FOR 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 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. AS 47.45.010(a) is amended to read:

10 (a) A person who is 65 years of age on or before January 1, 1988  
11 [OR OVER], who resides in the state for at least one year immediately  
12 preceding application for a longevity bonus under this chapter may  
13 apply to the commissioner of administration for qualification to  
14 receive a monthly bonus of \$250 upon reaching age 65.

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

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

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

21 (d) A person who is eligible to receive a permanent fund divi-  
22 dend under this section, or who is authorized to claim a dividend on  
23 behalf of another under (c) of this section, may elect to receive the  
24 dividend either in cash or as an annuity credit. Alternatively, a  
25 person may elect to receive 25 percent, 50 percent, or 75 percent of  
26 the dividend in cash and the remainder as an annuity credit. A person  
27 who is 65 years of age on or before January 1, 1988 may only receive  
28 the permanent fund dividend in cash and may not elect to receive  
29 an annuity credit.

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

2 (a) The commissioner shall adopt regulations under the Adminis-  
3 trative Procedure Act (AS 44.62) establishing the process for de-  
4 termining the eligibility of individuals for permanent fund dividends.  
5 The commissioner may require an individual to provide proof of eli-  
6 gibility, and the commissioner may use other information available  
7 from other state departments or agencies to determine the eligibility  
8 of an individual.

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

10 (b) The department shall prescribe and furnish an application  
11 form for claiming a permanent fund dividend. The application must  
12 contain a statement of eligibility and a certification of residency in  
13 substantially the following form:

14 I certify that

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

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

21 I understand that a false claim of residency to obtain a perma-  
22 nent fund dividend for myself or for another is a criminal offense and  
23 that if convicted I will forfeit future permanent fund dividends and  
24 that I will lose or must repay all permanent fund dividends that have  
25 been credited or paid to me, and any accrued interest in my annuity  
26 account. I understand that this penalty is in addition to any crimi-  
27 nal penalties imposed.

28 \_\_\_\_\_  
29 (signature of individual, parent,

guardian, or other authorized  
representative)

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

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

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

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

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

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

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

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

1       dend.

2           (b) If the commissioner determines that a cash [PERMANENT FUND]  
3 dividend should not have been claimed by or paid to an individual, the  
4 commissioner may use all collection procedures or remedies available  
5 for collection of taxes under this title to recover the payment of a  
6 permanent fund dividend that was improperly made. A notice of an  
7 improperly paid dividend must be sent to the individual within 10  
8 years after the improper payment. If notice is not sent within the  
9 10-year period, proceedings may not be commenced in court for recovery  
10 of the improper payment.

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

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

20 \* Sec. 11. AS 43.23.055 is amended to read:

21           Sec. 43.23.055. DUTIES OF THE DEPARTMENT. The department shall  
22           (1) annually make payments to individuals who elect to  
23 receive cash under AS 43.23.005(d) [PAY PERMANENT FUND DIVIDENDS FROM  
24 THE DIVIDEND FUND];

25           (2) adopt regulations under the Administrative Procedure  
26 Act (AS 44.62) that establish procedures and time limits for claiming  
27 a permanent fund dividend or for electing an annuity credit; the de-  
28 partment shall set the time limit for applications for permanent fund  
29 dividends so that the number of eligible applicants is determined by

1           October 1 of the year for which the dividend is declared and permanent  
2           fund dividends for a year are paid before April 30 of the year follow-  
3           ing that year;

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

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

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

17           \* Sec. 12. AS 43.23.065 is amended to read:

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

1 expired; or (3) court ordered restitution under AS 12.55.045 - 12.55.-  
2 051 or 12.55.100. A child support obligation under (1) of this sec-  
3 tion has priority over a debt owed to an agency of the state, and a  
4 permanent fund dividend may not be taken to satisfy a debt under (2)  
5 of this section until any portion of the dividend necessary to satisfy  
6 a child support obligation has been taken.

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

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

13 (c) The courts of this state may, as a condition of any civil  
14 judgment or restitution order under AS 12.55.045 - 12.55.051 or 12.-  
15 55.100, require the defendant to take the defendant's permanent fund  
16 dividend in cash.

17 \* Sec. 14. AS 43.23.075 is amended to read:

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

29 (b) An individual who is denied medical assistance under 42

1 U.S.C. 1396 - 1396p (Social Security Act, Title XIX) solely because of  
2 the credit or receipt of a permanent fund dividend by the individual  
3 or by a member of the individual's household is eligible for state-  
4 funded medical assistance under the general relief assistance program  
5 (AS 47.25.120 - 47.25.300). The individual is entitled to receive,  
6 for a period not to exceed four months, the same level of medical  
7 assistance as the individual would have received under 42 U.S.C.  
8 1396 - 1396p (Social Security Act, Title XIX) had there been no perma-  
9 nent fund dividend program.

10 (c) An individual who is denied assistance solely because perma-  
11 nent fund dividends credited to or received by the individual or by a  
12 member of the individual's household are counted as income or re-  
13 sources under federal law or regulation is eligible for cash assis-  
14 tance under the general relief assistance program (AS 47.25.120 -  
15 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual  
16 is entitled to receive, for a period not to exceed four months, the  
17 same amount as the individual would have received under other public  
18 assistance programs had there been no permanent fund dividend program.

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

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

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

23 ARTICLE 2. ANNUITY PROGRAM.

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

1 ly transferred from the dividend fund to the annuity investment fund.

2 (b) Money in the annuity investment fund shall be invested by  
3 the commissioner of revenue in investments authorized under AS 39.-  
4 35.110. The commissioner of administration shall credit the net  
5 income of the annuity investment fund to the individual annuity  
6 accounts.

7 (c) The legislature may annually appropriate to the Department  
8 of Administration an amount sufficient to pay monthly annuity payments  
9 for the subsequent fiscal year under AS 43.23.130 from the annuity  
10 investment fund. Funds appropriated under this subsection shall be  
11 transferred from the annuity investment fund to the Department of  
12 Administration in order to meet the current demands of the annuity  
13 program.

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

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

23 Sec. 43.23.120. ANNUITY PROGRAM. (a) The annuity program is  
24 administered by the commissioner of administration. The commissioner  
25 of administration shall adopt regulations necessary to implement the  
26 annuity program.

27 (b) The commissioner of administration shall maintain records of  
28 individual annuity accounts and make annuity payments under AS 43.23.-  
29 130.

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

4           (b) An annuity under this section is a monthly payment based  
5 upon the principal and accrued interest in the person's annuity  
6 account. An annuity shall be paid as a straight life annuity or other  
7 payment plan authorized by the commissioner of the Department of  
8 Administration. The size of the annuity may not vary on account of  
9 the individual's sex.

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

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

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

1 ed.

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, minus  
14 the maximum possible straight life annuity for a person 65 years of  
15 age under the annuity program (AS 43.23.110 - 43.23.130), as deter-  
16 mined by the commissioner of administration.

17 (b) A person who is 65 years of age on or before January 1,  
18 1988, is entitled to the full longevity bonus payment without reduc-  
19 tion for the annuity program.

20 \* Sec. 19. AS 47.45.030 is amended to read:

21 Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification, a  
22 recipient shall notify the commissioner of administration when the  
23 recipient expects to be absent from the state if the absence is for a  
24 continuous period that exceeds 30 days. After that notification, the  
25 recipient may no longer receive bonuses from the Department of Admin-  
26 istration after the last regularly approved monthly application. Upon  
27 returning to the state, the recipient may again make application for a  
28 bonus. Whenever the absence is for a continuous period that exceeds 90  
29 [180] days the recipient shall be disqualified from receiving bonuses

1 for the next 12 calendar months after returning to the state. However,  
2 when the commissioner of administration determines a period of absence  
3 is beyond the control of the recipient, the recipient may not be  
4 disqualified if the recipient still otherwise qualifies upon returning  
5 to the state. Continual absences from the state, even though  
6 reported, and failure to notify the commissioner of an expected  
7 absence may be grounds for disqualification.

8 \* Sec. 20. AS 47.45.070 is amended to read:

9 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is  
10 one who

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

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

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

1 (4) voluntarily leaves the state and remains absent from  
2 the state for a continuous period of more than 90 [180] days.

3 \* Sec. 21. AS 47.45 is amended by adding a new section to read:

4 Sec. 47.45.122. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) An  
5 individual whose public assistance is denied or reduced solely because  
6 of the receipt of a bonus under this chapter by the individual or by a  
7 member of the individual's household is eligible for assistance under  
8 the general relief assistance program in AS 47.25.120 - 47.25.300.  
9 Notwithstanding the limit in AS 47.25.130, the individual is entitled  
10 to receive the same amount as the individual would have received under  
11 other public assistance programs had the individual not received a  
12 longevity bonus.

13 (b) In this section "other public assistance" means

14 (1) Supplemental Security Income (42 U.S.C. 1381 - 1385);

15 (2) Medicaid (42 U.S.C. 1396 - 1396p); and

16 (3) Adult Public Assistance (AS 47.25.430 - 47.25.615).

17 \* Sec. 22. The lieutenant governor shall place before the qualified  
18 voters of the state at the next general election the following question,  
19 advisory to the legislature. The question shall appear on the ballot in  
20 substantially the following form:

21 Q U E S T I O N

22 Under legislation proposed in 1985, only individuals who turn  
23 65 on or before January 1, 1988, who have lived in Alaska  
24 for at least one year, will be entitled to receive an Alaska  
25 longevity bonus of \$250 a month.

26 The legislature is considering a program that would allow  
27 younger Alaskans to use all or part of their permanent fund  
28 dividend to purchase an annuity that they will receive when  
29 they turn 65, since they will no longer receive the full

SB 56/SSA  
87/88  
H

# Pioneers' Benefits



*Pioneer Woman and Child*

## Annual Report

GOVERNOR STEVE COWPER

DEPARTMENT OF ADMINISTRATION

Commissioner Garrey Peska

DIVISION OF PIONEERS' BENEFITS

Director - Joyce Munson

Deputy Director - June Arkoulis-Sinclair

Longevity Bonus Administrator - Marian Schafer

Manager - Anchorage Pioneers' Home - Roberley Waldron

Manager - Fairbanks Pioneers' Home - Barbara Bathony

Manager - Ketchikan Pioneers' Home - Max LaMare

Manager - Palmer Pioneers' Home - Arleen Davis

Manager - Sitka Pioneers' Home - Gary Sheridan

Cover - "Pioneer Woman and Child"  
Sculptor - Suzanne Cox Johnson  
Commissioned 1981 Dedicated 1983  
Fairbanks Pioneers' Home  
2221 Eagan Avenue  
Fairbanks, Alaska

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

### DIVISION OF PIONEERS' BENEFITS PIONEERS' HOME--LONGEVITY BONUS

STEVE COWPER, GOVERNOR

P.O. BOX CL  
JUNEAU, ALASKA 99811-0211  
PHONE: (907) 465-4416

December 18, 1986

Dear Governor Cowper and honorable Legislators:

On behalf of the Pioneers' Home managers and the staff I now transmit to you the annual report summarizing the Division of Pioneers' Benefits efforts during 1986 to assist Alaska's senior citizens to live in comfort and security in Alaska.

We are proud of our accomplishments during the past year as we continue to have a high level of care at the Pioneers' Homes which provide a home for elderly Alaskans when they can no longer care for themselves within their family sphere. The longevity bonus program continued and served an average of 15,500 recipients each month enabling many older people to remain independent and self-sufficient.

As the age evolution continues and the population of senior citizens grows, the need for senior programs will increase. This evolution has affected the Pioneers' Homes as increased nursing beds are now in demand. The waiting time from the date of application can be up to two years for those needing nursing services. The population within the homes has also changed and the average age is now 82. This means more people are entering at a time in their lives when they are more frail and need more care.

As oil revenues decline I ask the political leadership of Alaska to bear in mind that the first Pioneers' Home was built during territorial days on money borrowed from Seattle. The loan to the state was cosigned by legislators. Historically, Alaska has helped take care of its elderly. The Pioneers' Homes have always had public support. Bond issues have never failed on the ballot. Donations and bequests are made to the system, and a cadre of volunteers donate time and energy to the Homes. The state of Alaska is far ahead of the lower forty-eight states which just now are trying to cope with the 45 percent increase in the number of people over the age of 80.

Speaking as a voice for the frail elderly of this state I thank you for your continued support for the programs.

Sincerely,

  
Joyce Munson  
Director

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## INTRODUCTION

The Division of Pioneers' Benefits is responsible for the administration of the Longevity Bonus Program and the five Pioneers' Homes at Sitka, Fairbanks, Anchorage, Palmer, and Ketchikan.

The Central Office is located in Juneau and consists of a Director and a staff of two funded from the BRU of the Pioneers' Homes. A building management specialist is funded from Capital Projects.

The objective of the Pioneers' Homes is to provide care in comfort, dignity, and safety for up to 600 aged Alaskans who can no longer cope with the problems of daily living without assistance, by providing a sheltered living environment. The average age of residents on admission is 80 years, and the average age of all residents in the homes is 82 years. The homes operate 24 hours per day, seven days per week, 365 days per year. The homes have a staff of 524 employees, of whom 439 are full time.

The Longevity Bonus Program issues monthly payments of \$250 to persons

over age 65 who have lived in the state at least one year immediately before applying as an incentive to continue uninterrupted residence in the state. Over 15,500 recipients were served this year.

Six full-time and one permanent part-time position are dedicated to administering the program. Less than .01 percent of the total amount expended to operate the program was for administrative overhead.

The Division works with the Pioneers' Home Advisory Board which consists of seven members appointed by the Governor. They serve without salary, but are entitled to per diem and travel expenses. The Pioneers' Home Advisory Board conducts annual inspections of the property and procedures of the Pioneers' Homes and recommends changes and improvements to the Governor. Each home is inspected every year. The objective of the Board is to ensure the safety and well-being of the residents of the Pioneers' Homes.

# Pioneers' Homes

past, present, future.



## PAST - THE FIRST PIONEERS' HOME

The first Pioneers' Home was established in March 1913 in the abandoned U.S. Marine barracks in Sitka. At the request of the Territorial Legislature, the U.S. Navy granted permission to use the barracks as a temporary Pioneers' Home for elderly destitute miners needing food and shelter. Miners came from all over the state; many needing nursing care as well as the basics.

Although in a state of disrepair and inadequate for the purpose, the old barracks buildings remained in use for almost 20 years. In 1934 the U.S. Congress transferred title to the land and buildings to the Territory. The barracks were torn down and the present main building of the Home was completed at a cost of \$341,687.62. Under a federal grant the superintendent's home, the nurses' quarters, and a garage were constructed, and the grounds were landscaped. The facility at that time housed about 170 men.

Because there was no hospital in Sitka at that time, nurses and the doctor were available to the townspeople only at the Home. It doubled as an emergency hospital; babies were delivered, and operations were performed at the Pioneers' Home.

Not until 1949 were women admitted to the Pioneers' Home--36 years later. They were housed in temporary quarters purchased with funds appropriated by the Legislature. Finally in 1956, after the construction of a new wing, the first lady pioneer moved into the Sitka Pioneers' Home. Constructed by the Alaska Public Works Administration at a cost of \$800,000, the women's wing also provided rooms for couples.

During the past ten years the Home at Sitka has been remodeled to eliminate dormitories and multiple bedrooms so that each room joins a bath that is private or shared by one other person. The segregated women's and men's wings no longer exist.

Pioneers' Homes Annual Costs  
in Thousands

<u>Year</u>	<u>Ketchikan</u>	<u>Sitka</u>	<u>Fairbanks</u>	<u>Palmer</u>	<u>Anchorage</u>
1985	\$2,231.6	\$3,939.9	\$3,562.9	\$3,477.2	\$7,111.3
1984	2,136.2	3,744.1	3,430.4	3,205.0	7,049.4
1983	2,054.6	3,614.5	3,349.6	3,099.4	5,419.8
1982	1,008.5	3,199.3	3,091.7	2,808.8	3,248.7
1981		2,944.0	2,943.4	2,608.8	3,002.8
1980		2,544.0	2,586.9	2,214.0	2,695.4
1979		2,413.3	2,454.6	2,054.4	2,480.1
1978		2,103.8	2,158.9	1,823.5	1,833.5
1977		1,911.9	2,072.8	1,720.1	445.9
1976		1,765.2	1,802.7	1,320.0	

The Pioneers' Homes have not had significant increases in funding levels over the past five years. The increases are primarily attributable to personal services. The significant increase in the Anchorage Pioneers' Home budget in FY 83 is the result of the opening of the nursing wing. The significant increase in the Ketchikan Pioneers' Home budget in FY 83 represents funding for the first full year of operation.

## PRESENT - ACCOMPLISHMENTS IN 1986

One of the goals of the Division of Pioneers' Benefits in 1986 was to begin a process of standardization of the Pioneers' Homes. A certain amount of autonomy will always remain because of geographical differences, but staffing, budgeting, and level of care for residents should be similar in all homes.

A major concern in FY 86 continued to be that some of the homes were unable to provide, to a certain extent, the increased services now required by individuals living in the residential sections of the homes. These individuals are increasingly requiring more assistance in the most basic activities such as bathing and dressing. The inability to meet these needs with current staff has been and continues to be documented in licensing surveys submitted by the Health Facilities Licensing and Certification Section, Department of Health and Social Services. In FY 86, the Division requested and received for FY 87 new positions funded with excess program receipts generated by the Pioneers' Homes.

The Central Office has increased support services to the homes and has arranged semiannual managers' meetings to develop a Pioneers' Homes system. Computer equipment was

installed throughout the Pioneers' Home system. Automation of the Division has provided a means of sharing information and improved cost effectiveness through analysis of comparative data throughout the program. The Division will continue to examine existing procedures in an effort to use computers to the fullest extent possible.

In FY 86 the Division continued to improve management practices instituted in the previous fiscal year. The numbers of contract awards were expanded to obtain further cost savings through group purchasing. Professional services were analyzed and in some instances, contracts for the same services previously provided will cost less in FY 87. The Division has also looked at contracting for services, where feasible, to reduce higher personal services costs.

In FY 86 the design phase of the Juneau Pioneers' Home was completed and the construction drawings and specifications were finalized. The bid for construction was advertised and the construction contract was awarded in September 1986. The new home will be completed and ready for occupancy by January 1, 1988.

PIONEERS' HOMES AUTHORIZED BUDGET INCREASE/DECREASE 1982-1986

Anchorage

<u>Year</u>	<u>Authorized Budget</u>	<u>Percent Increase</u>
1982	3059.8	
1983	5543.8	81% (Addition of Nursing Wing)
1984	6026.4	9%
1985	7102.5	18%
1986	7884.0	11%

Fairbanks

<u>Year</u>	<u>Authorized Budget</u>	<u>Percent Increase</u>
1982	2977.4	
1983	3246.6	9%
1984	3401.6	5%
1985	3642.1	7%
1986	3738.1	3%

Ketchikan

<u>Year</u>	<u>Authorized Budget</u>	<u>Percent Increase/Decrease</u>
1982	1244.8	(Start up - 1/4 year operation)
1983	2191.4	76%
1984	2249.2	3%
1985	2446.8	9%
1986	2273.6	(7%)

Palmer

<u>Year</u>	<u>Authorized Budget</u>	<u>Percent Increase</u>
1982	2604.6	
1983	2855.9	9%
1984	3023.1	6%
1985	3425.7	13%
1986	3692.7	8%

Sitka

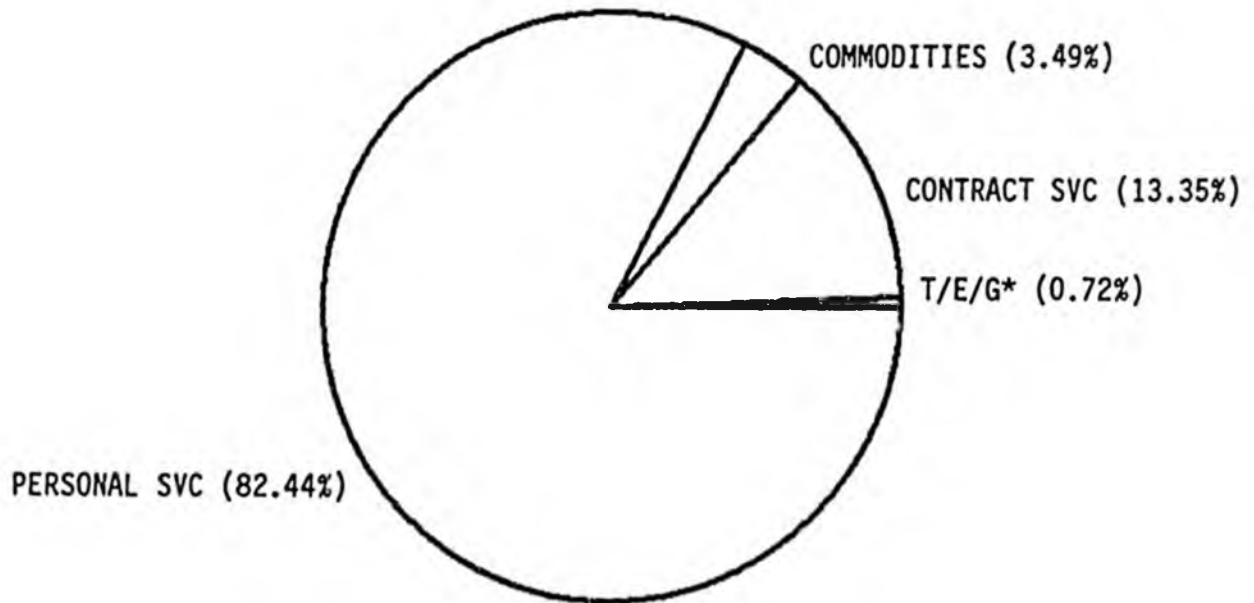
<u>Year</u>	<u>Authorized Budget</u>	<u>Percent Increase</u>
1982	3034.1	
1983	3531.7	16%
1984	3694.0	5%
1985	4041.2	9%
1986	4118.4	2%

Pioneers' Homes Annual Costs  
in Thousands

<u>Year</u>	<u>Ketchikan</u>	<u>Sitka</u>	<u>Fairbanks</u>	<u>Palmer</u>	<u>Anchorage</u>
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1982	1,008.5	3,199.3	3,091.7	2,808.8	3,248.7
1981		2,944.0	2,943.4	2,608.8	3,002.8
1980		2,544.0	2,586.9	2,214.0	2,695.4
1979		2,413.3	2,454.6	2,054.4	2,480.1
1978		2,103.8	2,158.9	1,823.5	1,833.5
1977		1,911.9	2,072.8	1,720.1	445.9
1976		1,766.2	1,802.7	1,320.0	

The Pioneers' Homes have not had significant increases in funding levels over the past five years. The increases are primarily attributable to personal services. The significant increase in the Anchorage Pioneers' Home budget in FY 83 is the result of the opening of the nursing wing. The significant increase in the Ketchikan Pioneers' Home budget in FY 83 represents funding for the first full year of operation.

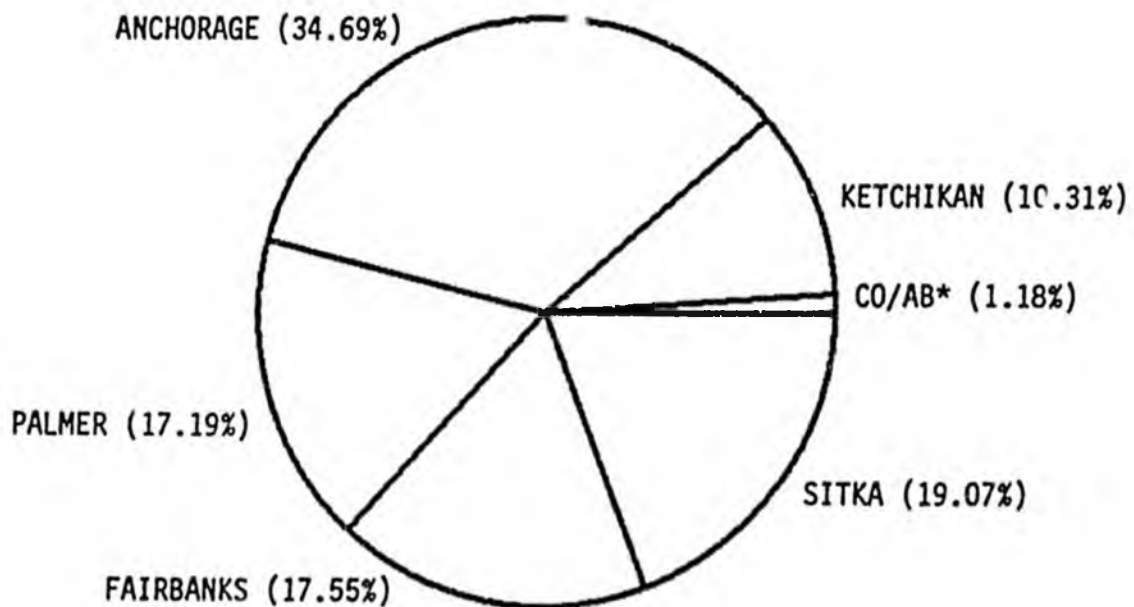
FY 87 OPERATING BUDGET BY EXPENDITURE TYPE  
FOR PIONEERS' HOMES



\*T/E/G--TRAVEL/EQUIPMENT/GRANTS

9/7C1/1120-02

FY 87 OPERATING BUDGET BY HOME  
FOR PIONEERS' HOMES



\* CO/AB--CENTRAL OFFICE/ADVISORY BOARD

9/7C1/1120-03

## CAPITAL PROJECTS

### Anchorage Pioneers' Home

Numerous improvements have been made in the facility this year including installation of new carpeting, vertical blinds, windows, light fixtures, kitchen equipment replacement, exterior lighting, etc. Roof replacement is in the planning stage, as are ramps for safe exit from the building.

Land across from the home has been purchased and is being converted to a parking lot for visitors and home employees. When completed, it will accommodate 46 cars.

### Fairbanks Pioneers' Home

A number of items were completed this year which make the Fairbanks Home a nicer place to live. New carpet and vinyl tile were installed in areas where the old had become soiled or worn. The administrative office and reception area were remodeled. The bathing room received a renovation which included new tub and patient lift. The fire alarm system was upgraded, as was the emergency generator which received a new cooling system. Heating boiler doors were renovated with new fire brick.

New projects are in design or in progress, including an entire new roof, ceiling repairs or replacement, asbestos removal, new drinking fountains which are usable by people in wheelchairs, telephone equipment room ventilation system, and dining room expansion.

Future projects include an entry door monitor and buzzer system, call light system, kitchen plumbing upgrade, freezer and cool room repairs, an additional vehicle garage, items to bring the home into compliance with the building codes, a sewer lift pump replacement, and complete upgrade of the communication system.

### Ketchikan Pioneers' Home

This home, being the newest of the Pioneers' Homes, has had little need for repair. However, the flat roof has been troublesome with leaks, and now the metal pitched roof is showing rusted places which will soon require repair or replacement.

An 1,100 square foot expansion of the dining room has been bid. Redesign is now under way to allow completion with available funds. Completion is expected prior to freezing weather this fall.

This expansion will allow for overflow crowds in the dining room on special occasions, and will provide space for arts, crafts, and recreation on a daily basis.

#### Palmer Pioneers' Home

This home has been under extensive repair and remodeling during FY 86. The roof, which was entirely replaced, has not proven to be sound. Extensive areas of condensation have created internal "rain" within the home. An entire redesign is necessary. Other projects completed were enclosing residents' porches, installing hand washing sinks in the nursing rooms, replacing slider doors to the exterior of residents' rooms, reinsulating bay windows, electrical and mechanical work, asbestos removal, site grading and landscaping, and revamping the roof drain system.

Plans for Phase III of the renovations are now being finalized. These items include correction of the fire and life safety code deficiencies, repair water damage to building, compliance with the building codes for the physically handicapped, light the rear parking area, repaint the building interior and exterior, repair interior beams, replace tiles in the kitchen and bathrooms, install

a fire hydrant, and upgrade the alarm system.

#### Sitka Pioneers' Home

Projects in progress during FY 86 include replacement of broken roof tiles; repairs to the sidewalks, steps, and rock retaining walls; the upgrade of the exterior lighting; and repainting of the buildings.

Preliminary planning is underway to renovate the North Wing to bring it into compliance with licensing and life/safety requirements.

#### Juneau Pioneers' Home

Preliminary planning and design work are now completed on this entirely new facility. The construction contract was awarded in September and construction is underway. Completion is expected by the end of 1987.



## THE FUTURE - MEETING THE NEEDS

An evolution is occurring in the elderly population in general. People are living longer and the percentage of older people is escalating. As the population ages and the elderly who choose to remain in the state become more frail, resources will be in demand to fund Pioneers' Homes.

In a time of budget reductions and declining oil revenues many decisions must be made in regards to programs the state can afford. Unfortunately, this includes programs for the elderly. Long-term care is extremely expensive and the Pioneers' Homes are completely state funded. Medicaid funds are not available for the program because of the 15 year residency requirement. The rent in the homes will probably be increased to help offset some of the operating costs and more cost effective measures will be taken to assure the quality of care remains adequate.

At the same time, the Division recognizes the increased pressure to change the Pioneers' Homes into nursing homes to meet the needs in the community. This is not a viable solution as the state could not absorb the increased costs.

Nursing home care in both the private and public sectors costs upwards of \$50,000 per year in Alaska. Individual and family resources are insufficient for long-term care, therefore the long-term care system depends on state and federal financing. Private financing, whether through one's own resources or through insurance payments, is nearly nonexistent.

The Pioneers' Homes are attractive because of the relatively low rent charged by the state; \$425 per month for residential and \$525 for nursing. This is not based on need, and therefore people are not forced into "pauperism" in order to receive the care they need. Although Pioneers' Homes at present have a residency requirement of 15 years, which does limit the availability of service, each year more people qualify for entrance.

The preference of older people is, typically, to remain at home, especially if certain community based services are provided. For the person suffering with chronic illness, disabling impairments, or an inability to cope, the Pioneers' Homes or nursing homes are the last resort. Community services are

working effectively and people are living independently much longer, but at an average age of 80 many are applying for admission to the Homes. This means people are much more frail and in need of more services before making application.

Within the Pioneers' Homes the population in need of nursing care is increasing, consuming more resources and displacing residential beds. The skilled nursing beds in all Homes are full and waiting lists continue to grow. In Anchorage there is a two-year waiting time for nursing beds.

Due to the demand for additional long-term care supports and rising expenditures for care, alternatives for providing this needed care must continually be evaluated for appropriateness, cost-effectiveness, and accessibility. There is a recognized need to have a system that is geared to the ever changing needs of individuals and promotes maximum independence.

To meet the increasing needs for long term care one new home will be added to the Pioneers' Home system. The home will be located on Vanderbilt Point approximately five miles from downtown Juneau. When completed it

will accommodate 20 ambulatory residents and 34 persons needing skilled nursing care. All residential rooms will be single occupancy; nursing rooms will be double occupancy. The home is now under construction, and beneficial occupancy will be in November 1987.

The new home's operating budget will be about \$2,500,000 per year, and about 45 new jobs will be provided to the Juneau area.

To meet the increasing need for nursing beds it is recommended that another level of care be established within the Homes--"Residential II." At present there is no nursing staff available to serve the residential areas of the Homes although many residents need some personal care service. This level of care could be implemented with some additional staffing but without remodeling of the facility to nursing standards. Residential II would be given only as needed by the residents, and it would be personal care with minimal nursing care. Many elderly need assistance to dress, to use the toilet, or to bathe. People are transferred or admitted to the skilled nursing unit because these services are not provided in residential. With the

addition of services many people now on waiting lists could be housed in residential rooms. Many residents can remain independent longer with this level of care instead of the very expensive 24 hour nursing service. To transfer a resident to skilled nursing care when they need additional help because of failing eyesight, loss of hearing, some disorientation, or other impairments, is not only costly but traumatic to the resident. Skilled nursing care should and could be restricted to only those really requiring this level of service of individualized health care attention or constant surveillance and treatment.

At the recommendation of the Division of Pioneers' Benefits, the Mini-Cabinet on Long Term Care, appointed by the governor in 1985, included the following finding and recommendation in their report.

Finding 8: Residential II at Pioneers' Homes

Pioneers' Homes have "residential beds" for those who require little or no nursing assistance and "nursing beds" for those who require nursing assistance. However, where appropriate, an occupant of a "nursing" bed may be placed in a less restrictive and costly setting, thereby freeing the "nursing" bed for those residents or those on waiting lists who have a need for skilled nursing care. More importantly, often the residential

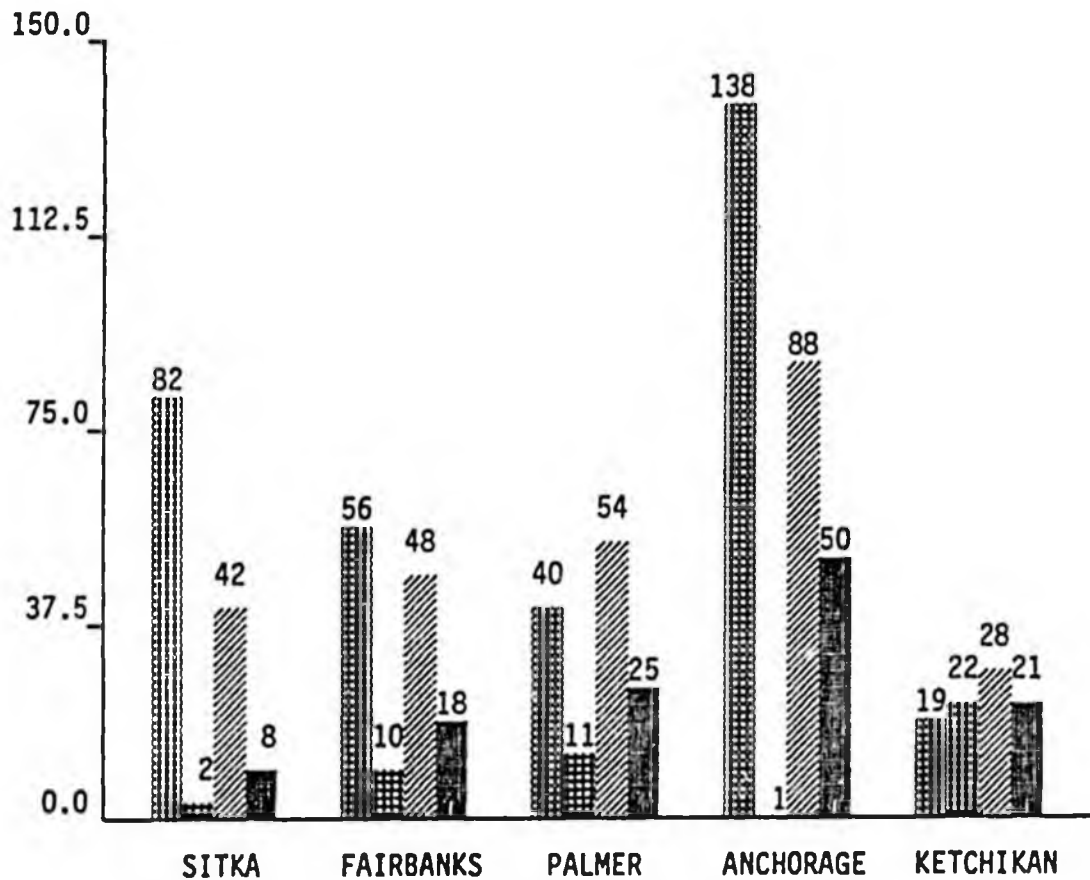
client will become medically fragile, thereby requiring some nursing or attendant care which currently is unavailable in the residential section of the Pioneers' Homes, but the medical need is not sufficient to warrant transfer to the nursing wing. The appropriate type of care is possible only if a level of care exists between nursing care and residential care. When appropriate, the placement of an occupant of a "nursing" bed in a less restrictive and costly setting will free the needed nursing bed and, thereby, hopefully address the Pioneers' Home waiting list and quality of care issues.

Recommendation 8

The Department of Administration, Division of Pioneers' Benefits should establish an ongoing process to identify Pioneers' Home patients/residents in Anchorage, Palmer, Sitka, and Fairbanks who could be properly placed in Residential Level II within the Pioneers' Home and the resources needed by the Pioneers' Home to effect this change.

Initially, the program was scheduled to be implemented in 1986. Those residents qualifying for Residential II were identified, but with pending budget cuts the request for positions to implement the program were deleted in the FY 87 budget. Fairbanks, Palmer, Sitka, and Ketchikan would need additional staff. The cost would be approximately \$650,000. This change would dramatically affect the level of care as well as the desire to better meet the requirements of an aging population in our state.

### TOTAL BEDS IN THE PIONEERS' HOMES



\* WAITING LIST (AS OF OCTOBER 1986)

- ▨ - RESIDENTIAL--TOTAL NUMBER OF BEDS
- ▤ - RESIDENTIAL--WAITING LIST
- ▧ - NURSING--TOTAL NUMBER OF BEDS
- ▩ - NURSING--WAITING LIST

9/7C1/1124-01

Number of Occupied Beds in Pioneers' Homes 1975-1985

December 31, 1985 - total of 559 residents in all Pioneers' Homes.

Ketchikan

<u>Year</u>	<u>Residential</u>	<u>Nursing</u>	<u>Total</u>
1982-1985	19	28	47

The numbers have remained the same since the home opened in 1982. They have had no vacancies.

Palmer

<u>Year</u>	<u>Residential</u>	<u>Nursing</u>	<u>Total</u>
1975	39	50	89
1976	38	50	88
1977	38	50	88
1978	39	52	91
1979	40	52	92
1980	40	52	92
1981	40	52	92
1982	40	52	92
1983	40	52	92
1984	40	52	92
1985	40	52	92

The numbers have remained fairly constant with little or no vacancy factor.

Fairbanks

<u>Year</u>	<u>Residential</u>	<u>Nursing</u>	<u>Total</u>
1975	40	42	82
1976	62	42	104
1977	62	42	104
1978	61	42	103
1979	61	42	103
1980	53	46	99
1981	51	48	99
1982	49	49	98
1983	50	50	100
1984	51	50	101
1985	54	50	104

The numbers reflect the changing population. In 1974 an addition was built on the home, and it was filled by 1975. In 1976, 4 additional beds were

licensed for nursing care; in 1980, 6 more nursing beds were licensed. Some vacancies in residential were occurring but for over a year there has been only turnover vacancies.

Anchorage

<u>Year</u>	<u>Residential</u>	<u>Nursing</u>	<u>Total</u>
1977	67	3	70
1978	117	3	120
1979	122	5	127
1980	126	9	135
1981	126	10	136
1982	113	27	140
1983	108	92	200
1984	109	92	201
1985	127	86	213

The Anchorage Home opened in 1976 but was not really occupied until 1977. In 1982 the skilled nursing wing was added. (6 month budget) Skilled nursing beds have been constantly full. There are presently five empty residential rooms.

Sitka

<u>Year</u>	<u>Residential</u>	<u>Nursing</u>	<u>Total</u>
1975	Not available		128
1976			125
1977			128
1978			117
1979			113
1980	59	42	111
1981	60	42	112
1982	66	43	109
1983	75	43	118
1984	66	43	109
1985	63	42	105

As other homes were added Sitka's population has decreased as people returned to their own communities. Nursing beds are all full, but there are empty residential beds.

The residential beds cannot be licensed for nursing without capital expenditures and additional staffing. The nursing staff is located only in nursing wings except for Anchorage (some nursing in residential). We are now housing people in residential areas who need additional nursing or personal care.

## ANCHORAGE PIONEERS' HOME



The Anchorage Pioneers' Home is a large, modern, five-story structure. The residential section of the home was opened in August of 1977. It has accommodations for 138 residential care residents.

The building is located on the corner of 11th Avenue and "I" Street, about ten blocks from downtown Anchorage, and across the street from the park strip. The exterior is red brick. The rooms are all private, but most share a connecting bathroom with another resident. The rooms are located on the first, second, third, and fourth floors.

Due to the design of the building, residents who would otherwise qualify for residential services but need the assistance of a wheelchair or walker must live on the first floor of the residential building and take their meals in the dining room on that floor.

The dining room, arts and crafts room, residents' kitchen, greenhouse, and other meeting rooms are located on the fifth floor with a view of Mt.

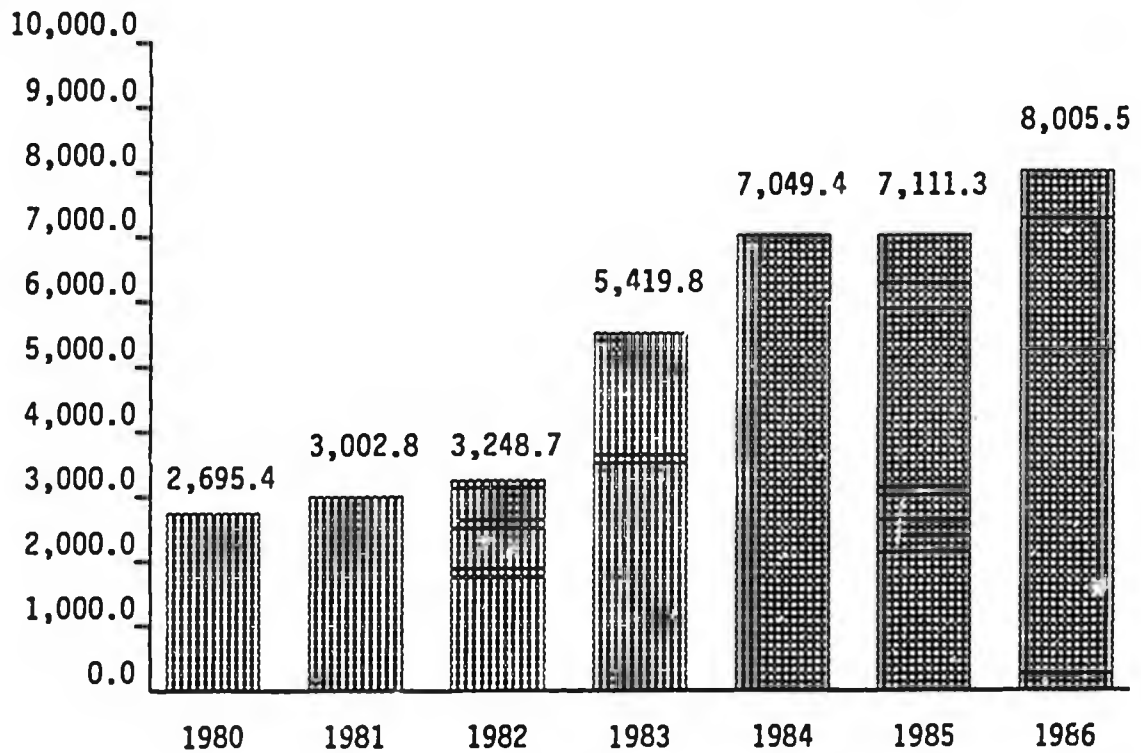
McKinley. The business office and manager's office are on the first floor. A whirlpool and physical therapy room are in the basement.

There is a parking lot provided for residents' cars; however, since the home is so closely located to downtown private cars are not necessary. The home also provides some transportation through the activities staff.

The nursing care unit was opened in August of 1982 and contains 38 single rooms and 28 double rooms for a total of 94 beds. There are six beds reserved for infirmity beds for short stays for illnesses and emergencies of residential care residents who need skilled nursing care. The facility provides complete nursing care and is licensed by the State.

The grounds are beautifully landscaped, and residents are encouraged to participate in planting flowers or vegetables in designated areas. The home provides many activities within the home, but also encourages community participation in the various civic organizations.

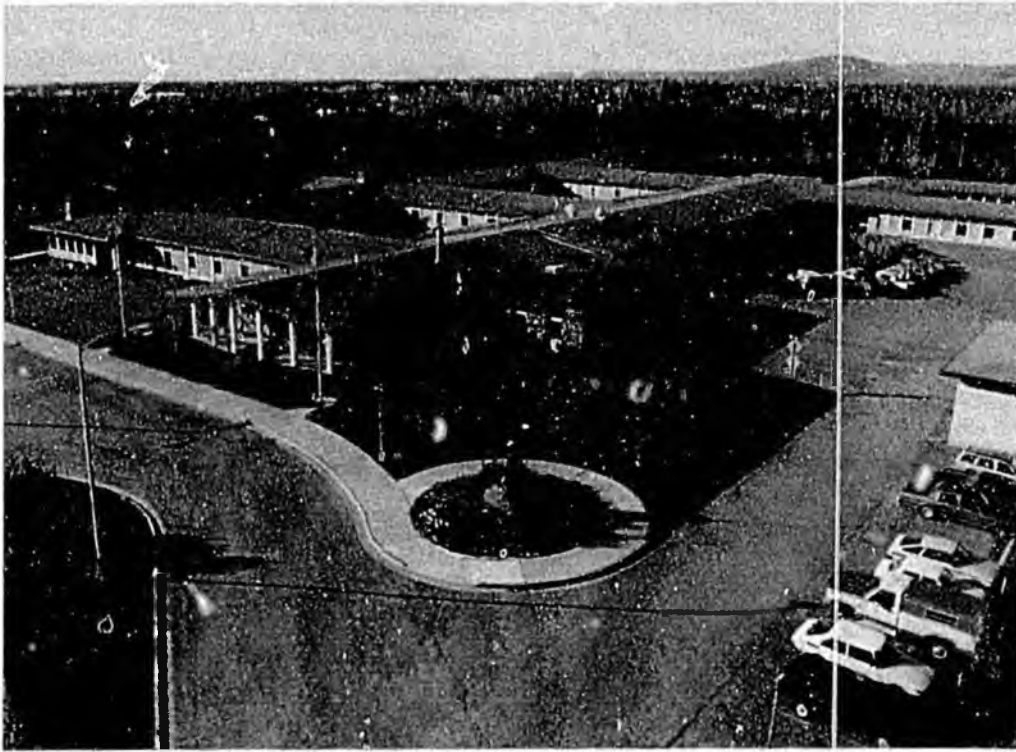
ANNUAL EXPENDITURES (IN THOUSANDS)  
ANCHORAGE PIONEERS' HOME



1983--ANCHORAGE NURSING WING OPENED.

9/7C1/1120-08

## FAIRBANKS PIONEERS' HOME



The Fairbanks Pioneers' Home is situated on 17 acres of woodland adjacent to the downtown area. The home has 104 rooms with a possible occupancy load of 106. There are 56 residential beds, 50 skilled nursing beds, and 4 infirmary beds. There are 98 single rooms and 6 doubles. Most of the rooms are designed with a bathroom that is shared with one other room.

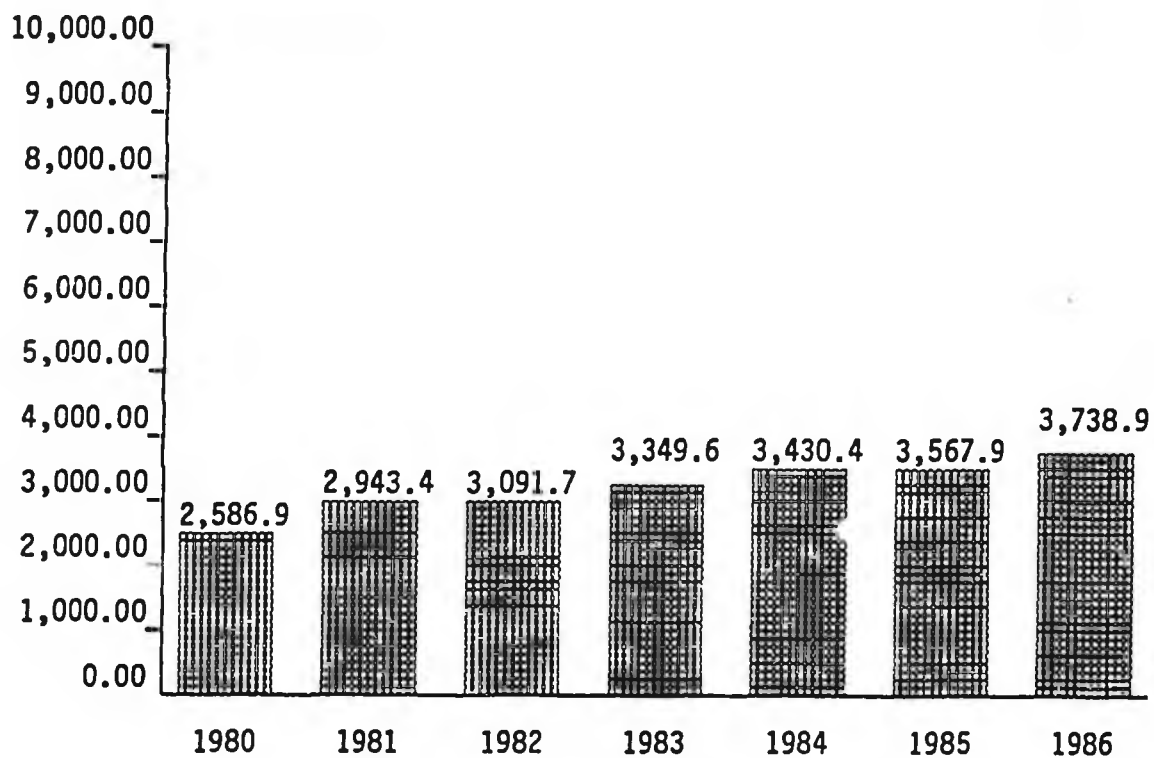
In summer the single story building is surrounded by a carpet of green and a riot of colorful blooms. A greenhouse, vegetable gardens, and berry patches, as well as a multitude of flower beds, provide activities and visual pleasure for residents. A bronze statue of a pioneer woman and child overlooks the entrance to the grounds and adds a distinctive note to the landscaping.

The home is designed with three courtyards and a patio to encourage residents to enjoy the beautiful Fairbanks summers. Picnics, coffees, and ice cream socials make exciting breaks when held among the sights and smells of nature.

As the weather cools and freeze up comes, activities move inside to the recreation room or to the Ptarmigan room with its warming fireplace. The indoor areas are home to fish, birds, and plants that add to the beauty of the very comfortable atmosphere. Both resident dining rooms are filled with potted plants and flowers to enhance the pleasure of good food and good company.

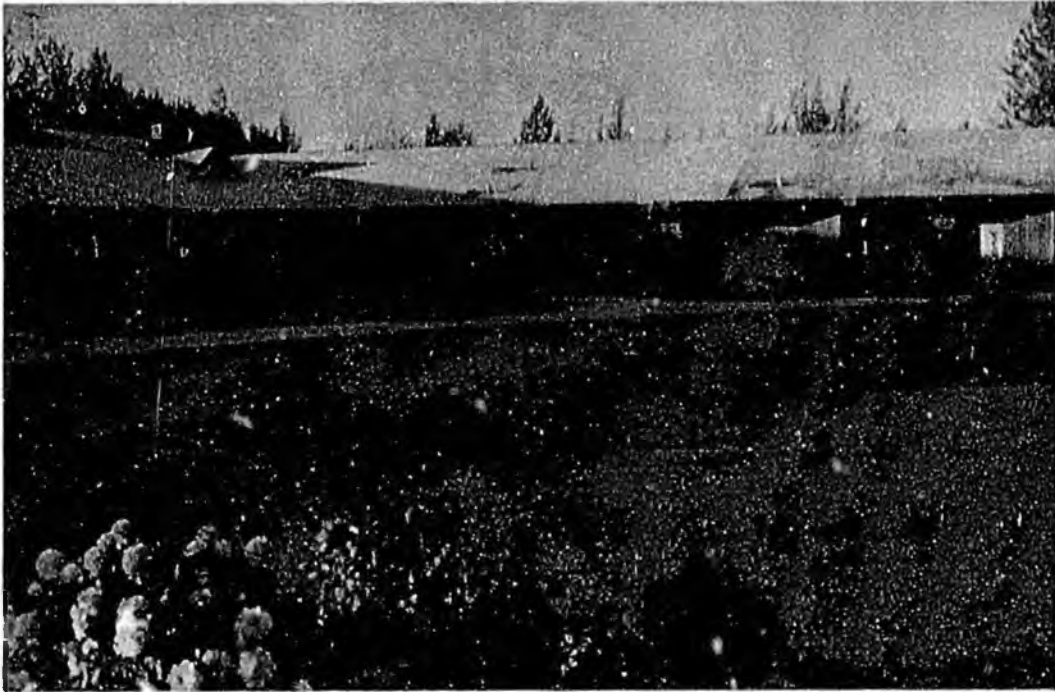
The Fairbanks Home is a pleasant, well-arranged home with some special touches for our very special older Alaskans.

ANNUAL EXPENDITURES (IN THOUSANDS)  
FAIRBANKS PIONEERS' HOME



9/7C1/1120-06

## PALMER PIONEERS' HOME



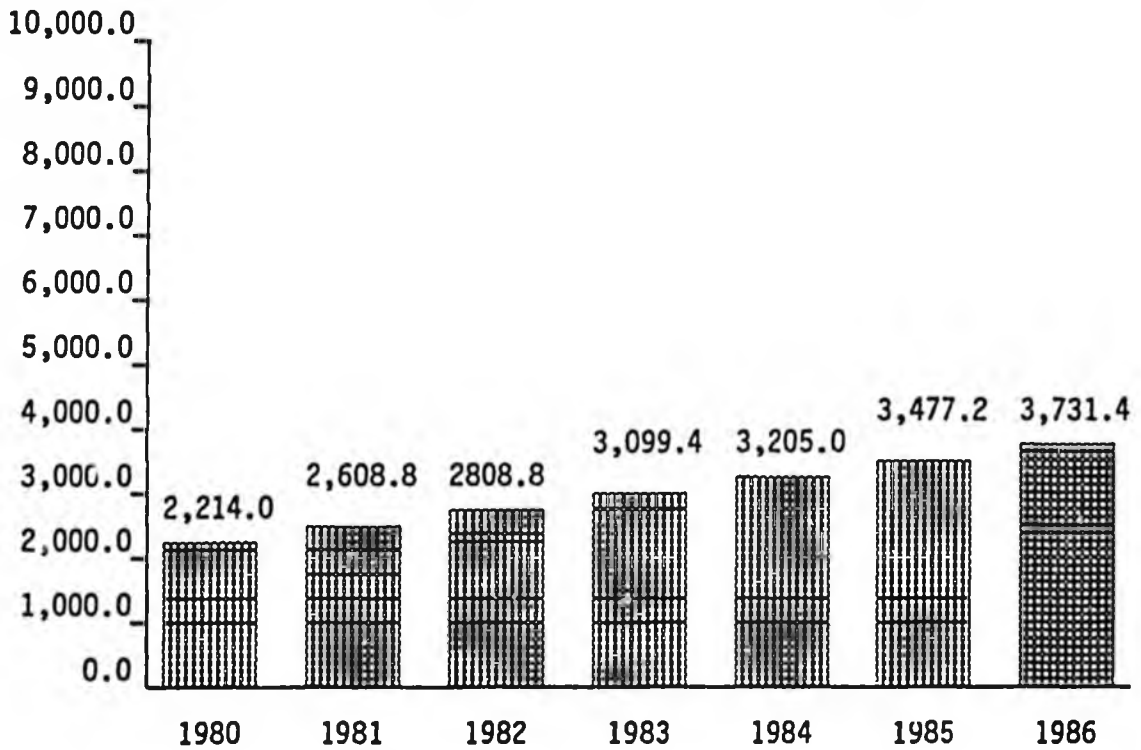
The Palmer Pioneers' Home is a modern, single story building located only a few blocks from the downtown area in the Matanuska Valley. It is in a jewel like setting surrounded by gracious lawns with a backdrop of trees and a view of both the Chugach and Talkeetna mountains.

The home was built in 1971 and an addition was added in 1976. The residential wings of the home can house 40 residents in single occupancy rooms. Most of the single rooms share a bathroom with one other room. The nursing wings contain 54 rooms and are divided into skilled nursing care and intermediate care. Two beds are used as an infirmary for short stays for illness or emergencies.

The building was designed around a core area consisting of the dining room, lounge, crafts area, and offices. Large windows allow the sun to stream in producing a sunny, cheerful environment. A homelike atmosphere prevails throughout the facility.

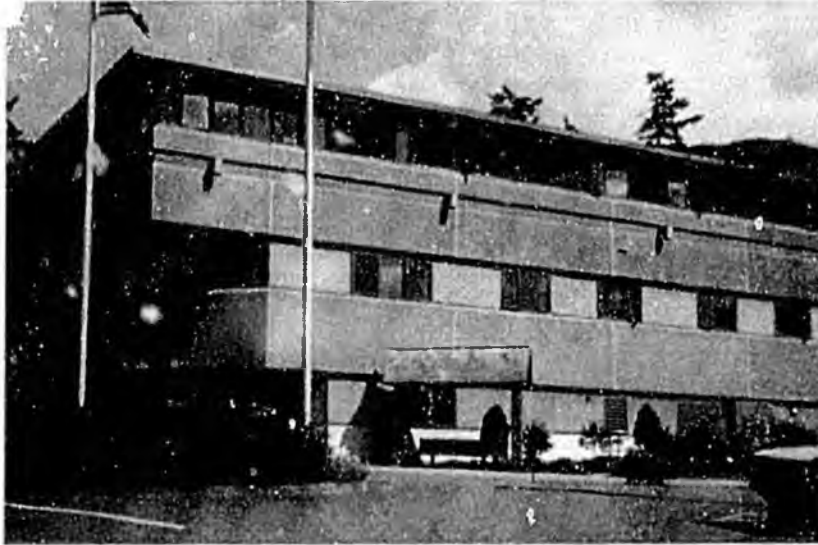
The residents are involved in many community events and activities. Special recognition has been given to the home for their resident kitchen band which performs in schools and at special functions. Within the home the residents are busy with special hobbies, bingo, crafts, parties, and socializing.

ANNUAL EXPENDITURES (IN THOUSANDS)  
PALMER PIONEERS' HOME



9/7C1/1120-07

## KETCHIKAN PIONEERS' HOME



The Ketchikan Pioneers' Home is the newest of the five Pioneers' Homes. It was built in 1981 and has a capacity of 19 residential rooms and 28 skilled nursing beds.

The home is situated so that the residents have a commanding view of the Alaska State Ferry operations, harbor activity, the Ketchikan International Airport, and the main thoroughfare, Tongass Avenue. Bus service to local businesses is available in front of the building.

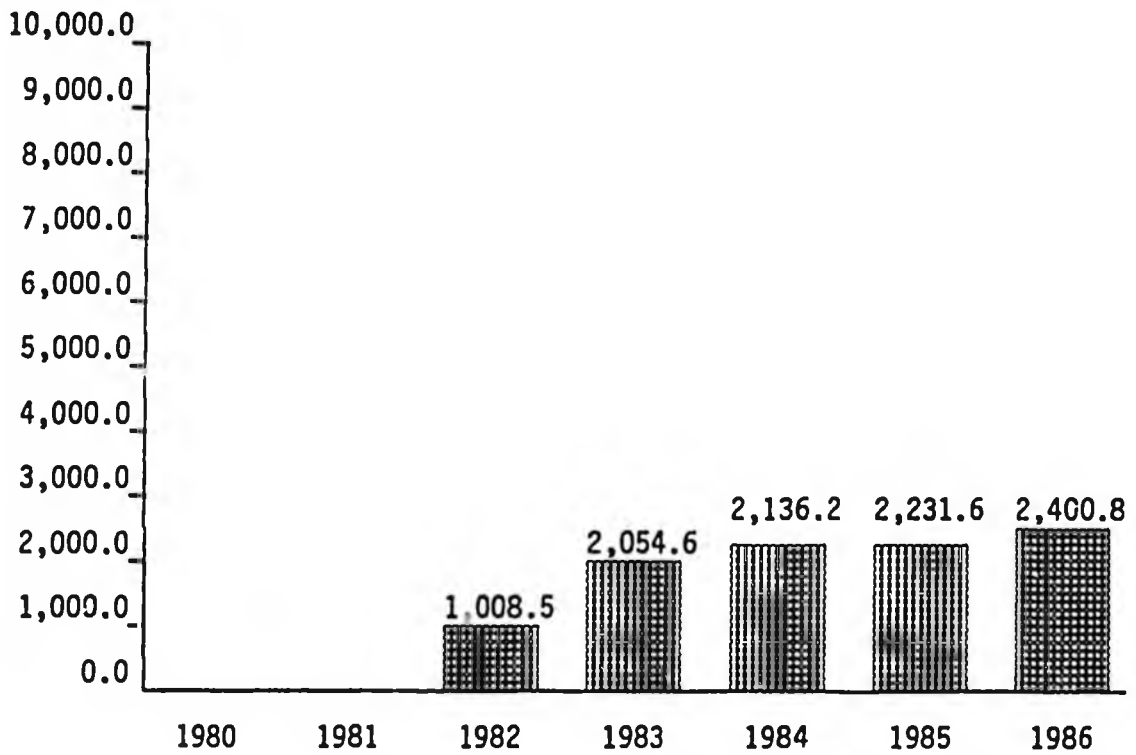
The home is a tri-level building with administrative offices on the ground floor, residential rooms on the

second floor, and skilled nursing on the third floor. The grounds around the building are known for their beautiful flowers and attract many visitors. There is a sun deck for the residents' use and a gazebo in the yard.

Residents are provided all basic necessities as well as recreational opportunities such as trips to town, bingo, exercise classes, ceramics, and, in the summer, picnics.

The outstanding characteristic of this home is the fact that the home is so small that the staff and residents consider themselves "family."

ANNUAL EXPENDITURES (IN THOUSANDS)  
KETCHIKAN PIONEERS' HOME



1982--KETCHIKAN PIONEERS' HOME OPENED.

9/7C1/1120-09

## SITKA PIONEERS' HOME



The first pioneers' home was in Sitka and consisted of two old wooden Marine barracks buildings. The enabling legislation was enacted by the 1913 Territorial Legislature. The current building for the Sitka Pioneers' Home is one of the community's most dominant architectural features. Centrally located in the city, the large three-story facility with nearly two acres of landscaped grounds offers residents a lovely view of gardens and the island-dotted Sitka Sound. An added attraction is "The Prospector," a large statue near the center of the grounds. It was created by the late Alonzo Victor Lewis who used William "Skagway Bill" Fonda, an Alaskan pioneer, as his model.

Built in 1934, the Sitka Pioneers' Home complex with its separate administrator's residence and nurses' quarters was nominated as an historic site, and on October 18, 1979 was placed on the National Register of Historic Places. Through the years the home has undergone several modernizing renovations yet it still retains the warm atmosphere of the early architecture. The administrative offices, main lounge, and dining room are located in the central core

area of the first floor. The large dining room has the comfortable air of a lodge or resort.

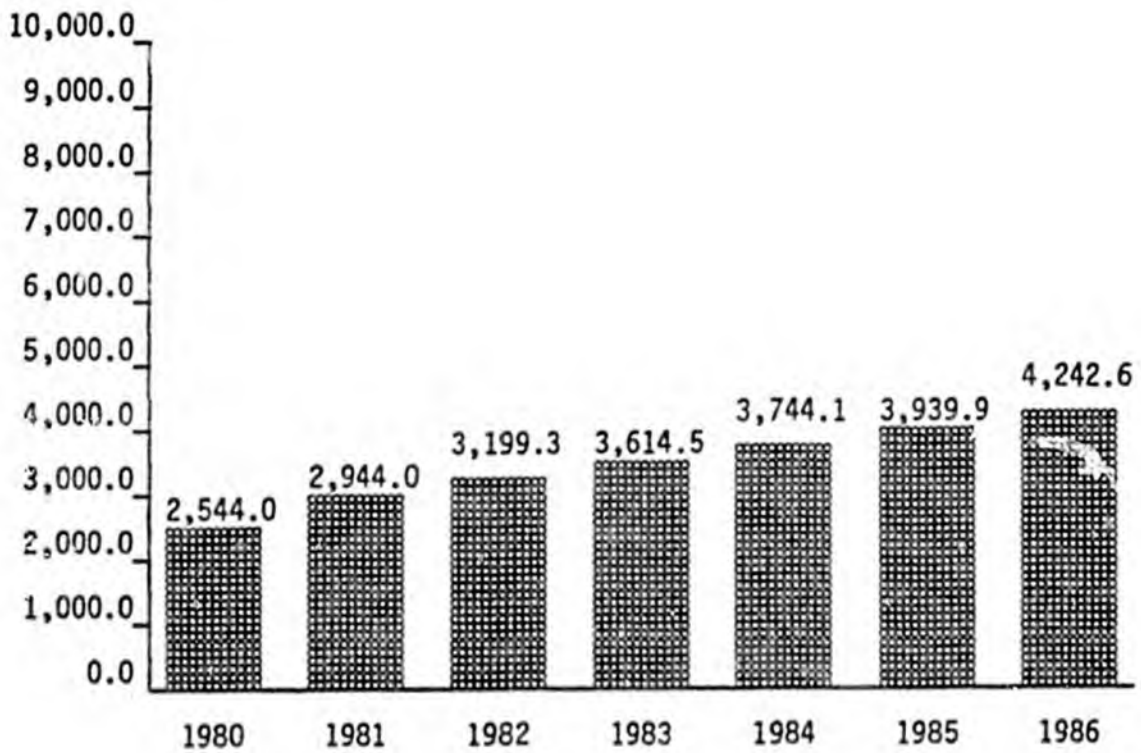
The second floor is primarily residential rooms with Social Services, Physical Therapy, and Housekeeping offices in the central area. The skilled nursing unit occupies the entire third floor complete with laboratory, medical director's office, pharmacy, and nursing offices.

Other support services, such as laundry and maintenance are located in the basement which is partially below ground level. The Activities area with fully complemented kitchen, ceramics, arts and crafts rooms, and wood shop share this floor as well as a section of residential rooms.

A variety of activities are available for the residents, and participation in community events is also encouraged. A small library is located in the home and is supplemented by a weekly book exchange from the City Library.

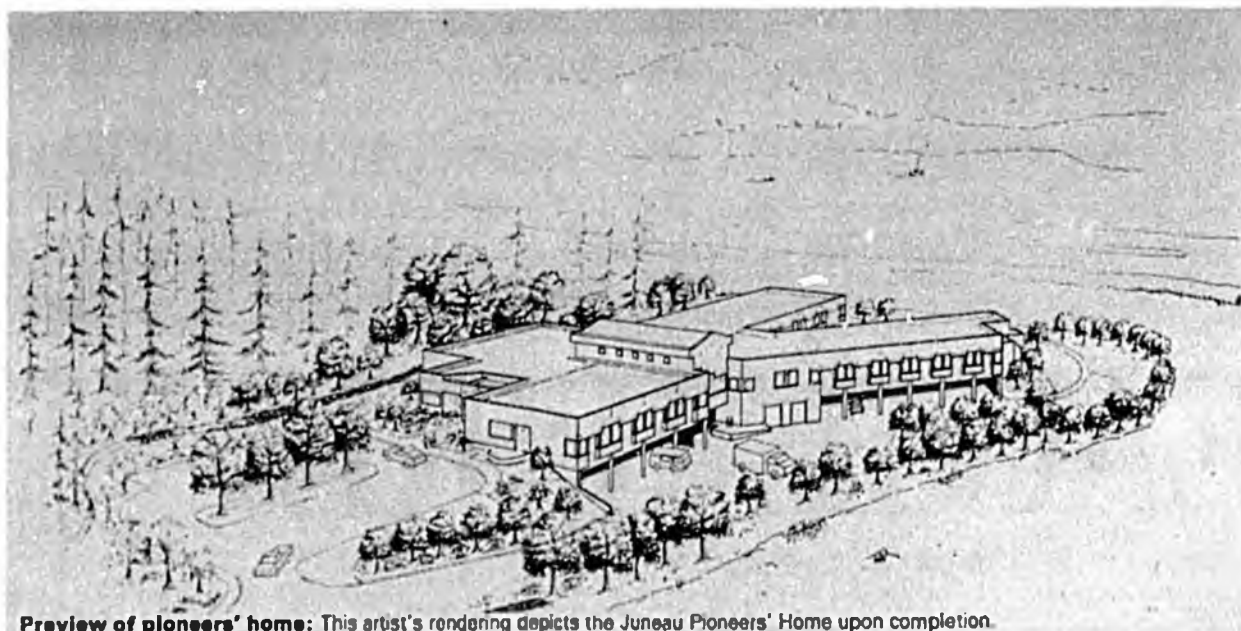
The Sitka Home has a total of 124 beds (42 skilled nursing and 82 residential services).

ANNUAL EXPENDITURES (IN THOUSANDS)  
SITKA PIONEERS' HOME



9/7C1/1120-05

## JUNEAU PIONEERS' HOME



**Preview of pioneers' home:** This artist's rendering depicts the Juneau Pioneers' Home upon completion.

The Juneau Pioneers' Home is under construction. Beneficial occupancy will occur November 30, 1987. Residents will be interviewed and begin moving in during January 1988. The home is located on Vanderbilt Point at 5-mile Egan Drive with a panoramic view of the Chilkat mountains.

The facility will be a two-story building with one floor partially underground. The lower floor will be

a service area. The dining room, physical therapy room, and residents' rooms will be on the upper level.

Two wings will house 54 residents. One wing will have full nursing service for 34 individuals in double occupancy rooms. The other wing will be for 20 ambulatory residents living independently in single rooms but sharing a bath with one other resident.

**onus**

**past,**

**present**

## HISTORY OF LONGEVITY BONUS PROGRAM

Enabling legislation establishing the longevity bonus program was enacted in 1972 and became effective January 1, 1973. The purpose as stated in the Alaska Statutes reads as follows:

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

as depriving new generations of Alaskans the benefit of their wisdom and experience. This legislation hopefully will provide our pioneers with the economic means to remain in and continue to serve their state and to enjoy the opportunity of aiding the new Alaskan in making this state truly "The Great Land."

A person who was 65 years or older, was domiciled in Alaska on or before January 3, 1959, and had maintained a continuous domicile in Alaska for 25 years could apply to receive a monthly bonus of \$100. Approximately 4,200 qualified Alaskans began to receive the bonus the first year. The amount of money appropriated the first year was 5 million dollars.

In 1982 the residency requirement was challenged in a suit brought by Rodney Vest. Mr. Vest was 67 years old and had lived in the state since June of 1959 which made him ineligible, by six months, to receive the bonus payment.

In December 1983 the court ruled the residency requirement was unconstitutional.\* This ruling was appealed by the state but in 1984 the supreme court affirmed the lower court decision. The legislature immediately passed a bill that opened the program to all persons 65 years or older who

had resided in the state for one year immediately preceding the date of their application. The legislation changed the purpose of the statute, provided for a special committee to study alternatives to the program and make recommendations to the legislature, and extended the program for one year but contained a repealer that would have caused the program to cease after July 1985 if no further action was taken.

During 1985 the legislature did not agree on alternatives. New legislation was passed that removed the repealer and contained language to put the two alternatives on the ballot for a vote of the people in 1986.

\* The superior court has not yet rendered a decision on that portion of the lawsuit filed by Rodney Vest against the state in July 1982 which seeks retroactive bonuses for persons who were denied payment under the original residence requirements.

12/17/86  
Wainwright Alaska

Dear

I am very thankful sent check every month. I say very thank-you because my husband [redacted] me only security & Bonus [redacted] I have old man check other people

Thank you ~~very~~  
truly sincerely  
[redacted]

## PRESENT - LONGEVITY BONUS ACCOMPLISHMENTS IN 1986

In FY 86 the Longevity Bonus Program served approximately 15,500 elderly citizens of Alaska, and disbursed \$44,024,250 in monthly payments to qualified residents. This program enabled many people to remain in the state and to continue to be independent. Without the bonus a large percentage of the recipients, especially in rural Alaska, would apply for public assistance. The \$250 bonus payments are spent in Alaska (no checks are sent outside the state), benefiting local businesses and helping to boost the state's economy.

The 1985 legislature made two substantial changes to the program. The individuals residing in nursing homes, or in the nursing wings of the Pioneers' Homes, were made ineligible to receive the bonus. This change was enacted to protect Medicaid eligibility for those residing in private nursing homes. The other change affected the length of time a recipient could be absent from the state and remain on the program.

Previously a person could be gone for 180 days per year; this was changed to 90 days. The people affected by this change were often those maintaining two places of residency--one in the lower 48 and one in Alaska. Many of these recipients decided rather than to give up their lifestyle they would no longer remain on the program; this produced a small reduction in numbers served.

During FY 86, 2,311 new applicants were added to the program. At the same time, 661 nursing home residents and 601 deceased recipients were removed from the rolls. In addition, 535 persons have relinquished the bonus by failure to contact the program for more than six months.

In FY 86 computers were installed replacing much of the manual labor attached to the earlier data entry of status changes by batch system. Improvements are continuing to be made to efficiently meet the needs of the rapidly growing program.

## Longevity Bonus Program General Information

The purpose of the Longevity Bonus is to provide an incentive for elderly Alaskans to remain in the state. The program is not a form of welfare and eligibility is not based on need. The bonus is available to Alaska residents who are at least 65 years of age, are physically present in the state, and have resided in the state for at least one year immediately preceding application.

### Initial Eligibility

To apply for the bonus, a person must complete the form provided by the Longevity Bonus Program. The signature of the applicant must be verified by a notary public, postal official, or other official authorized to take oaths.

Documents verifying applicant's date of birth should be submitted at the time of application. A birth certificate or delayed birth certificate are considered as conclusive proof of age. Other documents which state applicant's date of birth may be acceptable, and in determining their value the program will consider the date of the documents and the circumstances surrounding their establishment. In place of an original document, the applicant may submit a true copy of the record or a statement as to the date of birth shown by the record which has been certified by the official who has custody of the original record.

A person establishes Alaska residency by being physically present in the state with the intent to remain indefinitely. An applicant demonstrates completion of the residence requirement by remaining in the state during the 12-month period immediately preceding application with absence less than 90 days within that period.

An applicant who has been absent from the state for more than 90 days during the year immediately preceding application will meet the residence requirement by remaining in the state for 12 months with absence less than 90 days during that period, or by providing proof that the absence over 90 days was due to reasons beyond the applicant's control.

Completion of the residence requirement is verified if attested to by two adults who sign the application in the space provided for that purpose. The applicant may be required to provide additional information to support the claim of eligibility for the program.

The application should be submitted during the month in which all eligibility requirements are completed. If the residence requirement has been met, the applicant should apply in the month in which he or she becomes age 65. However, if the applicant is at least 65 but has not met the

residence requirement, the application should be submitted in the month the residence requirement is completed.

If an application has been received, the applicant will be entitled to payment on the first of the month following completion of all requirements. The bonus program is not contributory and retroactive payments cannot be paid for any period before an application is received by the program.

#### Continuing Eligibility

A bonus in the amount of \$250.00 is issued for a month on the first day of that month. After a recipient proves initial eligibility, he or she must personally reapply for each monthly payment by signing and returning the reapplication stub attached to each warrant by the 15th day of the month. The signature of a person who has a recipient's power of attorney is not acceptable on a reapplication stub. A bonus payment is mailed to the recipient's Alaska mailing address and cannot be forwarded.

A recipient must be physically present in Alaska to qualify for payment and the law does not allow a bonus to be paid to persons absent from the state for more than 30 days for any reason. Bonus recipients are required to notify the program in advance of an absence which is expected to exceed 30 days, and as soon as possible when the absence unexpectedly exceeds 30 days.

When the program receives notice of an absence intended to exceed 30 days, payments are stopped until the recipient returns to Alaska and qualifies for reinstatement. If the absence lasts from 31 to 60 days, one payment is forfeited, and from 61 to 90 days, two payments are forfeited.

Recipients may be absent from the state for 90 days (either continuously or cumulative) within a 12-month period without jeopardizing entitlement to payment upon returning to the state. Persons who exceed the 90-day absence limit will qualify for reinstatement of payments by remaining in the state continuously for 12 months with absence during that period not exceeding 90 days. However, if it is shown that the recipient remained absent for more than the allowable 90 days for reasons which were beyond his or her control, the 12-month waiting period will be waived.

The program considers an absence over 90 days to be beyond a recipient's control if the excessive absence was for the purpose of required medical treatment for the recipient or the recipient's spouse if the medical treatment was not available in Alaska, or if the excessive absence was caused by hospitalization and inability to travel on the advice of

a physician as the result of an unexpected illness or injury to the recipient or the recipient's spouse which occurred after leaving Alaska. The reason for the excessive absence must be substantiated in writing by the attending physician, and other documentation as requested.

A recipient is not required to report absences of 30 days or less. A cumulative absence over 90 days is the sum of all absences which exceed 30 days within any 12-month period. For the purpose of calculating the period of absence, a 12-month period begins on the departure date.

Absence from the state and use of a second party to receive and forward bonus payments and reapplication stubs is a crime and, in addition to other penalties, is cause for permanent disqualification from the program.

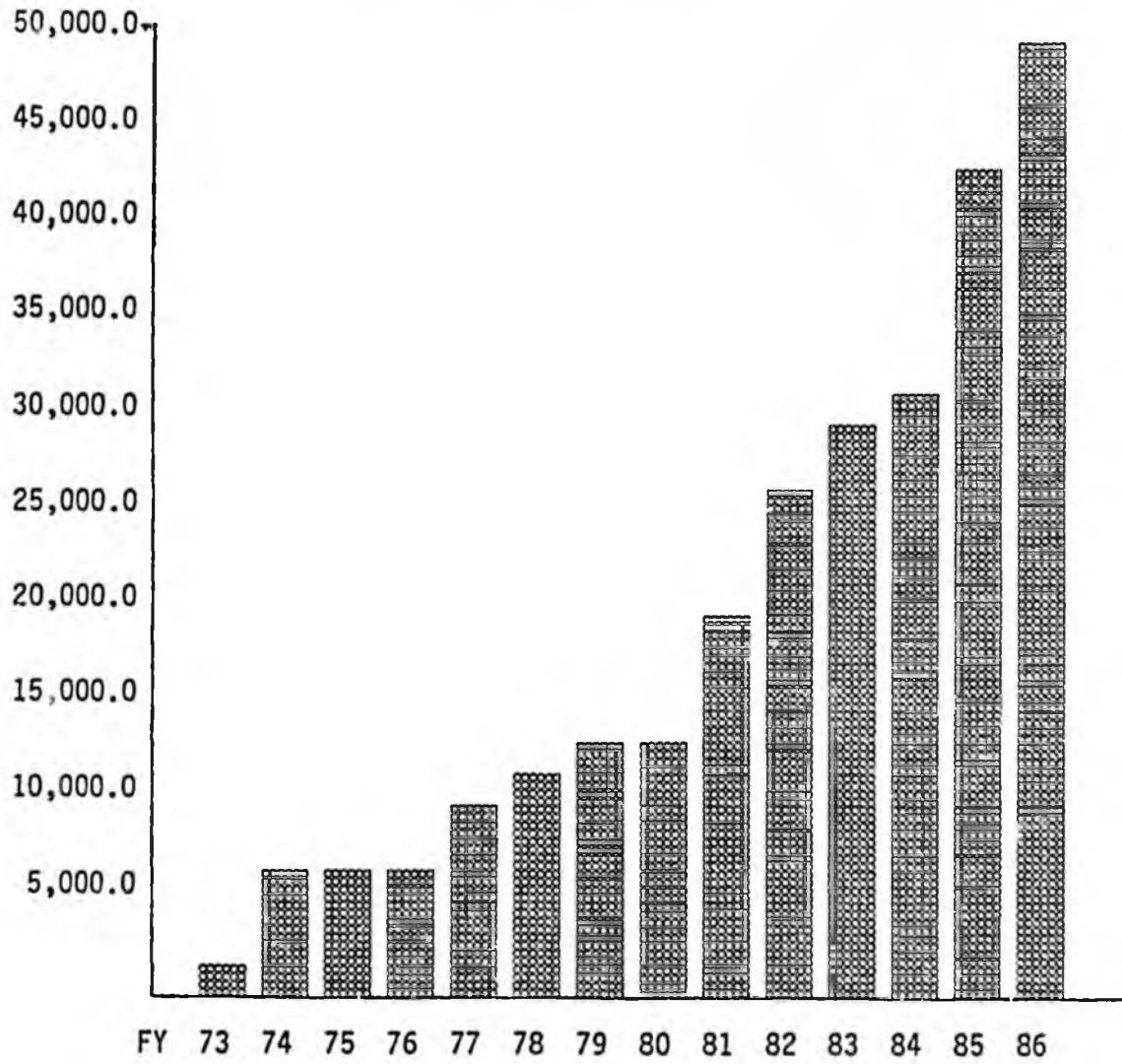
A person does not qualify for the Longevity Bonus while (1) confined in a correctional institution, (2) confined in a state or federal mental institution and certified as unable to manage his or her own affairs, or (3) residing in a nursing home as defined in AS 08.70.180, which includes the nursing section of the Pioneers' Homes.

Further information and application forms may be obtained by contacting:

Longevity Bonus Program  
P.O. Box CL  
Juneau, AK 99811-0211  
(907) 465-4416

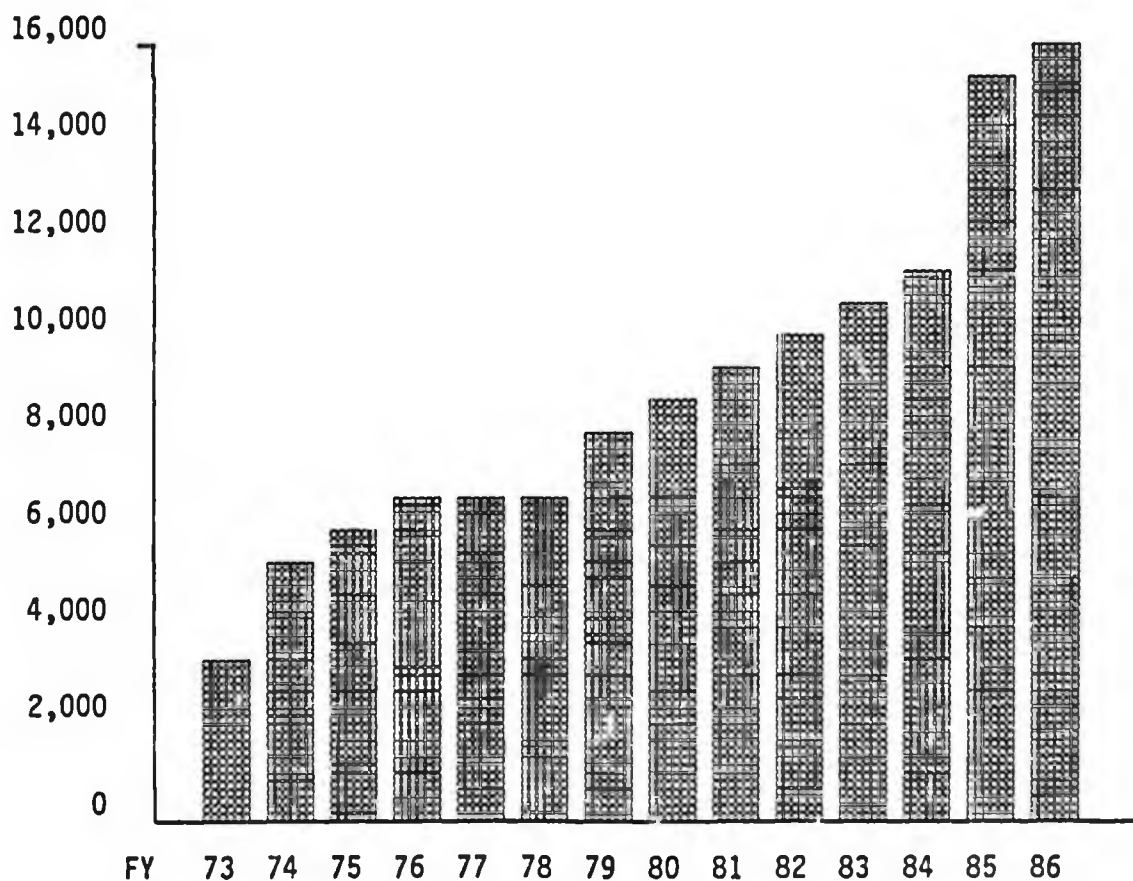
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ANNUAL EXPENDITURES (IN THOUSANDS)  
LONGEVITY BONUS PROGRAM



9/7C1/1220-16

QUALIFIED RECIPIENTS  
LONGEVITY BONUS PROGRAM



9/7C1/1220-14