

SB

8

SENATE FINANCE COMMITTEE REPORT

DATE: 4/19/91

FURTHER:

DATE TURNED
INTO OFFICE:

5-15-91

The Finance Committee considered SENATE BILL NO. 8

"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."

and recommended:

- replace with _____ CS
- or adopt _____ CS SA 8 (STA)
- attached amendment(s)
- _____ letter of intent adopted

- same title
- new title
- technical title change (HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

- fiscal note(s) _____
DDA-Ref + Bore 5/13/91 \$1,851.2
- DOR-PFD 4/22/91 41.7 (62)
- DHSSRA 5/13/91 6 (92) 12-4 (93)
- zero fiscal note(s) _____

APPROVES PREVIOUS:

Dept/Date:

- fiscal note(s) _____
DDA-Pioneers 4/3/91 106.0
- zero fiscal note(s) _____

appropriation-no fiscal note

SIGNING DO PASS:

[Signature]

[Signature]

[Signature]

1. [Signature] 2. [Signature]

OTHER RECOMMENDATIONS:

All Adams - No Rec

[Signature] - No Rec

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SB 8

Revision Date: April 16, 1991
Title: Annuity Program Amendments

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

Sponsor: Kerttula
Requestor: _____

COMPONENT SERIAL NO. 9 8 1

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
OPERATING						
PERSONAL SERVICES	26.7	13.1	13.1	13.1	13.1	13.1
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	15.0	15.0	15.0	15.0	15.0	15.0
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	41.7	28.1	28.1	28.1	28.1	28.1
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (RSA)	41.7	28.1	28.1	28.1	28.1	28.1
TOTAL	41.7	28.1	28.1	28.1	28.1	28.1

POSITIONS:

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

Estimate of current year impact: None.

ANALYSIS: See attached.

Prepared By: Thomas C. Williams Phone: 465-2323
Division: Permanent Fund Dividend Division Date: April 16, 1991

Approved by Commissioner: Lee E. Fisher Date: April 22, 1991
Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION
SB 8 ANALYSIS
As of April 16, 1991

Assumptions:

1. This bill is the only Permanent Fund Dividend checkoff bill that will become law. This fiscal note would change if other PFD checkoff bills are introduced and become law.
2. The Department of Administration will charge the Department of Revenue for the required additional computer time.
3. The cost of programming changes will be a one-time cost. Ongoing maintenance of new programs would be accomplished by existing staff. The computer system will need to be changed to account for the change in the program, to establish new accounting controls and to provide for the transfer of funds to the trust account. The following tasks will require the following programming hours.

	<u>Hours</u>
a. <u>Wang Data Entry Processing Updates</u>	75.0
(1) Data entry	
(2) Batch lists	
(3) Corrections	
(4) Wang to IBM transfer	
b. <u>IBM File Processing Updates</u>	30.0
(1) Edits	
(2) Batch listings	
(3) Worksheets	
c. <u>CICS Online Programs for Lookup and Changes</u>	37.5
d. <u>Nightly Update of Changes</u>	22.5
e. <u>Warrant Jobs</u>	90.0
(1) Printing warrants with different amounts. Include check stub messages.	
(2) Modify warrant registers as needed for balancing.	
(3) Create new program for transferring accumulated decisions to trust account and to account for the reserve necessary due to returned and cancelled PFD warrants.	
f. <u>Miscellaneous</u>	45.0
(1) Setting up test files on IBM	
(2) Systems testing	
 <u>Total Hours</u>	 <u>300.0</u>

ALASKA DEPARTMENT OF REVENUE
 PERMANENT FUND DIVIDEND DIVISION
SB 8 ANALYSIS
 As of April 16, 1991

4. The cost of document review, data capture and the data processing chargeback will be continuing. One Document Processor I position would be required for three months to assist in the manual review and coding of 525,000 applications. One Data Processing Clerk I position would be required for two months to assist in data capture.
5. There will be an additional cost associated with an extra page in the PFD booklet necessary to describe the annuity options.
6. Garnishments and assignments will take precedence over contributions to the annuities in the order established by statute. The PFD Division will only honor contributions to the extent that an individual's permanent fund dividend has not otherwise been assigned or garnished.
7. The PFD Division will be responsible for electronically transferring contributions to the annuity account.
8. The Treasury Division will be responsible for the accounting and management of the annuity account.

Cost Summary:

1. Personal Services

	<u>FY 92</u>	<u>FY 93</u>
1 PPT Analyst/Programmer V, R21 @ \$6,770.74/Mo including salary and benefits for 2 months. PCN 04-6011 would be funded for an additional 2 months.	\$ 13.6	\$ -0-
1 PPT Document Processor I, R7 @ \$2,573.60/Mo including salary and benefits for 3 months. This position represents the equivalent of the additional time and effort.	7.7	7.7
1 PPT Data Processing Clerk I, R8 @ \$2,699.03/Mo including salary and benefits for 2 months. This position represents the equivalent of the additional time and effort.	<u>5.4</u>	<u>5.4</u>
Total Personal Services	<u>26.7</u>	<u>13.1</u>

2. Contractual Services

a. Data Processing Chargeback	5.0	5.0
b. Printing charge for extra page	<u>10.0</u>	<u>10.0</u>
Total Contractual Services	<u>15.0</u>	<u>15.0</u>
TOTAL COST	<u>\$ 41.7</u>	<u>\$ 28.1</u>

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. CSSB 8

Revision Date: _____ Department Affected: Health & Social Services
 Title: "An Act relating to the Alaska Longevity Bonus Program" BRU: Assistance Payment BRU
 Component: Adult Public Assistance - OAA & OAA ALB Hold Harmless
 Sponsor: Kerttula
 Requestor: _____ COMPONENT SERIAL NO.

03	06	01	06
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	(6.7)	(68.6)	(142.2)	(259.6)	(416.5)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(6.7)	(68.6)	(142.2)	(259.6)	(416.5)

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	(6.7)	(68.6)	(142.2)	(259.6)	(416.5)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	(6.7)	(68.6)	(142.2)	(259.6)	(416.5)

POSITIONS:

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

Estimate of current year impact: No fiscal impact FY92.

ANALYSIS: (Attach a separate page if necessary.) CSSB 8 continues the ALB Hold Harmless program, but includes no hold harmless provision for annuity payments. See the attached addendum for an analysis of the impact of this proposed change.

Prepared By: Jan L. Hansen, Director Phone: 465-3347
 Division: Division of Public Assistance Date: 5/13/91
 Approved by Commissioner: Theodore A. Mala, MD, MPH
 Agency: Department of Health & Social Services Date: 5/14/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Division of Public Assistance
Assistance Payments BRU

Old Age Assistance (OAA) & Alaska Longevity Bonus Hold Harmless (OAA-ALB HH)

1. CSSB No. 8 continues the Hold Harmless program, but includes no Hold Harmless provision for annuity payments.
2. We assume the first annuity payments will be made in fiscal year 1993, but that few Old Age Assistance applicants or recipients will elect to participate.
3. Only those who become 65 after January 1, 1993 will receive a declining ALB.
4. Longevity bonus and annuity amounts are based on Legislative Research Report 91.151.
5. There is no effect in FY 92 on Old Age Assistance clients impacted by this bill because annuity payments will not begin until FY 93.
6. Costs assume average age of new applicants for Old Age Assistance will be 65.
7. Approximately 35 percent of all OAA recipients also receive SSI.
8. We assume that the bonus payments will decrease March 1, 1993, and that OAA clients whose bonus payments will be impacted will be as follows:

	<u>Bonus</u>	<u>Annuity</u>	<u>OAA Clients Impacted</u>
FY92	\$250	0	160
FY93	\$241	\$ 9	530
FY94	\$231	\$19	859
FY95	\$220	\$30	1130
FY96	\$207	\$43	1437
FY97	\$193	\$57	1741

CSSB No. 8 provides for a redesign of the Longevity Bonus program to include an annuity and assumes continuation of a full Hold Harmless for the bonus. The impact of this proposed change is two-fold: 1) As the ALB payments decrease then the amount of ALB Hold harmless for SSI replacements also decreases. The drop in ALBHH for federal Supplemental Security Income (SSI) replacement is a net savings to the State. 2) As the bonus payment decreases, the amount of ALB Hold Harmless for OAA replacement decreases and shifts back to Old Age Assistance. The amount of this decrease is a dollar for dollar shift back to Old Age Assistance in the Adult Public Assistance (APA) component.

	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>
Estimated number of impacted aged recipients receiving ALB Hold Harmless that replaces SSI income (35% of OAA clients impacted)	56	185	301	395	503	609
Estimated number of impacted aged recipients receiving ALB Hold Harmless that does not replace SSI income (65% of OAA clients impacted)	104	345	558	735	934	1132
Total number of new OAA recipients receiving ALB Hold Harmless (100% of OAA clients impacted)	160	530	859	1130	1437	1741
Reduction in monthly bonus \$	0	(9)	(19)	(30)	(43)	(57)
Fiscal year State Savings for ALB Hold Harmless Program benefits to replace OAA payments (65% of OAA clients impacted x bonus reduction x 12 months)	0	(12.4)	(127.2)	(264.6)	(481.9)	(774.3)
Fiscal year State Savings for ALB Hold Harmless Program benefits to replace SSI payments (35% of OAA clients impacted x bonus reduction x 12 months)	0	(6.7)	(68.6)	(142.2)	(259.6)	(416.5)
Fiscal year State Cost for non-SSI OAA recipients (non-SSI clients x bonus reduction x 12 months)	0	12.4	127.2	264.6	481.9	774.3
=====						
Net Savings to State resulting from CSSB 8	0	(6.7)	(68.6)	(142.2)	(259.6)	(416.5)

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. CS SB 8

Revision Date: 5/13/91 Department Affected: Health & Social Services
 Title: An Act amending and making effective an annuity program BRU: Medicaid
 Sponsor: Kerttula Component: ALB Hold Harmless and Medicaid Non Facility
 Requestor: _____ COMPONENT SERIAL NO. 0231 10230

Expenditures/Revenues: Thousands of Dollars

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

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

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)
 CS SB 8 would result in net savings to the state. See attached analysis

Prepared By: [Signature] Phone: 465-3355

Division: Division of Medical Assistance Date: 5/13/91

Approved by Commissioner: [Signature]

Agency: Department of Health & Social Services Date: 5/14/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, GMB, & Impact Agency(ies).

FISCAL NOTE ANALYSIS
CS SB 8

FY92

There is no fiscal effect on Medicaid (0230) or the Alaska Longevity Bonus-Hold Harmless ("ALB-HH") medical component (0231) for FY92.

FY93

In FY93, CS SB 8 would decrease the bonus payment by \$9.16, which would result in 33 recipients of ALB-HH coverage becoming eligible for regular Medicaid coverage. Each eligible person is expected to use \$423.36 per month in medical services which are covered by either program. The program will be effective 1/1/93, but the bonus is on a two-month retrospective system, so there will only be a four-month effect in FY93. $33 \text{ recipients/month} \times \$423.36/\text{month} \times 4 \text{ months} = 55.9$ savings to ALB-HH (100% state general funds). New cost to Medicaid = 55.9 (50% federal, 50% state general funds). Net savings to the state = 28.0, the amount of the new federal funds which replace general funds.

FY 94 and following

(a) Medical costs will increase by 16.4% per year (11.8% for increases in the rate at which eligible persons utilize medical services, and 4.6% per year for annual increases in the costs of the services.

(b) As the amount of the bonus decreases incrementally to \$192.85 by FY97, we assume the recipients who move from the ALB-HH program to the Medicaid program will be affected proportionately, that the caseload (exclusive of bonus effects) will continue to increase at 6% per year, and that no assistance recipients will opt for annuity payments.

FY94:

$(33 \times 2.06) \times 106\% = 72$ recipients
 $\$423.36 \times 116.4\% = \492.79
 $72 \times \$492.70 \times .2 = 425.7$

FY95:

$(33 \times 3.28) \times 106\% = 115$
 $\$492.79 \times 116.4\% = \573.61
 $115 \times \$573.61 \times 12 = 791.6$

FY96:

$(33 \times 4.66) \times 106\% = 163$
 $\$573.61 \times 116.4\% = \667.78
 $163 \times \$667.68 \times 12 = 1,306$

FY97:

$(33 \times 6.24) \times 106\% = 218$
 $\$667.68 \times 116.4\% = \777.18
 $218 \times \$777.18 \times 12 = 2,033.1$

NOTE: The average monthly cost of services is compiled from the bills paid on behalf of all elderly recipients of ALB-HH and Medicaid. When the number of recipients is reduced to the small numbers estimated here, the average costs can be radically affected upward by a single recipient who suffers a long hospitalization. Cost savings showing here could therefore be substantially underestimated.

Summary:	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>
ALB-HH					
G F	(55.9)	(425.7)	(791.6)	(1,306.0)	(2,033.1)
Medicaid					
GFM	27.9	212.8	395.8	653.0	1,016.5
Fed	28.0	212.9	395.8	653.0	1,016.6
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Net Savings					
G F	28.0	212.9	395.8	653.0	1,016.6

STATE OF ALASKA
1991 LEGISLATIVE SESSION

FISCAL NOTE

No. 3
Version: SR 8
(S) Publish Date: 4/19/91

Revision Date: _____
Title: An Act amending and making effective an annuity program and amendments to the longevity bonus program
Sponsor: Senator Kerttula
Requestor: Senator Kerttula

Department Affected: Administration
BRU: Division of Pioneers' Benefits
Component: Longevity Bonus Program

COMPONENT SERIAL NO.

2	6		
2	7		

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	106.0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	(0)	(91.5)	(754.6)	(2,091.5)	(4,100.2)	(6,989.7)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	106.0	(91.5)	(754.6)	(2,091.5)	(4,100.2)	(6,989.7)

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	106.0	(91.5)	(754.6)	(2,091.5)	(4,100.2)	(6,989.7)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	106.0	(91.5)	(754.6)	(2,091.5)	(4,100.2)	(6,989.7)

POSITIONS:

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

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)

Impact for FY 91 is zero. This fiscal note assumes there would be an amendment to the computer program contract (to modify the longevity bonus system to print and account for multiple checks) and computer services support. Estimated cost is \$89.0. Estimated cost for mailing and printing is \$17.0.

Prepared by: Barbara Bathony *B. Bathony*
Division: Pioneers' Benefits

Phone: 465-4400
Date: April 1, 1991

Approved by Commissioner: Millett Keller *Millett Keller*
Agency: Administration

Date: 4/18/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OA

Changes in 155B8 (STA)
reflect NO FISCAL CHANGE from the original
fiscal note. This fiscal note is appropriate.
4/18/91
date/ Millett Keller
Comte Aide (initial)

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FISCAL NOTE - DOA (L. BONUS)

Fiscal Note
SB 8
April 1, 1991

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

The Bonus amount for those turning 65 after January 1, 1993, is \$250 less than the annuity payment for those who turn 65 in the current year. The annuity payment depends upon:

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

The number of recipients who receive \$250 per month was determined by applying mortality and migration figures—supplied by the Alaska Department of Labor—to the projected number of recipients who will be on the program prior to 1992.

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

Caveats

Projections exclude the cost of administering an annuity program. The assumption is that this agency's involvement with the annuity portion of the program would be limited to being informed of the amount by which bonus warrants should be reduced. Expected costs of modifying the program in order to pay amounts other than a fixed \$250 are included in the FY 92 contractual line.

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

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

Contractual costs are: Explaining program to 22,000 recipients, 2 mailings plus printing of information.

2 mailings	\$ 12,000
printing	5,000
software program revision	<u>89,000</u>
TOTAL	\$106,000

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Longevity Bonus Program

SB 8

April 1, 1991

1	2	3	4	5	6	7	8	9	10	11
Fiscal Year	Qualified Recipients	Continuation Of Present Program	Grandfathered Recipients	New Recipients	Annuly	Longevity Bonus Payments	New Recipients	Grandfathered Recipients	SB 6 Cost	Annual Savings
1992	22,628	\$67,884,000	22,628	0	\$0.00	\$250.00	\$0	\$67,884,000	\$67,884,000	\$0
1993	23,782	\$71,346,000	22,950	832	\$9.16	\$240.84	\$2,404,547	\$68,850,000	\$71,254,547	\$91,457
1994	24,936	\$74,808,000	21,609	3,327	\$18.90	\$231.10	\$9,226,436	\$64,827,000	\$74,053,436	\$754,564
1995	26,090	\$78,270,000	20,286	5,804	\$30.03	\$219.97	\$15,320,471	\$60,858,000	\$76,178,471	\$2,091,529
1996	27,164	\$81,492,000	19,164	8,000	\$42.71	\$207.29	\$19,899,840	\$57,492,000	\$77,391,840	\$4,100,160
1997	28,118	\$84,354,000	17,926	10,192	\$57.15	\$192.85	\$23,586,326	\$53,778,000	\$77,364,326	\$6,989,674

Division of Pioneers' Benefits
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FISCAL NOTE

BILL NO. CSSB 8

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____
Title: An Act amending and making effective an Annuity Program.

Department Affected: Administration
BRU: Retirement and Benefits

Sponsor: Kertulla
Requestor: _____

Component: Retirement and Benefits
COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	403.3	415.4	427.9	440.7	453.9	467.5
TRAVEL	50.0	25.0	25.0	25.0	25.0	25.0
CONTRACTUAL	1,201.3	1,132.7	1,132.7	1,132.7	1,132.7	1,132.7
SUPPLIES	52.5	60.5	70.5	80.5	90.5	100.5
EQUIPMENT	144.1	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	1,851.2	1,633.6	1,656.1	1,678.9	1,702.1	1,725.7

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	1,851.2	1,633.6	1,656.1	1,678.9	1,702.1	1,725.7
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	1,851.2	1,633.6	1,656.1	1,678.9	1,702.1	1,725.7

POSITIONS

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

Estimate of current year impact: Zero

ANALYSIS: (attach a separate page if necessary.)

See attached for a detailed analysis

Prepared By: Garv Bader *Garv M. Bader* Phone: 465-4460
Division: Retirement and Benefits Date: 5/6/91

Approved by Commissioner: Millett Keller *Millett Keller* Date: 5/13/91
Agency: Department of Administration

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).

Committee Substitute for Senate Bill 8
Fiscal note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration
May 3, 1991

Analysis: The cost of the annuity program is anticipated to be borne entirely by general fund (GF) appropriations. This fiscal note assumes that approximately 5% of the permanent fund dividend recipients (25,000) will participate in the annuity program.

Eight full-time positions will be needed to administer this program on a continuing basis. Even though we are proposing to contract with a private record keeper, eliminating the need for a large staff, this bill requires extensive manual effort to interface with the contractor. Personnel will handle counseling, address and beneficiary changes, account maintenance, and cash contributions.

Travel in FY 92 is needed to explain the program and answer questions at several locations throughout the state. In subsequent years, there will continue to be the need for rural education and counseling.

There are annual contractual needs for the operation of the annuity program as well as contract with the annuity record keeper. These ongoing contractual needs are explained below. The system will be highly automated to reduce the need for a larger staff. An analyst/programmer V will coordinate D.P. activities.

On-going office supply needs will include microfilming supplies, computer paper stock, annual statements of account and 1099's. In FY 92, there will also be a one time need for office equipment and the purchase of a microfilmer and reader for file maintenance.

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

PERSONAL SERVICES

FY 92

FY 93

1 Retirement System Manager	\$ 78.7	
1 Retirement Specialist I/II	50.5	
1 Retirement Technician I/II	40.9	
1 Accountant II	50.5	
1 Accounting Technician I	40.9	
1 Clerk-Typist III	34.0	
1 Accounting Clerk III	36.8	
1 Analyst/Programmer V	<u>70.0</u>	
Total Personal Services Cost.....		\$403.3
FY 93 Personal Services w/3% increase		

\$415.4

TRAVEL

FY 92 - 20 trips to various locations throughout the state for public meetings to explain the program.

FY 93 and after - trips to various locations throughout the state for annual enrollment counselling.

Total Travel cost..... 50.0

25.0

CONTRACTUAL

	<u>FY 92</u>	<u>FY 93</u>
CPU costs	20.0	
Computer tapes	10.0	
Disk space costs	<u>20.0</u>	
Total DP resource	\$50.0	\$50.0
Record Keeping Contractor		
25,000 accts. @ \$35.00	875.0	875.0
Information Blitz,		
TV, and Radio	85.0	35.0
RSA to PFD division	41.7	28.1
Postage: Information and		
warrants	50.0	50.0
Audits	15.0	15.0
Actuarial Consulting	15.0	10.0
Centrex charges (8 lines), long		
distance WATS line	30.8	30.8
Floor space (1,000 square feet at		
2.25/mo)	<u>38.8</u>	<u>38.8</u>

Total Contractual cost.....1,201.3

1,132.7

		<u>FY 92</u>	<u>FY 93</u>
SUPPLIES			
	<u>FY 92</u>	<u>FY 93</u>	
Office supplies, calculators	\$ 4.0	\$ 2.0	
Microfilming supplies	3.5	3.5	
Paper stock	40.0	50.0	
Statement of Account	<u>5.0</u>	<u>5.0</u>	
Total Supplies cost.....		52.5	60.5
 EQUIPMENT			
8 Work stations	36.8		
8 Chairs	2.4		
8 PCs and other office equipment	40.0		
Other office equipment (Dictaphone, calculators, etc.)	10.0		
1 Printer	4.5		
1 Microfilmer and reader	45.0		
2 File cabinets	.6		
8 Phones (600/instrument)	4.8		
Total Equipment cost.....		<u>144.1</u>	<u>-0-</u>
 TOTAL Operations Cost		 <u>\$1851.2</u>	 <u>\$1,633.6</u>

The continuing personal services costs is estimated to increase at 3% per year. The costs of administration of this system is anticipated as general funds realized from the offsetting savings realized from declining Longevity Bonus payments. Funding is anticipated from general fund appropriations.

CS FOR SENATE BILL NO. 8 (STATE AFFAIRS)
 IN THE LEGISLATURE OF THE STATE OF ALASKA
 SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered: 4/19/91
 Referred: Finance

Sponsor(s): SENATORS KERTTULA, Halford

A BILL

FOR AN ACT ENTITLED

1 "An Act amending and making effective an annuity program and amendments to the
 2 longevity bonus program and the permanent fund dividend program provided for in
 3 secs. 2 - 18, ch. 99, SLA 1985; and providing for an effective date."

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

5 * Section 1. AS 43.23.005(d), as enacted by sec. 3, ch. 99, SLA 1985, is amended to read:

6 (d) A person who is eligible to receive a permanent fund dividend under this section, or
 7 who is authorized to claim a dividend on behalf of another under (c) of this section, may elect
 8 to receive the dividend either in cash or as an annuity credit. Alternatively, a person may elect
 9 to receive 25 percent, 50 percent, or 75 percent of the dividend in cash and the remainder as an
 10 annuity credit. A person who is 65 years of age on or before January 1, 1993 [1988] may only
 11 receive the permanent fund dividend in cash and may not elect to receive an annuity credit.

12 * Sec. 2. AS 43.23.110(a), as enacted by sec. 16, ch. 99, SLA 1985, is amended to read:

13 (a) The annuity investment fund is established as a separate fund in the state treasury.
 14 The annuity investment fund consists of money transferred from the dividend fund, cash

1 contributions under AS 43.23.125, and income earned by the annuity investment fund.
2 Notwithstanding AS 37.13.145, an amount equal to the permanent fund dividends taken as
3 annuity credits under this chapter shall be annually transferred from the dividend fund to the
4 annuity investment fund.

5 * Sec. 3. AS 43.23.110(b), as enacted by sec. 16, ch. 99, SLA 1985, is amended to read:

6 (b) Money in the annuity investment fund shall be invested under AS 37.10.071 by the
7 commissioner of revenue [IN INVESTMENTS AUTHORIZED UNDER AS 39.35.110]. The
8 commissioner of administration shall credit the net income of the annuity investment fund to the
9 individual annuity accounts and the annuity reserve account.

10 * Sec. 4. AS 43.23 is amended by adding a new section to read:

11 Sec. 43.23.125. CASH CONTRIBUTIONS. An individual who is eligible to receive the
12 permanent fund dividend as an annuity credit under AS 43.23.005(d) but does not elect to do so
13 or who elects to receive only a portion of the permanent fund dividend as an annuity credit may
14 make a cash contribution to that individual's annuity account. The cash contribution for a
15 dividend year must be received by the Department of Administration before September 30 of the
16 year following that dividend year. The total amount of the annuity credit and the cash
17 contributions to an annuity account for a year may not exceed the amount of the permanent fund
18 dividend for that year.

19 * Sec. 5. AS 43.23.130(a), as enacted by sec. 16, ch. 99, SLA 1985, is amended to read:

20 (a) An individual with one or more annuity credits or cash contributions under
21 AS 43.23.125 may receive an annuity upon reaching the age of 65.

22 * Sec. 6. AS 43.23.130(b), as enacted by sec. 16, ch. 99, SLA 1985, is amended to read:

23 (b) An annuity under this section is a monthly payment based upon the principal and
24 accrued interest in the person's annuity account. Upon appointment to receive an annuity, the
25 account balance shall be transferred to the annuity reserve account. The [AN] annuity shall
26 be paid from the annuity reserve account as a straight life annuity or other payment plan
27 authorized by the commissioner of administration [THE DEPARTMENT OF
28 ADMINISTRATION]. The size of the annuity may not vary on account of the individual's sex.

29 * Sec. 7. AS 43.23.130(e), as enacted by sec. 16, ch. 99, SLA 1985, is repealed and reenacted to
30 read:

31 (e) If a person elects to credit a permanent fund dividend or make a cash contribution

1 to an annuity account and dies before age 65, a lump sum payment shall be made to that person's
2 designated beneficiary or beneficiaries. The lump sum payment includes all dividends or cash
3 contributions credited to the person's annuity account and interest earned on the account. A
4 person may change or revoke a designation without notice to the beneficiary or beneficiaries at
5 any time. If a person designates more than one beneficiary, each shares equally unless the person
6 specifies a different allocation or preference. The designation, change, or revocation of
7 beneficiary shall be made on a form provided by the commissioner of administration and is not
8 effective until it is filed with the commissioner. If there is no beneficiary designated or
9 surviving, the lump sum payment shall be paid to the

10 (1) surviving spouse;

11 (2) if there is no surviving spouse, in equal parts to the surviving children
12 including adopted children;

13 (3) if there is no surviving spouse or child, in equal parts to the surviving parents;

14 or

15 (4) if there is no surviving spouse, child, or parent, to the estate of the deceased.

16 * Sec. 8. AS 43.23 is amended by adding a new section to read:

17 Sec. 43.23.135. EMERGENCY WITHDRAWALS. An individual may make a
18 withdrawal from that individual's annuity account before reaching the age of 65 if the individual
19 establishes to the satisfaction of the commissioner of administration that the withdrawal is
20 necessary to meet an unforeseeable emergency. The amount withdrawn may not exceed the total
21 amount in the individual's annuity account or the amount actually necessary to meet the
22 emergency, whichever is less. The commissioner shall define the term "unforeseeable
23 emergency" by regulation. An individual may only make one withdrawal under this section and
24 may pay it back with interest under terms established by the commissioner. An individual who
25 has made a withdrawal under this section may not elect to credit a dividend or make a cash
26 contribution to an annuity account for two years after the withdrawal.

27 * Sec. 9. AS 47.45.015, as enacted by sec. 18, ch. 99, SLA 1985, is amended to read:

28 Sec. 47.45.015. AMOUNT OF BONUS. (a) Except as provided in (b) of this section,
29 the monthly longevity bonus is equal to \$250, minus the maximum possible straight life annuity
30 [FOR A PERSON 65 YEARS OF AGE] under the annuity program (AS 43.23.110 - 43.23.130),
31 as determined by the commissioner of administration. The maximum possible straight life

1 annuity equals the amount a person would receive if that person became 65 on January 2,
2 1993, and contributed 100 percent of all permanent fund dividends or the cash equivalency
3 to the annuity program for every year after December 31, 1991. However, for purposes of
4 this section the maximum possible straight life annuity may not exceed the amount that a
5 person turning 65 in the current year would receive if that person had contributed 100
6 percent of all permanent fund dividends or the cash equivalency to the annuity program
7 for every year after December 31, 1992.

8 (b) A person who is 65 years of age on or before January 1, 1993 [1988], is entitled to
9 the full longevity bonus payment without reduction for the annuity program.

10 * Sec. 10. AS 43.23.110(c) and sec. 1, ch. 99, SLA 1985, are repealed.

11 * Sec. 11. Chapter 99, SLA 1985, and secs. 1 - 9 of this Act apply only to permanent fund dividends
12 for years beginning after December 31, 1991. Notwithstanding the amendments to AS 43.23 made by
13 ch. 99, SLA 1985, and this Act, permanent fund dividends for 1991 and prior years shall be made under
14 the law as it existed before the effective date of this Act.

15 * Sec. 12. This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CS for SB 8

Revision Date: 1/24/92

Department Affected: Revenue

Title: An act amending and making effective an annuity program and amendments to the longevity bonus and P.F.D...

BRU: Operations

Component: Treasury Management

Sponsor: Senators Kertula, Halford

Requestor: Zharoff

Component Serial No.

0	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	5.0	5.0	5.0	5.0	5.0	5.0
TRAVEL						
CONTRACTUAL	20.0	20.0	20.0	20.0	20.0	20.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	25.0	25.0	25.0	25.0	25.0	25.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND/Unrestricted						
FEDERAL FUNDS						
OTHER	25.0	25.0	25.0	25.0	25.0	25.0
TOTAL	25.0	25.0	25.0	25.0	25.0	20.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: The 25.0 expenditure in total operating costs is the basic personal services and contractual costs for a trust managed by the Treasury Division. Contractual costs would consist of external investment management, accounting, auditing, and custodial services. Future cost increases are dependent on the asset growth of the trust fund from contributions and market gains.

Prepared by: Brian C. Andrews 

Phone: 465-2350

Division: Treasury

Date: January 24, 1992

Approved by Commissioner: 

Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: FEBRUARY 3, 1992 Department Affected: HEALTH & SOCIAL SERVICES

Title: AN ACT RELATING TO THE ALASKA LONGEVITY BONUS PROGRAM BRU: ASSISTANCE PAYMENT BRU

Sponsor: Kerttula Component: ADULT PUBLIC ASSISTANCE - OAA & OAA ALB HOLD HARMLESS

Requestor: _____ COMPONENT SERIAL NO.

0	2	2	2	APA
0	2	2	3	ALB HI

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	(5.1)	(59.6)	(140.6)	(263.0)	(433.1)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(5.1)	(59.6)	(140.6)	(263.0)	(433.1)

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	(5.1)	(59.6)	(140.6)	(263.0)	(433.1)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
TOTAL	0	(5.1)	(59.6)	(140.6)	(263.0)	(433.1)

POSITIONS:

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

Estimate of current year impact: NO FISCAL IMPACT FY92

ANALYSIS: (Attach a separate page if necessary.) CSSB 8 continues the ALB Hold Harmless program, but includes no hold harmless provision for annuity payments. See the attached addendum for an analysis of the impact of this proposed change.

Prepared By: Jan L. Hansen, Director Phone: 465-3347

Division: DIVISION OF PUBLIC ASSISTANCE Date: February 3, 1992

Approved by Commissioner: Theodore A. Mala, MD, MPH

Agency: DEPARTMENT OF HEALTH & SOCIAL SERVICES Date: _____

Division of Public Assistance
Assistance Payments BRU

Old Age Assistance (OAA) & Alaska Longevity Bonus Hold Harmless (OAA-ALB HH)

1. CSSB No. 8 continues the Hold Harmless program, but includes no Hold Harmless provision for annuity payments.
2. We assume the first annuity payments will be made in fiscal year 1994, and that no Old Age Assistance applicants or recipients will elect to participate.
3. We assume that the bonus payments will decrease March 1, 1994, and that OAA clients whose bonus payments will be impacted will be as follows:

	<u>Bonus</u>	<u>Annuity</u>	<u>OAA Clients Impacted</u>
FY93	\$250	0	155
FY94	\$242	\$ 8	458
FY95	\$232	\$18	789
FY96	\$221	\$29	1153
FY97	\$210	\$40	1565
FY98	\$197	\$53	1945

4. Only those who become 65 after January 1, 1994 will receive a declining ALB.
5. Longevity bonus and annuity amounts are based on Legislative Research Report 92.124.
6. There is no effect in FY 93 on Old Age Assistance clients impacted by this bill because annuity payments will not begin until FY 94.
7. Costs assume average age of new applicants for Old Age Assistance will be 65.
8. Approximately 35 percent of all OAA recipients also receive SSI.

CSSB No. 8 provides for a redesign of the Longevity Bonus program to include an annuity and assumes continuation of a full Hold Harmless for the bonus. The impact of this proposed change is two-fold: 1) As the ALB payments decrease then the amount of ALB Hold harmless for federal Supplemental Security Income (SSI) replacements also decreases. The drop in ALBHH for SSI replacement is a net savings to the State. 2) As the bonus payment decreases, the amount of ALB Hold Harmless for OAA replacement decreases and shifts back to Old Age Assistance. The amount of this decrease is a dollar for dollar shift back to Old Age Assistance in the Adult Public Assistance (APA) component.

CSSB No. 8
 Fiscal Note Addendum
 PAGE 2

	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>
Estimated number of impacted aged recipients receiving ALB Hold Harmless that replaces SSI income (35% of OAA clients impacted)	54	160	276	404	548	681
Estimated number of impacted aged recipients receiving ALB Hold Harmless that does not replace SSI income (65% of OAA clients impacted)	101	298	513	749	1017	1264
Total number of new OAA recipients receiving ALB Hold Harmless (100% of OAA clients impacted)	155	458	789	1153	1565	1945
Reduction in monthly bonus \$	0	(8)	(18)	(29)	(40)	(53)
Fiscal year State Savings for ALB Hold Harmless Program benefits to replace OAA payments (65% of OAA clients impacted x bonus reduction x 12 months)	0	(9.5)	(110.8)	(260.7)	(488.2)	(803.9)
Fiscal year State Savings for ALB Hold Harmless Program benefits to replace SSI payments (35% of OAA clients impacted x bonus reduction x 12 months)	0	(5.1)	(59.6)	(140.6)	(263.0)	(433.1)
Fiscal year State Cost for non-SSI OAA recipients (non-SSI clients x bonus reduction x 12 months)	0	9.5	110.8	260.7	488.2	803.9
=====						
Net Savings to State resulting from CSSB 8	0	(5.1)	(59.6)	(140.6)	(263.0)	(433.1)

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CS SB 8

Revision Date: January 23, 1992
Title: Annuity Program Amendments

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

Sponsor: Kerttula
Requestor: Zharoff

COMPONENT SERIAL NO. 9 8 1

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
OPERATING						
PERSONAL SERVICES	26.7	13.1	13.1	13.1	13.1	13.1
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	15.0	15.0	15.0	15.0	15.0	15.0
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	41.7	28.1	28.1	28.1	28.1	28.1
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (RSA)	41.7	28.1	28.1	28.1	28.1	28.1
TOTAL	41.7	28.1	28.1	28.1	28.1	28.1

POSITIONS:

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

Estimate of current year impact: None.

ANALYSIS: See attached.

Prepared By: Thomas C. Williams
Division: Permanent Fund Dividend Division

Phone: 455-2323
Date: January 23, 1992

Approved by Commissioner: David Verhulst
Agency: Revenue

Date: 1/24/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION
SB 8 ANALYSIS

As of January 23, 1992

Assumptions:

1. This bill is the only Permanent Fund Dividend checkoff bill that will become law. This fiscal note would change if other PFD checkoff bills are introduced and become law.
2. The Department of Administration will charge the Department of Revenue for the required additional computer time.
3. The cost of programming changes will be a one-time cost. Ongoing maintenance of new programs would be accomplished by existing staff. The computer system will need to be changed to account for the change in the program, to establish new accounting controls and to provide for the transfer of funds to the trust account. The following tasks will require the following programming hours.

	<u>Hours</u>
a. <u>Wang Data Entry Processing Updates</u>	75.0
(1) Data entry	
(2) Batch lists	
(3) Corrections	
(4) Wang to IBM transfer	
b. <u>IBM File Processing Updates</u>	30.0
(1) Edits	
(2) Batch listings	
(3) Worksheets	
c. <u>CICS Online Programs for Lookup and Changes</u>	37.5
d. <u>Nightly Update of Changes</u>	22.5
e. <u>Warrant Jobs</u>	90.0
(1) Printing warrants with different amounts. Include check stub messages.	
(2) Modify warrant registers as needed for balancing.	
(3) Create new program for transferring accumulated decisions to trust account and to account for the reserve necessary due to returned and cancelled PFD warrants.	
f. <u>Miscellaneous</u>	45.0
(1) Setting up test files on IBM	
(2) Systems testing	
 <u>Total Hours</u>	 <u>300.0</u>

ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION

SB 8 ANALYSIS

As of January 23, 1992

4. The cost of document review, data capture and the data processing chargeback will be continuing. One Document Processor I position would be required for three months to assist in the manual review and coding of 525,000 applications. One Data Processing Clerk I position would be required for two months to assist in data capture.
5. There will be an additional cost associated with an extra page in the PFD booklet necessary to describe the annuity options.
6. Garnishments and assignments will take precedence over contributions to the annuities in the order established by statute. The PFD Division will only honor contributions to the extent that an individual's permanent fund dividend has not otherwise been assigned or garnished.
7. The PFD Division will be responsible for electronically transferring contributions to the annuity account.
8. The Treasury Division will be responsible for the accounting and management of the annuity account.

Cost Summary:

1. Personal Services

	<u>FY 93</u>	<u>FY 94</u>
1 PPT Analyst/Programmer V, R21 @ \$6,770.74/Mo including salary and benefits for 2 months. PCN 04-6011 would be funded for an additional 2 months.	\$ 13.6	\$ -0-
1 PPT Document Processor I, R7 @ \$2,573.60/Mo including salary and benefits for 3 months. This position represents the equivalent of the additional time and effort.	7.7	7.7
1 PPT Data Processing Clerk I, R8 @ \$2,699.03/Mo including salary and benefits for 2 months. This position represents the equivalent of the additional time and effort.	<u>5.4</u>	<u>5.4</u>
Total Personal Services	<u>26.7</u>	<u>13.1</u>

2. Contractual Services

a. Data Processing Chargeback	5.0	5.0
b. Printing charge for extra page	<u>10.0</u>	<u>10.0</u>
Total Contractual Services	<u>15.0</u>	<u>15.0</u>
TOTAL COST	<u>\$ 41.7</u>	<u>\$ 28.1</u>

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CSSB 8 (SA)

Revision Date: January 21, 1992
 Title: An Act amending and making effective an annuity program and amendments to the longevity bonus program
 Sponsor: Senator Kerttula
 Requestor: Senate Rules Committee

Department Affected: Administration
 BRU: Division of Pioneers' Benefits
 Component: Longevity Bonus Program
Grants and Administration

COMPONENT

0	0	2	6
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	(0)	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	0	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)

POSITIONS:

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

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)
 Impact for FY 93 is zero.

Prepared by: Barbara Bathony *Barbara Bathony*
 Division: Pioneers' Benefits

Phone: 465-4400
 Date: January 21, 1992

Approved by Commissioner: Nancy Bear Usara *Nancy Bear Usara*
 Agency: Administration

Date: 1/21/92

Fiscal Note
CSSB 8 (SA)
January 21, 1992

Projected annual savings under this proposal are tenuous because they depend upon a number of variables that cannot be predicted accurately. These projections were prepared as a joint project of the Legislative Research Agency and the Alaska Longevity Bonus program in April 1991 and updated by the Longevity Bonus program in December 1991. A brief discussion of some of the more important assumptions and variables follows.

The Bonus amount for those turning 65 after January 1, 1994, is \$250 less than the annuity payment for those who turn 65 in the current year. The annuity payment depends upon:

- . Permanent Fund Dividends—we use projections provided by the Permanent Fund Corporation;
- . the interest rate at which earnings accrue and the interest rate used to determine an annuity—we used 8.5 percent as a reasonable estimate in both cases provided by Legislative Research;
- . the life expectancy of a 65 year-old we used figures provided by the Alaska Department of Labor; and
- . the frequency of bonus adjustments—we assumed that bonuses would be adjusted at the beginning of each fiscal year and remain fixed throughout the year.

The number of recipients who receive \$250 per month was determined by applying mortality and migration figures—supplied by the Alaska Department of Labor—to the projected number of recipients who will be on the program prior to 1992.

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

Caveats

Projections exclude the cost of administering an annuity program. The assumption is that this agency's involvement with the annuity portion of the program would be limited to being informed of the amount by which bonus warrants should be reduced. Expected costs of modifying the program in order to pay amounts other than a fixed \$250 are included in the FY 93 contractual line.

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

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

leg\cssb826.fn

PFD info from Jim Kelly, 12/13/91

Year	Expected Dividend	Population
92	862	
93	897	543,000
94	947	
95	1002	
96	1050	576,000
97	1119	
98	1186	
99	1245	
2000	1301	633,000
01	1361	
02	1420	
03	1480	
04	1539	
05	1600	695,000
06	1659	
07	1719	
08	1780	
09	1842	
10	1904	763,000

**Longevity Bonus Program
as Redefined by SB 8**

Revised 12/10/91

Current Program			Total		(000 omitted)	(000 omitted)	(000 omitted)	(000 omitted)	(000 omitted)	(000 omitted)	(000 omitted)	(000 omitted)	
State Fiscal Year	Qualified Recipients	Cost	Grand-Fathered Recipients	SB8 Recipients	SB8 Plus GrandFathered Qualified Recipients	PFD Dividend Received	Annual Payments Annuity	Monthly Payments Annuity	GF Cost Of Grand-Fathered Recipients	Non-GF Cost of Post 93 Recipients	GF Cost of Post 93 Recipients	Total GF Cost	Total GF Savings
1992	21,190	63,570.0											
1993	22,385	67,155.0	22,385		22,385	\$910.47							
1994	23,624	70,872.0	22,798	832	23,630	959.13	\$111.26	\$9.27	68,392.6	92.6	2,403.4	70,796.0	76.0
1995	24,841	74,523.0	21,527	3,327	24,854	1,012.63	237.93	19.83	64,580.0	791.6	9,189.4	73,769.4	753.6
1996	25,952	77,856.0	20,179	5,804	25,983	1,059.15	381.89	31.82	60,536.1	2,216.5	15,195.5	75,731.6	2,124.4
1997	26,805	80,415.0	18,911	8,000	26,911	1,120.64	543.79	45.32	56,732.2	4,350.3	19,649.7	76,381.9	4,033.1
1998	28,034	84,102.0	18,532	10,192	28,724	1,176.43	726.95	60.58	55,594.5	7,409.1	23,166.9	78,761.5	5,340.5
1999	29,070	87,210.0	16,753	12,332	29,085	1,231.81	932.51	77.71	50,258.5	11,499.7	25,496.3	75,754.8	11,455.2
2000	30,166	90,498.0	15,804	14,322	30,126	1,284.27	1,162.30	96.86	47,410.6	16,646.5	26,319.5	73,730.1	16,767.9
2001	31,173	93,519.0	14,890	16,175	31,065	1,341.82	1,418.03	118.17	44,671.2	22,936.6	25,588.4	70,259.6	23,259.4
2002	32,231	96,693.0	14,051	17,992	32,043	1,398.32	1,702.54	141.88	42,151.8	30,632.1	23,343.9	65,495.7	31,197.3
2003	33,332	99,996.0	13,261	17,983	31,244	1,458.23	2,018.13	168.18	39,781.7	36,292.0	17,657.0	57,438.7	42,557.3
2004	34,461	103,383.0	12,512	21,553	34,065	1,516.90	2,367.87	197.32	37,537.4	51,034.7	13,624.3	51,161.7	52,221.3
2005	35,684	107,052.0	11,827	23,303	35,130	1,578.62	2,754.51	229.54	35,480.3	64,188.3	5,720.7	41,200.9	65,851.1
2006	37,146	111,438.0	11,239	0	11,239	1,578.00	3,181.55	265.13	33,717.0	0.0	0.0	33,717.0	77,721.0
2007	38,830	116,490.0	10,724	0	10,724	1,578.00	3,644.82	303.74	32,172.0	0.0	0.0	32,172.0	84,318.0
2008	40,888	122,664.0	10,315	0	10,315	1,578.00	4,147.47	345.62	30,943.8	0.0	0.0	30,943.8	91,720.2
2009	42,797	128,391.0	9,860	0	9,860	1,578.00	4,692.84	391.07	29,580.1	0.0	0.0	29,580.1	98,810.9
2010	44,542	133,626.0	9,374	0	9,374	1,578.00	5,284.56	440.38	28,120.8	0.0	0.0	28,120.8	105,505.2

Notes: Grandfathered Recipients = All persons paid via current program, declines in accordance with mortality tables maintained by AK Dept of Labor using 1990 census results.
 Assume each recipient deposits PFD Jan 1 of each year.
 8.50% Annual Interest Rate earned on Investment
 Current Program - assumes no changes to the law.
 Total GF Cost = GF cost of grandfathered recipients plus GF cost of post 93 recipients.
 Total GF Savings = Difference between total GF cost of current program if not modified and the cost of the program if SB8 becomes law.

SB8 Recipients = All persons entering the program after SB8 becomes law, and assumes the normal proportion of eligible people do actually apply for the smaller bonus.
 PFD Dividend Received = based on Dept. of Revenue projections.
 Annuity - based on model previously developed and maintained by Legislative Research.
 GF cost of Grandfathered Recipients = Number of Grandfathered recipients times \$3,000.
 Non-GF Cost of Post 93 Recipients = Portion of \$3,000 paid by annuities.
 GF Cost of Post 93 Recipients = Balance needed in GF as long as annuities are less than \$3,000

Definition: "Recipients" are defined as the Average Number of Warrants Issued in a month.
 This means one "recipient" would receive \$3,000 per year. It does not equate exactly to the number of people.

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: 2/3/92

Department Affected: Health & Social Services

Title: An Act amending and making effective an annuity program.....

BRU: Medicaid

Sponsor: Kertulla

Component: ALB Hold Harmless and Medicaid

Requestor: _____

Non-facility

COMPONENT SERIAL NO.

0	2	3	0
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0	2	3	1
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

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

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

CS SB 8 would result in net savings to the state. See attached analysis

Prepared By: Chris Robertson Phone: 465-3355

Division: Division of Medical Assistance Date: _____

Approved by Commissioner: [Signature]

Agency: Department of Health & Social Services Date: _____

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FISCAL NOTE ANALYSIS
CS SB 8

FY93

There is no fiscal effect on Medicaid (0230) or the Alaska Longevity Bonus Hold Harmless ("ALB HH") medical component (0231) for FY93 as the ALB reduction would not begin until FY94.

FY94 and following

A change made to the ALB HH medical assistance program in FY 92 significantly reduced the number of ALB HH recipients by allowing nearly all Medicaid recipients receiving ALB payments to retain their Medicaid eligibility. (Anticipated FY93 expenditures were reduced from \$1,800,000 to \$44,000.)

CS SB 8 would decrease the ALB payment by \$8 in FY94; the decreased amount would grow each year FY98, when the bonus will be decreased by a total of \$53. Even by FY98, when the \$53 decrease is reached, the number of recipients affected will be minuscule and total funding effect negligible, even if all the recipients remaining the ALB HH program were to elect the annuity option, which is unlikely.

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. CSSB 8
(State Affairs)

Revision Date: _____ Department Affected: Health & Social Services
 Title: "An Act relating to the Alaska Longevity Bonus Program" BRU: Assistance Payment BRU
 Component: Adult Public Assistance OAA
 Sponsor: Kerttula
 Requestor: _____ COMPONENT SERIAL NO.

03	06	01	06
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	12.4	127.2	264.6	481.9	774.3
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	12.4	127.2	264.6	481.9	774.3

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	12.4	127.2	264.6	481.9	774.3
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	12.4	127.2	264.6	481.9	774.3

POSITIONS:

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

Estimate of current year impact: No fiscal impact FY92.

ANALYSIS: (Attach a separate page if necessary.) CSSB 8 continues the ALB Hold Harmless program, but includes no hold harmless provision for annuity payments. As ALB payments decrease then the amount of ALB Hold Harmless for SSI replacement also decreases. The increase in OAA costs is a dollar for dollar shift from ALB Hold Harmless. The larger savings shown on the OAA ALB HH fiscal note are higher than the increased costs on the OAA fiscal note because of SSI replacement.

Prepared By: Jan L. Hansen, Director Phone: 465-3347
 Division: Division of Public Assistance Date: 5/13/91
 Approved by Commissioner: Theodore A. Mala, MD, MPH Date: 5/13/91
 Agency: Department of Health & Social Services

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. CSSB 8

(State Affairs)

Revision Date: _____ Department Affected: Health & Social Services

Title: "An Act relating to the Alaska Longevity Bonus Program" BRU: Assistance Payments BRU

Sponsor: Kerttula Component: OAA ALB Hold Harmless

Requestor: _____ COMPONENT SERIAL NO.

03	06	01	08
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	Ø	Ø	Ø	Ø	Ø	Ø
TRAVEL	Ø	Ø	Ø	Ø	Ø	Ø
CONTRACTUAL	Ø	Ø	Ø	Ø	Ø	Ø
SUPPLIES	Ø	Ø	Ø	Ø	Ø	Ø
EQUIPMENT	Ø	Ø	Ø	Ø	Ø	Ø
LAND & STRUCTURES	Ø	Ø	Ø	Ø	Ø	Ø
GRANTS, CLAIMS	Ø	(19.1)	(195.8)	(406.8)	(741.5)	(1190.8)
MISCELLANEOUS	Ø	Ø	Ø	Ø	Ø	Ø
TOTAL OPERATING	Ø	(19.1)	(195.8)	(406.8)	(741.5)	(1190.8)

CAPITAL	Ø	Ø	Ø	Ø	Ø	Ø
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REVENUE	Ø	Ø	Ø	Ø	Ø	Ø
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FUNDING: (Thousands of Dollars)

GENERAL FUND	Ø	(19.1)	(195.8)	(406.8)	(741.5)	(1190.8)
FEDERAL FUNDS	Ø	Ø	Ø	Ø	Ø	Ø
OTHER	Ø	Ø	Ø	Ø	Ø	Ø
TOTAL	Ø	(19.1)	(195.8)	(406.8)	(741.5)	(1190.8)

POSITIONS:

FULL-TIME	Ø	Ø	Ø	Ø	Ø	Ø
PART-TIME	Ø	Ø	Ø	Ø	Ø	Ø
TEMPORARY	Ø	Ø	Ø	Ø	Ø	Ø

Estimate of current year impact: No Fiscal Impact in FY92.

ANALYSIS: (Attach a separate page if necessary.) CSSB8 continues the ALB Hold Harmless program, but includes no hold harmless provision for annuity payments. As ALB payments decrease, the amount of ALB Hold Harmless for OAA and SSI replacement also decreases. The drop in ALB Hold Harmless for SSI replacement is a net savings to the State. The savings for OAA replacement are offset by the cost increase shown on the OAA fiscal note.

Prepared By: Jan L. Hansen, Director Phone: 465-3347

Division: Division of Public Assistance Date: 5/13/91

Approved by Commissioner: Theodore A. Mala, MD, MPH

Agency: Department of Health & Social Services Date: 5/13/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Division of Public Assistance
 Assistance Payments BRU

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

1. CSSB No. 8 continues the Hold Harmless program, but includes no Hold Harmless provision for annuity payments.
2. We assume the first annuity payments will be made in fiscal year 1993, but that few Old Age Assistance applicants or recipients will elect to participate.
3. Only those who become 65 after January 1, 1993 will receive a declining ALB.
4. Longevity bonus and annuity amounts are based on Legislative Research Report 91.151.
5. There is no effect in FY 92 on Old Age Assistance clients impacted by this bill because annuity payments will not begin until FY 93.
6. Costs assume average age of new applicants for Old Age Assistance will be 65.
7. Approximately 35 percent of all OAA recipients also receive SSI.
8. We assume that the bonus payments will decrease March 1, 1993, and that OAA clients whose bonus payments will be impacted will be as follows:

	<u>Bonus</u>	<u>Annuity</u>	<u>OAA Clients Impacted</u>
FY92	\$250	0	160
FY93	\$241	\$ 9	530
FY94	\$231	\$19	859
FY95	\$220	\$30	1130
FY96	\$207	\$43	1437
FY97	\$193	\$57	1741

CSSB No. 8 provides for a redesign of the Longevity Bonus program to include an annuity and assumes continuation of a full Hold Harmless for the bonus. The impact of this proposed change is two-fold: 1) As the ALB payments decrease then the amount of ALB Hold harmless for SSI replacements also decreases. The drop in ALBHH for federal Supplemental Security Income (SSI) replacement is a net savings to the State. 2) As the bonus payment decreases, the amount of ALB Hold Harmless for OAA replacement decreases and shifts back to Old Age Assistance. The amount of this decrease is a dollar for dollar shift back to Old Age Assistance in the Adult Public Assistance (APA) component.

CSSB No. 8
 Fiscal Note Addendum
 PAGE 2

	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>
Estimated number of impacted aged recipients receiving ALB Hold Harmless that replaces SSI income (35% of OAA clients impacted)	56	185	301	395	503	609
Estimated number of impacted aged recipients receiving ALB Hold Harmless that does not replace SSI income (65% of OAA clients impacted)	104	345	558	735	934	1132
Total number of new OAA recipients receiving ALB Hold Harmless (100% of OAA clients impacted)	160	530	859	1130	1437	1741
Reduction in monthly bonus \$	0	(9)	(19)	(30)	(43)	(57)
Fiscal year State Savings for ALB Hold Harmless Program (100% of OAA clients impacted x bonus reduction x 12 months)	0	(19.1)	(195.8)	(406.8)	(741.5)	(1190.8)
Fiscal year State Cost for non-SSI OAA recipients (non-SSI clients x bonus reduction x 12 months)	0	12.4	127.2	264.6	481.9	774.3
=====						
Net fiscal year Savings to State because of SSI replacement(ALB Hold Harmless Savings less OAA costs)	0	(6.7)	(68.6)	(142.2)	(259.6)	(416.5)

FISCAL NOTE

No. 2

Version: SB8

(S) Publish Date: 4/19/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____
Title: An Act amending and making effective an Annuity Program.

Department Affected: Administration
BRU: Retirement and Benefits

Sponsor: Kertulla
Requestor: _____

Component: Retirement and Benefits

COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	403.3	415.4	427.9	440.7	453.9	467.5
TRAVEL	50.0	25.0	25.0	25.0	25.0	25.0
CONTRACTUAL	1,174.6	1,119.6	1,119.6	1,119.6	1,119.6	1,119.6
SUPPLIES	52.5	60.5	70.5	80.5	90.5	100.5
EQUIPMENT	144.1	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	1,824.5	1,620.5	1,643.0	1,665.8	1,689.0	1,712.6
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of dollars)

GENERAL FUND	1,824.5	1,620.5	1,643.0	1,665.8	1,689.0	1,712.6
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	1,824.5	1,620.5	1,643.0	1,665.8	1,689.0	1,712.6

POSITIONS

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

Estimate of current year impact: \$1,824.5 general fund

Changes in CSSB 8 (STA) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.

ANALYSIS: (attach a separate page if necessary.)

See attached for a detailed analysis

4/18/91 /date/ M. K. O. J. Comte Aide (initial)

Prepared By: Garv Bader *Garv M. Bader*
Division: Retirement and Benefits

Phone: 465-4461
Date: 4/3/91

Approved by Commissioner: Millett Keller *Millett Keller*
Agency: Department of Administration

Date: 4/3/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).

FISCAL NOTE - DO A (BENEFITS)

Senate Bill 8
Fiscal note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration
March 29, 1991

Analysis: The cost of the annuity program is anticipated to be borne entirely by general fund (GF) appropriations. This fiscal note assumes that approximately 5% of the permanent fund dividend recipients (25,000) will participate in the annuity program.

Eight full-time positions will be needed to administer this program on a continuing basis. Even though we are proposing to contract with a private record keeper, eliminating the need for a large staff, this bill requires extensive manual effort to interface with the contractor. Personnel will handle counseling, address and beneficiary changes, account maintenance, and cash contributions.

Travel in FY 92 is needed to explain the program and answer questions at several locations throughout the state. In subsequent years, there will continue to be the need for rural education and counseling.

There are annual contractual needs for the operation of the annuity program as well as contract with the annuity record keeper. These ongoing contractual needs are explained below. The system will be highly automated to reduce the need for a larger staff. An analyst/programmer V will coordinate D.P. activities.

On-going office supply needs will include microfilming supplies, computer paper stock, annual statements of account and 1099's. In FY 92, there will also be a one time need for office equipment and the purchase of a microfilmer and reader for file maintenance.

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

PERSONAL SERVICES

FY 92

FY 93

1 Retirement System Manager	\$ 78.7	
1 Retirement Specialist I/II	50.5	
1 Retirement Technician I/II	40.9	
1 Accountant II	50.5	
1 Accounting Technician I	40.9	
1 Clerk-Typist III	34.0	
1 Accounting Clerk III	36.8	
1 Analyst/Programmer V	<u>70.0</u>	
Total Personal Services Cost.....		\$403.3
FY 93 Personal Services w/3% increase		\$415.4

TRAVEL

FY 92 - 20 trips to various locations throughout the state for public meetings to explain the program.

FY 93 and after - trips to various locations throughout the state for annual enrollment counselling.

Total Travel cost.....	50.0	25.0
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CONTRACTUAL

	<u>FY 92</u>	<u>FY 93</u>
CPU costs	20.0	
Computer tapes	10.0	
Disk space costs	<u>20.0</u>	
Total DP resource	\$50.0	\$50.0
Record Keeping Contractor		
25,000 accts. @ \$35.00	875.0	875.0
Information Blitz,		
TV, and Radio	85.0	35.0
RSA to PFD division	15.0	15.0
Postage: Information and		
warrants	50.0	50.0
Audits	15.0	15.0
Actuarial Consulting	15.0	10.0
Centrex charges (8 lines), long		
distance WATS line	30.8	30.8
Floor space (1,000 square feet at		
2.25/mo)	<u>38.8</u>	<u>38.8</u>

Total Contractual cost..	1,174.6	1,119.6
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		<u>FY 92</u>	<u>FY 93</u>
SUPPLIES			
	<u>FY 92</u>	<u>FY 93</u>	
Office supplies, calculators	\$ 4.0	\$ 2.0	
Microfilming supplies	3.5	3.5	
Paper stock	40.0	50.0	
Statement of Account	<u>5.0</u>	<u>5.0</u>	
Total Supplies cost.....		52.5	60.5
EQUIPMENT			
8 Work stations	36.8		
8 Chairs	2.4		
8 PCs and other office equipment	40.0		
Other office equipment (Dictaphone, calculators, etc.)	10.0		
1 Printer	4.5		
1 Microfilmer and reader	45.0		
2 File cabinets	.6		
8 Phones (600/instrument)	4.8		
Total Equipment cost.....		<u>144.1</u>	<u>-0-</u>
TOTAL Operations Cost		<u>\$1824.5</u>	<u>\$1,620.5</u>

The continuing personal services costs is estimated to increase at 3% per year. The costs of administration of this system is anticipated as general funds realized from the offsetting savings realized from declining Longevity Bonus payments. Funding is anticipated from general fund appropriations.

FISCAL NOTE

No. 1

Version: SB 8

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. (S) Publish Date: 4/17/91

Revision Date: _____
Title: Annuity Program Amendments
Sponsor: Kerttula
Requestor: _____

Agency Affected: Revenue
BRU: Permanent Fund Dividend Division
Components: Permanent Fund Dividend
Division
COMPONENT SERIAL NO. 9 8 1

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
OPERATING						
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	15.0	15.0	15.0	15.0	15.0	15.0
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	15.0	15.0	15.0	15.0	15.0	15.0
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (RSA)	15.0	15.0	15.0	15.0	15.0	15.0
TOTAL	15.0	15.0	15.0	15.0	15.0	15.0

POSITIONS:

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

Estimate of current year impact: None.

ANALYSIS: Contractual expenses includes \$10.0 for printing an extra page in the PFD Booklet and \$5.0 for data chargeback costs. Source of funds would be an RSA from the Department of Administration.

Prepared By: Thomas C. Williams Phone: 465-2323
Division: Permanent Fund Dividend Division Date: March 27, 1991

Approved by Commissioner: Lee E. Fisher Date: _____
Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Changes in CSSB 8 (STA)
reflect NO FISCAL CHANGE from the original
fiscal note. This fiscal note is appropriate.

4/18/91 date WKE Comte Aide (initial)

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