Longevity Bonus Discussion

House State Affairs Committee
Representative Gene Kubina, Chair

DATE: Nov 12, 1991

PLACE:

SUBJECT OF MEETING:

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
Vicki Bukovnick	Div of Elections	8000 E. Dimond, Ste 550 Anchorage	99515	696 1573	522-8683	Y	(N)	327
Sheila Grounden	Div. of Elections	675 7th Ave Station H Fbks AK	99707	[illegible]	451-2835	Y	(N)	HB 327
Ruth Benson	League of Women Voters	1551 Farmers Loop Fbks	99709	479-6912		Y	(N)	HJR45 HB327
Mike Abbott		Box 243701 Anch 99	99524			Y	(N)	Lm
Doni Southall		2221 Eagan Ave	99701	456 6358		(Y)	N	Longevity, Bonus
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	

House State Affairs Committee
Representative Gene Kubina, Chair

DATE:	PLACE:	SUBJECT OF MEETING:

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
Glen Hamerman	Self	3320 Davis Rd				Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	

House State Affairs Committee
Representative Gene Kubina, Chair

DATE:

PLACE:

SUBJECT OF MEETING:

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
Lois Meier	Retired Teacher					Y	(N)	Longevity
Harvey C. Hoggard	Retired Bus.					Y	N	
Mary L. Hoggard	Retired Clk	105 Concord	99712			Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	

LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET

SPONSOR: (H) State Affairs

SUBJECT: Longevity

START/END TIME: 1:00 PM DATE: 4/1

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	NAME/REPRESENTING	ADDRESS	PHONE #	TESTIFY	OBSERVE	BILL #
1	JUNE NACCARATO	1903 LAKE OLIS	272-68	✓		
2	R.W. STEPHENS	12431 SHELBURNE 99516	345-7754		✓	
3	Helen JADACK	200-23RD AVE West	272-107	✓		
4	C. LIPPITT	2203 Linc. Pt. NLEY HVC	248-472	✓		
5	CAROL MASER	2526 Glenwood	258-6071		✓	
6	C.O. Dyson	PO Box 2575 Orca	258-4753	✓		
7	JP BURRELL	5716 Wesleyan	333-2574	X		
8	[illegible]	9141 GRANITE PT	344-2150		✓	
9	M. Blackburn	OMB	465-3999			
10	Frank Dozana	1521 Lake Air Anchorage 99501	277-2073	✓	✓	
11	Clara Evanson	3916 N. Point Circle			✓	
12	Alan E. Wicks	2666 Northrup Pl. Anc 99508	274-4728		✓	
13	Mary Putman	2913 W 29-99517	248-4223			
14	Helen Erickson	1200 I St #37	258-7227			
15	[illegible]	[illegible]	272-4330			
16	Joan C Gatcke	9121 Beck Dr. Anch AK 99504 #230	333-1141		✓	
17	Madge E Crouch	9121 Beck Dr. Anch AK 99504 #230	333-1141		✓	
18	Paul F Donley	1303 Southampton Anchorage AK 99503	562-4486		✓	

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SPONSOR: (H) State Affairs

SUBJECT: LONGEVITY BONUS

START/END TIME: 1 - 0 DATE: 4/1

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	NAME/REPRESENTING	ADDRESS	PHONE #	TESTIFY	OBSERVE	BILL #
1	John-Baptiste Paul	9901 Orange DR #1	349 7395		✓	
2	John-Baptiste Justina	" "	"		✓	
3	Bill Hardesty	2117 Hillcrest Dr Auch	277-7006	✓		
4	George L. Arcand	4530 O'Malley Rd Anchorage	346-2268		—	
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SPONSOR: (H) State Affairs

SUBJECT: LONGEVITY BONUS

START/END TIME: 1:00 PM DATE: 4/1

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	NAME/REPRESENTING	ADDRESS	PHONE #	TESTIFY	OBSERVE	BILL #
1	Sig Johnson NARFE	4040 Twilight Lane 99516	345 2035		✓	
2	Lindy Loudermilk	10441 Loudermilk Cir	346 1671	✓		
3	Louie Stephens	2026 E 37 St Anchorage	561-0308	✓		
4	ORIAN H CHRISTIANSON	9635 STONEGATE DR Anchg	349-4502	✓		
5	E Pauline Burnette	2534 Crestwood 99508	276-4365			
6	LEBERTA MARTIN	2120 C St. #J - 99503	279-0891	✓		
7	ELVA TRAVIS	5274 85th 99515	349-6700		✓	
8	Peggy Bohannon	Box 110388 99511	345-6359		✓	
9	Peter B Huselen	4433 San Ernesto #106	NONE		✓	
10	VERNON BAILEY JR	7247 SPRUCE ST	333887	✓		
11	Donald K Gates	2501 Lake Otis	277 5991	✓		
12	Carl Thompson	3601 Twilight LN	345 1678			
13	BETTY I. ROCKNE	2939 DRAKE DR.	274 8248		✓	
14	Wayne M Rockne	2939 Lake Rd	274 8248		✓	
15	Ray Austin	1121 Park #224C	338/0906			
16	Sue Williams	1121 Aviar 99511	344-1681		✓	
17	RICHARD PERSON	811 PORCUPINE TRAIL 99511	345-0197			
18	RACHEL C HARRIS	3307 Casilla St.	333-6514		✓	

LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET

SPONSOR: (H) State Affairs

SUBJECT: Longevity Bonus

START/END TIME: 1:00 PM DATE: 4/1

PLEASE PRINT

	NAME/REPRESENTING	ADDRESS	PHONE #	TESTIFY	OBSERVE	BILL #
1	Leora S Eberlein	600 W. 76th Ave #307	349-8838		✓	
2	Merritt Olson NEA-Alaska AARP-NBG	1032 W 12th Ave.	272-9156		✓	
3	Pauline R. King	1414 Columbine Str.	276-6937		✓	
4	Wardie W. King	✓ — —	276937		✓	
5	Harley + Arlene Stanford	12102 Lilac Circle 16	345-4530		✓	
6	John J. Flournoy	3950 Alitak Bay Cir.	349-5830		✓	
7	John D. Riley	P.O. Box 110512 Anchorage 99511	345-1119	✓		
8	Kathryn J Peters	2100 E 37th Anch AK 99508	563-3654			
9	Clint Towne	936 W 5th Anch	277-8023		✓	
10	Barbara A. Clyburn	9121 Peck Ave	333-0773		✓	
11	Mary A Cantil	9121 Peck #224C	338-0966		✓	
12	Gordon S Guffey CARTA	1241 Denali St. Anc	276-1100		✓	
13	Mary F. Guffey	"	"		✓	
14	Tess Upgrand	1645 Gooseberry Pl. Anc.	349-5268			
15	Marlene McNabb	330 Bon... Drive #137	333-6319			
16	Henry H Landon	9224 Kahn	2435538		✓	
17	Henrietta Smay	P.O. Box 11235 99511	345-0638	✓		
18	Robert L. Smay	PO Box 112335 99511	3450538	✓		

Anchorage AK.

****

DELIVER TO: LIOCMIL

ORIGINAL
CREATED: 04/01/91 TIME: 10:19
SUBJECT: 91-03-110;BL;LONGEVITY;4/1
PRINT DATE: 04/01/91 TIME: 14:00

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T/C NO: 91-03-110
DATE: 4/1
SPONSOR: (H) STATE AFFAIRS
SUBJECT: LONGEVITY BONUS
MODERATOR: JUDY

BRIDGE LIST

****

1. MARY MCBERNIE/JUNEAU
2. ANC
3. ANCH PIONEER HOME
4. CHUGIAK SENIOR CENTER
5. MAT
6. NOM
7. WRANGELL/(REP TAYLOR)
8. SEWARD
9. HOM
10. PETERSBURG
11. SOL
12. FBX
13. KTN Addition

EMAI: LIOCMIL
BACK-UP PHONE: 561-1199

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LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET

SPONSOR: (H) State Affairs

SUBJECT: HB 11, 20, 122 SB 8, 34, 154

START/END TIME: 1:00 DATE: 4-1-91

PLEASE PRINT

	NAME/REPRESENTING	ADDRESS	PHONE #	TESTIFY	OBSERVE	BILL #
1	Edna Roberts	923 W. 11th Ave - #207	279-9383			
2	Esther L. Pinon	" " 26C	272-0273		X	
3	Opal Liles	" " #402	272-7133		X	
4	Pearl O'Meagre	923 W 11th Ave -			X	
5	Edna Marblen	923 W 11th Ave 305	272-205			
6	Farris W. McAlister	" " "				
7	Emely Du Beau	" " "	272-4206		V	
8	~~Karl Stahn~~	" " "	2723356			
9	Ingval Tolson	" " "	274.2495			
10	Ann Polyanec	2120 Lake George Dr	333-5196		~	
11	Lena Cabe	923 - NW - 11th				
12	Bernice Grace	- - - -				
13	Kathleen McCormick	- - - -				
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LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET page 2

SPONSOR: (H) State Affairs

SUBJECT: Longevity

START/END TIME: 1:15 DATE: 4-1-91

PLEASE PRINT

	NAME/REPRESENTING	ADDRESS		PHONE #	TESTIFY	OBSERVE	BILL #
1	VIRGINIA YOUNG	923 W. 11TH AVE, ANCH. 99501		242-6740		X	
2	MAGDALENE UZZELL	"	"	274-2444			
3	NANCY SEISLER	"	"				
4	Mabel Howes	"	"	274-8600			
5	Mary Reynolds						
6	Grace Dillon	"	"	274-5076			
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Juneau Site — Cap. 102

Name	Address	Representing
Tom Brice	Capitol	Rep. Tom Moses
Bob TKACZ	Capitol/precinct	Senate Voice Mag.
Jane Hanna	8100 N. Douglas, Jno.	Sr. Adv.
Gene Honno	" "	" "
Mary Lou Meneu	805 Gold Belt	A.G.K.P.
Betsy Sharp	Jno Juneau	Pioneers Log Comm. Deputy Commissioner.
✓ Kohnley R. Waldron	Juneau	Dept. of Administration Dept. of Admin.
✓ Barbara Bathony	Dept. of Admin	Div. of Pioneers Rep.
✓ Kevin Pat Pannell, R.E.P.		STATE HOUSE
✓ Bert Sharp	Repr.	State House of Repr.
✓ Mark Boyer	Rep.	SLH HSS
✓ Gordon Landes	PO Box N-07, Juneau 99811	Dir. of Medical Assistance
David Fry	Dept of Labor	
John J. Shaffer	303 Kimsham Sitka	DARP State Legislative Committee

Alaska State Legislature

Please enter into the record my testimony to the State Affairs Committee
committee name

committee on Longevity Bonus
bill/subject
, dated April 1, 1991.

Mr. Chairman -

I believe the longevity bonus payments should be discontinued, immediately.

If existing safety nets for persons over 65 years of age are inadequate to provide shelter, food and essential medical care for a number of people, then surely old age assistance, etc. could be beefed up in those cases.

I particularly resent references to seniors as having "earned" a bonus, because of "building Alaska". Whatever our reasons for coming and staying, we were neither improvident nor shiftless, and we certainly did not expect this or any other generation to "pay" us for having been fortunate enough to come here. It is most offensive to hear such "justifications" being advanced for the paying of the longevity bonus.

I am 66 years old and I receive the bonus; I pass it on in charitable contributions. I came to Alaska in 1948 and I have enjoyed living and working here, except for moments such as this when I see it as my duty to speak up.

Thank you extending me the courtesy of comment.

Signed: Roxolana E. Pomeroy

Testifier Roxolana E. POmeroy

myself

Representing (Optional)

2824 Kimberly Court, Anchorage, AK 99508

Address

561-0651

Phone No.

AN OPAG STUDY

THE IMPACT OF RETIREES

on the

ECONOMY OF ALASKA

Information For This Study

Collected and Compiled

by Volunteers:

Robert Kallenberg, Chugiak
Lee Eberlein, Anchorage
Marie Darlin, Juneau
Elizabeth Lucas, Juneau
Ann Walsh, Fairbanks
and others

OLDER PERSONS ACTION GROUP, INC.
325 East Third Avenue, Suite 300
Anchorage, Alaska 99501

Rose Palmquist, President

Vera Gazaway, Director

INTRODUCTION

As Alaska matures so does its population. In 1987 the OPAG Board of Directors prepared and produced WHY ENCOURAGE SENIORS TO REMAIN IN ALASKA? At the request of SENIOR VOICE readers and others, OPAG continues to research and study the impact of Older Alaskans in the 1990's.

The information included in this paper represents many hours of volunteer work conducted by highly trained and skilled retirees. The study is on-going and OPAG welcomes comments and suggestions.

Conspicuous by its absence is information about volunteer work contributed by retirees in communities outside Fairbanks, Anchorage and Juneau. Retirees interested in compiling that data for their community are encouraged to call toll-free 800-478-1059.

VERA A. GAZAWAY
Executive Director

THE IMPACT OF RETIREES ON ALASKA

Retired Alaskans are a year-round economic and social resource. Other states rely on retirement communities to stabilize and balance their budget. Alaska too has that option.

Many retire from work between the ages of 50 and 60. Those are the years when decisions are made to stay in Alaska or move to another area. A look at the factors which influence that decision include climate, housing options, individual life styles, cost and availability of health care, social and recreational opportunities. Given the high cost of living in Alaska, the few who move to this state after retiring from the work force most often do so to be near their adult children.

It is important to note that retirement assets are among the most portable of all assets. Each person who moves takes with them retirement benefits earned from former employers, social security, annuities and bank accounts. Each person moving to Alaska will purchase groceries, pay for housing and utilities. In short, they will contribute to the economy as we all do. It should also be noted that each time a retiree moves from the state, Alaska loses that individual's income, other financial assets, expertise, experience and continuing contributions.

Prior to the introduction of the longevity bonus and property tax/renters rebate programs, most seniors who could afford a move went "south" when they retired. They sold or rented their home, withdrew checking/savings account, took their pensions, annuities, social security, health care benefits, earned interest dividends and other assets and moved out of the state to a warmer and less expensive climate. Those who retired at age 55 could have contributed to Alaska's economy and social welfare for 10 years before qualifying for either the Bonus or tax exemption.

The economic loss is great. The older consumer tends to shop in stores located near their residence, patronize local merchants and spend most of their total income in the community where they live. They consume fewer public services than other groups since few have children in the schools system, most drive fewer miles than working people, seldom require services of the police. This group does consume more medical services than other age groups; however, medical insurance pays most of the costs and contributes to the support of the medical community.

Retirees are a wonderful source of volunteer help for their community. Retirement is a time people can select activities for satisfaction and pleasure. For many that means supporting a favorite group, volunteering to share their interests, expertise and talents with others. For the town, city or hamlet where retirees live that means volunteer services for hospitals, schools, libraries, museums, visitors centers, parks and gardens. The list is never ending and includes a wide variety of contributions.

Older Persons Action Group, Inc. (OPAG) wanted to determine what Alaska's older residents contributed to this state. This paper includes the findings of that study as of April 1, 1991.

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AN OPAG STUDY

THE IMPACT OF RETIREES ON THE ECONOMY OF ALASKA

AVAILABLE AS OF APRIL 1, 1991

The following is the latest available data on the income of retirees in Alaska:

1.	Federal	$ 75,324,000
2.	Military	71,100,000
3.	Soc. Sec. (Nov. 1990 x 5.4 for '91)	202.368,000
4.	SSI (elderly only)	2,283,600
5.	State (149,809,403 x .65)	96,076,150
6.	Labor	51,107,609
7.	Corporate	940,718
	Medicare	49,000,077
	Vet Benefits	87,149,711
		$ 635,349,865

The above figures do not include any appropriated funds such as Longevity Bonus or Permanent Fund Dividend distribution.

The $ 635,349,865 is a conservative amount because it does not include money derived from private investments, or annuities from 401 (K) plans.

Using a multiplier of 1.8, the impact of $ 635,349,865 is $ 1,143,269,479 on the economy of Alaska.

ROBERT KALLENBERG

mjj:332

VOLUNTEERS: A COMMUNITY RESOURCE

No dollar amount has been assigned to the hours of volunteer labor listed here. The numbers represent contributed services of retired persons from all walks of life: attorneys, cooks, homemakers, teachers, construction workers, engineers, economists, artists, reporters, secretaries, executives are only a few of the many.

The Alaskan chapters of one organization, the National Association of Retired Federal Employees, conducted a survey of their members and report these contributions of time and expertise:

49 NARFE members in Juneau volunteered 7,456 hours
77 NARFE members in Anchorage volunteered 17,692 hours
25 NARFE members in Fairbanks volunteered 4,628 hours
16 NARFE members in the Mat-Su Valley volunteered 1,053 hours
21 NARFE members in Southeast Alaska volunteered 4,036 hours

Retirees also volunteer many hours to the religion of their choice. Those contributions are not included in this paper. There are no hours listed for hours older volunteers contribute to community and civic groups or clubs. Five communities include senior citizens' advisory commissions in their chapters. The volunteer services of those groups are not included.

Alaska's older volunteers are a valuable and reliable source of labor for every precinct in the state when local, state and national elections are held. These same volunteers are vital to the success of tourism in their community.

The scope and value of the volunteer contributions persons over the age of 55 make to the community of their choice is immeasurable and should be considered seriously. Each individual who moves from Alaska to retire in another area is a lost resource. Their financial and social assets are highly portable and will add to the resources of the community and state where they reside.

Each retiree does make a difference. The Rose Garden in the Anchorage Park Strip is living testimony of that statement. For the past two years one 74 years young volunteer has been largely responsible for that colorful display of beauty.

342A

Compiled by

OLDER PERSONS ACTION GROUP, INC.
325 East Third Avenue, Suite 300
Anchorage, Alaska 99501

ORGANIZATION		HOURS		PEOPLE
Foster Grandparents and Senior Companions		182,828		500
AIRRES (Louise Rude)		4,200		27
Our Lady of Compassion		3,400		18
Humana Hospital		1,300		13
Providence Hospital		5,000		30
Anchorage Senior Center (140 hrs. per person)		16,800		70
Chugach Senior Center		11,886		100+
American Red Cross		208		2
R.S.V.P. (South Central	115,000		498	
Juneau & Fairbanks	826		160	
R.S.V.P. Total*		115,826*		658*
OPAG		4,106		87
Mary Conrad Center		2,854		8
Action for Alaskas Children		800		1
Alliance for Mentally Ill		4,616		12
AARP/SLC		1,008		20
Alzheimers		50		4
Loussac Library		225		3
Anchorage Museum		6,500		25
Alliance for Mental Health:		5,624		33
MOA - Parks & Rec - Adopt a Park		710		35
Juneau Elections		727		51
Juneau Visitors Center		4,525		135
S.E. Regional Resource Center		660		15
Soroptomist		1,087		11
Friends of Library		1,884		40
Hospital Guild		936		11
AARP		5,520		23
JRTA		6,975		37
St. Ann's Nursing Home		500		10
Juneau Library		1,458		7
State Museum		3,266		63
Valley Senior Center		1,440		22
Mountain View Senior Center		24,000		51
Salvation Army		2,565		28
Gastineau Historical Society		500		25
Juneau School District		2,500		20
		426,484		2,195

Alaska State Legislature

Legislative Research Agency

P.O. Box Y
Juneau, AK 99811-3100
Phone: (907) 465-3991
Fax: (907) 463-3331

June 15, 1990

MEMORANDUM

TO: Senator Jim Duncan

ATTN: Dale Staley

FROM: Gordon S. Harrison, Director gsh

RE: Economic Impact of the Longevity Bonus Program
Research Request 90.312 (Revised 6/15/90)

You asked for information about the economic impact of the longevity bonus program.

Unfortunately, no formal economic studies of the longevity bonus program have been done. However, the economic effects of the program can be discussed in general terms.

Overview of Program Expenditures

Approximately $525 million of state unrestricted general fund revenue has been spent on the longevity bonus program (including program administration) since its inception in fiscal year 1973. Presumably this amount of money would have been expended for other public purposes if the longevity bonus had not made a claim on it. Therefore, it is misleading to say that the program has been directly responsible for injecting over half a billion dollars into the state's economy. However, because the money has gone to individuals with a high propensity to spend--particularly for food, rent, and items of daily living--this program has generated proportionately more statewide income than would have been generated by many alternative state activities. For example, capital expenditures typically involve large purchases of materials and fabricated project components, many of which are purchased from outside Alaska. These secondary income impacts, called "multiplier" effects, of the longevity bonus program are discussed below under the heading "Respending Longevity Bonus Income."

Personal Income

The longevity bonus program pays $250 per month to all Alaska residents of one year or longer who are 65 years of age or older (and who register for the benefit). In the current fiscal year, approximately $57 million will be distributed to more than 19,000 individuals under this program. While these

per capita payments amount to a very small fraction of the total personal income in the state, they constitute a very significant portion of the personal income of many elderly people.

The income of most people declines sharply when they retire or withdraw from the labor force because of age. Table 1 shows the income of elderly Alaskans in 1984, according to survey data collected by the Older Alaskans Commission.[1] Half of the elderly population (51 percent) had incomes of less than $10,000. Seventy-nine percent of Alaska's Native population falls within this group.[2] To these people, an annual income of $3,000 from the longevity program ($6,000 for a married elderly couple) is clearly important.[3]

Community Income

Table 2 is a list of the number of longevity bonus recipients in each community in Alaska (March 1990). Just as bonus payments loom large in the lives of many individuals, so too do they loom large in the economies of many small rural communities where cash income from all sources is scarce. Although no statistical data is available that quantifies total income in communities--particularly rural, predominantly Native villages--it is well known that many are poor. Thus, when compared with urban areas, it seems likely that a much higher proportion of the cash spent in rural communities is derived from longevity bonus payments.

Respending of Longevity Bonus Income

A portion of every dollar spent in an economy is respent, and a portion of that is respent, and so on until it has all leaked from the system. This effect is referred to as the income multiplier. Generally speaking, the size of the multiplier increases with the size and complexity of the economy in which the

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[1] *Older Alaskans Survey Data*, Older Alaskans Commission, October, 1984.

[2] "A Profile of Older Alaskans," *Alaska Economic Trends*, June 1988. This report utilizes survey data referenced above.

[3] A recent report by the Institute of Social and Economic Research states the following about the effects of the longevity bonus program: "In 1988 the median income of Anchorage households with at least one person over 65 was $33,700, as compared with $48,900 for all Anchorage households. Incomes in Anchorage are typically higher than in rural areas, so longevity payments likely make up a larger part of incomes of older Alaskans outside Anchorage." ISER Fiscal Policy Paper No. 4, "Big Ticket Spending: Transfers and Labor Costs," p. 5.

spending occurs. Alaska has a statewide income multiplier of about 1.5,[4] which means that respending amounts to about half of the value of the original expenditure.[5] Thus, in fiscal year 1990, the program will generate total income of at least $85.5 million.

However, the multiplier effects of longevity bonus payments are probably larger than the multiplier effects of other major categories of state spending (for example, salaries, capital projects[6] or permanent fund dividend payments). This is because recipients of longevity bonus checks have lower than average incomes and can be expected to spend virtually all of each monthly check. As a group, these recipients do not save as much of their income as do higher income groups, nor do they have a heavy tax burden (they qualify for certain local tax exemptions and their federal personal income tax payments are comparatively low because their incomes are low).[7] Thus, the high propensity of seniors to spend longevity bonus income enhances the importance of this program to local economies and to the statewide economy.

Retention of Other Retirement Income

The over-65 age group is one of the fastest growing segments of Alaska's population. It doubled during the 1980s.[8] The longevity bonus program may contribute to this growth: it provides financial incentive for retired people to remain in Alaska and for older nonresidents to move to Alaska to be with family members. To the extent the longevity bonus program has these demographic effects, it makes a further contribution to the Alaska economy: it holds pension and retirement income here, and attracts to the state the pension and retirement income of the in-migrants. Thus, for example, a retired state worker who would otherwise have left Alaska but who remains in Alaska because of the longevity bonus program will spend his retirement income here as well as his longevity bonus payments. Similarly, a person who moves to Alaska

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[4]Personal communication, Scott Goldsmith, Professor of Economics, Institute of Social and Economic Research, University of Alaska, Anchorage.

[5]Alaska's income multiplier is not large because the economy is small and money rapidly leaks from it (virtually all manufactured goods are imported, for example).

[6]Even though a smaller proportion of many capital expenditures may enter the Alaska economy than bonus payments, and thus generate proportionately less secondary income, some capital projects make important long-term contributions to the state's economy by directly stimulating economic activity or by providing infrastructure that indirectly supports economic activity.

[7]Saving and taxes are two large sources of "leakage" of money from the spending stream.

[8]"A Profile of Older Alaskans", *op. cit.*

because of the longevity bonus program will bring with him other sources of personal income that will be spent locally in addition to the longevity bonus payments.

I hope this brief, speculative overview is useful to you. As you know, the question of the economic impacts of a program is separate from, or at least only one aspect of, the larger question of the desireability of a program from a public policy perspective. If you have any questions or would like additional information, please call.

TABLE 1
Income of Alaskans 65 Years of Age and Older
Survey Data, 1984

	MALES		FEMALES		TOTAL	
	Number	%	Number	%	Number	%
Less Than $5,000	502	11	1,198	25	1,700	18
$5,000-$9,999	1,297	28	1,866	38	3,163	33
$10,000-$14,999	1,039	22	832	17	1,871	20
$15,000-$19,000	707	15	418	9	1,125	12
$20,000 and Over	1,104	24	558	11	1,662	17
Total in Survey	4,649	100	4,872	100	9,521	100

Source: *Older Alaskans Survey Data,* October 1984, Older Alaskans Commission, p. 7

Prepared by the Legislative Research Agency, April 1990 (90.312)

TABLE 2

8/90 GEOGRAPHICAL DISTRIBUTION OF LONGEVITY BONUS RECIPIENTS, MARCH 1990

MAILING ADDRESS	ELECTION DISTRICT	MALES	FEMALES	TOTAL
ADAK	26	1		1
AIACHAK	25	1		1
AKIACHAK	25	14	12	26
AKIAK	25	8	8	16
AKUTAN	26	3	3	6
ALAKANLUK	23		1	1
ALAKANUK	23	7	11	18
ALEKNAGIK	26	6	5	11
ALEXANDER CREEK	16	2		2
ALLAKAKET	24	4	4	8
AMBER	22	1		1
AMBLER	22	4	6	10
ANAKTURUK PASS	22	1		1
ANAKTUVUK PASS	22		4	4
ANCHOARAGE	17	1		
ANCHOR POINT	05	47	32	7
ANCHORAGE	14	2,866	3,697	6563
ANCHROAGE	10	2	2	4
ANDERSON	17		1	1
ANGOON	02	14	19	33
ANIAK	24	11	14	25
ANVIK	24	1	6	7
ARCTIC VILLAGE	20	5	2	7
ATKA	26	4	1	5
ATMAUTLUAK	25	7	4	11
ATQUSAK	22	1	2	3
AUKE BAY	04	40	39	79
BARROW	22	46	62	108
BEAVER	24	2	1	3
BETHEL	25	60	62	122
BETTLES FIELD	24	1	3	4
BIG LAKE	16	50	38	88
BIRD CREEK	07	2		2
BREVIG MISSION	23	3	5	8
BUCKLAND	22	7	9	16
CANTWELL	17	8	4	12
CAPE POLE	01	1		1
CENTRAL	19	4	2	6
CHALKYITSIK	24	4	1	5
CHATHAM	17	1		1
CHEFORNAK	25	9	6	15
CHENEGA	06	1		1
CHENEGA BAY	06		1	1
CHEVAK	23	9	7	16
CHICKALOON	16	1	2	3
CHIGNIK	27	2	2	4
CHIGNIK BAY	27	1	1	2
CHIGNIK LAGOON	27	4		4
CHIGNIK LAKE	27	4	2	6

MAILING ADDRESS	ELECTION DISTRICT	MALES	FEMALES	TOTAL
CHINIAK	27	1	1	2
CHISTOCHINA	17	1	1	2
CHITINA	06	3	3	6
CHUATHBALUK	24		1	1
CHUGIAK	15	99	95	194
CIRCLE	19		4	4
CLAM GULCH	05	12	11	23
CLARKS POINT	26		3	3
CLEAR	17		1	1
COLD BAY	26		1	1
COLLEGE	21	16	21	37
COOPER LANDING	06	22	18	40
COPPER CENTER	17	36	33	69
CORDOVA	06	59	55	114
COUNCIL	23	2	2	4
CRAIG	02	17	9	26
CROOKED CREEK	24	3	4	7
DE RING	22	2	3	5
DELTA JUNCTION	17	56	53	109
DENALI NAT'L PARK	17		1	1
DENALI PARK	17	1		1
DILLINGHAM	16	33	42	75
DIOMEDE	23	2	2	4
DOT LAKE	17	3	2	5
DOUGLAS	04	53	62	115
DUTCH HARBOR	06		2	2
EAGLE	17	1	7	8
EAGLE RIVER	15	136	153	289
EEK	25	7	10	17
EGEGIK	10	1	2	3
EIELSON AFB	18	5	1	6
EKUK	26		1	1
EKWOK	26	7	1	8
ELFIN COVE	03	1	1	2
ELIM	22	9	8	17
ELMENDORF AFB	13	2	1	3
EMMONAK	23	15	14	29
ENGLISH BAY	05	1	2	3
ESTER	19	6	2	8
EXCURSION INLET	02	1	2	3
FAIRBANKS	20	889	982	1871
FALSE PASS	26	4	2	6
FLAT	08	1		1
FORT RICHARDSON	16	2	5	7
FORT WAINWRIGHT	19	1	2	3
FORT YUKON	24	16	15	31
FORTUNA LEDGE	24	3	2	5
FOX	20		1	1
FRITZ CREEK	16		1	1

MAILING ADDRESS	ELECTION DISTRICT	MALES	FEMALES	TOTAL
FUNTER BAY	02	2	2	4
GAKONA	17	18	11	29
GALENA	24	12	2	14
GAMBELL	23	9	10	19
GIRDWOOD	07	10	7	17
GLENNALLEN	17	22	23	45
GOLOVIN	23	3	5	8
GOODNEWS BAY	25	7	11	18
GRAYLING	24	5	3	8
GUSTAVUS	02	4	5	9
HAINES	02	87	88	175
HALIBUT COVE	05	3		3
HEALY	17	3	3	6
HOLY CROSS	24	14	9	23
HOMER	05	158	157	315
HOONAH	02	20	26	46
HOOPER BAY	23	26	23	49
HOPE	06	5	7	12
HOUSTON	16	6	7	13
HPOE	06	1		1
HUGHES	24	1	3	4
HUSLIA	24	7	3	10
HYDABURG	02	15	13	28
HYDER	19	3	1	4
IGIUGIG	26	1		1
ILIAMNA	26	4	4	8
INDIAN	07	2	2	4
IVANOF BAY	27	1		1
JUNEAU	02	422	563	985
KAKE	02	17	18	35
KAKTOVIK	22	5	5	10
KALSKAG	24	2		2
KALTAG	24	4	5	9
KARLUK	27		2	2
KASAAN	02	2	1	3
KASIGLUK	25	11	11	22
KASILOF	05	21	25	46
KENAI	05	182	204	386
KETCHIKAN	01	374	395	769
KIANA	22	10	13	23
KING COVE	26	5	3	8
KING SALMON	26	3	3	6
KIPNUK	25	8	14	22
KIVALINA	22	6	9	15
KLAWOCK	02	12	13	25
KOBUK	22	2	4	6
KODIAK	27	164	165	329
KOKHANOK	26	2	2	4
KOKHANOK BAY	26	1	1	2

MAILING ADDRESS	ELECTION DISTRICT	MALES	FEMALES	TOTAL
KOKHONAK	26	1		1
KOLIGANEK	26	6	6	12
KONGIGANAK	25	8	8	16
KOTLIK	23	10	8	18
KOTZEBUE	22	40	54	94
KOYUK	23	7	5	12
KOYUKUK	24	5	4	9
KUSIGLUK	25		1	1
KWETHLUK	25	20	20	40
KWIGILLINGOK	25	10	13	23
LAKE MINCHUMINA	18	1	1	2
LARSEN BAY	27	4	4	8
LEVELOCK	26	6	2	8
LITTLE DIOMEDE	23	1		1
LOVELOCK	26		1	1
LOWER KALSKAG	24	7	6	13
MANLEY HOT SPRINGS	24	6	4	10
MANLEY SPRINGS	24	1		1
MANOKOTAK	26	8	4	12
MARSHALL	24	6	3	9
MCGRATH	24	11	15	26
MCKINLEY PARK	17	1	1	2
MEDOW LAKES	16		1	1
MEKORYUK	25	10	6	16
MENTASTA	17	1		1
METLAKATLA	02	34	34	68
MEYERS CHUCK	01	2	2	4
MINTO	24	15	10	25
MONOKOTAK	26		1	1
MOOSE PASS	06	4	6	10
MOUNTAIN POINT	12		2	2
MOUNTAIN VILLAGE	25	10	13	23
MOUNTIN VILLAGE	24	1		1
NAKNEK	26	8	9	17
NAPAKIAK	25	13	13	26
NAPASKIAK	25	7	8	15
NELSON LAGOON	26	1	2	3
NENANA	17	31	21	52
NEW STUYAHOK	26	11	10	21
NEWHALEN	26	1		1
NEWTOK	25	4	1	5
NIGHTMUTE	25	4	5	9
NIKISHKA	07	10	9	19
NIKISKI	05	20	14	34
NIKOLAI	24	1	6	7
NIKOLSKI	26	5	4	9
NINILCHICK	16	1	1	2
NINILCHIK	05	28	24	52
NOATAK	22	9	5	14

MAILING ADDRESS	ELECTION DISTRICT	MALES	FEMALES	TOTAL
NOME	23	63	80	143
NONDALTON	26	3	5	8
NOORVIK	22	13	13	26
NORTH POLE	18	113	110	223
NORTHWAY	17	5	10	15
NUIQSUT	22	4	6	10
NULATO	24	6	8	14
NUNAPITCHUK	25	13	10	23
NYAC	24	1		1
OLD HARBOR	27	9	2	11
OSCARVILLE	25	1	2	3
OUZINKIE	27	9	8	17
PALMER	16	296	328	624
PAXSON	18	2	1	3
PEDRO BAY	26	2	2	4
PELICAN	03	11	8	19
PERRYVILLE	27	2	6	8
PETERSBURG	01	109	101	210
PILOT POINT	26	3	2	5
PILOT STATION	24	12	4	16
PITKAS POINT	24	1	1	2
PLATINUM	25		2	2
POINT BAKER	02	12	5	17
POINT HOPE	22	8	14	22
POINT LAY	22	2	1	3
PORT LIONS	27	1		1
PORT ALEXANDER	03	1	1	2
PORT ALSWORTH	26	4	1	5
PORT GRAHAM	05	4	6	10
PORT HEIDEN	26	2	1	3
PORT LIONS	27	9	4	13
PORTAGE CREEK	26	1	1	2
PT HOPE	22	1		1
QUINHAGAK	25	18	11	29
RAMPART	24	1	1	2
RED DEVIL	24		1	1
RUBY	24	7	7	14
RUSSIAN MISSION	24	10	3	13
SAINT GEORGE ISLAND	26	3	6	9
SAINT MARYS	24	12	12	24
SAINT MICHAEL	23	4	5	9
SAINT PAUL ISLAND	24	12	11	23
SALCHA	18	19	12	31
SAND POINT	26	7	7	14
SAVOONGA	23	8	12	20
SCAMMON BAY	23	10	7	17
SELAWIK	22	15	20	35
SELDOVIA	05	21	12	33
SEWARD	06	89	79	168

MAILING ADDRESS	ELECTION DISTRICT	MALES	FEMALES	TOTAL
SHAGELUK	24	2	5	7
SHAKTOOLIK	23	9	6	15
SHELDON POINT	23	1	1	2
SHISHMAREF	23	5	9	14
SHISHMOREF	23	1		1
SHUNGNAK	22	7	7	14
SITKA	03	188	227	415
SKAGWAY	02	23	23	46
SKWENTNA	16	3	2	5
SLANA	17	5	2	7
SLEETMUTE	24	2	4	6
SOLDOTNA	05	148	187	335
SOUTH NAKNEK	26	2	5	7
SPENARD	10	9	10	19
ST PAUL ISLAND	26	1		1
ST. MICHAEL	13	1		1
STEBBINS	23	7	11	18
STERLING	05	46	36	82
STEVENS VILLAGE	24	6	5	11
STONY RIVER	24	1		1
SUTTON	16	15	15	30
TALKEETNA	16	24	17	41
TANACROSS	17	4	2	6
TANANA	20	13	12	25
TATITLEK	06	5		5
TELIDA VIA MCGRATH	24	1		1
TELLER	23	7	9	16
TENAKEE SPRINGS	03	13	13	26
TETLIN	17	5	2	7
THORNE BAY	01	3	1	4
TIN CITY	23	1		1
TOGIAK	26	14	16	30
TOK	18	34	27	61
TOKSOOK BAY	25	9	7	16
TRAPPER CREEK	16	6	7	13
TULUKSAK	24	11	7	18
TUNTUTULIAK	25	6	8	14
TUNUNAK	26	10	9	19
TWIN HILLS	25	3	3	6
TWO RIVERS	20	3	1	4
TYONEK	24	6	5	11
UNALAKLEET	11	22	19	41
UNALASKA	26	8	8	16
UPPER KALSKAG	24	4	3	7
VALDEZ	06	38	43	81
VENETIE	24	8	6	14
VIA ANCHORAGE	16	2		2
VIA BARROW	23		2	2
VIA GAKONA	24	1		1

MAILING ADDRESS	ELECTION DISTRICT	MALES	FEMALES	TOTAL
VIA HOMER	05	1		1
VIA KETCHIKAN	01	1	1	2
VIA MCGRATH	26	1	1	2
VIA PALMER	16	1		1
VIA RED DEVIL	24	1		1
VIA SOLDOTNA	05	1	1	2
VIA TALKEETNA	16	1		1
VIA TOK	17		1	1
VIA TWIN HILLS	26		1	1
WAINWRIGHT	22	10	10	20
WALES	23	7	6	13
WARD COVE	01	16	15	31
WASILLA	16	336	330	666
WHITE MOUNTAIN	23	5	6	11
WHITE MOUNTAIN	23	2	1	3
WHITTIER	06	7	5	12
WILLOW	16	51	31	82
WRANGELL	01	102	98	200
YAKUTAT	02	15	18	33
		9,152	10,230	19382

Note: Add multiple entries for the same geographic locations.

SOURCE: Department of Administration, Longevity Bonus Program.

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

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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.

ATTACHMENT 1

TABLES USED IN THIS REPORT

TABLE 1

ALB Beneficiary Increase

Year	Monthly No. of Recipients	% change From Prior Year	Annual Cost	H&SS Hold Harmless	Total Prog Costs
1990	18,905		$56,715,000	$5,058,109	$61,773,1
1991	19,813	4.80%	$59,439,000	$6,193,900	$65,632,9
1992	20,877	5.37%	$62,631,000	$7,221,100	$69,852,1
1993	21,942	5.10%	$65,826,000	$8,261,700	$74,087,7
1994	23,006	4.85%	$69,018,000	$9,344,000	$78,362,0
1995	24,071	4.63%	$72,213,000	$10,590,000	$82,803,0
1996	25,053	4.08%	$75,159,000	$11,649,000	$86,808,0
1997	25,952	3.59%	$77,856,000	$12,813,900	$90,669,9
1998	26,853	3.47%	$80,559,000	$14,095,290	$94,654,2
1999	27,753	3.35%	$83,259,000	$15,504,819	$98,763,8
2000	28,571	2.95%	$85,713,000	$17,055,301	$102,768,3
2001	29,428	3.00%	$88,284,000	$18,760,831	$107,044,8
2002	30,311	3.00%	$90,933,000	$20,636,914	$111,569,9
2003	31,221	3.00%	$93,663,000	$22,700,605	$116,363,6
2004	32,157	3.00%	$96,471,000	$24,970,666	$121,441,6
2005	33,122	3.00%	$99,366,000	$27,467,733	$126,833,7
2006	34,116	3.00%	$102,348,000	$30,214,506	$132,562,5
2007	35,139	3.00%	$105,417,000	$33,235,957	$138,652,9
2008	36,193	3.00%	$108,579,000	$36,559,552	$145,138,5
2009	37,279	3.00%	$111,837,000	$40,215,507	$152,052,5
2010	38,397	3.00%	$115,191,000	$44,237,058	$159,428,0

Comments

1. The projected figures for average number of beneficiaries per month are from the Division of Pioneer Benefits. They are based an annual percentage increase over the current number of beneficiaries.

2. The growth in the number of individuals, 65 years of age and older, in Alaska has been dramatic over the last decade. Net increases of more than 6% per year have occurred. Based on estimates from the Department of Labor we have anticipated this growth rate leveling off to a steady 3% per year beginning about the year 2000.

3. There are some estimates that would place this leveling off closer to the mid 90's. Also past experience has indicated that economic factors can have substantial impact on the number of elderly remaining in the state.

4. There is no anticipation of possible changes in the mortality rate during the projection period.

5. Projections beyond the very short term become increasingly unreliable in direct proportion to the length of time.

TABLE 6

Cost of Program by Year of Age.
Figures are in millions

AGE	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
70	4.1	4.4	4.7	5.0	5.2	5.5	5.7	6.0	6.2	6.5	6.8	7.1	7.4	7.7	8.0	8.4	8.8	9.2	9.6	10.1
71	4.1	4.4	4.6	4.9	5.2	5.4	5.7	5.9	6.2	6.4	6.7	7.0	7.3	7.6	7.9	8.3	8.7	9.1	9.5	10.0
72	3.4	3.7	3.9	4.1	4.3	4.6	4.8	5.0	5.2	5.4	5.6	5.9	6.1	6.4	6.7	7.0	7.3	7.6	8.0	8.4
73	3.5	3.7	4.0	4.2	4.4	4.6	4.8	5.1	5.3	5.5	5.7	6.0	6.2	6.5	6.8	7.1	7.4	7.7	8.1	8.5
74	3.2	3.4	3.6	3.8	4.0	4.2	4.4	4.6	4.8	5.0	5.2	5.4	5.6	5.9	6.1	6.4	6.7	7.0	7.3	7.7
75	2.7	2.8	3.0	3.2	3.4	3.5	3.7	3.9	4.0	4.2	4.4	4.5	4.7	4.9	5.2	5.4	5.6	5.9	6.2	6.5
76	2.3	2.4	2.6	2.7	2.9	3.0	3.1	3.3	3.4	3.6	3.7	3.9	4.0	4.2	4.4	4.6	4.8	5.0	5.3	5.5
77	2.2	2.3	2.5	2.6	2.7	2.9	3.0	3.1	3.3	3.4	3.5	3.7	3.8	4.0	4.2	4.4	4.6	4.8	5.0	5.3
78	1.9	2.0	2.2	2.3	2.4	2.5	2.7	2.8	2.9	3.0	3.1	3.3	3.4	3.6	3.7	3.9	4.1	4.3	4.5	4.7
79	1.6	1.7	1.8	1.9	2.0	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8	2.9	3.1	3.2	3.4	3.5	3.7	3.9
80	1.4	1.4	1.5	1.6	1.7	1.8	1.9	1.9	2.0	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.9	3.0	3.1	3.3
81	1.3	1.4	1.5	1.5	1.6	1.7	1.8	1.9	1.9	2.0	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.9	3.0	3.1
82	1.0	1.1	1.2	1.2	1.3	1.4	1.4	1.5	1.6	1.6	1.7	1.8	1.8	1.9	2.0	2.1	2.2	2.3	2.4	2.5
83	1.0	1.0	1.1	1.2	1.2	1.3	1.4	1.4	1.5	1.5	1.6	1.7	1.7	1.8	1.9	2.0	2.1	2.2	2.3	2.4
84	.8	.9	.9	1.0	1.0	1.1	1.1	1.2	1.2	1.3	1.3	1.4	1.4	1.5	1.6	1.6	1.7	1.8	1.9	2.0
85	.6	.6	.7	.7	.7	.8	.8	.8	.9	.9	1.0	1.0	1.0	1.1	1.1	1.2	1.2	1.3	1.4	1.4
86	.6	.6	.6	.7	.7	.7	.8	.8	.8	.9	.9	1.0	1.0	1.0	1.1	1.1	1.2	1.2	1.3	1.4
87	.4	.5	.5	.5	.5	.6	.6	.6	.6	.7	.7	.7	.8	.8	.8	.9	.9	1.0	1.0	1.0
88	.4	.4	.4	.4	.5	.5	.5	.5	.5	.6	.6	.6	.6	.7	.7	.7	.8	.8	.8	.9
89	.2	.2	.3	.3	.3	.3	.3	.3	.3	.4	.4	.4	.4	.4	.4	.5	.5	.5	.5	.6
90	.2	.2	.2	.2	.2	.2	.2	.3	.3	.3	.3	.3	.3	.3	.3	.4	.4	.4	.4	.4
91	.1	.1	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.3	.3	.3	.3	.3	.3	.3
92	.1	.1	.1	.1	.1	.1	.1	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.3
93	.1	.1	.1	.1	.1	.1	.1	.1	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2
94	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
95	.0	.0	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
96	.0	.0	.0	.0	.0	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
97	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
98	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
99	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
100	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
Sub-Total	4.1	4.4	4.7	5.0	5.2	5.5	5.7	6.0	6.2	6.5	6.8	7.1	7.4	7.7	8.0	8.4	8.8	9.2	9.6	10.1
HLSS Hold Harmless	21.7	16.0	10.2	4.9	2.3															
Grand Total	25.8	20.4	14.9	9.8	7.6	5.5	5.7	6.0	6.2	6.5	6.8	7.1	7.4	7.7	8.0	8.4	8.8	9.2	9.6	10.1

Comment

Figures within the table are not cumulative. The amount shown for each age and year is the per cent of the program cost represented by that age group. For example, in 1991 those eligible persons who were 70 during the year would receive approximately 4.1 million; those who were 80 would receive about 1.4 million.

To determine the effect of raising the age limit to 71 effective 2000, subtract the amount estimated for payment to those age 70 (6.5 million) from the estimated total for the program (58.5 million). The remained (52.0 million) would be the cost for an ALB program with a minimum age of 71.

TABLE 3

Distribution of the Alaska Longevity Bonus By Age

Figures Are in Millions — Amounts Are Cumulative from Bottom to Top.

AGE	% of Total Cumm.	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
65	100.0%	61.8	65.6	69.9	74.1	78.4	82.8	86.8	90.7	94.7	98.8	102.8	107.0	111.6	116.4	121.4	126.8	132.6	138.7	145.1	152.1	159.4
66	91.4%	56.5	60.0	63.8	67.7	71.6	75.7	79.3	82.9	86.5	90.3	93.9	97.8	102.0	106.3	111.0	115.9	121.2	126.7	132.6	139.0	145.7
67	81.7%	50.5	53.6	57.1	60.5	64.0	67.7	70.9	74.1	77.4	80.7	84.0	87.5	91.2	95.1	99.2	103.6	108.3	113.3	118.6	124.3	130.3
68	72.7%	44.9	47.7	50.8	53.8	56.9	60.2	63.1	65.9	68.8	71.8	74.7	77.8	81.1	84.6	88.3	92.2	96.3	100.8	105.5	110.5	115.9
69	64.5%	39.8	42.3	45.1	47.8	50.5	53.4	56.0	58.5	61.1	63.7	66.3	69.0	72.0	75.1	78.3	81.8	85.5	89.4	93.6	98.1	102.8
70	56.9%	35.2	37.4	39.8	42.2	44.6	47.1	49.4	51.6	53.9	56.2	58.5	61.0	63.5	66.3	69.2	72.2	75.5	79.0	82.6	86.6	90.8
71	50.6%	31.3	33.2	35.4	37.5	39.7	41.9	43.9	45.9	47.9	50.0	52.0	54.2	56.5	58.9	61.5	64.2	67.1	70.2	73.5	77.0	80.7
72	44.4%	27.4	29.1	31.0	32.9	34.8	36.7	38.5	40.2	42.0	43.8	45.6	47.5	49.5	51.6	53.9	56.3	58.8	61.5	64.4	67.5	70.7
73	39.1%	24.2	25.7	27.3	29.0	30.7	32.4	34.0	35.5	37.0	38.6	40.2	41.9	43.6	45.5	47.5	49.6	51.9	54.2	56.8	59.5	62.4
74	33.8%	20.9	22.2	23.6	25.0	26.5	28.0	29.3	30.6	32.0	33.4	34.7	36.2	37.7	39.3	41.0	42.8	44.8	46.8	49.0	51.4	53.9
75	29.0%	17.9	19.0	20.2	21.5	22.7	24.0	25.1	26.3	27.4	28.6	29.8	31.0	32.3	33.7	35.2	36.7	38.4	40.2	42.0	44.0	46.2
76	24.9%	15.4	16.3	17.4	18.4	19.5	20.6	21.6	22.6	23.6	24.6	25.6	26.6	27.8	29.0	30.2	31.6	33.0	34.5	36.1	37.8	39.7
77	21.4%	13.2	14.1	15.0	15.9	16.8	17.7	18.6	19.4	20.3	21.2	22.0	22.9	23.9	24.9	26.0	27.2	28.4	29.7	31.1	32.6	34.1
78	18.1%	11.2	11.9	12.6	13.4	14.2	15.0	15.7	16.4	17.1	17.9	18.6	19.4	20.2	21.1	22.0	23.0	24.0	25.1	26.3	27.5	28.9
79	15.2%	9.4	10.0	10.6	11.2	11.9	12.6	13.2	13.8	14.4	15.0	15.6	16.2	16.9	17.7	18.4	19.3	20.1	21.0	22.0	23.1	24.2
80	12.8%	7.9	8.4	8.9	9.5	10.0	10.6	11.1	11.6	12.1	12.6	13.1	13.7	14.2	14.8	15.5	16.2	16.9	17.7	18.5	19.4	20.3
81	10.7%	6.6	7.0	7.5	7.9	8.4	8.9	9.3	9.7	10.1	10.6	11.0	11.5	11.9	12.5	13.0	13.6	14.2	14.8	15.5	16.3	17.1
82	8.7%	5.4	5.7	6.1	6.5	6.8	7.2	7.6	7.9	8.3	8.6	9.0	9.3	9.7	10.2	10.6	11.1	11.6	12.1	12.7	13.3	13.9
83	7.1%	4.4	4.7	5.0	5.3	5.6	5.9	6.2	6.5	6.8	7.1	7.3	7.6	8.0	8.3	8.7	9.1	9.5	9.9	10.4	10.9	11.4
84	5.6%	3.5	3.7	3.9	4.2	4.4	4.7	4.9	5.1	5.3	5.6	5.8	6.0	6.3	6.6	6.9	7.2	7.5	7.8	8.2	8.6	9.0
85	4.4%	2.7	2.9	3.1	3.3	3.5	3.7	3.8	4.0	4.2	4.4	4.5	4.7	4.9	5.1	5.4	5.6	5.8	6.1	6.4	6.7	7.0
86	3.5%	2.2	2.3	2.5	2.6	2.8	2.9	3.1	3.2	3.3	3.5	3.6	3.8	3.9	4.1	4.3	4.5	4.7	4.9	5.1	5.3	5.6
87	2.7%	1.6	1.7	1.9	2.0	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8	3.0	3.1	3.2	3.4	3.5	3.7	3.9	4.0	4.2
88	2.0%	1.2	1.3	1.4	1.5	1.6	1.7	1.7	1.8	1.9	2.0	2.1	2.1	2.2	2.3	2.4	2.5	2.6	2.8	2.9	3.0	3.2
89	1.4%	.9	.9	1.0	1.1	1.1	1.2	1.3	1.3	1.4	1.4	1.5	1.5	1.6	1.7	1.8	1.8	1.9	2.0	2.1	2.2	2.3
90	1.1%	.7	.7	.8	.8	.9	.9	1.0	1.0	1.0	1.1	1.1	1.2	1.2	1.3	1.3	1.4	1.5	1.5	1.6	1.7	1.8
91	.8%	.5	.5	.6	.6	.6	.7	.7	.7	.8	.8	.8	.9	.9	1.0	1.0	1.0	1.1	1.1	1.2	1.3	1.3
92	.6%	.4	.4	.4	.5	.5	.5	.5	.6	.6	.6	.6	.7	.7	.7	.8	.8	.8	.9	.9	.9	1.0
93	.5%	.3	.3	.3	.3	.4	.4	.4	.4	.4	.5	.5	.5	.5	.5	.6	.6	.6	.6	.7	.7	.7
94	.3%	.2	.2	.2	.2	.2	.3	.3	.3	.3	.3	.3	.3	.3	.4	.4	.4	.4	.4	.4	.5	.5
95	.2%	.1	.1	.1	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.3	.3	.3	.3	.3	.3	.3
96	.1%	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.2	.2	.2	.2	.2	.2	.2	.2	.2
97	.1%	.0	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
98	.1%	.0	.0	.0	.0	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
99	.1%	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
100	.0%	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0

ATTACHMENT 2

APPENDIX
(REPORTS OF THE HOUSE RESEARCH AGENCY,
PRIOR PROPOSED LEGISLATION,
FISCAL INFORMATION,
OTHER DOCUMENTS)

APPENDIX

HOUSE RESEARCH AGENCY REPORTS

87.161	Options for Reducing ALB Costs	The 1985 legislature passed a bill (Chapter 99, SLA 1985) that included two options to reduce the costs of the bonus program -- the "stairstepping" approach, wherein the number of people eligible to receive the bonus would be reduced by annual increases in the age of eligibility -- and the annuity approach, wherein the amount of the bonus would be reduced each year and an optional annuity program, using Permanent Fund dividends, would be established. Both options begin the process of phasing out the ALB. Karen Oakley/House Research, 3/20/87
87.218	Proposed Annuity Program versus Individual Retirement Accounts	This discusses the request by Representative Swackhammer to see whether an individual would receive more money from investment of their PFDs in the annuity program as proposed in SB 56, or in an Individual Retirement Account (IRA) and what advantages or disadvantages of the annuity program might affect participation in the program. Generally, the same amount of money could be earned. The remainder of the analysis explains the differences between the two options. Karen Oakley/House Research, 5/3/87.
87.231	ALB Costs under Need Based System	Representative Al Adams proposed two modifications to the ALB in HB 151. 1) Persons with incomes less than $20,000 would receive a monthly bonus of $250; persons with incomes between $20,000 and $25,000 would receive a reduced monthly bonus varying between $25 and $225; and persons with income greater than $25,000 would be ineligible. 2) Persons with incomes less than $20,000 would receive a monthly bonus of $250, and persons with incomes greater than $20,000 would be ineligible for the bonus. Karen Oakley/House Research, 3/31/87

87.237	ALB Costs under Need Based System	Representative Fran Ulmer proposed a modification to the ALB in HB 151 that included 1) persons with incomes less than $20,000 would receive a monthly bonus of $225; 2) Persons with incomes greater than $20,000 would receive a monthly bonus of $225 in FY88; in subsequent years, the bonus amount would be reduced by $25 each year until the bonus amount reaches $0 in FY97; 3) In FY97, once the bonus amount reaches $0 for all recipients with incomes greater than $20,000, the bonus program ends. Karen Oakley/House Research, 4/8/87.
87.272	ALB Costs under Need Based System	Determination of costs under Representative Sund's proposal if the age criterion were eliminated, i.e., persons turning 65 year after January 1, 1988 and meeting the income criteria would be eligible to receive the bonus. Karen Oakley/House Research, 4/21/87.
87.275	Effect on Public Assistance from Reducing or Eliminating ALB	Discusses the likely impact of proposals to reduce and eventually eliminate the Alaska Longevity Bonus (ALB) on the cost of public assistance programs that provide support to needy elderly Alaskans. One proposal would provide a bonus only to individuals that turn 65 years prior to 1/1/88, and that have an adjusted gross income less than $25,500 making the bonus amount vary from $200 to $17 per month depending upon recipient's income, and which finally eliminates the program because persons turning 65 years after 1/1/88 will not be eligible for the bonus. Another proposal would gradually decrease the bonus amount to zero over the next 15 years and create an annuity program that would allow individuals to set aside their Permanent Fund

		dividends. When this annuity payment exceeds $250 the bonus program ends. Karen Oakley/House Research, 4/28/87.
87.303	Projected Costs of ALB under SB56	Committee Substitute for SB 56 would set a schedule for reducing the amount of the monthly bonus paid to persons turning 65 years of age after January 1, 1988. The schedule for reducing the bonus amount will be determined by the maximum possible straight life annuity payment under the annuity program. Committee Substitute for SB 56 (Jud) defines how this maximum possible straight life annuity payment is to be calculated; is solely to provide a formula for reducing the bonus amount. Karen Oakley/House Research, 5/12/87.
88.040	Population Growth/Years of Residency	Compares increases in Alaska's elderly population with increases in total Alaska population. Also investigates a claim that the number of one-year residents receiving the ALB has recently increased. Karen Oakley/House Research, 10/21/87.
88 111	Project Costs of ALB if Eligibility Age Increased to 70 years	Provides a series of charts showing the reduced cost to the ALB program while making it available to persons at age 70. In comparison to current programs and proposals, increasing the age of eligibility to 70 years substantially reduces the cost of the program. Karen Oakley/House Research, 1/15/88.
88.127	Projected ALB Costs under SB56	Provides projections of annuity and bonus amounts using most current projections of Permanent Fund Dividend payments. The bonus amount does not reach zero until after year 2004. Karen Oakley/House Research, 1/19/88.

88.147	Effect of future PFD on the GF cost of the ALB	Discusses Rep. Ulmer's request to compare two aspects of SB 56 - how the"maximum straight life annuity" is calculated, and how changes to the PFD proposed by SJR 40 would affect the GF cost of the ALB program in the next 15 years.
88.249	Effect of Life Expectancy Values on Annuity Payments under SB57	Discusses how the life expectancy values used to calculate the "maximum possible straight life annuity" payment affect the bonus amount and the general fund cost of the longevity bonus program. Karen Oakley/House Research, 5/3/88.
88.272	SB56: Annuity Program Residency Requirement and ALB Cost Comparisons	This report answered two questions asked by Rep. Willis. An individual need not be a resident of the state to be eligible to receive an annuity payment from the individual's account. The ALB costs under SB 56 would increase slightly at first, peaking in the late 1990s to about $65 million. The annual costs would then decline gradually until FY 2006, when the program would end. Under HB 151, the ALB costs would immediately drop to about $30 million. By FY 2005, the annual cost projection would be $7.4 million. Karen Oakley/House Research, 6/3/88.
89.173	Projected Costs of ALB under SB 5 and other proposed modifications	Analysis of Representative Brown's request to project the annual and cumulative costs of the ALB program under several proposed modifications and to discuss projections of growth in Alaska's senior population. Information provided in this research paper updates House Research Agency Memorandums 88.147 and 88.127. Karen Oakley/House Research, 1/30/89.

89.173	(Supplemental) Projected Costs of under SB 5	Modified graphs - removed information for the ALB options that would freeze bonus appropriations at $50 and $60 million.
89.181	Projected Costs of ALB under SB 5	Projects the annual and cumulative costs of the ALB under SB 5 which establishes a state-sponsored annuity program as an eventual replacement of the ALB program. All residents would be given the opportunity to invest their PFDs in an annuity account, therefore, the bonus program would be affected by changes to the PF. The primary use of these projections is for comparing the relative costs of the different SB 5 proposals. Karen Oakley/House Research, 1/30/89.
89.246	Estimated Costs of ALB in FY90 under various modifications	Discusses estimated costs of the ALB in FY90 if 1) the program is unchanged, 2) no new recipients are allowed, 3) new recipients are allowed but the monthly bonus amount is reduced to $225.00, and 4) eligibility is based on need. The costs estimated are for bonuses only; does not include administrative or hold harmless costs. Karen Oakley/House Research, 2/16/89.

FISCAL INFORMATION

Enrolled Bill Report, SB 56	Fiscal Analysis of CCS SB 56, ALB annuity program. Explains flaws in the program and what effects it will have on costs to Pioneers' Benefits and Retirement and Benefits.
Fiscal note on SB 56, annuity program	Shows costs of ALB annuity program to the Division of Pioneers' Benefits and also to the Division of Retirement and Benefits, dated 3/88.
Effect of SB 5 on PA Hold Harmless Group	Transmittal letter to Senator Pat Pourchot, from John R. Taber, Director, Division of Public Assistance, Department of Health and Social Services. Senate State Affairs Committee requested a graph depicting the gradual decrease in the number of "25-year" ALB recipients who are expected to be recipients of SSI from the Social Security Administration under PA program vs the number of non-25-year recipients who are expected to qualify for these cash benefits and associated Medicaid benefits. Also includes analysis of probable concurrent eligibility for health benefits under the federal government's IHS program for Alaska Natives, dated 2/15/89.

OTHER DOCUMENTS

Veto Letter on SB 5	Letter to Senator Faiks, President of the Senate from Governor Cowper, stating reasons for vetoing CCS SB 56, dated 6/4/88.
1986 Ballot Measure No. 3	Questions and Answers about proposed longevity bonus alternatives. Prepared by the Division of Strategic Planning, Office of Management and Budget, September 1986.
Alaska Statutes (Supplement)	Chapter 45. Alaska Longevity Bonus

HOUSE AND SENATE BILLS

HCS for CS for SB 56 (Fin) am H	"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." Offered: 3/29/88
SB 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." Introduced: 1/9/89
CS for HB 151 (Finance)	"An Act relating to the longevity bonus program; and providing for an effective date." Offered: 5/5/87

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

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Juneau, Alaska 99811-3100
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January 30, 1989

MEMORANDUM

TO: Representative Kay Brown

ATTN: Eric Myers

FROM: Karen Oakley KO
Legislative Analyst

RE: Projected Costs of the Longevity Bonus Program Under Senate Bill 5 and Other Proposed Modifications
Research Request 89.173

You asked us to project the annual and cumulative costs of the Alaska Longevity Bonus (ALB) program under several proposed modifications and to discuss projections of growth in Alaska's senior population. House Research Memorandum 88.040 (attached) provides information on the expected growth rate of Alaska's senior population. Analysis of the costs of the ALB program under various modifications is provided here. This memorandum updates information provided in House Research Agency Memorandums 88.147 and 88.127. Copies of these memos are also attached.

You asked us to analyze the costs of the following proposals to modify the ALB program:

1) Senate Bill 5. Considered during last session as Senate Bill 56, this bill would establish a state-sponsored annuity program as an eventual replacement of the ALB program. All residents would be given the opportunity to invest their Permanent Fund Dividends (PFDs) in an annuity account. Residents turning 65 after January 1, 1991 would be eligible to receive a longevity bonus, but the bonus amount would be reduced by an amount equal to the annuity that would have been paid to that person had they so invested each PFD received after December 31, 1990. Persons turning 65 prior to January 1, 1991 would be eligible for the current $250 monthly bonus for the remainder of their lives.

Because SB 5 would link the bonus amount to the size of future PFDs, the cost of the bonus program will be affected by changes to the Permanent Fund. Two proposals to change how the earnings of the fund are distributed are currently under discussion, and you asked how these changes would affect the cost of the bonus program under SB 5. The two proposals are:

(a) Senate Joint Resolution 5. Under SJR 5, considered during last session as SJR 40, the distribution of the earnings of the Permanent Fund would be changed for a five year period in order to amass a budget stabilization fund. During this period, the net capital gains from the sale of Permanent Fund investments during the prior year would be added to the fund principal. The remainder of the earnings of the Permanent Fund would be distributed as follows: 40 percent to dividends; 30 percent to inflation proofing; and 30 percent to the new budget stabilization fund. Currently, capital gains are treated as earnings, and 50 percent of earnings (i.e., capital gains and interest) are used to compute dividends, with the remainder divided between inflation proofing and an inflation proofing reserve account. Because SJR 5 would subtract capital gains from distributable earnings and reduce the percentage of distributable earnings available for dividends, SJR 5 will reduce the size of future PFDs. You asked us to evaluate the effects of SJR 5 on the costs of the ALB program under SB 5 assuming capital gains of both 10 percent and 20 percent of total earnings.

(b) House Joint Resolution 13. HJR 13 is Governor Cowper's education endowment proposal. He proposes to create an education endowment account within the Permanent Fund; income from this account may be appropriated only for elementary and secondary education. To fund the endowment, at least 40 percent of the income of the Permanent Fund would be placed in the endowment account each year for twenty years.

This proposal would reduce future PFDs because only 60 percent of Permanent Fund earnings would be available for inflation proofing and dividends. If 50 percent of the remaining earnings are used to compute dividends, dividends will decline. In addition, inflation proofing would be insufficient to protect the corpus of the fund, with the result that future earnings, and therefore future dividends, will be smaller. Alternatively, if the full amount needed for inflation proofing is used for that purpose, the percentage of earnings available for dividends will be directly reduced.

2) Freeze Appropriations and Reduce the Bonus Amount Pro Rata. Under this modification, the annual appropriation to pay for longevity bonuses would be frozen at approximately its current level, and the monthly bonus amount would be reduced pro rata. All persons 65 years and older would be eligible for the bonus, and all would receive the reduced bonus amount. You asked us to evaluate three appropriation levels: $50 million; $55 million; and $60 million.

3) Reduce the Bonus Amount Five Percent Per Year. Under this modification, the monthly bonus would be reduced by five percent each year. All persons 65 years and older would be eligible for the bonus, and all would receive the reduced bonus amount.

In this memorandum, we have used the same senior population numbers, interest rates, and life expectancy values that were used in our prior memorandums on the bonus program.[1] In our analysis of the costs of the program under SB 5, we have updated the projections of future PFDs. We used Department of Revenue Fall 1988 projections of future PFDs for two revenue forecast levels: low and mid.

Although you asked us to analyze costs of the various proposals through FY 2010, we have not projected costs beyond FY 2005, which is as far as the Department of Revenue projects dividends. We believe the trend in relative costs of the proposals is apparent by FY 2005. As we have discussed before, the primary use of these projections is for comparing the relative costs of the different proposals. Except for the most immediate years, these projections should not be used to make judgments about the absolute costs of any proposal.

Tables 1 and 2 summarize projected costs of the longevity bonus program as modified by SB 5 under low and mid revenue forecasts, respectively. Four scenarios are analyzed for each revenue forecast level: 1) No change in the distribution of Permanent Fund earnings; 2) SJR 5 with capital gains equaling 10 percent of Permanent Fund earnings; 3) SJR 5 with capital gains equaling 20 percent of Permanent Fund earnings; and (4) HJR 13. Both tables also include cost projections for the current program. Tables showing the determination of annuity payments, bonus amounts and total program costs for each scenario and revenue forecast level are found in Appendices A-D. Appendix E contains graphs comparing the dividend amounts, bonus amounts, annual costs and cumulative costs under the mid-level revenue forecast. Appendix F contains comparable graphs for the low-level revenue forecast.

In Table 3, the costs of the current program are compared to costs of the other proposed modifications. For simplicity, only one projection of the costs under SB 5 is shown--the "no change in distribution of Permanent Fund earnings" for the mid-level revenue forecast. Appendix G contains graphs comparing the bonus amounts, annual costs and cumulative costs of these proposals.

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[1]We have not attempted to update the senior population numbers. These numbers are not adjusted for economic changes as are the total population numbers used by the Department of Revenue in their forecasts of future Permanent Fund Dividends. Arguably, changes in the economy have a less immediate impact on the number of elderly persons living in Alaska than on the numbers of younger persons.

The costs of the various proposals to modify the longevity program can be summarized as follows:

1) Current projections of future PFDs are lower than previous projections (even without any changes in the distribution of Permanent Fund earnings); the costs of the bonus program under SB 5 are therefore higher. Using current PFD projections, the bonus amount is not expected to reach zero until at least FY 2006.

2) Both of the proposals to change the distribution of Permanent Fund earnings will increase the costs of the bonus program under SB 5. The education endowment proposal (HJR 13) reduces PFDs the most and therefore causes the greatest increase in bonus program costs. Of the two budget stabilization fund (SJR 5) scenarios, the scenario in which capital gains are assumed to equal 20 percent of Permanent Fund earnings causes a greater increase in bonus program costs.

3) Whether one uses the mid or low level revenue forecasts, the relative costs of the bonus program under the various SB 5 scenarios remain the same.

4) In reviewing the cumulative costs of the various proposals over the next 15 years, it is important to remember that two of the proposals--SB 5 and reducing the bonus by five percent each year--eventually end the bonus program. Under SB 5, the bonus program would most likely end no sooner than FY 2006. Reducing the bonus five percent per year would end the bonus program in FY 2020, if bonus payments were stopped once the bonus amount reached fifty dollars.[2] Freezing appropriations at a given level will not end the program.

As you requested, we are providing the information we have been able to prepare by January 30. Although we have provided all the information you requested, we have not provided much detail on how we derived the numbers presented. We would be happy to meet with you and/or legislators or staff to provide additional explanation. Please contact myself or David Teal for further information.

Attachments

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[2]Because the bonus amount is reduced by five percent each year, the reduction in the dollar amount of the bonus gets smaller as years go by. It would take an infinite number of years to reduce the bonus completely to zero. Presumably, the legislature would adopt a cut-off point, and once the bonus amount reached that point, the bonus program would end.

TABLE 1
EFFECT OF CHANGES IN THE DISTRIBUTION OF PERMANENT FUND EARNINGS ON THE COST OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

Department of Revenue Fall 1988 Projections of Future PFDs
Revenue Forecast: Low

	Number of Recipients		No Change in PF Earnings Distribution		Senate Joint Resolution 5 (Budget Stabilization Fund) Capital Gains=10 %		Senate Joint Resolution 5 (Budget Stabilization Fund) Capital Gains=20 %		House Joint Resolution 13 (Education Endowment Account)		Current Program	
Fiscal Year	Age 65 by 1-1-91	Age 65 after 1-1-91	Bonus Amount	Annual Cost	Bonus Amount	Annual Cost	Bonus Amount	Annual Cost	Bonus Amount	Annual Cost	Bonus Amount	Annual Cost
1989	17,542	0	$250	52.6	$250	52.6	$250	52.6	$250	52.6	$250	$52.6
1990	19,085	0	250	57.2	250	57.2	250	57.2	250	57.2	250	57.2
1991	16,159	1,919	250	60.2	250	60.2	250	60.2	250	60.2	250	60.2
1992	17,258	3,762	241	62.7	241	62.7	241	62.7	243	62.7	250	63.1
1993	16,362	5,855	233	64.9	235	65.1	236	65.1	236	65.1	250	66.1
1994	15,473	7,443	224	66.4	228	66.9	231	67.0	231	67.0	250	68.7
1995	14,686	8,357	215	68.0	223	68.8	225	69.1	226	69.2	250	71.8
1996	13,753	11,116	206	68.7	216	70.1	219	70.4	221	70.7	250	74.6
1997	12,918	12,713	195	68.6	208	70.6	212	71.1	215	71.6	250	76.9
1998	12,181	14,438	185	68.3	200	71.0	204	71.7	210	72.6	250	78.6
1999	11,286	16,874	173	67.2	191	70.7	195	71.6	204	73.2	250	82.1
2000	10,587	17,750	160	65.7	186	69.8	185	70.0	197	73.6	250	84.8
2001	9,733	18,410	147	63.3	180	68.3	172	69.3	191	73.7	250	87.5
2002	8,878	21,000	132	60.3	164	65.9	158	66.8	184	73.4	250	90.2
2003	8,245	22,705	118	56.5	139	62.6	142	63.5	176	72.8	250	93.1
2004	7,593	21,482	99	51.7	122	58.5	125	59.3	166	72.8	250	96.8
2005	6,846	26,361	81	46.1	105	53.6	107	54.3	160	71.1	250	99.8
Cumulative Cost				$1,040.3		$1,094.8		$1,102.8		$1,159.8		$1,304.3

Note: The bonus amounts shown are the amounts that would be paid to persons turning 65 years after January 1, 1991; persons turning 65 years prior to January 1, 1991 would receive a $250 monthly bonus.

Prepared by the House Research Agency, January 1988 (88-173P).

TABLE 2
EFFECT OF CHANGES IN THE DISTRIBUTION OF PERMANENT FUND EARNINGS ON THE COST OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

Department of Revenue Fall 1988 Projections of Future PFDs
Revenue Forecast: Mid

	Number of Recipients		No Change in PF Earnings Distribution		Senate Joint Resolution 5 (Budget Stabilization Fund)				House Joint Resolution 13 (Education Endowment Account)		Current Program	
					Capital Gains=10 %		Capital Gains=20 %					
Fiscal Year	Age 65 by 1-1-91	Age 65 after 1-1-91	Bonus Amount	Annual Cost	Bonus Amount	Annual Cost	Bonus Amount	Annual Cost	Bonus Amount	Annual Cost	Bonus Amount	Annual Cost
1989	17,542	0	$250	52.6	$250	52.8	$250	52.6	$250	52.6	$250	$52.6
1990	19,885	0	250	57.2	250	57.2	250	57.2	250	57.2	250	57.2
1991	18,159	1,919	250	60.2	250	60.2	250	60.2	250	60.2	250	60.2
1992	17,250	3,762	241	62.7	241	62.7	241	62.7	243	62.7	250	83.1
1993	16,362	5,655	232	64.9	234	65.0	235	65.0	236	65.1	250	86.1
1994	15,473	7,443	223	66.3	227	66.7	229	66.8	230	67.0	250	88.7
1995	14,606	9,357	213	67.7	220	68.5	222	68.8	225	68.1	250	71.8
1996	13,753	11,116	202	68.2	212	69.5	215	70.0	219	70.5	250	74.6
1997	12,818	12,713	190	67.8	204	69.8	207	70.4	213	71.3	250	76.9
1998	12,101	14,439	178	67.1	194	70.0	198	70.7	207	72.1	250	79.6
1999	11,286	16,074	164	65.6	184	69.3	188	70.2	200	72.5	250	82.1
2000	10,507	17,758	150	63.4	171	69.0	176	69.0	193	72.6	250	84.8
2001	9,733	19,410	134	60.4	157	65.8	162	66.8	185	72.3	250	87.5
2002	8,978	21,098	118	56.4	141	62.6	145	63.6	177	71.8	250	90.2
2003	8,245	22,785	98	51.5	123	58.4	126	59.3	168	70.8	250	93.1
2004	7,533	24,482	78	45.5	104	53.2	107	53.9	159	69.4	250	96.0
2005	6,846	26,361	56	38.3	83	46.9	85	47.5	150	67.9	250	99.6
Cumulative Cost				$1,015.0		$1,066.4		$1,075.0		$1,145.2		$1,384.3

Note: The bonus amounts shown are the amounts that would be paid to persons turning 65 years after January 1, 1991; persons turning 65 years prior to January 1, 1991 would receive a $250 monthly bonus.

Prepared by the House Research Agency, January 1989 (89-133Q).

ATTACHMENT 1

TABLE 3
COMPARISON OF OPTIONS FOR REDUCING THE COST OF THE ALASKA LONGEVITY BONUS PROGRAM

		Freeze Appropriations and Reduce the Bonus Amount Pro Rata						Reduce Bonus Amount 5 Percent Per Year		Senate Bill 5: No change in PFD; old revenue forecast		Current Program	
		@ $50 million		@ $55 million		@ $60 million							
Fiscal Year	Number of Recipients	Bonus Amount	Annual Cost	Bonus Amount	Annual Cost	Bonus Amount	Annual Cost	Bonus Amount	Annual Cost	Bonus Amount**	Annual Cost	Bonus Amount	Annual Cost
1988	17,542	$850	$52.6	$250	$52.6	$250	$52.6	$250	$52.6	$250	52.6	$250	$52.6
1989	19,065	250	57.2	250	57.2	250	57.2	250	57.2	250	57.2	250	57.2
1991	20,877	208	50.0	228	55.0	249	60.0	238	57.2	250	60.2	250	60.2
1992	21,820	188	50.0	218	55.0	238	60.0	226	56.9	241	62.7	250	63.1
1993	22,817	189	50.0	208	55.0	227	60.0	214	58.6	232	64.9	250	66.1
1994	22,917	182	50.0	200	55.0	218	60.0	204	56.0	223	66.3	250	68.7
1995	23,963	174	50.0	161	55.0	209	60.0	193	55.6	213	67.7	250	71.9
1996	24,069	168	50.0	184	55.0	202	60.0	184	54.8	202	68.2	250	74.6
1997	25,631	163	50.0	178	55.0	195	60.0	175	53.7	190	67.8	250	78.9
1998	26,548	157	50.0	173	55.0	188	60.0	166	52.8	178	67.1	250	78.8
1999	27,378	152	50.0	167	55.0	183	60.0	158	51.8	164	65.6	250	82.1
2000	28,265	147	50.0	162	55.0	177	60.0	150	50.0	150	63.4	250	84.8
2001	29,152	143	50.0	157	55.0	172	60.0	142	49.7	134	60.4	250	87.5
2002	30,076	139	50.6	152	55.0	166	60.0	135	48.8	118	56.4	250	90.2
2003	31,038	134	50.0	148	55.0	161	60.0	128	47.8	98	51.5	250	93.1
2004	32,015	130	50.0	143	55.0	156	60.0	122	48.0	78	45.5	250	96.0
2005	33,208	125	50.0	138	55.0	161	60.0	116	46.2	58	38.3	250	99.6
Cumulative Cost			$950.0		$934.8		$1,008.8		$895.4		$1,015.8		$1,384.3

** The bonus amount given for the Senate Bill 5 option is the amount that a person turning 65 years after January 1, 1991 would receive; persons turning 65 years prior to January 1, 1991 would receive a $250 monthly bonus. For the current program and the other options, all persons 65 years and older would receive the listed bonus amount.

Prepared by the House Research Agency, January 1989 (88-173C).

APPENDIX A
ALB under SB 5: No Change in Distribution of Permanent Fund Earnings

TABLE B.1
MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)
Capital Gains = 10 percent
Revenue Forecast: Low

		CASE A			CASE B			
		Person turning 85 in current year			Person Turning 85 on 1-2-91			
Fiscal Year	Dividend Received	Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	$813	$867.88			$867.88			
1992	534	1,516.03	$8.58	241.42	570.05	8.73	8.73	241.27
1993	550	2,239.80	15.00	235.00	587.13	5.86	14.59	235.41
1994	565	3,044.38	22.15	227.85	603.14	6.10	20.77	229.23
1995	581	3,838.51	30.11	219.89	620.22	6.49	27.26	222.74
1996	605	4,938.81	38.96	211.04	645.84	6.83	34.08	215.91
1997	658	6,085.72	48.85	201.15	702.42	7.29	41.38	208.62
1998	736	7,418.11	60.20	189.80	785.68	8.15	48.83	200.47
1999	820	8,962.18	73.39	178.61	875.35	9.40	58.83	191.07
2000	909	10,738.13	88.65	161.35	970.36	10.82	69.75	180.25
2001	998	12,771.02	106.23	143.77	1,065.37	12.36	82.10	167.90
2002	1,038	15,028.48	126.33	123.67	1,108.07	14.09	96.20	153.80
2003	1,076	17,528.67	148.66	101.34	1,148.63	15.19	111.39	138.61
2004	1,115	20,287.60	173.40	76.60	1,190.26	16.37	127.76	122.24
2005	1,153	23,355.22	200.78	49.22	1,230.83	17.69	145.45	104.55

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1988) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1986.

Prepared by the House Research Agency, January 1989 (88.173F).

TABLE B.2
PROJECTED COSTS OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)
Capital Gains = 10 percent
Revenue Forecast: Low

	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1991			Age 65 after Jan. 1, 1991		
Year	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1988	52.8	52.8	17,542	250	52.8			
1989	57.2	109.8	18,065	250	57.2			
1991	60.2	170.1	18,158	250	54.5	1,919	250	5.8
1992	62.7	232.7	17,258	250	51.8	3,762	241	10.9
1993	65.1	297.8	16,362	250	49.1	5,655	235	16.8
1994	66.9	364.7	15,473	250	46.4	7,443	229	20.5
1995	68.8	433.5	14,606	250	43.8	9,357	223	25.0
1996	70.1	503.6	13,753	250	41.3	11,116	216	28.8
1997	70.6	574.1	12,918	250	38.8	12,713	209	31.8
1998	71.0	645.2	12,101	250	36.3	14,439	200	34.7
1999	70.7	715.9	11,296	250	33.9	16,074	191	36.9
2000	69.9	785.8	10,507	250	31.5	17,758	188	38.4
2001	68.3	854.2	9,733	250	29.2	19,418	188	39.1
2002	65.9	920.1	8,970	250	26.9	21,098	154	38.9
2003	62.6	982.7	8,245	250	24.7	22,785	139	37.9
2004	58.5	1,041.2	7,533	250	22.6	24,482	122	35.9
2005	53.6	1,094.8	6,846	250	20.5	26,361	105	33.1

Prepared by the House Research Agency, January 1988 (88.173K).

APPENDIX B
ALB under SB 5: Distribution of Permanent Fund Earnings Affected by SJR 5, Capital Gains = 10 Percent

TABLE A.1
MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

No Change in Distribution of Permanent Fund Earnings
Revenue Forecast: Low

		CASE A			CASE B			
		Person turning 65 in current year			Person Turning 65 on 1-2-91			
Fiscal Year	Dividend Received	Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	$813	$867.00			$867.00			
1992	763	1,760.43	$8.58	241.42	814.50	8.33	8.73	241.27
1993	775	2,746.25	17.41	232.59	827.31	8.37	17.11	232.89
1994	786	3,832.46	27.17	222.83	839.86	8.70	25.81	224.19
1995	810	5,042.66	37.91	212.09	864.60	9.02	36.83	215.17
1996	842	6,384.68	49.87	200.13	898.84	9.52	46.35	205.65
1997	889	7,909.60	63.25	186.75	939.40	10.15	56.51	195.49
1998	920	9,603.56	78.24	171.76	982.10	10.91	65.41	186.59
1999	981	11,493.75	95.88	155.00	1,025.87	11.75	77.16	172.84
2000	1,003	13,596.89	113.69	136.31	1,070.70	12.68	88.03	160.17
2001	1,043	15,936.20	134.52	115.48	1,113.40	13.63	103.47	146.53
2002	1,079	18,522.29	157.84	92.36	1,151.83	14.73	118.28	131.88
2003	1,117	21,381.69	183.22	66.78	1,192.48	15.79	133.99	116.01
2004	1,155	24,539.88	211.50	38.50	1,232.96	16.99	150.98	99.02
2005	1,196	28,022.11	242.73	7.27	1,274.60	18.33	169.30	80.70

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1988) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1986.

Prepared by the House Research Agency, January 1989 (89.1731).

TABLE A.2
PROJECTED COSTS OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

No Change in Distribution of Permanent Fund Earnings
Revenue Forecast: Low

	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1991			Age 65 after Jan. 1, 1991		
Year	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1999	$2.6	$2.6	17,542	$250	$2.6			
1990	57.2	109.8	19,005	250	57.2			
1991	60.2	170.1	18,159	250	54.5	1,919	$250	$5.8
1992	62.7	232.7	17,250	250	51.9	3,762	241	10.9
1993	64.9	297.6	16,362	250	49.1	5,655	233	15.8
1994	66.4	364.1	15,473	250	46.4	7,443	224	20.0
1995	68.0	432.0	14,666	250	43.8	9,357	215	24.2
1996	69.7	500.7	13,753	250	41.3	11,119	206	27.4
1997	68.6	569.3	12,910	250	38.8	12,713	195	29.8
1998	68.3	637.6	12,101	250	36.3	14,439	185	32.0
1999	67.2	704.8	11,295	250	33.9	16,074	173	33.3
2000	65.7	770.5	10,507	250	31.5	17,758	160	34.1
2001	63.3	833.8	9,733	250	29.2	19,418	147	34.1
2002	60.3	894.1	8,970	250	26.9	21,098	132	33.4
2003	56.5	950.6	8,245	250	24.7	22,785	118	31.7
2004	51.7	1,002.3	7,533	250	22.6	24,482	99	29.1
2005	46.1	1,048.3	6,848	250	20.5	26,361	81	25.5

Prepared by the House Research Agency, January 1999 (89.1733).

TABLE A.3
MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

No Change in Distribution of Permanent Fund Earnings
Revenue Forecast: Mid

		CASE A			CASE B			
		Person turning 65 in current year			Person Turning 65 on 1-2-91			
Fiscal Year	Dividend Received	Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	$822	$877.49			$877.49			
1992	881	1,811.53	$8.68	241.22	855.07	8.03	8.03	241.17
1993	842	2,873.40	17.92	222.88	838.84	8.79	17.62	232.38
1994	805	4,075.74	28.42	221.56	844.74	9.46	27.88	222.92
1995	815	5,428.41	40.33	208.87	876.76	10.16	37.24	212.76
1996	860	6,933.85	53.62	196.38	1,026.88	10.75	47.33	202.81
1997	1,010	8,635.20	68.58	181.42	1,078.18	11.57	59.56	190.44
1998	1,062	10,546.85	85.42	164.58	1,133.69	12.52	72.88	177.92
1999	1,116	12,686.52	104.32	145.68	1,191.33	13.56	85.84	164.36
2000	1,171	15,078.35	125.49	124.51	1,250.84	14.72	100.36	149.64
2001	1,221	17,738.82	148.15	100.85	1,303.42	15.92	116.28	133.72
2002	1,269	20,688.98	175.47	74.53	1,354.66	17.24	133.52	118.48
2003	1,317	23,957.97	204.86	45.34	1,405.90	18.57	152.09	97.91
2004	1,366	27,572.38	238.89	13.81	1,458.21	20.03	172.12	77.87
2005	1,415	31,566.42	272.74	0.00	1,510.51	21.67	193.80	56.20

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1988) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1986.

Prepared by the House Research Agency, January 1989 (88.1735).

TABLE A.4
PROJECTED COSTS OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

No Change in Distribution of Permanent Fund Earnings
Revenue Forecast: Mid

	TOTAL PROGRAM COST (millions)		Age 85 by Jan. 1, 1991			Age 85 after Jan. 1, 1991		
Year	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1990	52.6	52.6	17,842	250	52.6			
1990	57.2	109.8	19,085	250	57.2			
1991	60.2	170.1	18,159	250	54.5	1,919	250	5.8
1992	62.7	232.7	17,258	250	51.8	3,762	241	10.9
1993	64.8	297.6	16,362	250	49.1	5,655	232	15.8
1994	66.3	363.9	15,473	250	46.4	7,443	221	19.9
1995	67.7	431.6	14,606	250	43.8	9,357	213	23.9
1996	68.2	499.8	13,753	250	41.3	11,116	202	26.9
1997	67.8	567.6	12,910	250	38.8	12,713	190	29.1
1998	67.1	634.8	12,101	250	36.3	14,439	178	30.8
1999	65.6	700.3	11,298	250	33.9	16,074	164	31.7
2000	63.4	763.8	10,507	250	31.5	17,750	150	31.9
2001	60.4	824.1	9,733	250	29.2	19,418	134	31.2
2002	56.4	880.5	8,978	250	26.9	21,088	116	29.5
2003	51.5	932.0	8,245	250	24.7	22,785	98	26.8
2004	45.5	977.5	7,533	250	22.6	24,482	78	22.9
2005	38.3	1,015.8	6,846	250	20.5	26,361	56	17.8

Prepared by the House Research Agency, January 1990 (88.173T).

TABLE B.3
MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)
Capital Gains = 10 percent
Revenue Forecast: Mid

		CASE A			CASE B			
		Person turning 65 in current year			Person Turning 65 on 1-2-91			
Fiscal Year	Dividend Received	Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	$822	$877.49			$877.49			
1992	613	1,610.84	$8.68	241.32	654.38	8.83	8.83	241.17
1993	632	2,438.47	15.93	234.87	674.66	6.73	15.56	234.44
1994	651	3,344.16	24.04	225.96	694.94	7.10	22.66	227.34
1995	670	4,360.36	33.08	216.92	715.23	7.47	30.13	219.87
1996	781	5,501.10	43.13	206.87	748.32	7.87	38.00	212.00
1997	747	6,783.69	54.42	195.58	787.42	8.45	46.46	203.54
1998	840	8,301.75	67.26	182.80	836.79	9.26	55.71	194.29
1999	940	10,062.36	82.12	167.88	1,003.45	10.73	66.44	183.56
2000	1,046	12,072.61	98.44	150.56	1,115.54	12.40	78.84	171.16
2001	1,151	14,387.84	118.42	130.58	1,228.69	14.20	93.04	156.96
2002	1,262	16,965.88	142.32	107.68	1,283.14	16.25	109.29	140.71
2003	1,251	19,828.25	167.82	82.18	1,335.44	17.59	126.89	123.11
2004	1,299	22,999.48	196.14	53.86	1,386.68	18.83	145.92	104.08
2005	1,347	26,507.35	227.50	22.50	1,437.92	20.61	166.53	83.47

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1988) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1986.

[illegible] January 1989 (HB 175JU).

TABLE B.4
PROJECTED COSTS OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)
Capital Gains = 10 percent
Revenue Forecast: Mid

	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1981			Age 65 after Jan. 1, 1981		
Year	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1989	52.6	52.6	17,542	250	52.6			
1990	57.2	109.8	18,065	250	57.2			
1991	60.2	170.1	18,159	250	54.5	1,819	250	5.8
1992	62.7	232.7	17,250	250	51.8	3,762	241	10.9
1993	65.8	297.7	16,362	250	49.1	5,655	234	15.9
1994	68.7	366.4	15,473	250	46.4	7,443	227	20.3
1995	68.5	432.8	14,666	250	43.8	9,357	226	24.7
1996	69.5	502.5	13,753	250	41.3	11,116	212	28.3
1997	69.8	572.3	12,818	250	38.8	12,713	204	31.1
1998	70.8	642.3	12,101	250	36.3	14,439	184	33.7
1999	69.3	711.5	11,286	250	33.9	16,074	184	35.4
2000	68.8	778.5	10,507	250	31.5	17,758	171	36.5
2001	65.8	845.3	9,733	250	29.2	19,418	157	36.6
2002	62.6	907.9	8,978	250	26.9	21,098	141	35.6
2003	58.4	966.3	8,245	250	24.7	22,785	123	33.7
2004	53.2	1,019.5	7,533	250	22.6	24,482	104	30.6
2005	46.9	1,066.4	6,866	250	20.5	26,361	83	26.4

Prepared by the House Research Agency, January 1988 (88-173V).

APPENDIX C
ALB under SB 5: Distribution of Permanent Fund Earnings Affected by SJR 5, Capital Gains = 20 Percent

TABLE C.3
MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)
Capital Gains = 20 percent
Revenue Forecast: Mid

		CASE A			CASE B			
		Person turning 65 in current year			Person Turning 65 on 1-2-91			
Fiscal Year	Dividend Received	Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	$822	$877.49			$877.49			
1992	542	1,535.04	$8.68	241.72	578.59	8.83	8.83	241.17
1993	582	2,273.13	15.18	234.82	599.94	5.85	14.78	235.22
1994	583	3,100.07	22.49	227.51	622.35	6.31	21.09	228.91
1995	603	4,022.78	30.67	219.33	643.70	6.69	27.78	222.22
1996	635	5,062.69	38.78	210.21	677.86	7.09	34.87	215.13
1997	700	6,265.51	50.08	198.92	747.25	7.66	42.53	207.47
1998	815	7,699.49	61.98	188.02	870.01	8.67	51.20	198.80
1999	937	9,392.70	76.16	173.84	1,000.25	10.41	61.61	188.39
2000	1,095	11,374.93	92.91	157.09	1,136.89	12.36	73.97	176.03
2001	1,183	13,672.20	112.52	137.48	1,273.53	14.48	88.44	161.56
2002	1,247	16,233.87	135.24	114.76	1,331.17	16.85	105.29	144.71
2003	1,295	19,081.68	160.58	89.42	1,386.68	18.25	123.54	126.46
2004	1,349	22,239.80	188.75	61.25	1,440.06	19.76	143.30	106.70
2005	1,399	25,733.94	219.98	30.02	1,493.43	21.40	164.70	85.30

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1988) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1986.

TABLE C.2
PROJECTED COSTS OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)
Capital Gains = 28 percent
Revenue Forecast: Low

	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1991			Age 65 after Jan. 1, 1991		
Year	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1989	52.6	52.6	17,542	250	52.6			
1990	57.2	109.8	18,065	250	57.2			
1991	60.2	170.1	18,159	250	54.5	1,919	250	5.8
1992	62.7	232.7	17,258	250	51.8	3,762	241	10.9
1993	65.1	297.8	16,362	250	49.1	5,655	236	16.0
1994	67.0	364.8	15,473	250	46.4	7,443	231	20.6
1995	68.1	433.9	14,606	250	43.8	9,357	225	25.2
1996	70.4	504.3	13,753	250	41.3	11,116	219	28.2
1997	71.1	575.4	12,910	250	38.8	12,713	212	32.4
1998	71.7	647.2	12,101	250	36.3	14,439	204	35.4
1999	71.6	718.8	11,296	250	33.9	16,074	195	37.7
2000	70.9	789.6	10,507	250	31.5	17,758	185	39.4
2001	69.3	858.9	9,733	250	29.2	19,418	172	40.1
2002	66.8	925.8	8,978	250	26.9	21,098	158	39.9
2003	63.5	989.3	8,245	250	24.7	22,785	142	38.8
2004	59.3	1,048.6	7,533	250	22.6	24,482	125	36.7
2005	54.3	1,102.9	6,846	250	20.5	26,361	107	33.7

Prepared by the House Research Agency, January 1989 (89.173L).

TABLE C.1
MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)
Capital Gains = 28 percent
Revenue Forecast: Low

		CASE A			CASE B			
		Person turning 65 in current year			Person Turning 65 on 1-2-91			
Fiscal Year	Dividend Received	Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	$813	$867.88			$857.88			
1992	472	1,449.85	$8.58	241.42	503.86	8.73	8.73	241.27
1993	488	2,101.27	14.34	235.66	520.94	5.18	13.91	236.09
1994	505	2,829.47	20.79	229.21	539.09	5.48	19.40	230.60
1995	522	3,641.36	27.80	222.01	557.24	5.80	25.19	224.81
1996	540	4,551.84	36.02	213.98	582.86	6.14	31.33	218.67
1997	614	5,617.86	45.03	204.97	655.45	6.58	37.91	212.09
1998	711	6,881.59	55.56	194.44	758.98	7.61	45.52	204.48
1999	814	8,369.88	68.07	181.93	888.85	9.08	54.60	195.40
2000	922	10,107.40	82.79	167.21	984.24	10.74	65.33	184.67
2001	1,036	12,116.59	99.98	150.02	1,098.53	12.53	77.87	172.13
2002	1,072	14,351.44	119.85	130.15	1,144.36	14.55	92.41	157.59
2003	1,113	16,831.20	141.96	108.04	1,188.13	15.69	108.10	141.90
2004	1,153	19,576.84	166.49	83.51	1,230.83	16.93	125.03	124.97
2005	1,192	22,611.21	193.65	56.35	1,272.45	18.28	143.33	106.67

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1988) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1988.

TABLE C.4
PROJECTED COSTS OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)
Capital Gains = 20 percent
Revenue Forecast: Mid

	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1991			Age 65 after Jan. 1, 1991		
Year	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1989	52.6	52.6	17,562	250	52.6			
1990	57.2	109.8	19,065	250	57.2			
1991	60.2	170.1	18,159	250	54.5	1,919	250	5.8
1992	62.7	232.7	17,258	250	51.8	3,762	241	10.9
1993	65.0	297.8	16,362	250	49.1	5,655	235	16.0
1994	68.0	364.6	15,473	250	46.4	7,443	229	20.4
1995	68.8	433.4	14,606	250	43.8	8,357	222	25.0
1996	70.0	503.4	13,753	250	41.3	11,116	215	28.7
1997	70.4	573.8	12,910	250	38.8	12,713	207	31.7
1998	70.7	644.5	12,101	250	36.3	14,439	199	34.4
1999	70.2	714.7	11,296	250	33.9	16,074	188	36.3
2000	69.0	783.8	10,507	250	31.5	17,750	176	37.5
2001	66.8	850.6	9,733	250	29.2	19,418	162	37.6
2002	63.6	914.2	8,978	250	26.9	21,090	145	36.6
2003	59.3	973.5	8,245	250	24.7	22,785	126	34.6
2004	53.9	1,027.4	7,533	250	22.6	24,482	107	31.3
2005	47.5	1,075.0	6,846	250	20.5	26,361	85	27.0

Prepared by the House Research Agency, January 1989 (89-173X).

APPENDIX D
ALB under SB 5: Distribution of Permanent Fund Earnings Affected by HJR 13

TABLE D.1
MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

Distribution of Permanent Fund Earnings Changed by House Joint Resolution 13 (Education Endowment Account)
Revenue Forecast: Low

		CASE A			CASE B			
		Person turning 65 in current year			Person Turning 65 on 1-2-91			
Fiscal Year	Dividend Received	Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	$683	$729.10			$729.10			
1992	564	1,386.78	$7.21	242.79	602.07	7.34	7.34	242.66
1993	582	2,050.38	13.02	236.18	535.89	6.19	13.53	236.47
1994	435	2,700.01	20.36	229.64	464.36	5.64	19.17	230.83
1995	437	3,410.22	26.79	223.21	466.50	4.99	24.16	225.84
1996	445	4,209.00	33.81	216.19	475.84	5.14	29.29	220.71
1997	450	5,065.76	41.55	208.45	486.70	5.36	34.66	215.34
1998	450	0,010.60	50.11	199.89	488.92	5.65	40.31	209.69
1999	401	7,005.02	59.46	190.54	513.47	5.85	46.16	203.84
2000	494	8,220.21	69.89	180.11	527.35	6.34	52.50	197.50
2001	509	9,506.77	81.39	168.61	538.02	6.71	59.22	190.78
2002	513	10,910.01	94.04	155.96	547.63	7.12	66.34	183.66
2003	522	12,449.15	107.92	142.08	557.24	7.51	73.84	176.16
2004	538	14,135.34	123.14	126.86	565.70	7.94	81.78	168.22
2005	538	15,981.61	138.82	110.18	574.32	8.41	90.19	159.81

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1988) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1986.

Prepared by the House Research Agency, January 1989 (89.173H).

TABLE D.2
PROJECTED COSTS OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

Distribution of Permanent Fund Earnings Changed by House Joint Resolution 13 (Education Endowment Account)
Revenue Forecast: Low

	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1991			Age 65 after Jan. 1, 1991		
Year	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1989	52.6	52.6	17,542	250	52.6			
1990	57.2	109.8	19,065	250	57.2			
1991	60.2	170.1	18,159	250	54.5	1,919	250	5.8
1992	62.7	232.8	17,258	250	51.8	3,762	243	11.0
1993	65.1	297.9	16,362	250	49.1	5,655	236	16.8
1994	67.0	365.0	15,473	250	46.4	7,443	231	20.6
1995	69.2	434.1	14,606	250	43.8	9,357	226	25.4
1996	70.7	504.8	13,753	250	41.3	11,116	221	29.4
1997	71.6	576.4	12,918	250	38.8	12,713	215	32.9
1998	72.6	649.1	12,101	250	36.3	14,439	210	36.3
1999	73.2	722.3	11,296	250	33.9	16,074	204	39.3
2000	73.6	795.9	10,507	250	31.5	17,758	197	42.1
2001	73.7	869.5	9,733	250	29.2	19,418	191	44.5
2002	73.4	943.0	8,978	250	26.9	21,098	184	46.5
2003	72.9	1,015.9	8,245	250	24.7	22,785	176	48.2
2004	72.0	1,087.9	7,533	250	22.6	24,482	168	49.4
2005	71.1	1,159.0	6,846	250	20.5	26,361	160	50.6

Prepared by the House Research Agency, January 1989 (89-173M).

TABLE D.3
MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

Distribution of Permanent Fund Earnings Changed by House Joint Resolution 13 (Education Endowment Account)
Revenue Forecast: Mid

		CASE A			CASE B			
		Person turning 65 in current year			Person Turning 65 on 1-2-91			
Fiscal Year	Dividend Received	Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	$675	$720.56			$720.56			
1992	575	1,399.23	$7.13	242.87	613.81	7.25	7.25	242.75
1993	532	2,093.87	13.84	236.16	567.91	6.31	13.56	236.44
1994	488	2,800.25	20.70	229.30	518.81	5.97	19.54	230.46
1995	488	3,573.21	27.70	222.30	520.94	5.58	25.12	224.88
1996	500	4,428.55	35.35	214.65	533.75	5.74	30.85	219.15
1997	515	5,376.88	43.81	206.19	549.76	6.03	36.88	213.12
1998	530	6,426.57	53.19	196.81	565.78	6.38	43.26	206.74
1999	546	7,587.02	63.57	186.43	582.86	6.77	50.03	199.97
2000	562	8,870.66	75.06	174.94	599.94	7.20	57.23	192.77
2001	574	10,281.76	87.75	162.25	612.75	7.64	64.87	185.13
2002	584	11,836.54	101.70	148.30	623.42	8.11	72.98	177.02
2003	594	13,528.38	117.02	132.98	634.10	8.55	81.52	168.48
2004	604	15,381.80	133.83	116.17	644.77	9.04	90.56	159.44
2005	613	17,431.44	152.25	97.75	654.38	9.58	100.14	149.86

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1988) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1988.

Prepared by the House Research Agency, January 1989 (89-173Y).

PROJECTED COSTS OF THE DIVIDEND BONUS PROGRAM AS MODIFIED BY SENATE BILL 3

Distribution of Permanent Fund Earnings Changed by House Joint Resolution 13 (Education Endowment Account)
Revenue Forecast: Mid

	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1991			Age 65 after Jan. 1, 1991		
Year	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1989	$2.6	$2.6	17,542	250	$2.6			
1990	$7.2	$9.8	18,065	250	$7.2			
1991	$8.2	$18.1	18,159	250	$4.5	1,919	250	$.8
1992	$2.7	$32.8	17,258	250	$1.8	3,782	243	$1.0
1993	$5.1	$37.9	16,362	250	$9.1	5,655	238	$6.0
1994	$7.0	$44.8	15,473	250	$6.4	7,443	230	$0.6
1995	$9.1	$54.0	14,606	250	$3.8	9,357	225	$5.3
1996	$0.5	$64.5	13,753	250	$1.3	11,118	219	$9.2
1997	$1.3	$75.7	12,910	250	$8.8	12,713	213	$2.5
1998	$2.1	$87.9	12,101	250	$6.3	14,430	207	$5.8
1999	$2.5	$20.3	11,296	250	$3.9	16,076	200	$8.6
2000	$2.6	$32.8	10,507	250	$1.5	17,750	193	$1.1
2001	$2.3	$65.3	9,733	250	$9.2	19,410	185	$3.1
2002	$1.8	$97.0	8,970	250	$6.9	21,090	177	$4.0
2003	$0.8	1,007.8	8,245	250	$4.7	22,785	168	$6.1
2004	$9.6	1,077.3	7,533	250	$2.6	24,482	159	$6.8
2005	$7.9	1,145.2	6,846	250	$0.5	26,361	150	$7.4

Prepared by the House Research Agency, January 1988 (88-1732).

APPENDIX E
ALB under SB 5: Mid-level Revenue Forecast Graphs

FIGURE E.2 Alaska Longevity Bonus Program Under Senate Bill 5

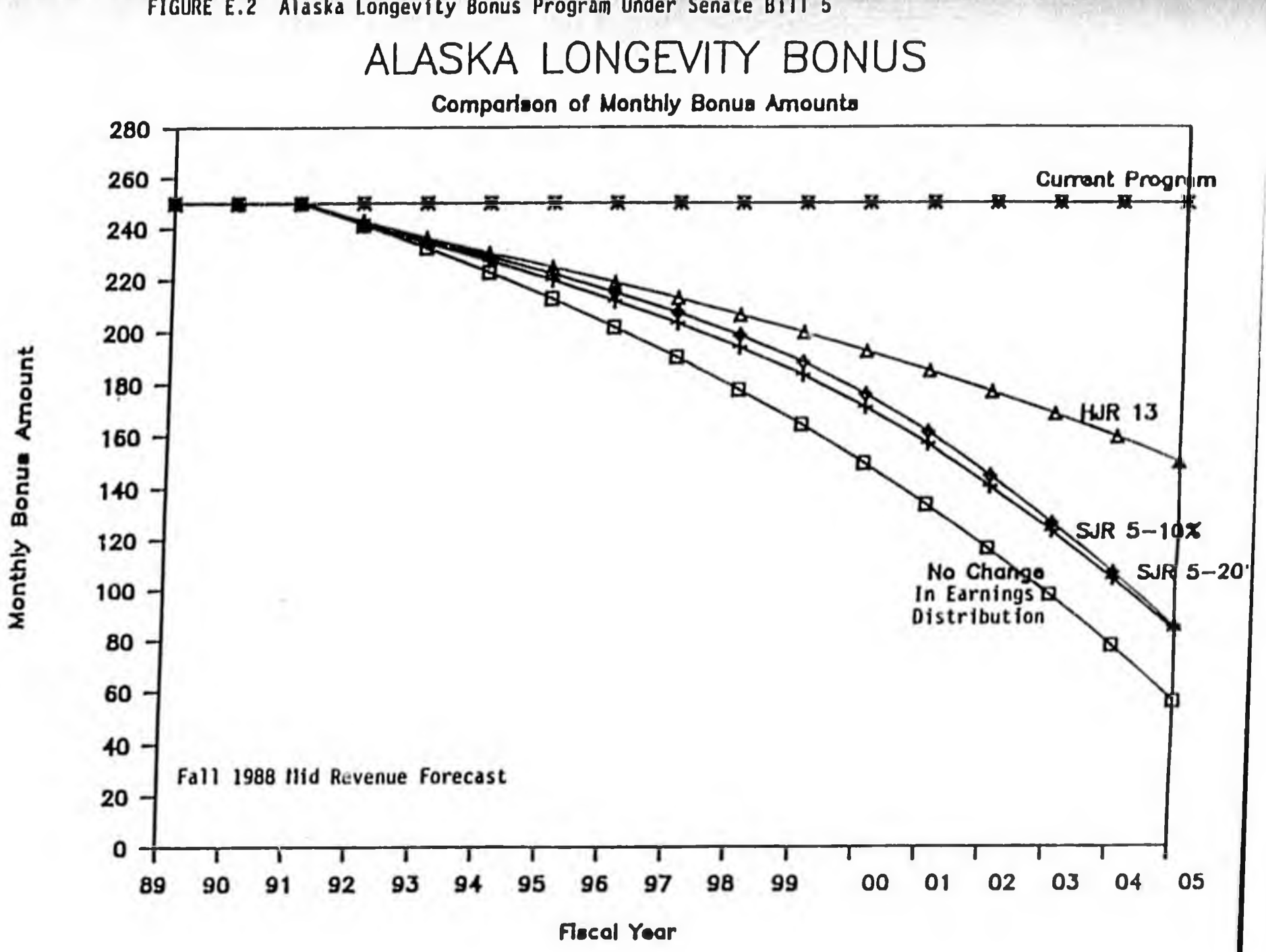


FIGURE E.1

PERMANENT FUND DIVIDENDS

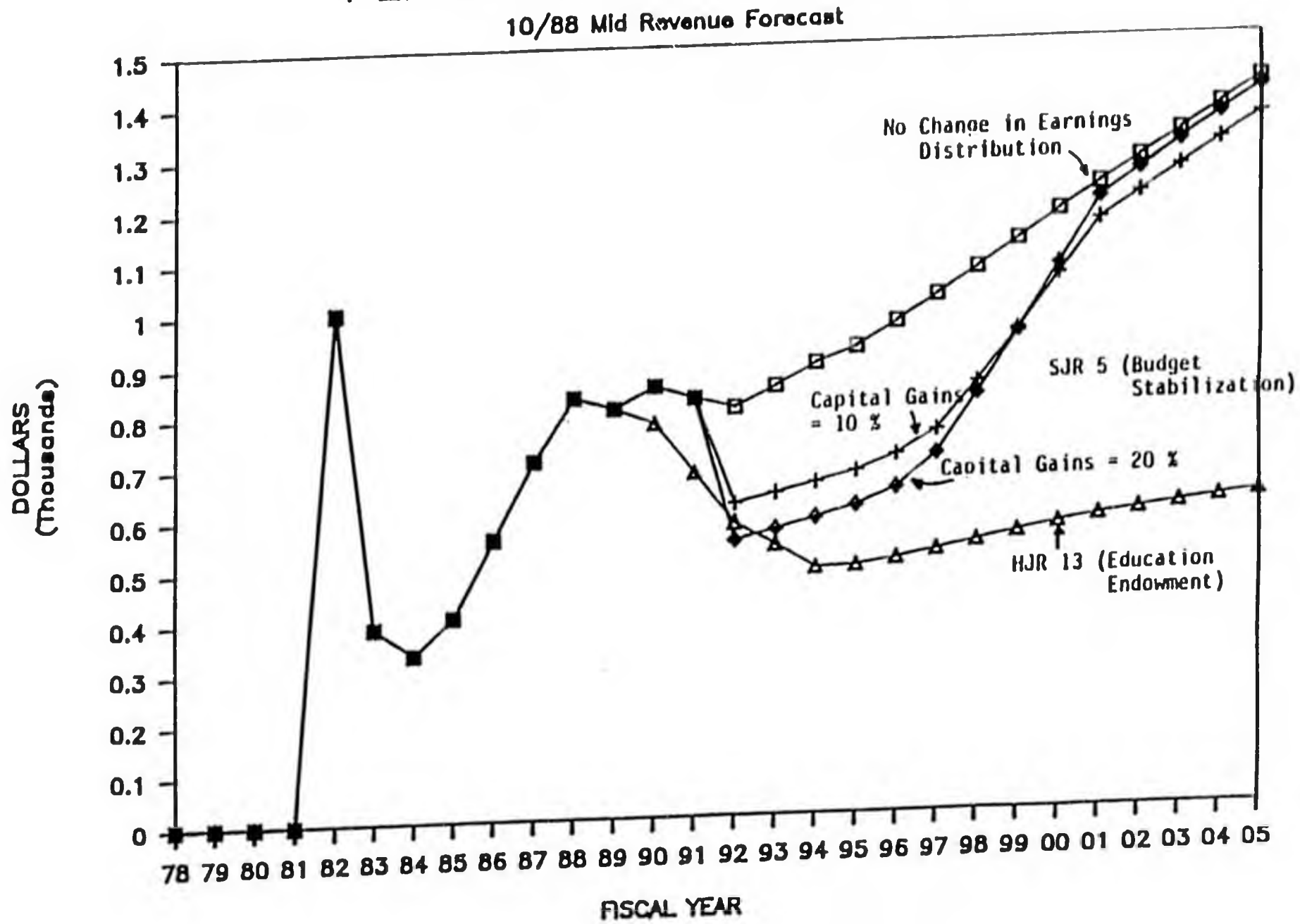
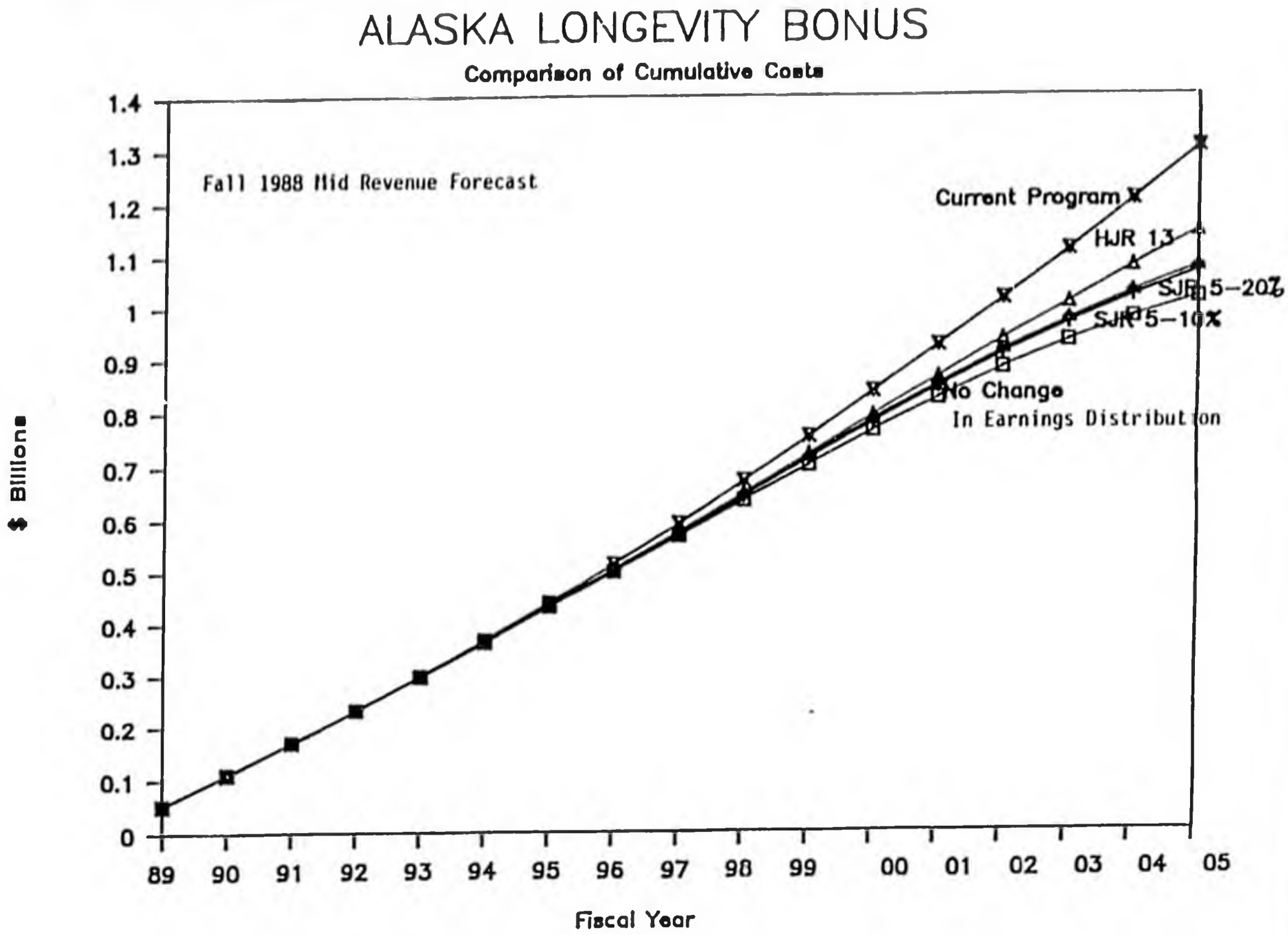


FIGURE E.3 Alaska Longevity Bonus Program Under Senate Bill 5



APPENDIX F
ALB under SB 5: Low-level Revenue Forecast Graphs

FIGURE F.1 Alaska Longevity Bonus Program Under Senate Bill 5

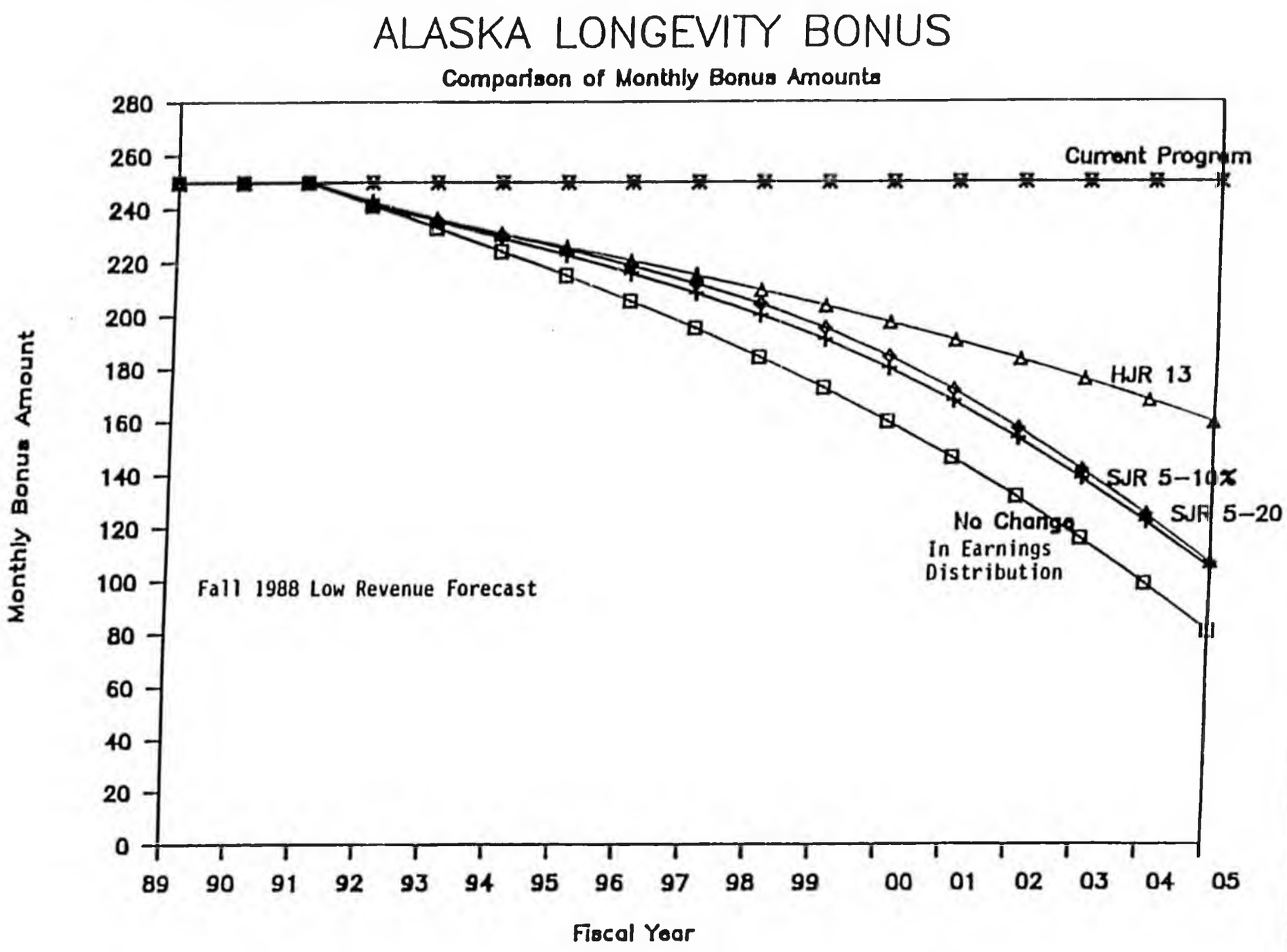


FIGURE F.2 Alaska Longevity Bonus Program Under Senate Bill 5

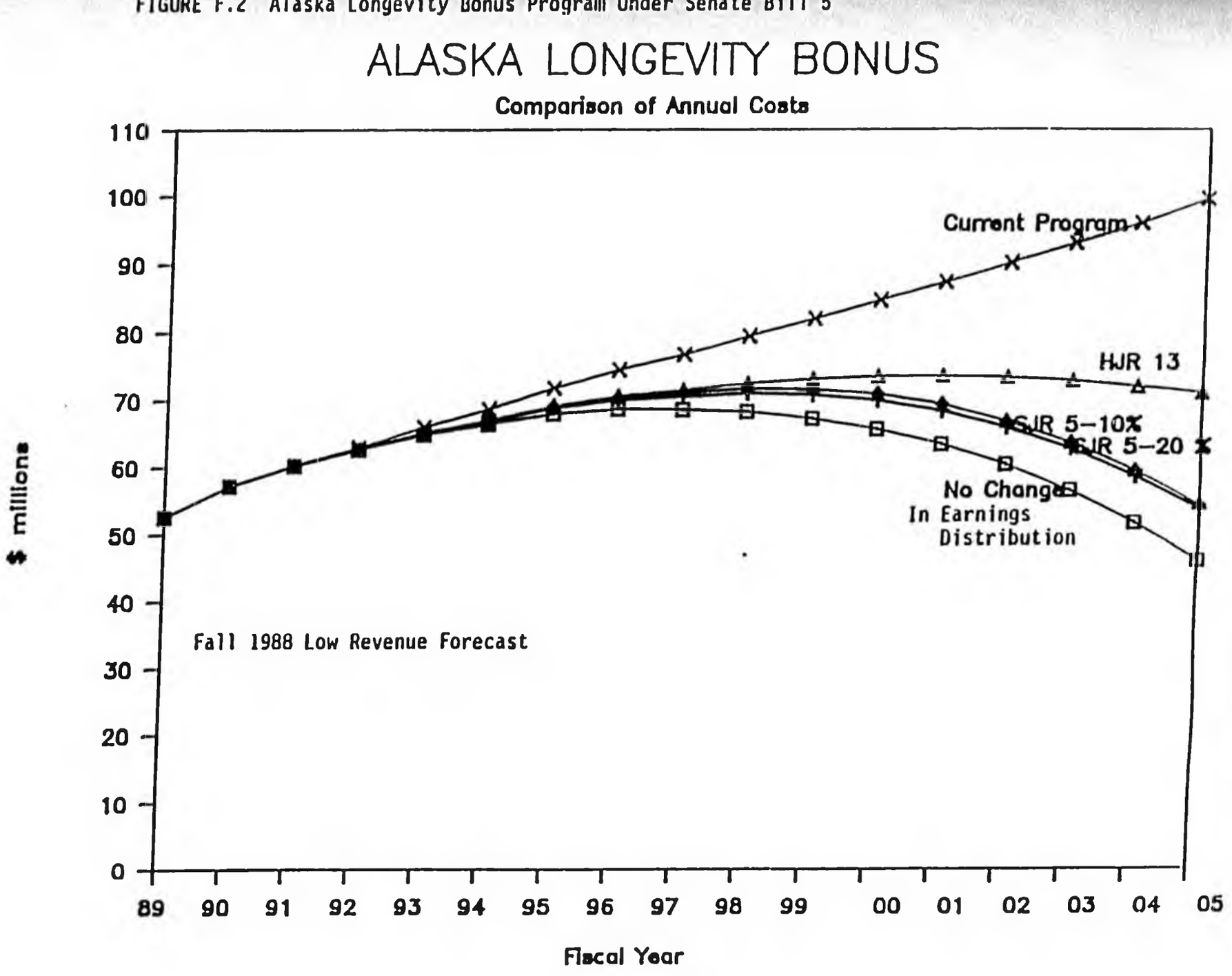
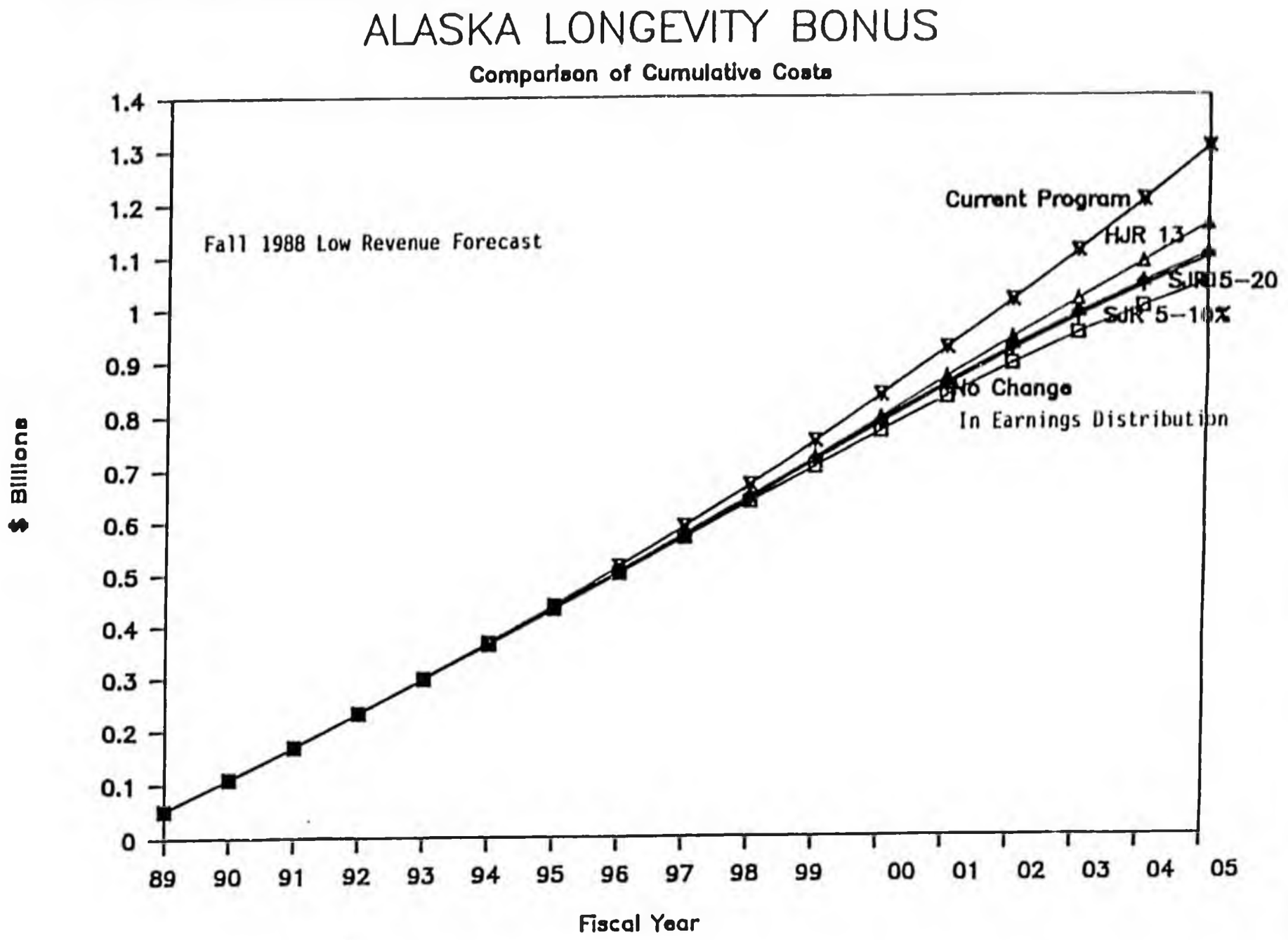


FIGURE F.3 Alaska Longevity Bonus Program Under Senate Bill 5



APPENDIX G
Comparison of Various Proposals to Reduce the Costs of the ALB Program Graphs

FIGURE G.1 Comparison of Proposals to Peduce the Cost of the Alaska Longevity Bonus Program

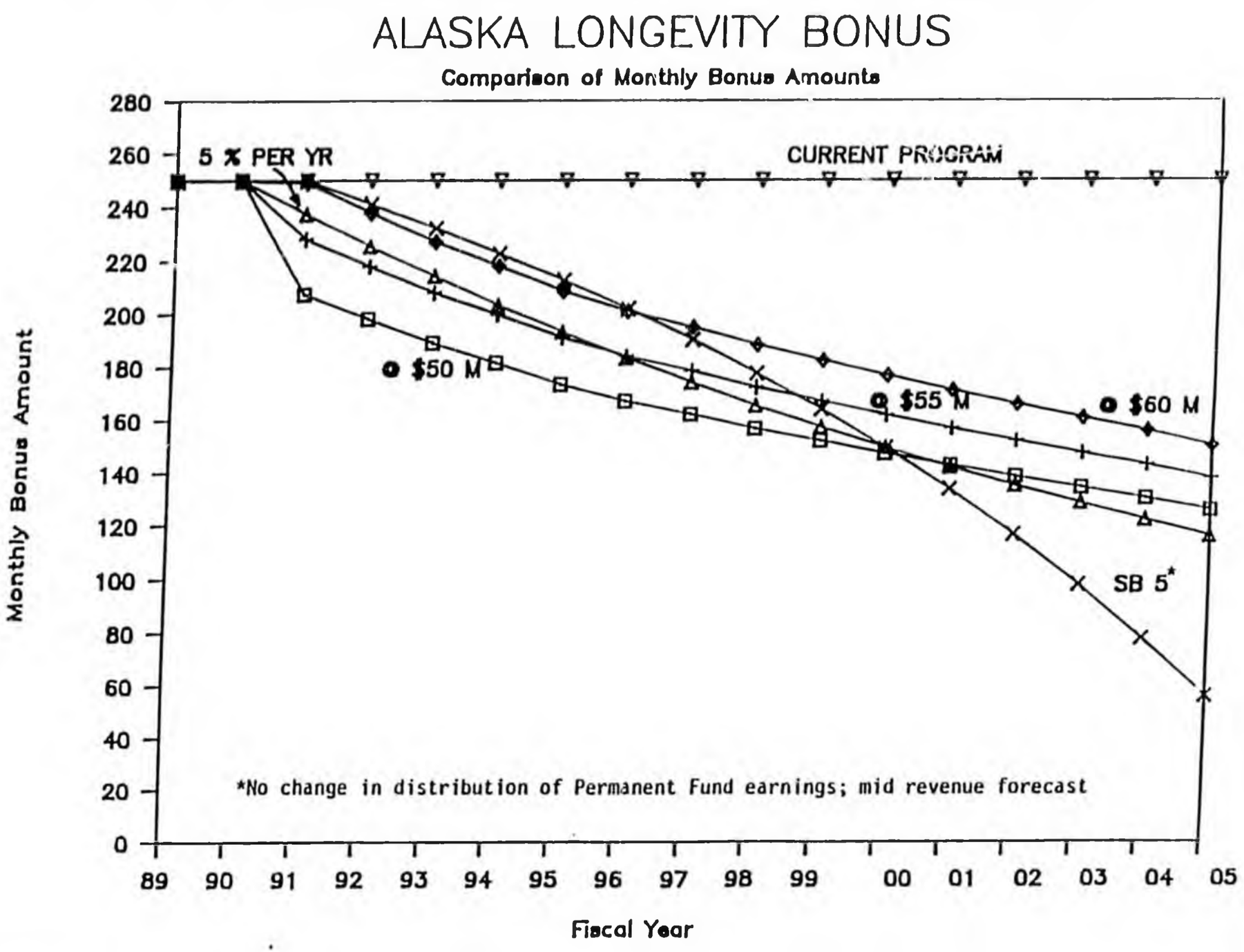


FIGURE G.2 Comparison of Proposals to Reduce the Cost of the Alaska Longevity Bonus Program

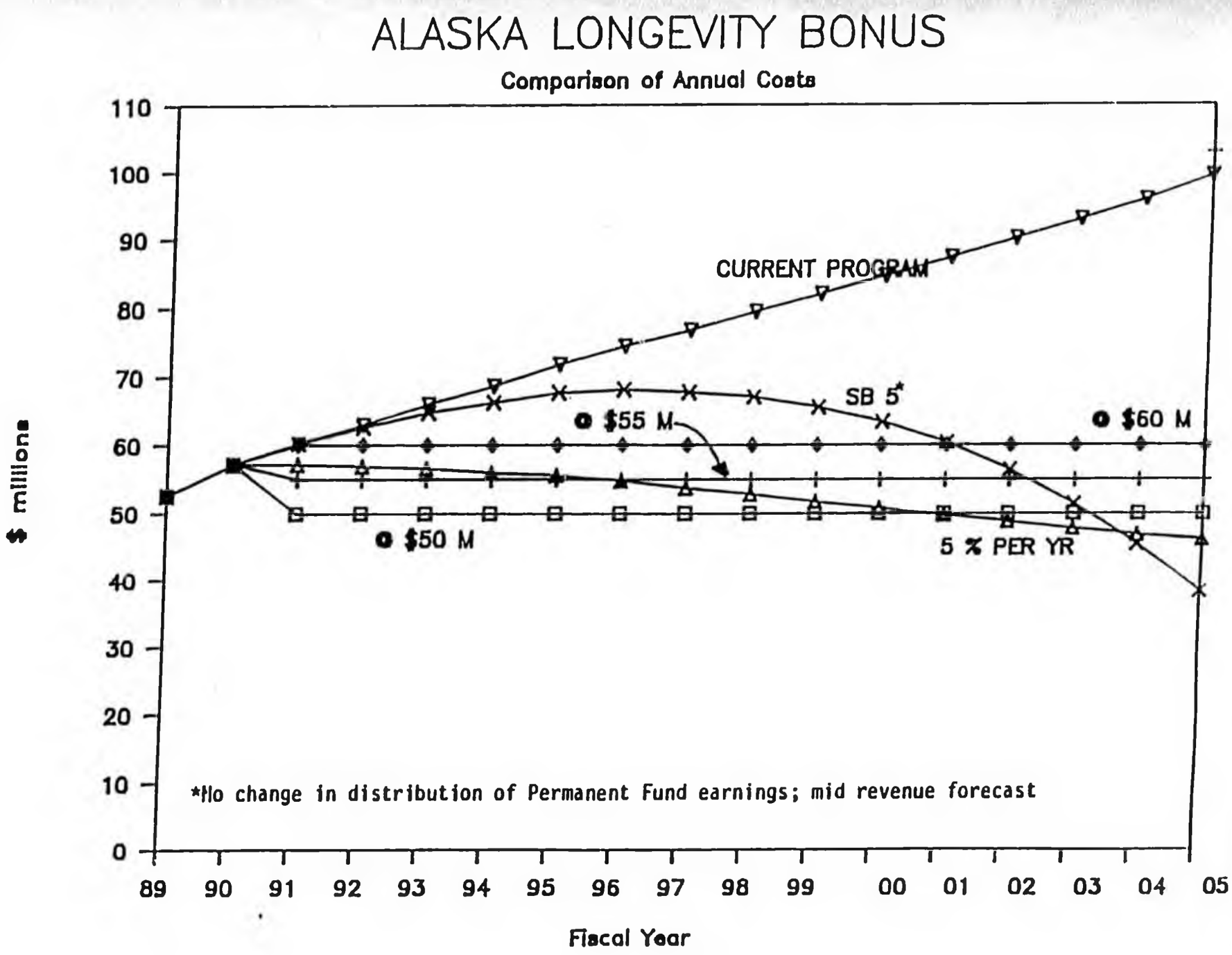
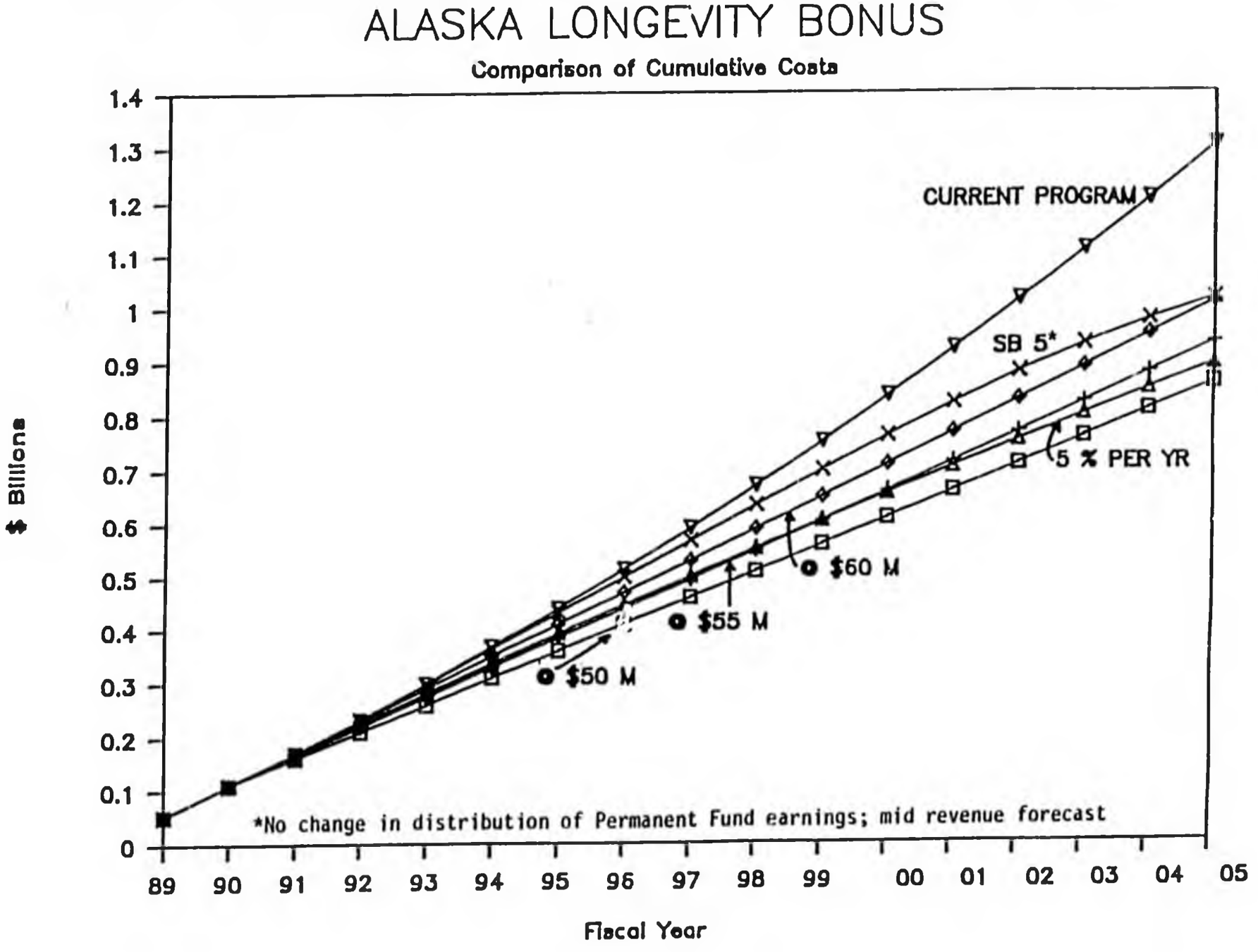


FIGURE G.3 Comparison of Proposals to Reduce the Cost of the Alaska Longevity Bonus Program



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

February 15, 1989

MEMORANDUM

TO: Representative Kay Brown

ATTN: Eric Myers

FROM: Karen Oakley KO
Legislative Analyst

RE: Projected Costs of the Longevity Bonus Program Under Senate Bill 5 and Other Proposed Modifications
Research Request 89.173 (Supplemental Information)

You asked that Figures G.1 and G.2 be modified by removing the information for the options that would freeze longevity bonus appropriations at $50 million and $60 million. You also asked that the information for the option that would freeze appropriations at $55 million be labelled "Freeze at Current Level." The modified graphs are attached.

If you need any additional information, please let me know.

Attachment

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

February 16, 1989

MEMORANDUM

TO:

ATTN:

FROM: Karen Oakley KO
Legislative Analyst

RE: **Estimated Costs of the Longevity Bonus Program in FY 90 Under Various Modifications**
Research Request 89.246

You asked for estimates of the costs of the longevity bonus program in FY 90 1) if the program is unchanged, 2) if no new recipients are allowed, 3) if new recipients are allowed but the monthly bonus amount is reduced to $225, and 4) if eligibility is based on need.

Because your primary interest is costs of the program in the immediate future, I have estimated the costs using recent information from the Division of Pioneers' Benefits. Our prior work on costs was aimed at determining the relative costs of various proposals over the next 15 years, and the recipient numbers used to produce these long range estimates are less suitable for producing short range estimates.

Table 1 summarizes the estimated FY 90 costs of the bonus program with no change and under the various modifications which you asked to be analyzed. Table 2 shows how the estimates were produced. Note that the costs estimated are for bonuses only; we have not estimated administrative or hold harmless costs. The Governor's budget proposal for FY 90 (House Bill 100) includes $56.8 million for the bonus program, hence our estimate of $54.9 million to pay bonuses in FY 90 is in the same ballpark.

The most recent proposal to create a needs-based bonus program was Governor Cowper's House Bill 151, considered by the legislature in 1987. Under that bill, 1) no new recipients were allowed, 2) seniors with adjusted gross incomes less than $20,000 would receive $200 monthly bonuses, 3) seniors with adjusted gross incomes between $20,000 and $25,000 would receive monthly bonuses varying

from $16 to $183, and 4) seniors with incomes above $25,000 would receive no bonus. The House Research Agency produced several memorandums during the 1987 session analyzing this proposal and various proposed modifications; these memorandums are attached.[1]

For the purposes of this memorandum, two needs-based programs were analyzed. In both scenarios, seniors with annual gross incomes (not including the bonus) above $17,000 were excluded from the program, and the monthly bonus amount was left at $250. In one scenario, new recipients were allowed; in the other scenario, no new recipients were allowed. At your request, we can estimate the costs of a needs-based program with different income limits and different bonus amounts.

House Research Memorandum 87.086 (also attached) provides a general evaluation of a needs-based bonus program. In that memorandum, we found that under a needs-based program:

- the bonus would not be counted as income in determining an individual's eligibility for certain public assistance programs, and the state would therefore no longer have to fund "hold harmless" accounts to replace lost benefits. Such benefits are estimated to cost $3.8 million in FY 90.

- the one-year residency requirement for the bonus could be subject to challenge, as federal courts have held that the maximum residency requirement for programs that provide "basic necessities" is 30 days.

I hope you find this information useful. If you need any additional information, please let me know.

Attachments

[1]The attached memorandums are: 87.161, 87.231, 87.237, 87.272, 87.275 and 87.292.

TABLE 1

SUMMARY OF ESTIMATED COSTS OF THE LONGEVITY BONUS PROGRAM IN FY 90 UNDER VARIOUS MODIFICATIONS

(in thousands of dollars)

	Estimated Program Cost	Estimated Savings in Dollars	Percentage Savings
No Change	$56,901.5		
No New Recipients	51,700.5	3,201.0	5.8
Allow New Recipients But Reduce Bonus to $225	49,411.4	5,490.2	10.0
Needs-Based Program (Annual Gross Income less than $17,000)			
Allow New Recipients	41,725.1	13,176.4	24.0
No New Recipients	39,292.4	15,609.1	28.4

Note: This table summarizes information presented in Table 2 of this memorandum.

Prepared by the House Research Agency, February 1989 (89-246A).

TABLE 2

ESTIMATED COST OF THE LONGEVITY BONUS PROGRAM IN FY 88 UNDER VARIOUS MODIFICATIONS

Month	No Change			No New Recipients			Allow New Recipients But Reduce Bonus to $225			Allow New Recipients But Needs-based Program (Gross Annual Income < $17,000)			No New Recipients And Needs-based Program (Gross Annual Income < $17,000)		
	Number of Recipients	Monthly Bonus Amount	Cost ($1,000s)	Number of Recipients	Monthly Bonus Amount	Cost ($1,000s)	Number of Recipients	Monthly Bonus Amount	Cost ($1,000s)	Number of Recipients	Monthly Bonus Amount	Cost ($1,000s)	Number of Recipients	Monthly Bonus Amount	Cost ($1,000s)
July	17,950	$250	$4,469.5	17,896	$250	$4,488.5	17,950	$225	$4,039.7	13,845	$250	$3,411.3	13,845	$250	$3,411.3
August	18,017	250	4,504.3	17,920	250	4,455.8	18,017	225	4,053.8	13,888	250	3,423.2	13,545	250	3,388.6
September	18,088	250	4,520.8	17,942	250	4,423.8	18,088	225	4,069.8	13,961	250	3,435.2	13,448	250	3,361.8
October	18,163	250	4,535.8	17,961	250	4,588.3	18,163	225	4,082.2	13,989	250	3,447.2	13,318	250	3,338.8
November	18,245	250	4,551.5	17,938	250	4,457.5	18,245	225	4,085.8	13,937	250	3,458.1	13,247	250	3,311.3
December	18,268	250	4,567.3	17,988	250	4,326.8	18,288	225	4,098.5	13,886	250	3,471.8	13,163	250	3,288.8
January	18,333	250	4,581.8	17,968	250	4,292.8	18,332	225	4,128.7	13,932	250	3,483.1	13,048	250	3,261.9
February	18,388	250	4,598.8	17,883	250	4,258.3	18,388	225	4,138.8	13,898	250	3,495.8	12,948	250	3,233.8
March	18,458	250	4,618.5	18,006	250	4,226.5	18,458	225	4,153.1	14,028	250	3,508.8	13,048	250	3,212.1
April	18,523	250	4,630.3	18,735	250	4,183.8	18,523	225	4,168.2	14,076	250	3,519.8	12,788	250	3,188.3
May	18,584	250	4,648.8	18,884	250	4,161.8	18,588	225	4,181.4	14,124	250	3,531.8	12,888	250	3,168.4
June	18,647	250	4,661.5	18,918	250	4,128.3	18,647	225	4,195.6	14,172	250	3,542.9	12,558	250	3,138.5
TOTAL			$54,981.8			$51,758.5			$49,411.4			$41,328.1			$39,282.4

NOTES:

1. The "number of recipients" in each month for the current program and each modification was estimated based on recent longevity bonus program statistics from the Division of Pioneers' Benefits. In FY 88, the average monthly net increase was 63 new recipients. Using the number of warrants written in February 1988 (17,782 warrants) as a starting point, the number of recipients in July 1988 and each month thereafter was estimated.

2. The number of recipients under the "No New Recipients" option was estimated using the monthly average number of terminations and deaths during the last 20 months. On average, 131 recipients left the program each month during that period. For simplicity, I have assumed that no recipients leave the program in the same year that they enter the program.

3. The data presented in this table are based on average monthly increases and decreases in the number of recipients; the actual seasonality in the number of recipients is therefore not revealed.

4. For the two needs-based options, I have modified the recipient population numbers, and the increase and decrease factors, by 26 percent. According to surveys of longevity bonus recipients' incomes in 1980 and 1982 by the Older Alaskans Commission, 69.5 percent (1980) and 82.5 percent (1982) of bonus recipients had gross annual incomes, including bonus payments, of less than $20,000. I therefore used a gross annual income, not including bonus payments, of $17,000 as the maximum income for bonus recipients under a needs-based program.

Prepared by the House Research Agency, February 1988 (88-2048).