

S B

5

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER SB 5

SPONSOR Kerttula

BILL TITLE Longevity bonus - Annuity program

DATE REFERRED 1.9.89

HEARING SCHEDULED 1.22.90 1:30 p.m. (Teleconference)

FISCAL NOTE PREPARED Ray: Sioux Plummer - 2200 (1.11.90) D of Ad.
Kelly - D of Rev 2323 cliff Groh -

SPONSOR CONTACTED - 1.11.90 Kathy
Cliff Groh - Dept. of Revenue

INTERESTED PARTIES CONTACTED JIM FOX - Dept of Admw - will testify

- Clif Groh - 2323
- Ervin Jones - available to testify - Dept of Rev
- OAC: 3250 Fran Toland, L.M.
- ✓ Vera; Prest Gazaway - 277-2073
- Peggy Burgio - 278-2402 - L.M.
- Dept. of Admin - 2200 Sioux Plummer
- Public Assistance - John Tabor?

- ✓ Bob Pavitt - AARP 586-2066 - will attend
- Rose Palmquist - ~~586~~ 316-0110
- ✓ Liz Lawson - Senior Voice - L.M.
- Mike Race - 586-4439 - Pioneers of Alaska
- ✓ Mary Halloran - GMB - L.M.
- Mary Topolski - 272-8291
- ✓ Florence Orr - 279-3001 - will attend
- OTHER Jay Lively - HESS - 3030 - somebody will be available
- Sylvia Short - 562-4992
- Div of Pioneer Benefits - Barbara Betheny

Ally
L. M. 2/26/90

sent list 4/4/90
7/9

Susie 3600
Kathleen Shasbaugh - Dept. of Law
wants to be notified as soon
as we know when SB 5 is
to be brought up again.
Jeanne

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER SB 5

SPONSOR Kerttula

BILL TITLE Annuity program - Longevity bonus - permanent fund dividend

DATE REFERRED 1-9-89

HEARING SCHEDULED 1-30-89

FISCAL NOTE PREPARED ~~XXXXXXXXXXXX~~ Reg. of Paula 1-23-89

SPONSOR CONTACTED Paula 3771

Teleconference Anch + Pion Thomas
Jnu
Mat-Su
Valdez
Fbx
Seward
AFTER 224-5532
Herman Lear
BRIDGE NUMBER
562-2867
224-5965

Jeanne

Adrian, Edna (276-2886)

May want to testify.

Gazaway, Vera & Prent (277-2073)

Either she or Marilyn Scott - representing Central Alaska Retired Teachers Assoc. (Marilyn has been notified)

Kirpatrick, Mildred (272-3954)

Will testify if feeling better.

Ohls, Andrew (272-7603)

Will attend hearing; may testify

Anch Sr Commission

Orr, Florence (279-3001)

Will testify - Chair of Local Senior Citizens Commission

Spencer, Tom & Flarine (337-2955)

Will probably attend but not testify

Burgin, Peggy (278-2102)

will probably be in Jnu

Howarth, Phil & Alice (279-3040)

Showers, Lorena (277-2226)

Topolski, Mary & Francis (272-8291)

Dean Gottehring 2201 OOA
Bob Evans, On's Office 3500
Mary Halloran, OMB
Bob Stalder, Div Retirement 4460

yes ✓ Joe Alter 546-6680

yes ✓ ~~Bob~~ Pavith, AARP 586-2066

no ✓ Connie Sipe, OAC #3250 - can't comment on ALB

✓ Rose will be in Jnu
Palmquist OPAG 277-0789
Liz Lawson, Asst Director

NA Rose Olive Druyman, local Retired Teachers 586-1172

Dept Revenue, Erin Jones
Maurice Long (Mike will talk to him - traveling now)

✓ Pioneers of Alaska (Igloo) - Statewide Chair

used Jnu Igloo
Mike Race, 586-4439

✓ Municipal Sr Commissions Anch. Florence Orr

Barney Haggard, Pioneers
Bob Truman, Pioneers
Doris Southall

Myra Munson/John Taber, DRSS

✓ Jnu - Joe Alter
✓ Mat Su - Leo Kaye 376-8810 H

Jano Windsor
Alton Ashcraft
Anne Walsh, 456-6737
Mike Dalton 479-67

✓ Fbx - (vacationing south...)

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration/Pioneers' Benefits
 Title: An Act amending and making effective an annuity program. BRU: Longevity Bonus
 Sponsor: Kerttula Components: Grants and Administration
 Requestor: Pourchot

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	86.4					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0	(305.7)	(1,192.4)	(2,681.8)	(4,880.0)	(7,831.9)
MISCELLANEOUS						
TOTAL OPERATING	86.4	(305.7)	(1,192.4)	(2,681.8)	(4,880.0)	(7,831.9)
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

See attached page

Prepared by: David Teal Phone: 465-4400
 Division: Pioneers' Benefits Date: 19 Jan 90
 Approved by Commissioner: Frank S. Baxter Date: 1/19/90
 Agency: Department of Administration

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

Fiscal Note for SB 5

Projected annual savings under this proposal are tenuous because they depend upon a number of variables that cannot be predicted accurately. These projections were prepared as a joint project of the Legislative Research Agency and the ALB program. A brief discussion of some of the more important assumptions and variables follows.

The Bonus amount for those turning 65 after 1/1/91 is \$250 less the annuity payment for those who turn 65 in the current year. The annuity payment depends upon:

- Permanent Fund Dividends--we used mid-range projections provided by the Permanent Fund Corporation;
- the interest rate at which earnings accrue and the interest rate used to determine an annuity--we used 9 percent as a reasonable estimate in both cases;
- the life expectancy of a 65 year-old--we used figures provided by the Alaska Department of Labor; and
- the frequency of bonus adjustments--we assumed that bonuses would be adjusted at the beginning of each fiscal year and remain fixed throughout the year.

The number of recipients who receive \$250 per month was determined by applying mortality and migration figures--supplied by the Alaska Department of Labor--to the projected number of recipients who will be on the program prior to 1991.

The number of recipients who receive reduced bonuses was determined by applying population, mortality and migration figures to the current number of recipients in order to determine the number of new applicants in each year. Migration and mortality figures were then applied to new applicants in order to determine the number of recipients who will receive reduced bonuses in each year.

Caveats

Projections exclude the cost of administering an annuity program. The assumption is that this agency's involvement with the annuity portion of the program would be limited to being informed of the amount by which bonus warrants should be reduced. Expected costs of modifying the program in order to pay amounts other than a fixed \$250 are included in the FY 91 contractual line.

Projections exclude the savings that would occur under the "hold harmless" provisions of AS 47.45.122. Those costs would be reflected in this fiscal note only if the legislature appropriates hold harmless funds to this agency for subsequent transfer to the Department of Health and Social Services.

Projections exclude savings that might occur if the number of recipients declines as the program becomes less financially attractive to participants and potential participants.

FISCAL NOTE

REQUEST: _____

Revision Date: _____ Agency Affected: Administration
 Title: An Act amending and making effective an Annuity Program BRU: Retirement and Benefits
 Sponsor: Kerttula Components: State Annuity System Management
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
PERSONAL SERVICES	0	340.9	340.9	340.9	340.9	340.9
TRAVEL	0	50.0	10.0	10.0	10.0	10.0
CONTRACTUAL	0	1,475.8	328.8	328.8	328.8	328.8
SUPPLIES	0	92.5	90.5	90.5	90.5	90.5
EQUIPMENT	0	134.9	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	2,094.1	770.2	770.2	770.2	770.2
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	2,094.1	(96.1)	(222.0)	(222.0)	(222.0)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	866.3	992.2	992.2	992.2
TOTAL	0	2,094.1	770.2	770.2	770.2	770.2

POSITIONS:

FULL-TIME	0	8	8	8	8	8
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See attached for a detailed analysis

Prepared By: Bob Statnaker Sally Smith Phone: 465-4470
 Division: Retirement and Benefits Date: 1-19-90
 Approved by Commissioner: Frank S. Baxter Date: 1-22-90
 Agency: Department of Administration

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

Senate Bill 5
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration
January 19, 1990

Analysis: The cost of the annuity program is anticipated to be carried entirely by the participants. A first year general fund appropriation would be paid back over 10 years from administrative fees charged to participant accounts.

Eight full-time positions will be needed to administer this program on a continuing basis. Even though the estimated \$1,000.0 is for the design of a highly automated computer system, eliminating the need for a large staff, this bill requires extensive manual effort to interface with the system. Personnel will handle counseling, address and beneficiary changes, account maintenance, and cash contributions.

Travel in FY 91 is needed to explain the program and answer questions at several locations throughout the state. In subsequent years, the director's office will travel to the field office.

There are annual contractual needs for the operation of the annuity program as well as \$1,000.0 in FY 90 to contract for building an automated system. These ongoing contractual needs are explained below. The system will be highly automated to reduce the need for a larger staff. The system will be maintained by an Analyst/Programmer IV.

On-going office supply needs will include microfilming supplies, computer paper stock, annual statements of account and 1099's. There will also be an FY 91 need for office equipment and the purchase of a microfilmer and reader for file maintenance.

The total estimated administrative cost to the division by fiscal year is as follows:

		<u>FY 91</u>	<u>FY 92</u>
<u>PERSONAL SERVICES</u>			
1 Retirement Specialist III	\$ 52.0		
1 Retirement Specialist I/II	45.8		
1 Retirement Tech. I/II	37.3		
1 Accountant II	45.8		
1 Accounting Technician I	37.3		
2 Accounting Clerk III	67.4		
1 Analyst/Programmer IV	<u>55.3</u>		
Total Personal Services cost..		\$340.9	\$340.9

TRAVEL

FY91 - 20 trips to various locations throughout the state for public meetings to explain the program.

FY92 and after - trips to various locations throughout the state for counseling.

Total Travel cost.....		50.0	10.0
------------------------	--	------	------

CONTRACTUAL

DP support	\$ 50.0		
CPU costs	140.0		
Computer Tapes	20.0		
Disk space costs	<u>40.0</u>		
Total DP resource		250.0	250.0

	FY 91	FY 92
Information Blitz, TV, and Radio	140.0	
Postage: Information and Warrants	25.0	25.0
Audits	10.0	10.0
Actuarial Consulting	10.0	3.0
Centrex charges (8 lines), long distance WATS line	30.8	30.8
Floor space	10.0	10.0
Contract for automated system design	<u>1,000.0</u>	_____

Total Contractual cost..		1,475.8	328.8
--------------------------	--	---------	-------

		<u>FY91</u>	<u>FY92</u>
<u>SUPPLIES</u>			
Office supplies, calculators	\$ 4.0		\$ 2.0
Microfilming supplies	3.5		3.5
Paper stock	80.0		80.0
Statement of Account	<u>5.0</u>		<u>5.0</u>
Total Supplies cost.....		92.5	90.5

EQUIPMENT

8 work stations	\$ 36.8		
8 chairs	3.2		
8 PCs	40.0		
1 printer	4.5		
1 Microfilmer and reader	45.0		
2 file cabinets	.6		
8 phones (600/instrument)	<u>4.8</u>		
Total Equipment costs.....		<u>\$ 134.9</u>	<u> </u>
TOTAL Operations Cost.....		<u>\$2,094.1</u>	<u>\$ 770.2</u>

The total continuing operations costs for FY 92 and after is estimated to be \$770.2. FY 91 funding is anticipated from general fund appropriations. Even though program receipts beginning in FY 91 are anticipated, it is recommended that they be placed in a separate administrative fund to help cover future operational costs. An administrative fee structure could be established to fund the on-going costs of operations and refund the FY 91 costs to the general fund over a 10-year period.

Position Title Retirement and Benefits Specialist III		No. of Positions 1	Range/Step 18A	Barg. Unit S
Time Status PE/FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4
Type of Expenditure		Amount		
1	2	3		
Salary	37,356			
Benefits	14,601			
Premium Pay				
Other				
Total Personal Services		51,957		
Travel		25,000		
Contractual		2,000		
Commodities		500		
Equipment		9,900		
Other				
Total Cost		89,357		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	89,357		
I-A Receipts	1006			
CIP Receipts	1061			
Other				

Justification

The Retirement and Benefits Specialist III position would be responsible for the day-to-day administration of the program. Specific duties would include supervising the individuals who are counselling participants and maintaining the accounts, drafting regulations, answering inquiries regarding the options available and consequences of selecting or not selecting the annuity program; assisting with the design of an automated data processing system; writing standard operating procedures for implementation of the program; and writing informational material such as: advertising notices informing individuals of the new program and mass mail-out to all Alaskan households.

6/681/0301-88/3-4

**Request For
New Position**

Agency Administration
 BRJ Retirement and Benefits
 Component Retirement and Benefits

Page 5 of 11
 Revised Date _____

FY 91

Position Title Retirement and Benefits Specialist I/II		No. of Positions 1	Range/Step 16A	Barg. Unit GGU
Time Status PE/FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4
Type of Expenditure		Amount		
1	2	3		
Salary	32,424			
Benefits	13,383			
Premium Pay				
Other				
Total Personal Services		45,807		
Travel				
Contractual		2,000		
Commodities		500		
Equipment		7,900		
Other				
Total Cost		56,207		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	56,207		
I-A Receipts	1006			
CIP Receipts	1061			
Other				
Justification The Retirement and Benefits Specialist I/II position would have primary responsibility for counselling participants. Specific duties would include counselling individuals regarding the options available and consequences of selecting or not selecting the annuity program; recommending changes in regulations based upon the needs of the program and participants; notifying participants of the balance in their annuity; assisting participants with an emergency hardship withdrawal.				

6/6B1/0301-88/5-6

**Request For
New Position**

Agency Administration
BRU Retirement and Benefits
Component Retirement and Benefits

Page 6 of 11
Revised Date _____

FY 91

Position Title Retirement and Benefits Technician I/II		No. of Positions 1	Range/Step 12B	Barg. Unit GGU	
Time Status PE/FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4	
Type of Expenditure		Justification			
		<p>The Retirement and Benefits Technician would be responsible for the day-to-day counselling of participants. Specific duties would include responding to telephone calls or written correspondence, notifying individuals of contributions from their Alaska Permanent Fund Dividends and their options for making cash contributions to the annuity program.</p>			
1	2				3
Salary	25,620				
Benefits	11,703				
Premium Pay					
Other					
Total Personal Services					37,323
Travel					25,000
Contractual					2,000
Commodities					500
Equipment					5,800
Other					
Total Cost					70,623
Funding Source for Total Cost					
Federal Receipts	1002				
G. F. Match	1003				
General Fund	1004	70,623			
I-A Receipts	1006				
CIP Receipts	1061				
Other					

6/6B1/0301-88/7-8

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 7 of 11
 Revised Date _____

FY 91

Position Title Accountant II		No. of Positions 1	Range/Step 16A	Barg. Unit GGU
Time Status PE/FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4
Justification				
<p>The Accountant II will be responsible for establishing, implementing and maintaining the accounting functions of this program. Specific duties will include reconciling the transfers from the Alaska Permanent Fund Dividend program, cash deposits from individuals and interest posted with the balances maintained on the annuity program file, determining the amount of the remaining allowable cash contributions for the year, transferring funds from the Alaska Permanent Fund to the division in order to set up annuity accounts, reconciling the annuities paid out each month.</p>				
Type of Expenditure		Amount		
1	2	3		
Salary	32,424			
Benefits	13,383			
Premium Pay				
Other				
Total Personal Services		45,807		
Travel				
Contractual		2,000		
Commodities		500		
Equipment		7,900		
Other				
Total Cost		56,207		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	56,207		
I-A Receipts	1006			
CIP Receipts	1061			
Other				

6/6B1/0301-88/9-10

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 8 of 11
 Revised Date

FY 91

Position Title Accounting Technician I		No. of Positions 1	Range/Step 12B	Barg. Unit GGU	
Time Status PE/FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4	
Type of Expenditure		Justification			
Amount		<p>The Accounting Technician I would be responsible for accepting transfers from the Alaska Permanent Fund Dividend program, balancing direct transfers, cash deposits and interest posted with the balances maintained on the annuity program file, recommending changes to accounting procedures and reports.</p>			
1	2				3
Salary	25,620				
Benefits	11,703				
Premium Pay					
Other					
Total Personal Services					37,323
Travel					
Contractual					2,000
Commodities					500
Equipment		5,800			
Other					
Total Cost		45,623			
Funding Source for Total Cost					
Federal Receipts	1002				
G. F. Match	1003				
General Fund	1004		45,623		
I-A Receipts	1006				
CIP Receipts	1061				
Other					

6/6B1/0301-88/11-12

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

FY 91

Page 9 of 11
 Revised Date _____

Position Title Accounting Clerk III		No. of Positions 2	Range/Step 10B	Barg. Unit GGU	
Time Status PL/FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4	
Type of Expenditure		Justification			
Amount		<p>The Accounting Clerk III positions will have the primary responsibility for depositing the cash contributions. Specific duties will require knowledge of AKSAS, reconciliation of deposits, verification that cash contributions do not exceed the maximum allowable.</p>			
1	2				3
Salary	45,432				
Benefits	21,971				
Premium Pay					
Other					
Total Personal Services					67,403
Travel					
Contractual					4,000
Commodities					1,000
Equipment		11,000			
Other					
Total Cost		83,403			
Funding Source for Total Cost					
Federal Receipts	1002				
G. F. Match	1003				
General Fund	1004		83,403		
I-A Receipts	1006				
CIP Receipts	1061				
Other					

6/6B1/0301-88/13-14

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 10 of 11
 Revised Date _____

FY 91

Position Title Analyst/Programmer IV		No. of Positions 1	Range/Step 19A	Barg. Unit GGU
Time Status PE/FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4
Justification				
<p>The Analyst/Programmer IV will be responsible for designing, writing and maintaining the automated data processing program. Specific duties will include writing a data processing program to track participant account balances and personal data, producing reports that will allow the accounting staff to reconcile transfers in and out of the program and producing automated federal withholding reports.</p>				
Type of Expenditure		Amount		
1	2	3		
Salary	40,032			
Benefits	15,262			
Premium Pay				
Other				
Total Personal Services		55,294		
Travel				
Contractual		4,000		
Commodities		500		
Equipment		10,500		
Other				
Total Cost		70,294		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	70,294		
I-A Receipts	1006			
CIP Receipts	1061			
Other				

6/6B1/0301-88/15-16

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 11 of 11
 Revised Date

FY 91

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Longevity Bonus: Annuity Program
Sponsor: Kerttula
Requestor: Senate State Affairs

Agency Affected: Administration
BRU: Information Services
Components: Computer Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Impact on FY 90 is zero. This fiscal note assumes there would be a Reimbursable Service Agreement with the Division of Pioneer Benefits if programming and computer services support (to modify the Longevity Bonus system to print and account for multiple check amounts) were required of this Division. The Div. of Pioneer Benefits' initial estimate of services is \$86,400

Prepared by: Paul Monette Paul Monette Director Phone: _____
Division: Information Services Date: 465-2220
Frank Baxter Date: January 19, 1990

Approved by Commissioner: Frank Baxter Date: 1/19/90
Agency: Administration

Distribution (by preparer) :

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

FISCAL NOTE

REQUEST

Revision Date: _____
Title: Annuity Program; amendments to the Longevity Bonus Program and PFD
Sponsor: Kerttula
Requestor: Senate State Affairs

Agency Affected: Revenue
BRU: Permanent Fund Dividend Division
Components: Permanent Fund Dividend Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
OPERATING						
PERSONAL SERVICES	14.7	141.2	100.4	100.4	100.4	100.4
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	15.0	47.4	24.8	24.8	24.8	24.8
SUPPLIES	-0-	1.5	1.5	1.5	1.5	1.5
EQUIPMENT	-0-	5.0	-0-	-0-	-0-	-0-
LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	29.7	195.1	126.7	126.7	126.7	126.7
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	29.7	195.1	126.7	126.7	126.7	126.7
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	29.7	195.1	126.7	126.7	126.7	126.7

POSITIONS:

FULL-TIME	-0-	1	-0-	-0-	-0-	-0-
PART-TIME	4	7	7	7	7	7
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS: See Attached.

Prepared By: Ervin Jones
Division: Permanent Fund Dividend Division

Phone: 465-2323
Date: January 11, 1990

Approved by Commissioner: [Signature]
Agency: Revenue

Date: 1/19/90

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

Alaska Department of Revenue
Permanent Fund Dividend Division
SB 5 Fiscal Note Analysis
As of January 11, 1990

Assumptions:

1. This bill will be effective for the 1991 dividend.
2. The Department of Revenue will treat the mechanics of the program as a "check-off" with four options; 25%, 50%, 75%, or 100% contribution to the annuity account.
3. The Department of Revenue will respond to the public's general questions regarding the completion of the Permanent Fund Dividend applications, but will refer complicated questions regarding the annuity options to the Division of Retirement and Benefits. Revenue employees will not give advice as to whether or not an individual should or should not participate, nor try to explain how the annuity program works for them.
4. The Department of Revenue will initiate statewide advertising to advise the public that the change in law DOES NOT apply to the 1990 Permanent Fund Dividend program. This is important, as the public will be in the process of applying for the 1990 Permanent Fund Dividend at the time the bill becomes law and the initial press coverage occurs. We will coordinate the advertising and all public contact with the Department of Administration.
5. The development of the insert to the Permanent Fund Dividend application booklet will be handled by the Department of Administration and covered in their fiscal note.
6. The Department of Revenue will modify the Permanent Fund Dividend system to process the proposed options and to pass information to the Department of Administration. The garnishment sub-system will need to be rewritten to accommodate the changes.
7. Until the earnings of the annuity account are such as to be able to pay the administrative costs, the costs will be funded by the general fund.

Program Summary:

Upon enactment, the Permanent Fund Dividend Division expects to be deluged with public contact regarding the effect of the new law on the current year (1990) program. The division will (upon approval of funding) mount a state-wide publicity campaign to advise the public that:

- 1) There is no effect in 1990;
- 2) Please don't contact Department of Revenue about the annuity program; and
- 3) The Department of Administration will be contacting each household at a later date with complete information on the new program.

Alaska Department of Revenue
 Permanent Fund Dividend Division
SB 5 Fiscal Note Analysis
 As of January 11, 1990

During the interim, the Permanent Fund Dividend Division will modify our computer system to accommodate the new options, and to provide for the transfer of funds and applicant information to the Department of Administration. The garnishment sub-system will be re-written and expanded to accommodate the complexities of now multiple choices for check-offs, assignments and attachments. The accounting system will also be modified. The division will modify the 1991 Permanent Fund Dividend application and booklets to allow the applicants to select the annuity option. All related forms will be modified.

During the 1991 and subsequent filing periods, the division will provide additional staff in the field offices to answer the public's questions regarding the completion of the application. The additional data will be keyed into the computer. In the fall, the necessary data (e.g. name, address, birthdate, option selected) will be transferred to the Department of Administration on a regular basis as the dividends are paid.

The Division will not attempt to explain the impact of the options nor will we attempt to advise individuals as to their choice. Those types of questions will be referred to the Department of Administration.

The Division will coordinate our efforts with the Pioneer Benefits and Retirement and Benefits Divisions of the Department of Administration, which will be administering the actual annuity program.

The estimated costs of implementation of this bill are as follows:

	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>
<u>1. Positions</u>				
<u>Data Processing</u>				
1 Analyst/Programmer IV, R19 @ \$4,524.38/mo. including salary and benefits for 12 months (FY 91 only)		\$54.3		
1 Analyst/Programmer IV, R19 @ 4,524.38/mo. including salary and benefits for 3 months (FY 91 only)		\$13.6		
1 Analyst/Programmer IV, R19 @ 4,524.38/mo. including salary and benefits in FY 92 and thereafter for 6 months			\$27.1	\$27.1

Alaska Department of Revenue
 Permanent Fund Dividend Division
SB 5 Fiscal Note Analysis
 As of January 11, 1990

	FY 90	FY 91	FY 92	FY 93
<u>Data Entry</u>				
2 Data Processing Clerk I's, R8, @ 2425.52/mo. including salary and benefits for 3 months		\$14.6	\$14.6	\$14.6
<u>Dividend Information Centers</u>				
<u>Anchorage</u>				
2 Document Processor II's, R8, @ 2425.52/mo. including salary and benefits for 6 months (1 1/2 months in FY 90)	\$7.3	\$29.1	\$29.1	\$29.1
<u>Juneau</u>				
1 Document Processor II, R8, @ 2425.52/mo. including salary and benefits for 6 months (1 1/2 months in FY 90)	\$3.6	\$14.6	\$14.6	\$14.6
<u>Fairbanks</u>				
1 Document Processor II, R8, @ 2505.54/mo. including salary and benefits for 6 months (1 1/2 months in FY 90)	\$3.8	\$15.0	\$15.0	\$15.0
Total Personal Services	\$14.7	\$141.2	\$100.4	\$100.4
2. <u>Travel</u> : None.				
3. <u>Contractual</u> :				
a) <u>Department of Administration</u> <u>Chargeback</u> (estimated); additional disc space and computer time.		\$45.2	\$22.6	\$22.6
b) <u>Advertising</u> : Statewide campaign to inform public that annuity option does NOT apply to 1990 Permanent Fund Dividend program.	\$15.0			
c) <u>Maintenance</u> : for 2 Wang PC240 termi- nals with emulator boards for Anch- orage and Fairbanks (one each loca- tion), Wang maintenance @ \$90/mo)		\$2.2	\$2.2	\$2.2
Total Contractual	\$15.0	\$47.4	\$24.8	\$24.8

Alaska Department of Revenue
 Permanent Fund Dividend Division
SB 5 Fiscal Note Analysis
 As of January 11, 1990

	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>
4. <u>Supplies:</u>	-0-	\$1.5	\$1.5	\$1.5
5. <u>Equipment</u>				
Purchase 2 Wang PC240 terminals with emulator boards for Anchorage and Fairbanks (one each location).	-0-	\$5.0	-0-	-0-
 Total Operating Cost:	 \$29.7	 \$195.1	 \$126.7	 \$126.7

Suggested Amendments: None.

SSSB 154
Radio Program 1/17/90

**LEGISLATIVE PRIORITIES
OF
THE PIONEERS OF ALASKA**

1. During this session of the Legislature the Pioneers are most interested in protecting the Senior programs presently in place. We prefer the \$250.00 monthly bonus program remain as it is, however, rather than see it suffer major setbacks, the Grand Igloo supports an annuity program as introduced by Senator Kerttula.
2. The Pioneers support a requirement of 65 years of age as a minimum for admission to the Pioneer Home system, and removal of the word 'destitute' as is presently used in giving priority for admission.
3. The Pioneers support full state funding to cover property tax exemptions for Seniors.
4. The Pioneers support in-Home Support Care and Senior Housing. Re: HB 218; SB 150.
5. The Pioneers support Health Care legislation. Re: HB 47.
6. Also, it has been noted, from a recent news article that Sen Uehling has prefiled legislation that would give Medicare eligible Senior an option to choose to receive health care under Medicaid at home rather than in a Long Term Care facility. The Pioneers certainly support this concept.

The Pioneers have taken no position regarding a State Income Tax or the Governor's proposal on an Education Endowment.

The Pioneer's registered lobbyist is Bill Ray, 165 Behrends Ave, Juneau, AK, 99801, Tel: (907) 586-1225

Bob Huffman, Chm.
Legislative Committee
Pioneers of Alaska

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Fajks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

MEMORANDUM

TO: Senate State Affairs Committee Members

FROM: Senator Pat Pourchot

RE: Monday, January 22 Committee Hearing

DATE: January 20, 1990

TELECONFERENCE: Anchorage, Mat-Su, Valdez, Soldotna, Fairbanks, Bethel, Delta Junction, Sitka and Homer. Invited testimony and others as time permits.

On Monday, January 22 at 1:30 p.m. in the Beltz Room the Senate State Affairs Committee will hear the following bills:

SB 5. An Act amending and making effective an annuity program and amendments to the longevity bonus program.

SB 5 establishes an annuity program to replace the existing Longevity Bonus Program. Alaskans would contribute to an individual annuity account by dedicating all or part of their PFDs to that account. Other than omitting the schedule for declining longevity bonus payments, the is essentially the same as SB 56, which the Governor vetoed in 1988. This bill provides that persons who turn 65 on or before January 1, 1991 will continue to receive \$250 per month as long as they reside in Alaska.

In December, 1989 the state issued 19,082 longevity bonus checks as compared to 17,702 in January, 1989. The Governor's proposed FY 91 budget contains a request for \$59.4 million, an increase on approximately \$3.3 million over FY 90 and an increase of nearly \$7.3 million over FY 89. The committee will discuss alternatives to reducing program costs.

SSSB 150. An Act establishing a senior housing office and loan program in the Department of Community and Regional Affairs; and authorizing the issuance of bonds for senior housing.

SSSB 150 authorizes the Alaska State Housing Authority to issue bonds, the proceeds of which would be deposited in the Senior Housing Revolving Fund. It establishes the Fund, which consists of the bond proceeds, legislative appropriations and loan payments. Funds could be used for mortgage loans, as well as construction loans. SSSB 150 establishes a Senior Housing Office in the Department of Community and Regional Affairs to administer a senior housing loan program.

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan F. Oks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

MEMORANDUM

TO: Senate State Affairs Committee Members

FROM: Senator Pat Pourchot

RE: Friday, January 26 Committee Hearing

DATE: January 25, 1990

TELECONFERENCE: Anchorage, Mat-Su, Valdez, Soldotna, Fairbanks, Bethel, Delta Junction, Sitka and Homer.

On Friday, January 26 at 9:00 a.m. in the Beltz Room the Senate State Affairs Committee will hear the following:

The purpose of this hearing is to seek testimony on the Department of Administration's report on capping the longevity bonus program and the alternative bonus-ladder approach I presented at Monday's hearing. Copies of both were sent to interested parties around the state.

This hearing is a continuation of the hearing held Monday on SB 5, which establishes an annuity program to replace the existing longevity bonus program.

sb5.txt

FRIDAY, 9:00 am hearing

TELECONFERENCE; Anch. LIO, Mat-SU, Valdez, Soldotna, Fairbanks, Bethel, Delta Jnc., Sitka, Homer.

INFORMATION SENT TO; * indicates will testify

OMB; MARY HALLORAN. Needs to testify first.

Senator Kerttula

AARP: Bob Pavitt

Joe Henri: Commonwealth

Julie Petro: Ak. Fed of Natives

Rose Palmquist: OPAG

Sylvia Short - *Not interested in L.F.*

Leo Kaye

Gazaways

OAC: Fran Toland

Connie Sipe: OAC

Liz Lawson: Senior Voice

Florence ORR

Peggy Burgin

Anchorage Pioneer Home

Pioneers of Alaska: Maurice Ingrahm

PREVIOUS NOTIFICATION LIST FOR 1/22/90 Hearing:

Dept. of Admin: Jim Fox

Revenue: Ervin Jone, Cliff Groh

OAC: Fran Toland

Vera & Prent Gazaway

Peggy Burgin

Public Asst: John Tabor

AARP: Bob Pavitt

Senior Voice: Liz Lawson (sp?)

Florence Orr

HESS: Jay Livey, someone will be available

Sylvia Short

Anch. Pioneer Home

NOTES:

NEW FISCAL NOTES: Retirement + Benefits + HESS (Hold Harmless)

Al will be here for hearing.
Updated Research Report

sb5.txt

TELECONFERENCE; Anch. LIO, Mat-SU, Valdez, Soldotna, Fairbanks, Bethel, Delta
Jnc., Sitka, Homer.

Hazel Heath

*↓
Net Kinney*

NOTIFIED; * indicates will testify

- ✓ *Senator Kerttula
- ✓ *Dept. of Admin: Jim Fox
- *OMB: Mary Halloran
- Revenue: Ervin Jone, Cliff Groh
- OAC: Fran Toland
- Vera & Prent Gazaway
- Peggy Burgin
- Public Asst: John Tabor
- ✓ AARP: Bob Pavitt
- Senior Voice: Liz Lawson (sp?)
- Florence Orr
- HESS: Jay Livey, someone will be available
- Sylvia Short
- Anch. Pioneer Home

Please note: have tried to reach several other seniors i.e. Rose Palmquist, Mary Topolski, Mike Race. No answer.

SBS
1.22.90
Mailed to
this list:
alternatives
to annuity
program.

Bob Pavitt
Chair, AARP
130 Seward Street, #205
Juneau, AK 99801

Joseph R. Henri
c/o Commonwealth North, Inc.
935 West 3rd Avenue
Anchorage, AK 99501

Julie Petro
Alaska Federation of Natives
411 West 4th Avenue, Suite 301
Anchorage, AK 99501

Rose Palmquist
Older Persons Action Group
325 East 3rd Avenue
Anchorage, AK 99501

Sylvia Short
705 West 47th Avenue
Anchorage, AK 99503

Leo Kaye
P.O. Box 12934
Wasilla, AK 99687

Vera and Prent Gazaway
1521 West 14th Avenue
Anchorage, AK 99501

Fran Toland
Older Alaskans Commission
Department of Administration
P.O. Box C
Juneau, AK 99811

Connie Sipe
Older Alaskans Commission
Department of Administration
P.O. Box C
Juneau, AK 99811

Liz Lawson
Senior Voice
325 East 3rd Avenue, Suite 300
Anchorage, AK 99501

(over)

 *
 * DELIVER TO: LSNCSTA *
 *
 * ORIGINAL *
 * SENT: 01/26/90 TIME: 14:05 *
 * FROM: LTCCFBX *
 * SUBJECT: SSTA; SB5; 1-26 *
 * PRINT DATE: 01/26/90 TIME: 16:57 *
 *

1/26

T/C NO: 90-01-182
 DATE: JANUARY 26, 1990
 SPONSOR: SENATE STATE AFFAIRS
 SUBJECT: SB 5: LONGEVITY BONUS: ANNUITY PROGRAM
 MODERATOR: FRAN
 SITE: FAIRBANKS

FINAL STATS

 TESTIFIED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1.			
2.			
3.			
4.			
5.			

 OBSERVED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. JAMES W. MATTHEWS	1072 MCGRATH RD., FBX, 99712	457-3537	
2.			
3.			
4.			
5.			

TESTIFIED: 0
 UNABLE: 0
 OBSERVED: 1
 TOTAL: 1

START TIME: 9:00 A.M. END TIME: 9:45 A.M.

```

*****
*
* DELIVER TO: LSNCSA
*
* ORIGINAL
* SENT: 01/26/90 TIME: 10:17
* FROM: LIOCTOM
* SUBJECT: 90-01-182;FS;BONUS;1-26-90
* PRINT DATE: 01/26/90 TIME: 16:56
*
*****

```

1/26

```

TC NO: 90-01-182

DATE: 1-26-90
SPONSOR: SENATE STATE AFFAIRS
SUBJECT: LONGEVITY BONUS ANNUITY PROGRAM, (SB5)
MODERATOR: TOM PILLIFANT
SITE: ANCHORAGE

```

FINAL STATS

TESTIFIED:

NAME\REPRESENTING	ADDRESS	PHONE	BILL NO.
1. DALTON MOORES,	2945 SHELDON JACKSON, ANCH.	279-2967	SB5
2. FLORENCE ORR,	2110 DAWNLIGHT, ANCH.,	279-3001	SB5
3. VERA GAZAWAY,	1521 W 14TH AVE., ANCH.,	276-1059	SB5

OBSERVED:

NAME\REPRESENTING	ADDRESS	PHONE	BILL NO.
1. HARRY HOUGH	4701 SHELKOF ST., ANCH.,	543-7459	
2. HP GAZAWAY,	1521 W 14TH AVE., ANCH.,	277-2073	

```

TESTIFIED: 3
UNABLE: 0
OBSERVED: 2
TOTAL: 5

```

```

START TIME: 9:00AM
END TIME: 10:15AM

```


15 year plan

6-0029H
Cook
1/29/90

Original sponsor(s): SEN. KERTTULA, Jones, Faiks

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 5 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the longevity bonus program; and
7 providing 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 or over, who resides in the
11 state for at least two years immediately preceding application for a
12 longevity bonus under this chapter, may apply to the commissioner of
13 administration for qualification to receive a monthly bonus [OF \$250].

14 * Sec. 2. AS 47.45 is amended by adding a new section to read:

15 Sec. 47.45.016. AMOUNT OF BONUS. The amount of the monthly
16 bonus shall be determined based upon the age of the applicant as
17 follows:

Year in Which Applicant	Amount of Monthly
Reaches Age 65	Bonus
1990 or before	\$250
1991	233
1992	216
1993	200
1994	183
1995	166
1996	150
1997	133
1998	116
1999	100

1	2000	83
2	2001	66
3	2002	50
4	2003	33
5	2004	16
6	2005 or after	0

7 * Sec. 3. Sections 1 - 18, ch. 99, SLA 1985, are repealed.

8 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

10 year plan.

6-0029J
Cook
1/30/90

Original sponsor(s): SEN. KERTTULA, Jones, Faiks

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR SENATE BILL NO. 5 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the longevity bonus program; and
7 providing 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 or over, who resides in the
11 state for at least two years immediately preceding application for a
12 longevity bonus under this chapter, may apply to the commissioner of
13 administration for qualification to receive a monthly bonus [OF \$250].

14 * Sec. 2. AS 47.45 is amended by adding a new section to read:

15 Sec. 47.45.016. AMOUNT OF BONUS. The amount of the monthly
16 bonus shall be determined based upon the age of the applicant as
17 follows:

18	Year in Which Applicant	Amount of Monthly
19	Reaches Age 65	Bonus
20	1990 or before	\$250
21	1991	225
22	1992	200
23	1993	175
24	1994	150
25	1995	125
26	1996	100
27	1997	75
28	1998	50
29	1999	25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

2000 or after

0

* Sec. 3. Sections 1 - 18, ch. 29, SLA 1985, are repealed.

* Sec. 4. This Act takes effect immediately under Af 01.10.070(c).

LONGEVITY BONUS ALTERNATIVE

Because the Governor has indicated an intent again to veto an annuity approach based on Permanent Fund Dividend contributions, I would like to propose a variation on the "stair-step" approach that may have merit. This option would incorporate a schedule of declining bonus payments over the next 10 or 15 years.

Contrary to previous "stair-stepping" proposals, which cut off new recipients, this proposal would "grandfather" a recipient into the program at the amount of the bonus payment for the year in which he/she qualified. Persons currently receiving \$250 per month would continue to do so for as long as they remain in Alaska. Persons qualifying during the second year of the program would be "grandfathered" in at \$17 to \$25 less per month. Each year new recipients would receive \$17 to \$25 less per month but would remain at that level for the rest of their lives in Alaska.

The advantages of this approach include:

- 1) A senior's bonus payment would not decline over time.
- 2) There is no impact on Permanent Fund Dividends. Seniors would still receive their dividends regardless of when they turned 65.
- 3) The concept is simple to understand and administer.
- 4) The cost of the Longevity Bonus Program would gradually decline until phase-out in 10 or 15 years (except for surviving recipients).
- 5) Eliminates uncertainty of fiscal impact for both the state and the recipients.
- 6) There is a gradual reduction in benefits with no arbitrary cut off date separating "haves" from "have-nots".

15-Year Phase-Out

Year	Per Month
1991	\$250
1992	233
1993	216
1994	199
1995	182
1996	165
1997	148
1998	131
1999	114
2000	97
2001	80
2002	63
2003	46
2004	29
2005	12

10-Year Phase-Out

Year	Per Month
1991	\$250
1992	225
1993	200
1994	175
1995	150
1996	125
1997	100
1998	75
1999	50
2000	25

TABLE 1

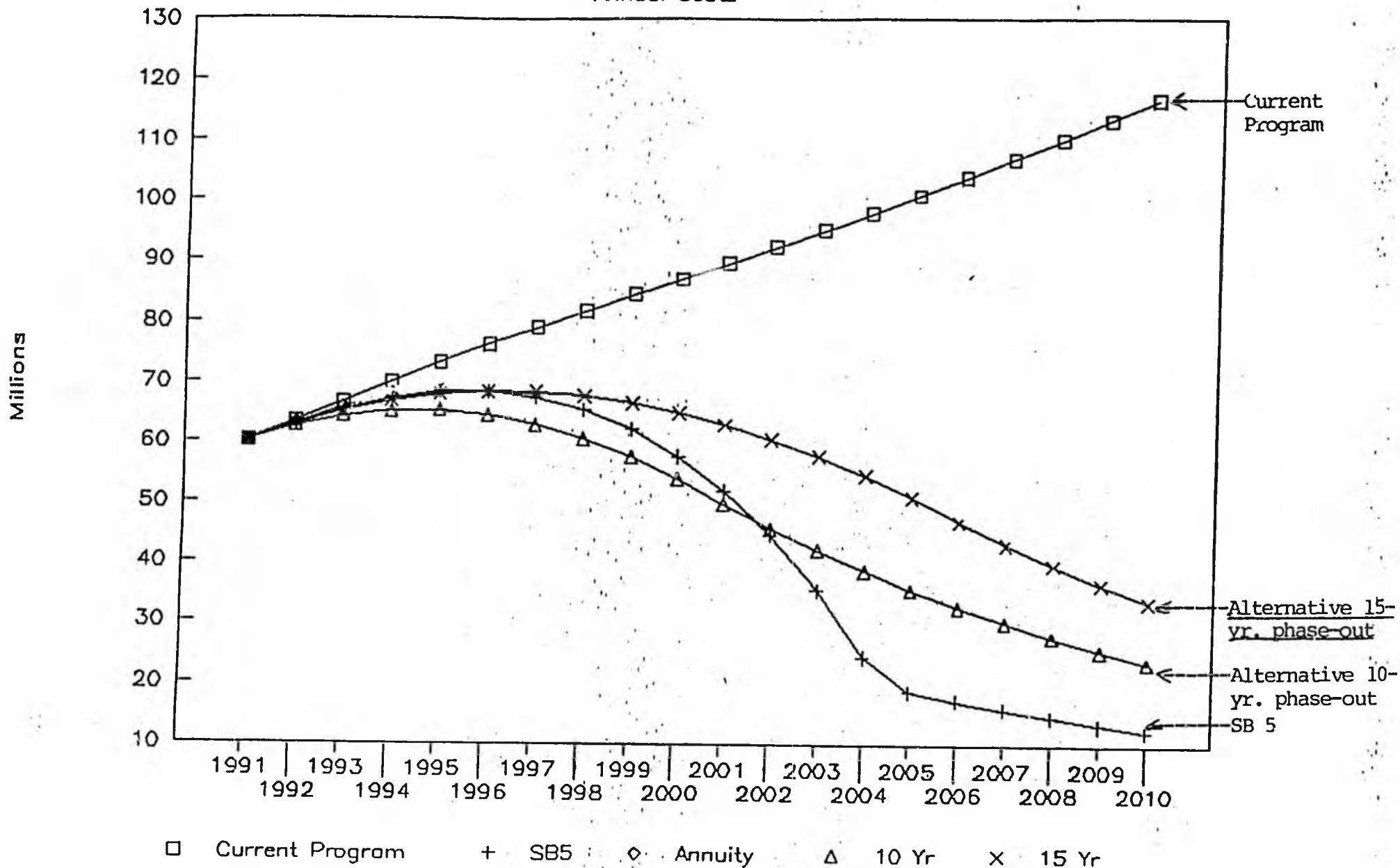
LONGEVITY BONUS PROGRAM COMPARISON
 ANNUAL COSTS
 in Millions of Dollars

<u>Year</u>	<u>Current Program</u>	<u>SB 5</u>	<u>10-Year Stairstep</u>	<u>15-Year Stairstep</u>	<u>Number of Recipients</u>
1991	60.2	60.2	60.2	60.2	20,075
1992	63.5	63.2	62.7	62.9	21,153
1993	66.7	65.5	64.3	65.1	22,232
1994	69.9	67.2	65.1	66.7	23,310
1995	73.2	68.3	65.2	67.9	24,389
1996	76.2	68.3	64.4	68.3	25,384
1997	78.9	67.3	62.8	68.2	26,295
1998	81.6	65.3	60.5	67.5	27,208
1999	84.4	62.1	57.5	66.5	28,120
2000	86.8	57.6	53.8	64.8	28,949
2001	89.5	51.8	49.5	62.8	29,817
2002	92.1	44.4	45.5	60.4	30,712
2003	94.9	35.4	41.9	57.6	31,634
2004	97.7	24.4	38.5	54.4	32,582
2005	100.7	18.7	35.4	50.8	33,560
2006	103.7	17.2	32.6	46.7	34,567
2007	106.8	15.9	30.0	43.0	35,604
2008	110.0	14.6	27.6	39.5	36,672
2009	113.3	13.4	25.4	36.4	37,772
2010	116.7	12.3	23.4	33.4	38,905

Prepared by the Legislative Research Agency, January 1990, (90.183A).

Longevity Bonus Cost Comparisons

Annual Costs



DEPARTMENT OF ADMINISTRATION

OPTIONS FOR CAPPING THE ALASKA LONGEVITY BONUS PROGRAM

Report to the Second Session of the 16th Alaska Legislature
Prepared by the Department of Administration
Jan. 8, 1990

Pursuant to Intent Language in FY 90 Budget

TABLE OF CONTENTS

Executive SummaryPage 2

Restructuring the Longevity Bonus: Five QuestionsPage 3

Reviewing the Bonus Program: The First 17 Years and BeyondPage 4

Options for Capping Program Costs: Two ApproachesPage 5

 1. Limiting Eligibility for the ProgramPage 5

 2. Reducing the Amount of the BonusPage 8

Tables Used in this ReportAttachment 1

Appendix (Reports of the House Research Agency, Prior
Proposed Legislation, Fiscal Information, Other Documents) ..Attachment 2

EXECUTIVE SUMMARY

This report was prepared according to language in the fiscal 1990 operating budget that says, "The legislature intends that the administration analyze the possibility of restructuring the (Alaska Longevity Bonus Program) at \$50 million annually, including hold harmless provisions and administrative costs of the program."

It is important to note that a \$50 million annual cap on the program will require significant change. This fiscal year, the cost of the longevity bonus will be about \$62 million. That includes more than \$5 million in Health and Social Services hold harmless provisions and approximately \$400,000 for administrative costs.

There are only two basic approaches to establishing a cap: 1) reducing the number of recipients, and 2) reducing the amount of the monthly bonus check. These approaches, of course, may be combined, and the number of possible variations is almost infinite. We have highlighted in this report six specific options for capping the program at \$50 million annually. Any of those six options would require statutory change.

The analysis is also built upon five questions that the Department of Administration believes are essential to any effective solution of the longevity bonus question. A description of those questions can be found on the following page. As you read this report, you'll see the questions repeated as we consider each of the six options for capping the program. Of course, any analysis could be based on a different set of questions, but we believe these are, at the least, an important starting point from which to debate the future of the program.

Along with the narrative portion of this report, several charts and graphs are included to help illustrate key elements of the various options. Also included are several past reports on the longevity bonus program prepared by the House Research Agency, which has studied the issue in great detail over the years.

It should be noted that this report, following the intent language written by the legislature, only presents an analysis of options for cutting the program. The report contains no recommendations.

RESTRUCTURING THE LONGEVITY BONUS: FIVE QUESTIONS

In analyzing various options for the future of the program, the Department of Administration believes the following questions must be asked about any proposed solution. Of course, different people will place different weights on the importance of each of these questions. They are offered only to prompt effective debate and therefore help lead to a workable solution of the longevity bonus question.

- 1. What is the effect on current recipients?** Should Alaskans who already receive the \$250 per month longevity bonus be assured they can count on the bonus for the rest of their lives?
- 2. Is the change easy to understand?** Any restructuring of the program should be easily explained and easily understood.
- 3. Is the effect easily predictable?** Alaskans should be able to quickly calculate how any change to the longevity bonus will affect their futures. Also, it's important for the state's budget writers to know how much the program will cost in the years ahead.
- 4. How much will costs be reduced?**
- 5. How quickly will costs be reduced?**

REVIEWING THE BONUS PROGRAM: THE FIRST 17 YEARS AND BEYOND

When the Alaska Longevity Bonus Program began in 1973, \$100 a month was paid to about 3,600 seniors who were at least 65 years old and had lived in Alaska continuously for at least 25 years. The program changed dramatically in 1984 when the 25-year residency requirement was declared unconstitutional. Costs began to skyrocket. Now, anyone who is 65 and has lived in Alaska for two years is eligible for the \$250-a-month bonus.

As of October 1989, 19,219 seniors were receiving the bonus. The total projected cost of the program for fiscal 1990, including \$5 million for hold harmless provisions and approximately \$400,000 in administrative costs, is about \$62 million.

Without change, costs will continue to increase. The number of eligible Alaskans will keep growing, as will the percentage of the population that is at least 65 years old. Without change, more than 28,000 seniors will be paid about \$85 million in the year 2000. (See Attachment 2, House Research Agency request 89.173, Jan. 30, 1989, Table 3)

The rising costs of the hold harmless provisions -- what it costs the state to maintain federal benefits for Alaskans who would otherwise lose them because they receive a bonus check -- add even more to the totals. With hold harmless costs included, the estimated pricetag for the longevity bonus is more than \$102 million in the year 2000, if no changes are made to the current program. (See Attachment 1 -- Table 1)

There are other ways to illustrate the rapidly escalating cost of the current program. The following examples indicate the possible effect of each year without change.

The first is to multiply the estimated increase in beneficiaries by the cost of the bonus. This year the program will have a net gain of about 1,000 new beneficiaries. Thus, we can expect the annual cost of the bonus to increase by \$3 million or more. (1,000 x \$3,000 annually per recipient = \$3 million) Since this is a net gain, we can expect this increase will be compounded over the years.

Another is to simply assume the net gain is made up mostly of seniors who are age 65 and have an average remaining life expectancy of 16 years. This would show a long-term liability of \$48 million ((1,000 x \$3,000 x 16 = \$48 million). This understates potential long-term costs.

If, as many propose, any change to the program must totally protect current beneficiaries, then for each year the program remains unchanged the state assumes a long-term liability of well over \$100 million.

For example, the Department of Labor (Alaska Population Projections, 1986)

estimates that in 1990 there will be about 2,350 seniors age 64. Assume that when they turn 65 they will apply for the bonus and that their average life expectancy is about 16 years. This one-year group creates a potential payment liability of \$112.8 million. (2,350 x \$3,000 x 16 = \$112.8 million.) However, our experience has shown that this is substantially lower than the actual number of new beneficiaries that can be expected. Nor does this figure include estimates of Health and Social Services hold harmless costs.

Continuation of the program in its present form will require that funding be diverted from other needs -- or that additional taxes be levied -- decisions that surely would prompt a difficult public policy debate.

The program does have advantages. Most of the money that goes to bonus payments is circulated within the state. Most seniors are not well off and have little chance of acquiring other income. Testimony indicates the bonus also helps some seniors remain in Alaska and near family members. By definition, any reduction in the program, by whatever means, diminishes these secondary benefits. In following the intent of the legislature, the Department of Administration compiled the following analysis of various options to cap the annual cost of the program at \$50 million.

OPTIONS FOR CAPPING PROGRAM COSTS: TWO APPROACHES

As mentioned in the executive summary that accompanies this report, any cap on the cost of the Alaska Longevity Bonus Program would involve either or both of two scenarios: Limiting the number of people who are eligible for the bonus or reducing the amount of the bonus. Although there are limitless variations of each approach, this analysis highlights selected options under each of the two main headings.

1. LIMITING ELIGIBILITY FOR THE PROGRAM

Limiting the number of eligible recipients involves selecting one or more limiting attributes and establishing those as eligibility criteria. Some attributes are legally acceptable and some are not. Within prescribed limits, age, income, residency and dependency have all proven to be legally acceptable criteria with which to limit eligibility for public benefits. Others, such as race, gender and religion are not usually legally acceptable. In general, the state may not discriminate in the provision of benefits except for compelling reason. Basically, in a legal test, the compelling nature of the reason is weighed against the critical nature of the benefit.

Residency is the criteria most commonly tested. When the benefit is necessary to the individual's health and well-being -- public assistance, education, medical care -- the length of residency requirement must be quite short or non-existent. Physical presence of 30 days is a common limit. When the benefit meets a less compelling need -- sports licenses, permanent fund dividends and the present longevity bonus -- then the length of residency

requirement may be longer. One to two years is common. The residency requirement was recently doubled for the bonus, from one to two years. That criteria has yet to be tested in court.

Currently, there are rather few limiting criteria for the longevity bonus. (One must be 65 years old, a two-year Alaska resident, not in prison, not in a nursing home or in a mental hospital and certified as unable to manage personal affairs.) Changing one of the current criteria might force other changes. For example, if eligibility were to become based on economic need, then the two-year residency might well be successfully challenged.

With that in mind, we have elected to comment on three options for limiting the number of eligibles: 1) Immediately raising the age of eligibility to 70; 2) Raising the age of eligibility more gradually; 3) Basing eligibility for the bonus on income.

Option 1a: Immediately raising the age of eligibility to 70

If the age of eligibility for the bonus was raised to 70 this session, the total cost of the program would drop to \$37.4 million in fiscal 1991 and increase about \$2 million a year from there. It would take 10 years before the cost of the program returned to what it is today. (See Attachment 1 -- Table 2) But it would only take six years, until fiscal 1997, before the suggested cap of \$50 million is exceeded.

Asking the questions:

1. **What is the effect on current recipients?** The bonus would be taken away from those between ages 65 and 69, unless the legislature adopted a type of "hold constant" provision that continued to pay the bonus to those who had already been receiving it. In that case, savings would be much less. In fiscal 1991, for example, it would cost \$21.7 million to hold constant those Alaskans between ages 65 and 69 who would otherwise lose their monthly bonus checks. (See Attachment 1 -- Table 2)
2. **Is the change easy to understand?** Yes.
3. **Is the effect easily predictable?** Yes.
4. **How much will costs be reduced?** Not much, if seniors currently between ages 65 and 69 were to be held constant (keep receiving the bonus).
5. **How quickly will costs be reduced?** Immediately.

Option 1b: Raising the age of eligibility more gradually

To meet the suggested cap of \$50 million in annual costs, the age of eligibility could be increased to 68 for fiscal 1991. That would put the total cost of the program at \$47.7 million. (See Attachment 1 -- Table 3) If the age of eligibility stayed at 68 in fiscal 1992, the total program cost of \$50.8 million would be just above the cap. For the following two years, fiscal 1993 and 1994, the eligibility age would have to be 69 in order to stay at or near the

\$50 million goal. That suggested cap still could be achieved if the age limit was increased to 70 in fiscal 1995 and 1996.

Asking the questions:

- 1. What is the effect on current recipients?** Those currently between ages 65 and 67 would lose eligibility for a bonus they are already receiving unless some type of "hold constant" provision were enacted.
- 2. Is the change easy to understand?** Conceptually, it is. But it would probably be confusing to seniors trying to determine exactly when they would be eligible for the program.
- 3. Is the effect easily predictable?** For the state's budget writers, yes. But seniors would have a hard time predicting exactly when they would become eligible.
- 4. How much will costs be reduced?** Not much, if seniors already receiving the bonus are held harmless until they reach age 68.
- 5. How quickly will costs be reduced?** Immediately.

Option 1c: Basing eligibility for the bonus on income

This so-called "needs-based" approach has been debated by the legislature in the past. (Governor Cowper's bill, HB 151, was introduced in the first session of the 15th Alaska Legislature. The House Research Agency wrote an analysis, which is attached to this report). That analysis is now three years old, but the basic findings are still valid: If the longevity bonus is paid according to income guidelines, then fewer Alaskans will be eligible. The level of cost savings depends, of course, on the income guideline and the distribution of income within Alaska's senior population. A higher income guideline would eliminate fewer seniors from eligibility for the bonus. A lower guideline would eliminate more people from eligibility.

We had hoped to have some information on the distribution of income by age from research conducted by the University of Washington in 1985 that used a large sample of bonus recipients. The limited information we do have indicates that approximately 90 percent of the seniors have income of less than \$20,000 annually. A rough estimate indicates that placing the income cutoff at that level would reduce the cost of the program in fiscal 1991 to about \$53 million -- if an agreement could be negotiated with the federal government to eliminate the need for Health and Social Services hold harmless funding. That would permit a total reduction in cost of approximately \$11 million to \$12 million. Precise predictions will have to wait on better income data -- either from further research or the 1990 census.

Practically, this is probably the most functional way to control the cost of the program. Setting the income maximum at a reasonable high level would make it difficult to argue that the program was based solely on need. It would also open the possibility of immediately doing away with the need for millions of dollars in Health and Social Services hold harmless funding. But the program would still exist for thousands of Alaska seniors who have come to depend on

the program for either basic needs or improved quality of life.

Asking the questions:

1. **What is the effect on current recipients?** Some people who now receive the bonus would not be eligible if income guidelines are established.
2. **Is the change easy to understand?** Relatively. The concept of receiving benefits based on income is not a new one. However, "income" would need to be clearly defined.
3. **Is the effect easily predictable?** Yes.
4. **How much will costs be reduced?** Accurate estimates can't be made until better data about senior income is available.
5. **How quickly will costs be reduced?** Immediately.

2. REDUCING THE AMOUNT OF THE BONUS

Reducing the amount of the bonus check requires selecting a method whereby a reduced amount of money is allocated among eligible beneficiaries. This can involve limiting the amount appropriated and pro-rating among beneficiaries, or selecting a predetermined amount for the check and appropriating sufficient funds to cover the cost. A combined approach is possible, such as the so-called "stair-stepping" process contained in the final version of SB 56, which was vetoed by Governor Cowper.

Neither limiting the amount of the bonus nor limiting the number of recipients will effect any significant immediate savings if current beneficiaries are continued (held constant) with no change in benefits. The exception might be an income-based program that would permit savings of Health and Social Services hold harmless funding. Even an abrupt end to the program (i.e. after a given date no new beneficiaries are added) would save only \$3 million to \$4 million the first year.

We present three approaches to reducing the amount of the bonus check: 1) Pro-rating a \$50 million appropriation; 2) Reducing the bonus by a certain percentage each year; 3) a flat dollar reduction. Each of these options is illustrated in an attached House Research Agency paper.

Option 2a: Pro-rating a \$50 million appropriation

Under this plan, \$50 million, or some other pre-determined amount, would go to the program each year. The actual bonus program would be calculated by subtracting the Health and Social Services hold harmless and administrative costs from the \$50 million, then dividing the remainder by the number of eligible Alaskans. In fiscal 1991, this would provide for a monthly bonus check of about \$185. Because eligibility will continue to grow, the size of the bonus would continue to shrink by approximately the amount of population increase of Alaskans over 65. That increase is currently about 5 percent a year and would level off to about 3 percent per year late this decade. In the year 2000,

28,265 seniors would be eligible, bringing the monthly bonus down to somewhere around \$100. The exact amount is difficult to calculate because the amount needed for Health and Social Services hold harmless would decrease as the size of the bonus decreased. Of course, the appropriation could be set at any level. In the year 2000, each \$1 million added to the base cap would increase the bonus check about \$2.90 per month. (See Attachment 2, House Research Agency request 89.173, Jan. 30, 1989, Table 3) Potentially, this is the easiest scenario by which to control costs.

Asking the questions:

1. **What is the effect on current recipients?** They would continue to receive payments, but the total amount of their monthly check would drop.
2. **Is the change easy to understand?** Yes.
3. **Is the effect easily predictable?** Yes, but exact bonus payments wouldn't be known each year until all applications for eligible seniors were on file.
4. **How much will costs be reduced?** Because the current cost of the program is about \$62 million annually, this change would save \$12 million the first year. After that, the cost would remain constant.
5. **How quickly will costs be reduced?** Immediately.

Option 2b: Reducing the bonus by a certain percentage each year

Like other options, the actual cost savings would depend on the percentage decrease plugged into the formula. As the House Research Agency has demonstrated in the past, a 5 percent reduction per year would prompt little cost savings. In fact, the suggested goal of \$50 million would not be reached until fiscal year 2001, when 29,142 eligible recipients would receive a monthly bonus of \$142. (The House Research figure does not deduct Health and Social Services hold harmless costs). That would put the total cost of the program at \$49.7 million, plus hold harmless costs. (See Attachment 2, House Research Agency request 89.173, Jan. 30, 1989, Table 3) Of course, a larger percentage reduction would achieve bigger cost savings more quickly.

Asking the questions:

1. **What is the effect on current recipients?** They would receive a smaller bonus check than they do now.
2. **Is the change easy to understand?** Yes.
3. **Is the effect easily predictable?** Yes, but like other options, the exact bonus payment wouldn't be known until all applications were on file each year.
4. **How much will costs be reduced?** It depends on the percentage decrease plugged into the formula.
5. **How quickly will costs be reduced?** Immediately.

Option 2c: Reducing the bonus by a flat rate

Actual cost savings would depend on how much the bonus is reduced from its

\$250 per month level. The fact that eligibility will continue to increase means that substantial savings would be achieved only if the monthly bonus is reduced by a sizeable amount. The House Research Agency has estimated that a \$25 reduction in the bonus, to \$225 per month, would have reduced the cost of the program to \$49.4 million in the current fiscal year. (See Attachment 2, House Research Agency request 89.246, Feb. 16, 1989, Table 2) But that figure does not include the additional costs of the Health and Social Services hold harmless provision.

Asking the questions:

1. **What is the effect on current recipients?** They would receive a smaller bonus check than they do now.
2. **Is the change easy to understand?** Yes.
3. **Is the effect easily predictable?** Yes.
4. **How much will costs be reduced?** It depends on how far the bonus is reduced from its \$250 per month level.
5. **How quickly will costs be reduced?** Immediately.

TABLE 1

ANNUAL REDUCTIONS IN MONTHLY LONGEVITY BONUS PAYMENT AMOUNT FROM VARIOUS OPTIONS

Fiscal Year	Dividend Received	<u>SB 5 AND ANNUITY STAIRSTEP OPTIONS</u>			<u>10-YR STAIRSTEP OPTION</u>		<u>15-YR STAIRSTEP OPTION</u>	
		Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Annual Monthly Reduction	Monthly Longevity Bonus Amount	Annual Monthly Reduction	Monthly Longevity Bonus Amount
1990	\$901.00	\$961.82						
1991	816.00	1,919.46	\$9.50	\$240.50	\$25.00	\$225.00	\$16.67	\$233.33
1992	802.00	2,948.35	18.95	231.05	50.00	200.00	33.33	216.67
1993	845.00	4,115.74	29.11	220.89	75.00	175.00	50.00	200.00
1994	892.00	5,438.36	40.63	209.37	100.00	150.00	66.67	183.33
1995	942.00	6,933.40	53.69	196.31	125.00	125.00	83.33	166.67
1996	1,004.00	8,629.18	68.45	181.55	150.00	100.00	100.00	150.00
1997	1,060.00	10,537.35	85.20	164.80	175.00	75.00	116.67	133.33
1998	1,116.00	12,677.04	104.03	145.97	200.00	50.00	133.33	116.67
1999	1,173.00	15,070.16	125.16	124.84	225.00	25.00	150.00	100.00
2000	1,229.00	17,738.43	148.79	101.21	250.00	0.00	166.67	83.33
2001	1,285.00	20,706.62	175.13	74.87	250.00	0.00	183.33	66.67
2002	1,341.00	24,001.74	204.44	45.56	250.00	0.00	200.00	50.00
2003	1,397.00	27,653.19	236.97	13.03	250.00	0.00	216.67	33.33
2004	1,452.00	31,691.99	273.02	0.00	250.00	0.00	233.33	16.67
2005	1,505.00	36,150.85	312.89	0.00	250.00	0.00	250.00	0.00
2006	1,558.00	41,067.60	356.92	0.00	250.00	0.00	250.00	0.00
2007	1,612.00	46,484.49	405.46	0.00	250.00	0.00	250.00	0.00
2008	1,666.00	52,446.55	458.94	0.00	250.00	0.00	250.00	0.00
2009	1,721.00	59,003.90	517.80	0.00	250.00	0.00	250.00	0.00
2010	1,777.00	66,211.20	582.54	0.00	250.00	0.00	250.00	0.00



Alaska State Legislature

SENATE

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senate State Affairs Committee

FROM: Senator Kerttula

SUBJ: Senate Bill 5

DATE: January 25, 1990

A handwritten signature in black ink, appearing to be "Jay".

Following is the cumulative cost as of the year 2010, of three approaches to revision of Alaska's Longevity Bonus Program:

Senate Bill 5:	\$ 958.5 million
10-year stair-step	1,408.9 million
15-year stair-step	1,210.7 million

On a related matter: It is my understanding that it would be possible with the stair-step approach that, for example, two different 73 year-old Alaskans, one who had been in the state for only a few years, and one who had been here for many years would receive different amounts of money. I think this would raise constitutional questions, which should be answered before the committee further considers this approach.

~~Barbara Bethany: 4400~~

1.29.90 SB5

> Dalton: Morris:

90 day penalty — should not be left
to regulation. "Unfair"

rec's

After 90 days gone, can't draw
for six months

After 120 days gone, 7 months
etc up to one year.

> Jim Fox: response to Dalton

Stair stepping penalties — likes the
idea:

\$350,000 to administer L Banns, not
much \$ to enforce fraud.

Advises him to write to Kerttula & Hudson.
and to David Teal, Administrator

Redrafting regs — public hearing in April

NEEDS
ADDRESSING

> PAT — Cumulative Absence

> Fox — Continual Absence in ~~regs~~ regs —
interpreted as people who travel often

Leo Kaye:

Will bring to Senior Citizens in
Mat-Su.

• Likes Bonus Ladder

→ Jan. 22nd — Table 1

Savings not as great as SB5

Pat responded: SB5 decreases
general fund use by depositing
Perm Fund thus the difference
bonus ladder uses gen. fund

Adams: Does Kaye assume grandfathering
in current recipients?

~~His~~ Response — YES

Florence ORR:

Abusing L.B. is common.

Vera Gazaway:

Questions whether this is the time
to reduce or eliminate senior benefits.

"Seniors" leaving — decision made
around 55-60 years.

JAN. issue Retirement Life — Study
by Brandeis — shows less

Seniors consume fewer services but
spend more.

Evaluate senior contribution against
dollars spent

Rose Palmquist

Page 3

Cost-benefit ratio

Study addressed only cost, based on assumption that we will do away with L.B.

SBS allows personal choice, doesn't want government making choice...

Policy in 1972 - to provide longevity bonus - should be same now

Researchers should be directed to look into one year vs. 2 year residency. Questionable figures that by 2010 will have 38,905. How can you keep seniors in the work force longer?

PAT - Statistics? Demographics

Fox: rate of senior # growth - 7% now
3% at 2000

Projection at 3% from then on.
After age 65 - net-in migration and net-out migration are very stable.
Medical advances will improve %.

Fox:

change in residency - experiment

Halloran: Since 1984, issue creating

turnover for seniors.
SB5 would be vetoed.

Bonus ladder: Gov sees benefits
Grandfathers in
Simple

Appropriate to Prudhoe Bay Decline
SB5 is not clear as to state's
future liability.

Bonus ladder does not have
detrimental effect on assistance
cases.

ADAMS: To Admin - constitutionality
of hold-harmless vs full recipients.Halloran: NO PROBLEM WITH PROVIDING
different benefits to people, problem is
basing on # of years.Palmquist: Charts

Tell Jeanne - new fiscal note

1.24.96

Falks: \$50 million cap?

Admw Report - Page 2

Leo Kaye: 70 age w - look at alternative

Walt Harris: Pioneers

Supports Annuity Program

Mr. Kenny

Delta: Pension plans don't have Colas.

Hazel Heath/Hamer: Will the correct recipients have it for sure forever?

Rose Palmquist: ^{Keep} State dollars in state.

\$250 = \$100 (new initiated)

"Senior Citizens contribute more than Tourism."

Recess: til Friday @ 9:00

SB 5

1-22-90

- > Kelly - grandfather in existing recipients
- > Kerttula - good, strong directive needed, ^{in time to} _{overide} veto

Jim Fox

Tied to PFD

low participation

administrative headache

"waiting to solve will require immediate, possibly poor, action."

\$ stays in state

No recommendation on one or another alternative

> 9:00 A.M. Teleconference 1-26-90

AARP Bob Pavitt

- Supports moving forward on Annuity
- regardless, protect longevity
- Why assume cap of \$50 million

> Fuiks:

Comments on age of eligibility at 70
Send Admin OPTIONS to AARP Alternatives
Look over

NAME the ALTERNATIVE

POSITION PAPER

Senate Bill No. 5

"An Act amending and making effective an annuity program and amendments to the Longevity Bonus Program and the Permanent Fund Dividend Program provided for in Secs. 2-18, ch. 99, SLA 1985; and providing for an effective date."

BACKGROUND:

Senate Bill No. 5 would provide for an annuity program to replace the existing Alaska Longevity Bonus Program. Alaskans would contribute to their individual annuity account by dedicating all or part of their Permanent Fund Dividend payments to that account.

Approximately 3,000 needy elderly Alaskans who currently receive Old Age Assistance (OAA) would be affected by an annuity program. Federal Medicaid regulations require that Alaska's OAA program follow most of the eligibility rules of the federal Supplemental Security Income (SSI) program, a monthly cash assistance program administered by the Social Security Administration. Thus, the way in which Social Security would treat an annuity payment in its SSI program potentially affects all Old Age Assistance recipients, not just those recipients who receive SSI. (Approximately 45 percent of all OAA recipients also receive SSI.)

Federal SSI regulations require that applicants and recipients apply for and pursue any entitlements for which they may be eligible. For example, most Alaskans who are 65 and one-year residents must apply for the Bonus, or lose all eligibility for SSI (certain recipients who qualified for the Bonus under the old 25-year residency requirement are not required to apply for the Bonus program). Social Security does not currently view the Permanent Fund Dividend cash payment as one of these mandatory "prior resources", so there would be no eligibility penalty for giving up all or part of any cash Dividend in order to participate in the annuity program. Also, SSI will not require anyone to contribute to an annuity account which may produce an entitlement in the future. However, anyone who has established an annuity credit would be required to apply for annuity payments once they became 65 and applied for SSI.

The SSI rules also require that any annuity payment actually being received be counted virtually dollar-for-dollar against SSI eligibility qualifying standards, thus reducing SSI payments to annuity recipients by the amount of the monthly annuity payment. Old Age Assistance must treat the annuity the same way. Currently, this is how the Longevity Bonus payments that are received by about 1,600 of our 3,200 Old Age Assistance clients are treated. (About 1,400 OAA recipients receive the "25 year" Bonus, which SSI rules disregard as income.)

The Legislature enacted the Alaska Longevity Bonus "Hold Harmless" program (AS 47.45.422) in order to assure that needy elderly who receive a federally countable Bonus did not end up with \$250 less in monthly income than those who receive the federally exempt Bonus, and to make sure that necessary medical coverage (through the Medicaid program) was not lost by those whose total retirement income placed them so close to federal and state eligibility limits that receipt of the countable Bonus cost them eligibility for Medicaid. This program replaces the amount of cash lost to countable Bonus recipients when their federal SSI payments are decreased or ended, and it provides state funding in lieu of federal matching Medicaid funds to continue Medicaid coverage to those who lose regular Medicaid eligibility because of their Bonus income.

For similar reasons, the Legislature has also established a "Hold Harmless" program for the Permanent Fund Dividend (AS 43.23.075). This program protects all assistance recipients, not just the elderly, against loss of cash assistance and Medicaid when they receive their Dividends. In effect, the annual Dividend is therefore the only other cash benefit recipients can receive and still keep full assistance benefits.

DISCUSSION

Since the proposed annuity payment would reduce monthly OAA and SSI payments essentially dollar-for-dollar, and recipients of any assistance program would have to give up all or part of their "free" Dividend income to participate in the annuity program, we seriously doubt that any assistance recipients under 65 who fully understand their choices would choose the annuity option. They are better off financially taking a \$800-\$1000 windfall each year and suffering a much smaller total annual decrease in their Bonus income at some time in their future.

AS 43.23.075(c) provides a four month hold-harmless for persons who might become ineligible for assistance because of a Dividend payment. SSI, OAA, and Medicaid will not count the hold-harmless benefit as income, but AS 43.23.075, as amended, provides no protection against actual annuity payments being counted as available income. The provision in Sec. 43.23.135 for emergency withdrawals could also jeopardize the individuals' eligibility for all public assistance programs, since the balance in the account could be considered available to meet current need.

Thus the long-range effect on those future OAA recipients who will not enjoy the guaranteed continuation of their current Bonus, whether or not they choose the annuity, is that their monthly spendable income will shrink as the Bonus amount shrinks. Those few who may choose to participate in the annuity program will still see their monthly spendable income shrink, but as their countable annuity income rises, some of them will suffer OAA income ineligibility. Worse, some will eventually lose Medicaid eligibility.

We find that many of our OAA recipients could possibly adapt to small changes in their monthly cash flow. What they tell us that they fear most, and cannot adapt to, is the loss of their Medicaid coverage. Most clients

whose retirement income will be high enough so that they might lose Medicaid eligibility when they begin receiving annuity payments have Medicare deductibles, and decreases in covered services under Medicare make Medicaid an increasingly important source of medical protection for seniors. The recent Congressional repeal of the Medicare Catastrophic Coverage Act means that Medicaid is once again the only source of medical help for many seniors who need long-term institutional care. Losing Medicaid will produce cases of serious financial or medical hardship.

We believe it is premature to suggest that, if Senate Bill No. 5 were to pass, it should contain a medical hold-harmless clause for annuity recipients. We are reasonably certain that there will be little or no need for such a protection in the first few years of an annuity program. However, we do want the Legislature to be aware that the longer-range possibility exists that some of those we serve may need this protection in the future.

RECOMMENDATION:

The Department neither supports nor opposes SB No. 5. but we do wish to point out that we would expect few low-income Alaskans to participate in the proposed annuity program, and that individuals who chose to participate could jeopardize their eligibility for needs - based cash and medical assistance.

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

Date: 1/22/90

Approved by: Myra M. Munson
Myra M. Munson, Commissioner
Department of Health &
Social Services

Date: 1/24/90

SB 5 AMENDING AND MAKING EFFECTIVE AN ANNUITY PROGRAM AND
AMENDMENTS TO THE LONGEVITY BONUS PROGRAM AND THE
PERMANENT FUND DIVIDEND PROGRAM

TELECONFERENCE SITES:

ANCHORAGE, ANCHORAGE PIONEERS HOME, MAT-SU, VALDEZ, SEWARD, FAIRBANKS

CONTACTED TO TESTIFY:

BILL SPONSOR

DEPARTMENT OF ADMINISTRATION

DEPARTMENT OF HEALTH & SOCIAL SERVICES

ALASKA ASSOCIATION OF RETIRED PERSONS

OLDER PERSONS ACTION GROUP

CARTA
RETIRED TEACHERS ASSOCIATION

✓ PIONEERS OF ALASKA

ANCHORAGE SENIOR COMMISSION

JUNEAU SENIOR COMMISSION

MAT-SU SENIOR COMMISSION

FAIRBANKS SENIORS (NO AFFILIATION)

OTHER SENIORS

Anchor Home: Fred Morgan

✓ SENATOR KERTTULA
(PAULA TERREL)
✓ COMM. JOHN ANDREWS
(DEAN GOTTEHRER)
✓ COMM. MYRA MUNSON / *John Tabor*

BOB PAVITT (JNU)
✓ ROSE PALMQUIST
JIM EKSTEDT, EXEC. DIR.

✓ VERA GAZAWAY
MARILYN SCOTT / *Joan McKinnon*

? MAURICE LONG (CHAIR)
✓ MIKE RACE (JNU IGLOO)

✓ Candm Burns

✓ FLORENCE ORR

JOE ALTER

✓ Mike Dalton
✓ Olav Backlund

LEO KAYE

BOB HUFMAN
DORIS SOUTHALL

EDNA ADRIAN
MILDRED KIRKPATRICK
ANDREW OHLS
PHIL & ALICE HOWARTH
LORENA SHOWERS
MARY & FRANCIS TOPOLSKI
PEGGY BURGIN
TOM & FLARINE SPENCER
HERMAN LEAR (SEWARD)

NOTE: OLDER ALASKANS COMMISSION (CONNIE SIPE) IS BARRED BY STATUTE FROM COMMENTING ON THE LONGEVITY BONUS PROGRAM.

Alaska State Legislature

Legislative Research Agency



P.O. Box Y
Juneau, AK 99811-3100
Phone: (907) 165-3991
Fax: (907) 163-3351

January 24, 1990

MEMORANDUM

TO: Senator Pat Pourchot

FROM: Linda J. Snow *L. Snow*
Legislative Analyst

RE: Cost Comparison of Alaska Longevity Bonus Program Alternatives
Research Request 90.183 (Revised January 24, 1990)

You asked for an analysis of the comparative costs of the existing Alaska Longevity Bonus (ALB) Program; the proposed annuity add-in program in SB 5; and three proposed alternatives. The assumptions used in the analysis are set forth below.

Assumptions

1. The number of recipients used in the analysis are the ALB Program's projected number of warrants to be paid 1990 - 2010.
2. The outmigration rate for persons 65 years of age and over of 1.6 percent annually is from the Alaska Department of Labor (ADOL).¹
3. Mortality rates are from the national unisex mortality rate tables adjusted for Alaska (ADOL).
4. The weighted mortality rate for Alaskans 65 years of age and over is .045045, obtained from ADOL mortality data and actual ALB Program recipient age distributions.

¹From a personal conversation with Greg Williams, State Demographer. Mr. Williams said that the 1988 outmigration rate for age 65 and over was 1.4 percent, but that 1988 had lower than normal outmigration. Agency staff adjusted the figure upwards to 1.6 percent.

5. The Permanent Fund Dividend (PFD) projections are from the Permanent Fund Corporation's computer model using the mid-case revenue scenario and a three percent real rate of return.
6. The PFD numbers assume that the existing Permanent Fund program is not modified in a substantial way (i.e., that proposed changes such as the educational endowment fund or the budget stabilization fund are not enacted).
7. The nominal annual rate of return for funds invested in the annuity program is 9 percent compounded annually.
8. For purposes of calculating the maximum straight life annuity amount, a hypothetical ALB recipient was used. This recipient was 65 years of age, and invested the entire amount of every PFD check into the annuity program from the beginning of the program.
9. The two-year residency requirement is in effect for both the ALB program and the PFD program.
10. The cost figures for all ALB options do not include "Hold Harmless" costs or administrative costs.
11. The amount the ALB payment is reduced each year in the "Annuity Stairstep" option is the same amount the ALB payment is reduced in the SB 5 option, and derives from the maximum payment from a straight life annuity assuming the investment of the full amount of all PFD checks into the annuity account.
12. For all options where the ALB payment is adjusted yearly, the adjustment occurs on July 1, and the payment remains constant through June 30 of the following year.
13. The options analyzed here which are termed "stairstep" options are not structured in the same way as proposals termed "stairstep" in previous years. Past proposals advocated reducing the number of people eligible to receive the bonus by annual increases in the age of eligibility. The options examined here do not affect the age of eligibility, but rather, the amount of the bonus paid to eligible people.
14. "New entrants" to the program include two-year residents turning 65 years of age as well as people over 65 years of age as they reach the two-year residency requirement.

Existing and Proposed Programs

Existing Alaska Longevity Bonus Program

The existing program pays \$250 per month longevity bonus to two-year Alaska residents age 65 and over. The projected annual cost of this program is \$62.0 million in 1991; \$86.8 million in 2000; and \$116.7 million in 2010. Cumulative costs of the program from 1991 will reach \$741.3 million in 2000 and \$1,766.8 million in 2010. Please see Tables 2 and 3 and Graphs 1 and 2 for more complete annual and cumulative cost comparisons.

Senate Bill 5 Annuity Option

Under the proposed SB 5, Alaska residents would be given the opportunity to invest all or a portion of their PFDs in a state-administered annuity account. Two-year residents turning 65 after January 1, 1991 would be eligible to receive the longevity bonus, but the bonus amount would be reduced by an amount equal to the maximum straight life annuity amount a 65-year-old would have been paid if that person had invested the full amount of each PFD received after July 1, 1990. Thus, the amount of the ALB payment would be reduced each year after 1991 by the amount of the annuity payment (which is recalculated yearly), until the maximum possible annuity amount reaches \$250, at which time ALB payments would stop. Annual costs for the SB 5 option increase to a peak of \$69.2 million in 1996, and decline thereafter, reaching \$18.2 million in 2010. Cumulative costs are \$655.3 million in 2000 and \$958.5 million in 2010. Payments to new recipients would stop in 2004 with this option, as the maximum annuity amount surpasses \$250 per month. Table 1 compares the ALB payment amounts of each of the options examined here.

Annuity Stairstep Option

This option is similar to SB 5 in that the longevity bonus payment is reduced annually by the same maximum straight life annuity amount. With this option, however, the annuity program is not instituted by the state. Another difference is that recipients entering the program will be locked into the ALB amount being paid during the year they enter, and will be paid that amount for the remainder of their program eligibility. As with SB 5, 2004 is year that new entrants would no longer be allowed. Annual costs peak at \$73.5 million in 1998 and 1999, and decline to \$43.4 million in 2010. Cumulative costs for this option reach \$692.9 million in 2000, and \$1,270.9 million in 2010.

The two following options are identical to the Annuity Stairstep Option above except that the amount of the yearly reduction in payment will be set in law and is not dependent upon the calculation of the annuity.

Senator Pat Pourchot
January 24, 1990
Page 4

Ten-Year Stairstep Option

This plan would reduce the ALB payments by \$25 per year, ending entry to the program in the year 2000. Annual payments for this option peak in 1995 at \$66.3 million, and decline to \$57.9 million in 2000, and \$30.9 million in 2010. The cumulative costs in 2000 are \$632.5 million and \$1,408.9 million in 2010.

Fifteen-Year Stairstep Option

This option brings payments to zero in 15 years by reducing them \$16.67 per year. Annual payments peak at \$69.6 million in 1997, and drop to \$67.6 million and \$41.1 million in 2000 and 2010 respectively. In 2000, cumulative costs reach \$668.8 million, and in 2010, they reach \$1,210.7 million.

For each of the four proposed options mentioned above, present recipients are "grandfathered" in at the \$250 monthly amount, and will receive the amount for the remainder of their program eligibility.

If you would like additional analysis of these or other ALB options, please contact this agency.

Attachments

TABLE 1

ANNUAL REDUCTIONS IN MONTHLY LONGEVITY BONUS PAYMENT AMOUNT FROM VARIOUS OPTIONS

Fiscal Year	Dividend Received	<u>SB 5 AND ANNUITY STAIRSTEP OPTIONS</u>			<u>10 YR STAIRSTEP OPTION</u>		<u>15 YR STAIRSTEP OPTION</u>	
		Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Annual Monthly Reduction	Monthly Longevity Bonus Amount	Annual Monthly Reduction	Monthly Longevity Bonus Amount
1991	\$901.00	\$961.82	\$0.00	\$250.00	\$0.00	\$250.00	\$0.00	\$250.00
1992	816.00	1,919.46	9.50	240.50	25.00	225.00	16.67	233.33
1993	802.00	2,948.35	18.95	231.05	50.00	200.00	33.33	216.67
1994	845.00	4,115.74	29.11	220.89	75.00	175.00	50.00	200.00
1995	892.00	5,438.36	40.63	209.37	100.00	150.00	66.67	183.33
1996	942.00	6,933.40	53.69	196.31	125.00	125.00	83.33	166.67
1997	1,004.00	8,629.18	68.45	181.55	150.00	100.00	100.00	150.00
1998	1,060.00	10,537.35	85.20	164.80	175.00	75.00	116.67	133.33
1999	1,116.00	12,677.04	104.03	145.97	200.00	50.00	133.33	116.67
2000	1,173.00	15,070.16	125.16	124.84	225.00	25.00	150.00	100.00
2001	1,229.00	17,738.43	148.79	101.21	250.00	0.00	166.67	83.33
2002	1,285.00	20,706.62	175.13	74.87	250.00	0.00	183.33	66.67
2003	1,341.00	24,001.74	204.44	45.56	250.00	0.00	200.00	50.00
2004	1,397.00	27,653.19	236.97	13.03	250.00	0.00	216.67	33.33
2005	1,452.00	31,691.99	273.02	0.00	250.00	0.00	233.33	16.67
2006	1,505.00	36,150.85	312.89	0.00	250.00	0.00	250.00	0.00
2007	1,558.00	41,067.60	356.92	0.00	250.00	0.00	250.00	0.00
2008	1,612.00	46,484.49	405.46	0.00	250.00	0.00	250.00	0.00
2009	1,666.00	52,446.55	458.94	0.00	250.00	0.00	250.00	0.00
2010	1,721.00	59,003.90	517.80	0.00	250.00	0.00	250.00	0.00

TABLE 2

LONGEVITY BONUS PROGRAM COMPARISON
ANNUAL COSTS
 in Millions of Dollars

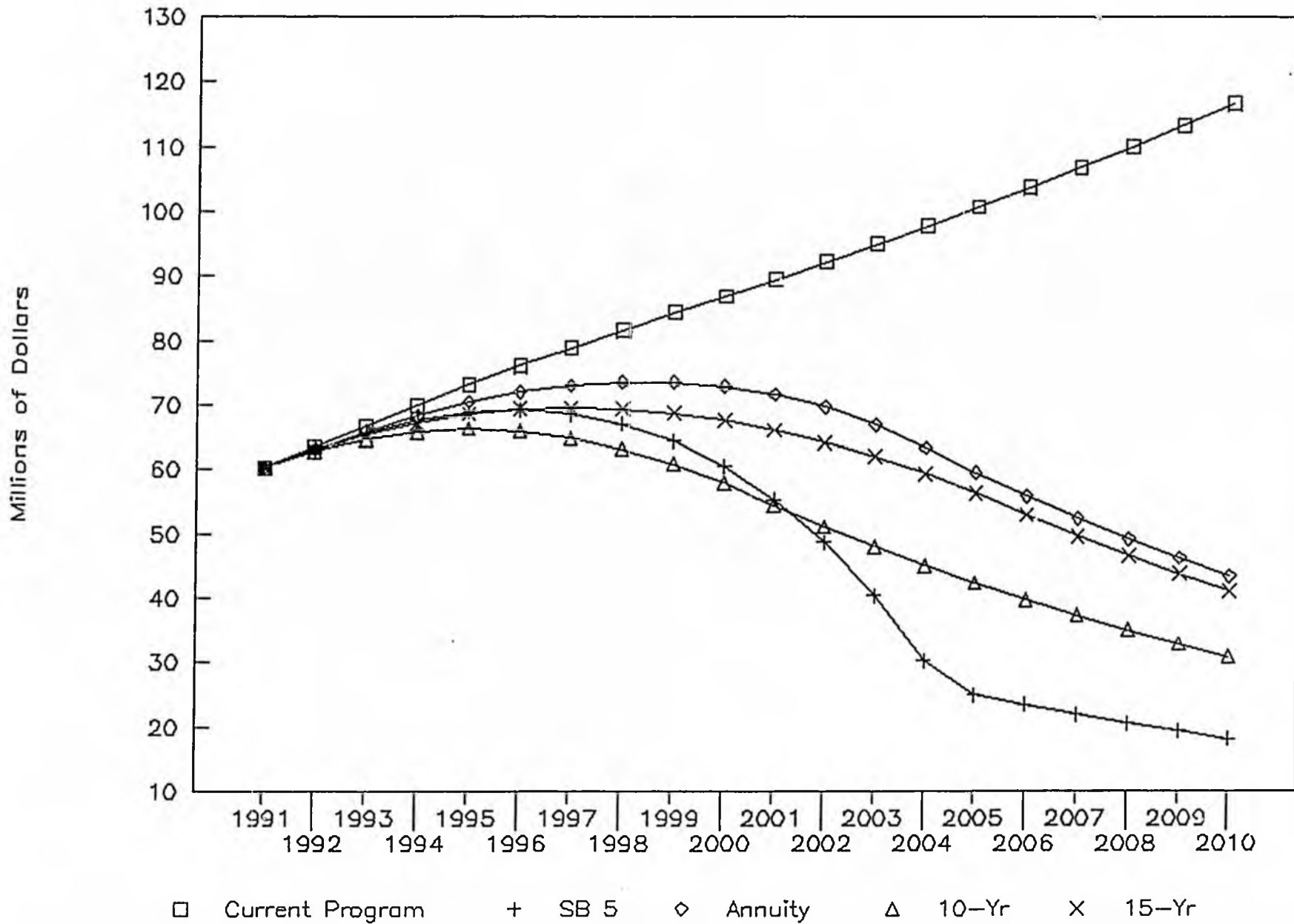
<u>Fiscal Year</u>	<u>Current Program</u>	<u>SB 5</u>	<u>Annuity Stairstep</u>	<u>10-Yr Stairstep</u>	<u>15-Yr Stairstep</u>	<u>Number of Recipients</u>
1991	60.2	60.2	60.2	60.2	60.2	20,075
1992	63.5	63.2	63.2	62.8	63.0	21,153
1993	66.7	65.7	65.9	64.6	65.3	22,232
1994	69.9	67.6	68.3	65.9	67.2	23,310
1995	73.2	68.9	70.5	66	68.6	24,389
1996	76.2	69.2	72.0	66	69.4	25,384
1997	78.9	68.6	73.0	64.9	69.6	26,295
1998	81.6	67.0	73.5	63.2	69.3	27,208
1999	84.4	64.4	73.5	60.9	68.7	28,120
2000	86.8	60.5	72.8	57.9	67.6	28,949
2001	89.5	55.3	71.6	54.4	66.1	29,817
2002	92.1	48.7	69.7	51.1	64.2	30,712
2003	94.9	40.4	66.9	48.0	62.0	31,634
2004	97.7	30.3	63.3	45.0	59.3	32,582
2005	100.7	24.9	59.4	42.3	56.3	33,560
2006	103.7	23.4	55.8	39.7	52.9	34,567
2007	106.8	22.0	52.4	37.3	49.6	35,604
2008	110.0	20.6	49.2	35.0	46.6	36,672
2009	113.3	19.4	46.2	32.9	43.8	37,772
2010	116.7	18.2	43.4	30.9	41.1	38,905

Prepared by the Legislative Research Agency, January 24, 1990. (90.183B) Revised.

GRAPH 1

Longevity Bonus Cost Comparison

Annual Costs



Prepared by the Legislative Research Agency, January 24, 1990.

TABLE 3

**LONGEVITY BONUS PROGRAM COMPARISON
CUMULATIVE COSTS
in Millions of Dollars**

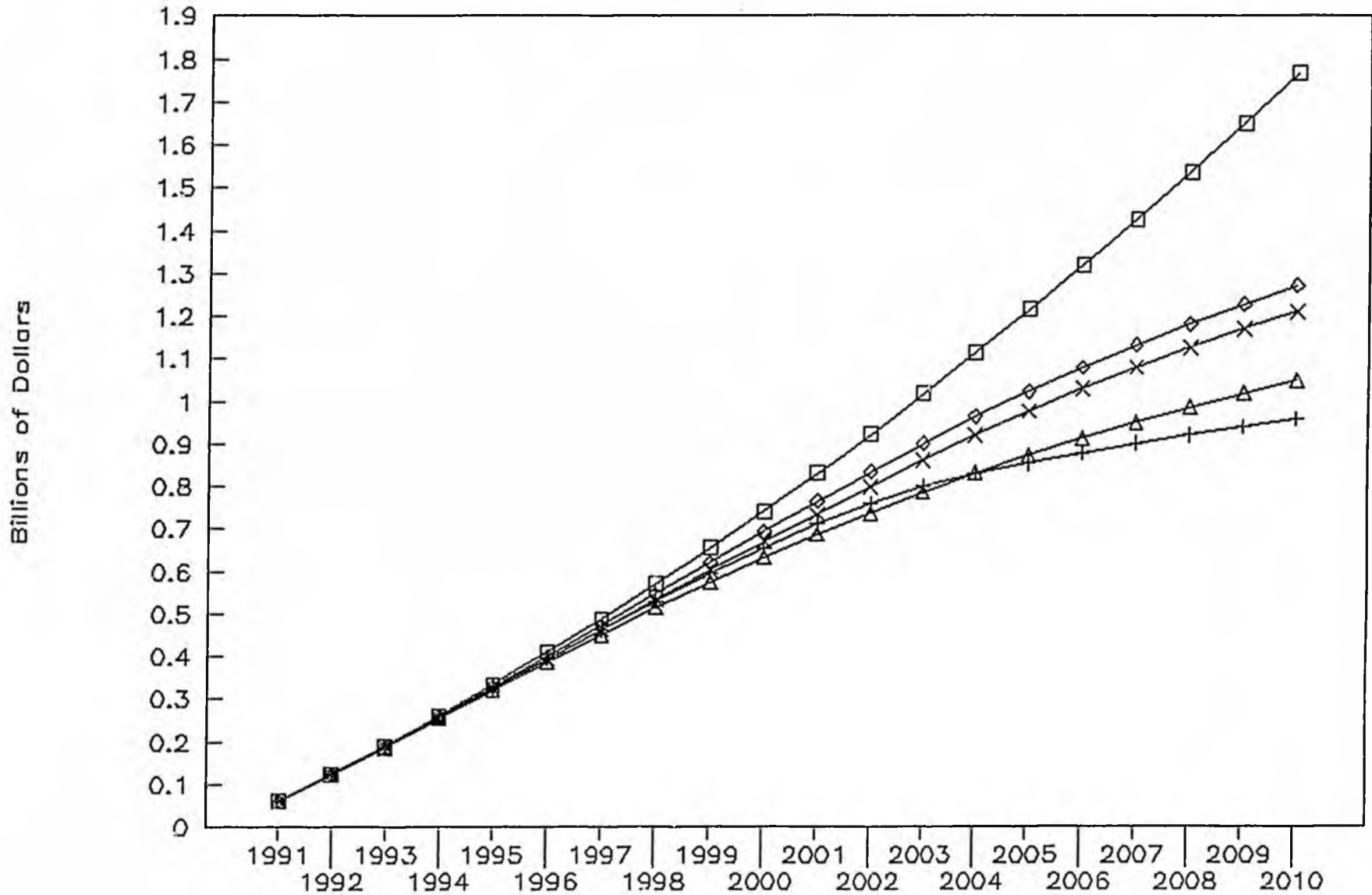
<u>Fiscal Year</u>	<u>Current Program</u>	<u>SB 5</u>	<u>Annuity Stairstep</u>	<u>10-Yr Stairstep</u>	<u>15-Yr Stairstep</u>	<u>Number of Recipients</u>
1991	60.2	60.2	60.2	60.2	60.2	20,075
1992	123.7	123.4	123.4	123.0	123.2	21,153
1993	190.4	189.1	189.3	187.6	188.5	22,237
1994	260.3	256.7	257.7	253.4	255.7	23,310
1995	333.5	325.6	328.1	319.7	324.3	24,389
1996	409.6	394.8	400.1	385.6	393.6	25,384
1997	488.5	463.4	473.1	450.5	463.2	26,295
1998	570.1	530.4	546.6	513.7	532.5	27,208
1999	654.5	594.8	620.1	574.6	601.2	28,120
2000	741.3	655.3	692.9	632.5	668.8	28,949
2001	830.8	710.6	764.5	686.9	734.9	29,817
2002	922.9	759.3	834.2	738.0	799.1	30,712
2003	1,017.8	799.7	901.2	785.9	861.1	31,634
2004	1,115.6	829.9	964.5	831.0	920.4	32,582
2005	1,216.3	854.9	1,023.9	873.2	976.7	33,560
2006	1,320.0	878.3	1,079.7	912.9	1,029.6	34,567
2007	1,426.8	900.3	1,132.1	950.2	1,079.2	35,604
2008	1,536.8	920.9	1,181.3	985.2	1,125.8	36,672
2009	1,650.1	940.3	1,227.5	1,018.1	1,169.6	37,772
2010	1,766.8	958.5	1,270.9	1,048.9	1,210.7	38,905

Prepared by the Legislative Research Agency, January 24, 1990. (90.183C) Revised.

GRAPH 2

Longevity Bonus Cost Comparison

Cumulative Costs



□ Current Program + SB 5 ◇ Annuity △ 10-Yr × 15-Yr

Prepared by the Legislative Research Agency, January 24, 1990



Official Business

Alaska State Legislature

Senate

P.O. BOX V
State Capitol
Juneau, Alaska 99811

RECEIVED JAN 12 1989

MEMORANDUM

TO: Senator Pat Pourchot, Chairman
Senate State Affairs Committee

FROM: Senator Jay Kerttula

SUBJECT: SENATE BILL 5 - relating to an annuity program
and amending the longevity bonus program

DATE: January 11, 1989

I would appreciate it very much if you would schedule a committee hearing on Senate Bill 5 at your earliest convenience. Since this legislation is identical to SB 56 from last session, I am prepared to immediately provide the necessary back-up to the Committee.

Thank you very much for your attention to this request.

*after From
Holding the Bill
for a yr. last session
I don't feel I should
be reviewed by her again.
we did a lot of the technical changes
Jay*

Senator Pourchot
January 22, 1990

LONGEVITY BONUS/ANNUITY PROGRAM

1. A person who is 65 years old on or before January 1, 1991:

The person will collect \$250 per month longevity bonus for as long as he/she lives in Alaska. He/she will also collect a full Permanent Fund Dividend each year.

2. A person who is between 50* and 64 on January 1, 1990:

Upon reaching age 65 this person will collect a declining longevity bonus until such time as the Longevity Bonus Program phases out around the year 2010. In addition, the person may contribute his/her Permanent Fund Dividend into an annuity account.

The monthly payment a person receives from their annuity investment is determined by the amount of money in their account, rate of return and life expectancy. Until such time as enough money has accumulated in the annuity account to guarantee a \$250 per month payment, the person would need to contribute all of his/her Permanent Fund Dividends to ensure a combined longevity bonus and annuity payment of \$250 per month.

After the annuity payment reaches \$250 per month, the person may continue to deposit his/her Permanent Fund Dividend into their account, in which case, the person would receive an annuity payment greater than \$250 per month.

3. A person who is under age 50* on January 1, 1991:

This person will not collect a longevity bonus at age 65. The person will collect an annuity payment based upon the amount of Permanent Fund Dividends that he/she contributed into their annuity account. If one has accumulated a substantial amount of money in their annuity account, upon reaching age 65 the annuity payment would far exceed \$250 per month.

* Estimated age. Actual age depends on when the Longevity Bonus Program phases out.

Note: The higher the Permanent Fund Dividends and/or interest rates, the sooner the Longevity Bonus Program would phase out. This would have the effect of rolling the younger persons in category #2 into category #3. The lower the dividends and/or interest rates, the longer it will take to phase out the Longevity Bonus Program. This would have the effect of rolling the older persons in category #3 into category #2.

ALASKA STATE LEGISLATURE



SENATE STATE AFFAIRS.
CHAIR

ETHICS COMMITTEE.
CHAIR

ANCHORAGE
P.O. BOX 104636
ANCHORAGE, AK 99510
(W) (907) 561-7623
(H) (907) 338-2425

JUNEAU
P.O. BOX V
STATE CAPITOL
JUNEAU, AK 99811
(907) 465-3712

Senator Pat Pourchot

October 26, 1989

Mr. Robert Peters
1600 West 11th Avenue, #40
Anchorage, Alaska 99501

Dear Robert:

Thank you for attending last week's public hearing on the Longevity Bonus program. As I said at the hearing, I fully understand the value of the program and support its continuation. However the reality of declining oil revenues cannot be ignored -- we must explore ways of halting the growing cost of the bonus program.

Several ideas were discussed at the hearing. The Department of Administration will be doing further analysis of these and I will keep you posted as information becomes available. My own priority as discussion of the alternatives continues is to ensure that those seniors currently receiving the \$250 bonus continue to do so.

Thanks again for taking the time to come to the hearing.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pat", written over a large, loopy flourish.

Senator Pat Pourchot

ALASKA STATE LEGISLATURE

SENATE STATE AFFAIRS,
CHAIR

ETHICS COMMITTEE,
CHAIR



ANCHORAGE
P.O. BOX 104836
ANCHORAGE, AK 99510
(W) (907) 561-7623
(H) (907) 338-2425

JUNEAU
P.O. BOX V
STATE CAPITOL
JUNEAU, AK 99811
(907) 465-3712

Senator Pat Pourchot

October 26, 1989

Sybilla & Forrest Fuhr
P.O. Box 100401
Anchorage, Alaska 99510

Dear Sybilla and Forrest:

Thank you for attending last week's public hearing on senior citizens' housing and on the Longevity Bonus program. As I said at the hearing, I fully understand the value of the program and support its continuation. However the reality of declining oil revenues cannot be ignored -- we must explore ways of halting the growing cost of the bonus program.

Several ideas were discussed at the hearing. The Department of Administration will be doing further analysis of these and I will keep you posted as information becomes available. My own priority as discussion of the alternatives continues is to ensure that those seniors currently receiving the \$250 bonus continue to do so.

A lot of good information was presented on the topic of senior housing, all of which will be helpful to the legislature as we continue our work on financing and incentive proposals.

I appreciate your interest on these issues, and will keep you posted as additional hearings are scheduled.

Sincerely,



Senator Pat Pourchot

ALASKA STATE LEGISLATURE

SENATE STATE AFFAIRS,
CHAIR

ETHICS COMMITTEE,
CHAIR



ANCHORAGE
P.O. BOX 104836
ANCHORAGE, AK 99510
(W) (907) 561-7623
(H) (907) 338-2425

JUNEAU
P.O. BOX V
STATE CAPITOL
JUNEAU, AK 99811
(907) 465-3712

Senator Pat Pourchot

October 26, 1989

Mr. Merritt Olson
1032 West 11th Avenue
Anchorage, Alaska 99501

Dear Merritt:

Thank you for attending last week's public hearing on senior citizens' housing and on the Longevity Bonus program. As I said at the hearing, I fully understand the value of the program and support its continuation. However the reality of declining oil revenues cannot be ignored -- we must explore ways of halting the growing cost of the bonus program.

Several ideas were discussed at the hearing. The Department of Administration will be doing further analysis of these and I will keep you posted as information becomes available. My own priority as discussion of the alternatives continues is to ensure that those seniors currently receiving the \$250 bonus continue to do so.

A lot of good information was presented on the topic of senior housing, all of which will be helpful to the legislature as we continue our work on financing and incentive proposals.

I appreciate your interest on these issues, and will keep you posted as additional hearings are scheduled.

Sincerely,



Senator Pat Pourchot

Alaska State Legislature



Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling

P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

October 26, 1989

Bette Robertson
1805 West 37th, #4
Anchorage, Alaska 99517

Dear Bette:

Thank you for your participation in last week's public hearing on the Longevity Bonus program. As I said at the hearing, I fully understand the value of the program and support its continuation. However, the reality of declining oil revenues cannot be ignored -- we must explore ways of halting the growing cost of the bonus program. I feel strongly that bonus recipients should participate in any changes to the program, and appreciate your taking the time to come to the hearing and share your views.

Several ideas were discussed at the hearing. The Department of Administration will be doing further analysis of these and I will keep you posted as information becomes available. My own priority as discussion of alternatives continues is to ensure that those seniors currently receiving the \$250 bonus continue to do so, and that no needs test be established.

Thanks again for being involved!

Sincerely,

A handwritten signature in cursive script that reads "Pat".

Senator Pat Pourchot
Chairman

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

October 26, 1989

Robert Thibodeau
1616 Glacier Avenue
Juneau, Alaska 99801

Dear Bob:

Thank you for your participation in last week's public hearing on the Longevity Bonus program. As I said at the hearing, I fully understand the value of the program and support its continuation. However, the reality of declining oil revenues cannot be ignored -- we must explore ways of halting the growing cost of the bonus program. I feel strongly that bonus recipients should participate in any changes to the program, and appreciate your taking the time to come to the hearing and share your views.

Several ideas were discussed at the hearing. The Department of Administration will be doing further analysis of these and I will keep you posted as information becomes available. My own priority as discussion of alternatives continues is to ensure that those seniors currently receiving the \$250 bonus continue to do so, and that no needs test be established.

Thanks again for being involved!

Sincerely,

A handwritten signature in cursive script that reads "Pat".

Senator Pat Pourchot
Chairman

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-165-3712

Senate State Affairs Committee

October 26, 1989

Bob Gore
#911-119 Austin Street
Ketchikan, Alaska 99901

Dear Bob:

Thank you for your participation in last week's public hearing on the Longevity Bonus program. As I said at the hearing, I fully understand the value of the program and support its continuation. However, the reality of declining oil revenues cannot be ignored -- we must explore ways of halting the growing cost of the bonus program. I feel strongly that bonus recipients should participate in any changes to the program, and appreciate your taking the time to come to the hearing and share your views.

Several ideas were discussed at the hearing. The Department of Administration will be doing further analysis of these and I will keep you posted as information becomes available. My own priority as discussion of alternatives continues is to ensure that those seniors currently receiving the \$250 bonus continue to do so, and that no needs test be established.

Thanks again for being involved!

Sincerely,

A handwritten signature in cursive script that reads "Pat".

Senator Pat Pourchot
Chairman

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

October 26, 1989

Rose Palmquist
P. O. Box 870294
Wasilla, Alaska 99687

Dear Rose:

Thank you for your participation in last week's public hearing on the Longevity Bonus program. As I said at the hearing, I fully understand the value of the program and support its continuation. However, the reality of declining oil revenues cannot be ignored -- we must explore ways of halting the growing cost of the bonus program. I feel strongly that bonus recipients should participate in any changes to the program, and appreciate your taking the time to come to the hearing and share your views.

Several ideas were discussed at the hearing. The Department of Administration will be doing further analysis of these and I will keep you posted as information becomes available. My own priority as discussion of alternatives continues is to ensure that those seniors currently receiving the \$250 bonus continue to do so, and that no needs test be established.

Thanks again for being involved!

Sincerely,

A handwritten signature in cursive script that reads "Pat".

Senator Pat Pourchot
Chairman

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

October 26, 1989

Leo Kaye
HC30 Box 12934
Wasilla, Alaska 99687

Dear Leo:

Thank you for your participation in last week's public hearing on the Longevity Bonus program. As I said at the hearing, I fully understand the value of the program and support its continuation. However, the reality of declining oil revenues cannot be ignored -- we must explore ways of halting the growing cost of the bonus program. I feel strongly that bonus recipients should participate in any changes to the program, and appreciate your taking the time to come to the hearing and share your views.

Several ideas were discussed at the hearing. The Department of Administration will be doing further analysis of these and I will keep you posted as information becomes available. My own priority as discussion of alternatives continues is to ensure that those seniors currently receiving the \$250 bonus continue to do so, and that no needs test be established.

Thanks again for being involved!

Sincerely,

A handwritten signature in cursive script that reads "Pat".

Senator Pat Pourchot
Chairman

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

October 26, 1989

Tom Suthard
1033 Juneau
Anchorage, Alaska 99501

Dear Tom:

Thank you for your participation in last week's public hearing on the Longevity Bonus program. As I said at the hearing, I fully understand the value of the program and support its continuation. However, the reality of declining oil revenues cannot be ignored -- we must explore ways of halting the growing cost of the bonus program. I feel strongly that bonus recipients should participate in any changes to the program, and appreciate your taking the time to come to the hearing and share your views.

Several ideas were discussed at the hearing. The Department of Administration will be doing further analysis of these and I will keep you posted as information becomes available. My own priority as discussion of alternatives continues is to ensure that those seniors currently receiving the \$250 bonus continue to do so, and that no needs test be established.

Thanks again for being involved!

Sincerely,

A handwritten signature in cursive script that reads "Pat".

Senator Pat Pourchot
Chairman

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

October 26, 1989

Charles Tryck
1801 West 13th Avenue
Anchorage, Alaska 99501

Dear Charles:

Thank you for your participation in last week's public hearing on the Longevity Bonus program. As I said at the hearing, I fully understand the value of the program and support its continuation. However, the reality of declining oil revenues cannot be ignored -- we must explore ways of halting the growing cost of the bonus program. I feel strongly that bonus recipients should participate in any changes to the program, and appreciate your taking the time to come to the hearing and share your views.

Several ideas were discussed at the hearing. The Department of Administration will be doing further analysis of these and I will keep you posted as information becomes available. My own priority as discussion of alternatives continues is to ensure that those seniors currently receiving the \$250 bonus continue to do so, and that no needs test be established.

Thanks again for being involved!

Sincerely,

A handwritten signature in cursive script that reads "Pat".

Senator Pat Pourchot
Chairman

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

October 26, 1989

Joan McKinnon
5801 Radcliffe
Anchorage, Alaska 99504

Dear Joan:

Thank you for your participation in last week's public hearing on the Longevity Bonus program. As I said at the hearing, I fully understand the value of the program and support its continuation. However, the reality of declining oil revenues cannot be ignored -- we must explore ways of halting the growing cost of the bonus program. I feel strongly that bonus recipients should participate in any changes to the program, and appreciate your taking the time to come to the hearing and share your views.

Several ideas were discussed at the hearing. The Department of Administration will be doing further analysis of these and I will keep you posted as information becomes available. My own priority as discussion of alternatives continues is to ensure that those seniors currently receiving the \$250 bonus continue to do so, and that no needs test be established.

Thanks again for being involved!

Sincerely,

A handwritten signature in dark ink, appearing to be "Pat".

Senator Pat Pourchot
Chairman

LEGISLATIVE TELECONFERENCE NETWORK



SIGN-IN SHEET

SPONSOR: _____

SUBJECT: Longevity Bonus

START/END TIME: _____ DATE: _____

PLEASE PRINT

	NAME/REPRESENTING	ADDRESS	PHONE #	TESTIFY	OBSERVE	BILL #
1	TED SCOTT CARTA	5500 E 142 Anch	345-1698		✓	
2	ED WOL	201 E 15th Ave #2014 Anch AK 99501	272-5785		✓	
3	Neil Michaelson	13420 Windrush Dr. Anch.	345-1775		✓	
4	Merritt C. Olson ^{CARTA}	1032 W. 11th Ave., Anch	272-9156		✓	
5	R. J. PETERS	1600 W 11th AVE APT 40	272 0078		✓	
6	Leo R Smith	3306 Thompson Ave	274 8303		✓	
7	Thelma Smith	" " "	" "		✓	
8	Merna Moniehl	1501 W 11th #4	277-0377		✓	
9	Martha F. Turner	4912 W. 44 Ave Anch AK 99502	243-0768		—	
10	Blanche M Schefield	5028 W 84th Ave AK 99502	243-5553		✓	
11	George Bornschein	112 E 10th DR 99501	274-7278		✓	
12	Rey B. GRANGE	501 E 10th TERRACE	272-4607		✓	
13	KENNETH R. ATKINSON	1336 W 15th ANCH 99501	272-1236		✓	
14	MARRIS NELSON	4016 James Anch 99524	373-7767		✓	
15	Bob Nelson	" " " "	" "		✓	
16	Betty M. Nelson	317 E Mann	277-1533		✓	
17	J. J. Hamilton	2021 045M PILOT	344-1362		✓	
18	Lettie Jakobson	1805 W. 31th #4	274-1952		✓	

LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET



SPONSOR: _____

SUBJECT: Longevity Bonus

START/END TIME: _____ DATE: _____

PLEASE PRINT

	NAME/REPRESENTING	ADDRESS	PHONE #	TESTIFY	OBSERVE	BILL #
1	Madge Mattoon	1208 Oxford Dr 99503	562-5037		✓	
2	Jean McKinnon CARTA	5801 Radcliff 99504	337-0742	✓		
3	Loena & Charles Neer	17528 Meadow Creek Eagle River	694-9005		L	
4	Charles W. Tryck	1801 W 13th Ave	277-2204	✓		
5	M/M Forrest Tuku	P.O. Box 100401 - Anchorage	274-8193		✓	
6	Thomas V. Tom Suthard	1033 Juniper Anchorage AK. 99501	274-6135	L		
7	L J Hunter	3605 E 19th, Anchorage	272-0866		L	
8	Send: AG's opinion on tying ALB					
9	eligibility to income tax, etc.					
10	Also 4 Leo Kaye, HC30 Bx 12934, Wasilla					
11	5 Rae Palmquist					
12	6 Bob Gore, Ketchikan					
13	7 Bob Thibodeau, Jnr.					
14						
15	You got letters from Isabell Lyon + Dorothy Arnold -					
16	I'll draft responses					
17						
18						

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman

Sen. Al Adams

Sen. Tim Kelly

Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-165-3712

Senate State Affairs Committee

October 26, 1989

Dorothy L. Arnold
1419 Sunrise Drive
Anchorage, Alaska 99508

Dear Dorothy:

Thanks for taking the time to share with me your thoughts on the Longevity Bonus Program. Last week's hearing was well attended and several ideas for cost-saving changes to the program were discussed. The State Department of Administration will be doing further analysis of these ideas, and I will keep you posted as information becomes available.

I fully understand the value of the Longevity Bonus Program and support its continuation. However, the reality of declining oil revenues cannot be ignored -- we must explore ways of halting the program's growing cost. My own priority is to ensure that those seniors currently receiving the \$250 bonus continue to do so, and that no needs test be established.

In regard to your concern over allowable absences from the state, I can see that the 30 day limit might be an inconvenience under some circumstances. The requirement is intended to ensure that the bonus checks go only to "true" Alaskans, people who make their homes here. That is a goal that I, and probably most other Alaskans, support. In fact, recent legislative actions have tightened the residency requirements (you now must be a resident for two years, rather than one, to receive the bonus); there have been no proposals to make things more lenient.

Dorothy, thanks again for sharing your views.

Sincerely,

A handwritten signature in cursive script that reads "Pat".

Senator Pat Pourchot
Chairman

Julian

rec 10-13-89

1419 Sunrise Dr.
Anchorage, AK 99508
October 12, 1989

Sen. Pat Pourchot, Chairman
Senate State Affairs Committee
Box V
State Capitol
Juneau, AK 99811

Dear Senator Pourchot:

Unfortunately I am not going to be in town to attend the meeting concerning the Longevity Bonus Program on the 19th. Therefore, I am putting a few of my ideas on paper.

If an annuity program is the answer to the present dilemma we are in by the Longevity Program please do not forget that there are those in their fifties and early sixties that will not have time or money to contribute to an annuity because of age and retirement on a fixed income and these need to receive the Longevity Bonus the same as the younger ones in years to come. Secondly every person 65 and over who requests the program should receive it as long as they meet the Alaskan residency requirements. In other words the program should NEVER be based on the amount of money a person has. Those who have money for their retirement years worked hard for it and planned ahead. Those classed as poor were either poor planners or did not know how to take care of what they had during their productive years. Since many elderly people depend on the longevity check to get them through I do not feel it should be cut.

NO need

I do not believe in limiting eligibility for the program as I am tired of handing out things to the have nots who, for the most part, have done nothing to insure their Sr. Yrs. In my own case I did without, sometimes, in order to be able to save for retirement years.

I would even like to see some of the rules of the Longevity Program changed. One is allowed ninety days a year out of State as long as you are not gone over 30 days at a time. This means that you could be gone 30 days each in June, Aug., and Oct. and still receive your check but if you were gone for a total of 90 days straight in June, July, and August you would lose your check for one yr. To me this is not fair. By Motor Home it takes a week just to go and come from the nearest relative's home in the S.48. Since they are scattered I can't possibly take a trip and see them in a months time and enjoy it. No wonder some Sr. Citizens have figured out how to cheat. I feel the rule should read 90 days out of State because everyone should have enough time then for visits without cheating.

residency

if gone 30+ lose I check
if gone 90+ ineligible
stamp at customs
just need
it to be
I stake

Sincerely,
Dorothy L. Arnold
Dorothy L. Arnold

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



P.O. Box V
State Capitol
Juneau, Alaska 99811

907-465-3712

Senate State Affairs Committee

October 26, 1989

Isabell Lyon
P. O. Box 100594
Anchorage, Alaska 99510

Dear Isabell:

Thank you for taking the time to share your thoughts on the Longevity Bonus Program. Last week's hearing was well attended and several ideas for cost-saving changes to the program were discussed. The State Department of Administration will be doing further analysis of these ideas, and I will keep you posted as information becomes available.

Your idea of making the program "needs based" was discussed. Quite frankly, there was very little support for it. Clearly the \$250 monthly check is needed more by some seniors than by others, but the large majority of the seniors who have commented on the bonus program, both at our most recent hearing and in other forums, have made it clear that they do not support a need criterion. I am sympathetic to your comments, Isabell, and my own priority with the bonus program is to ensure that those seniors currently receiving the bonus continue to do so.

Thanks again for being in touch.

Sincerely,

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

Senator Pat Pourchot
Chairman

1
Oct. 10, 1989
Anchorage, Alaska.

Dear Pat;

Thank you for your letter concerning senior housing & the Longevity Bonus program.

I am a resident of Alaska since 1947, am a widow & disabled.

I have a low income to support me Soc. Sec. & the Longevity Bonus check. I barely make ends meet with the two checks, so should something take place of not getting the Longevity Bonus check the burden would be worse for me.

Because of my disability I may not be able to attend

the meeting & ² thinking about
the options mentioned in your
letter.

My option is this to continue
giving Longevity Bonus checks
to low income series, disabled
& etc. & not to those of a high
income & also limiting eligibility
for the program.

Thank, you,

Sincerely,

Isabel Lyon
P.O. Box 100594
Anchorage, Alaska
99510