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FISCAL NOTE

CSSB34

BILL NO. CSSB34

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_

Department Affected: Administration

Title: Longevity Bonus allowable absences

BRU: Longevity Bonus

Component: Grants

Sponsor: Senator Pourchot

Requestor: Senator Rodey

COMPONENT SERIAL NO. 

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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	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

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

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

POSITIONS:

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

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

The initial calculated prediction of costs to the program at 135 days allowable absences was 9 recipients x \$3,000 = \$27,000. The margin of error in the prediction of social behavior of 22,000 recipients is greater than 27,000, therefore, the fiscal note is 0.

Prepared by: Barbara Bathony *Barbara Bathony* Phone: 465-4400  
Division: Pioneers' Benefits Date: 2/5/91

Approved by Commissioner: Millett Keller *Millett Keller* Date: 4/2/91  
Agency: Administration

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

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. SB 34

Revision Date: \_\_\_\_\_ Department Affected: Administration  
 Title: Longevity Bonus: Allowable BRU: Longevity Bonus  
Absence Component: Grants  
 Sponsor: Senator Pourchot  
 Requestor: Senator Pourchot COMPONENT SERIAL NO. 

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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	165.0	330.0	330.0	330.0	330.0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	165.0	330.0	330.0	330.0	330.0	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	165.0	330.0	330.0	330.0	330.0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	165.0	330.0	330.0	330.0	330.0	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.)

(SEE ATTACHED)

Prepared By: Barbara Bathony *B. Bathony* Phone: 465-4400  
 Division: Pioneers' Benefits Date: 2/4/91  
 Approved by Commissioner: *Milton Miller*  
 Agency: Department of Administration Date: 2/4/91

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

FISCAL NOTE SB 34

02/04/91

The cost of Longevity Bonus is effected four ways. Summary:

- A) Increased use of allowed absences will decrease bonuses.
- B) As length of allowable absences increase, a number of now disqualified people will be added to the program.
- C) As length of allowable absences increases, people who are not on the program at all will be added.
- D) The bill disqualifies recipients for cumulative absences; this could be some savings.

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A) as the length of allowable absences increase, people who leave longer will not receive bonuses while they are gone, thus reducing program costs

gap analysis--most recent 8 months

Warrants Missed	Recipients	Percent
0	17,742	97.5% don't travel--won't be affected
1	304	1.7% could travel more--won't be affected
2	115	0.6% might travel more if allowed
3	22	0.1% recipients missings more than 2 warrants
4	15	0.1% exceed limit but weren't disqualified,
5	4	0.0% so were on excused absence--won't
6	2	0.0% be affected
7	0	0.0%
8	0	0.0%

18,204

**CONSIDERATIONS:**

The above calculations represent a single period analysis. Alaskans do not necessarily want to leave every year. The calculations are based on social behavior, which is very unpredictable. We do not know how many of the 0.6% would leave for longer absences if allowed, and we do not know for how long they would leave. The reporting accuracy is also questioned. The penalty for exceeding 90 days is so severe that it may encourage fraud. If four times as many people (relative to the above estimate) were affected and the breakdown is as follows (NOTE: arbitrary) then the savings from people forfeiting bonuses is as shown below.

460				
Days Allowed	Percent Affected	Number Affected	Lost Bonuses	Cost Reduction
90	100%	460	0	0
120	70%	322	1	80,500
135	60%	276	1.5	103,500
150	50%	230	2	115,000
165	30%	138	2.5	86,250
180	10%	46	3	34,500

B) As the length of allowable absences increases, the number of people disqualified for exceeding the limit will decrease, thus increasing program cost

disqualifications in FY 90 and 91  
(both partial years--equivalent to about one year)

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Days Absent	Disqualified		Category Cost	Cost
	Number	Percent		
120	18	28%	54,000	54,000
135	4	6%	12,000	66,000
150	6	9%	18,000	84,000
165	4	6%	12,000	96,000
180	4	6%	12,000	108,000
+	28	44%	84,000	192,000

64

C) As the length of allowable absences increases, the number of people who qualify for the program will increase. These people are gone too much to receive checks now, but they will receive some payments if longer absences are allowed.

Department of Labor population over 65 is:

1988	20,397
1989	21,885
1990	23,000 (estimate)

The division mailed approximately 22,000 1099 IRS forms for 1990 recipients. This leaves about another 1,000 potential recipients who are not presently on the program at all.

of these: 650 in nursing homes or incarcerated  
100 philosophically opposed or will not apply

The remainder who might qualify are arbitrarily distributed below.

Days Absent	Distribution		Bonuses Missed	Bonuses Received	Category Cost	Cost
	Percent	Number				
		250				
120	5%	13	4	8	25,000	25,000
135	10%	25	4.5	7.5	46,875	71,875
150	40%	100	5	7	175,000	246,875
165	20%	50	5.5	6.5	81,250	328,125
180	15%	38	6	6	56,250	384,375
+	10%	25	12	0	0	384,375

100%

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D) Section 2 of the bill disqualifies people for cumulative absences as well as for a continuous period. Assuming the disqualification would be adjusted if the absolute limit is changed, there would be some savings as recipients are disqualified for cumulative absences.

Assume that the savings offset 10% of the effect of the failure to disqualify recipients under (B) above.

**Summary of cost computations**

Days Absent	Bonus Forfeiture	Fail to Disqualify	New Recipients	Additional Disquals	Total Cost
120	(80,500)	54,000	25,000	(5,400)	(6,900)
135	(103,500)	66,000	71,875	(6,600)	27,775
150	(115,000)	84,000	246,875	(8,400)	207,475
165	(86,250)	96,000	328,125	(9,600)	328,275
180	(34,500)	108,000	384,375	(10,800)	447,075
+	0	192,000	384,375	(19,200)	557,175

The fiscal note reports costs for only the 165 day version.  
 Analysis of alternative limits was performed at the request of the sponsor.

**ADDITIONAL COMMENTS:**

The division revised the payment and absence reporting schedule effective December 1990. The division would like to see the absence reporting schedule included in the statute. A proposal for statute change is attached.

Draft Statute Change SB34

AS 47.45.030 ABSENCE FROM THE STATE. (a) A recipient shall notify the commissioner of absences as required by regulation. A recipient who is absent from the state for a continuous period that exceeds 30 days is disqualified from receiving one or more bonuses as follows:

(A) Duration of Absence	(B) Number of Bonuses
31 to 45 days	1
46 to 75 days	2
76 to 105 days	3
106 to 135 days	4
136 to 150 days	5

(b) A recipient who is absent from the state for a continuous period that exceeds \_\_\_\_\_ days is disqualified from receiving bonuses until returning to the state and for 12 months after returning to the state. At the conclusion of the 12-month period of disqualification, the recipient may apply for bonuses under AS 47.45.010.

(c) A recipient who is disqualified from receiving more than 5 bonuses within a 12-month period due to application of (a) of this section shall be disqualified from receiving bonuses for 12 months. At the conclusion of the 12-month period of disqualification, the recipient may apply for bonuses under AS 47.45.010.

(d) Absences separated by fewer than 10 days of physical presence in the state will be added together and considered a continuous absence.

(e) When the commissioner determines a period of absence is beyond the control of a recipient, the recipient is disqualified from receiving bonuses according to (a) of this section and from receiving bonuses until returning to the state. The portion of an absence determined to be beyond the control of the recipient shall be excluded from the application of (b) and (c) of this section.

BILL SB 34 DATE RECEIVED 1-21-91

TITLE ABSENCES - LONGEVITY BONUSES

CONTACT JEANNE OFFICE/DEPT POUROHOT PHONE 3712

SPONSOR POUROHOT

COMMITTEE ACTION

<u>DATE</u>	<u>ACTION TAKEN</u>
<u>1-29-</u>	<u>DISCUSSED, CONTINUED</u>
<u>1-31</u>	<u>DISCUSSED, CONTINUED, CS</u>
<u>2-4</u>	<u>DISCUSSED, PASSED OUT</u>

# ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE,  
CO-CHAIR



Senator Pat Pourchot

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

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

## MEMORANDUM

DATE: January 22, 1991

TO: Senator Pat Rodey, Chair  
Senate State Affairs Committee

FROM: Senator Pat Pourchot *Pat*

RE: Scheduling of SB 34, "An Act relating to absence from the state for purposes of qualifying for longevity bonuses."

Attached is a copy of SB 34, which increases the length of time from 90 to 165 days that a longevity bonus recipient may be continuously absent from the state without being disqualified from the program for one year. The restriction on paying people bonuses while they are out of state would still apply.

This proposal may result in an overall cost savings in the bonus program based on the additional number of bonus payments forfeited due to increased time out of state.

I would be most appreciative if you would schedule SB 34 for a hearing before the Senate State Affairs Committee at your earliest convenience.

# ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE,  
CO-CHAIR



Senator Pat Pourchot

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## MEMORANDUM

TO: Senate State Affairs Committee  
Senator Pat Rodey, Chair  
Senator Jim Duncan, Vice-Chair  
Senator Pat Pourchot  
Senator Rick Uehling  
Senator Paul Fischer

DATE: January 28, 1991

FM: Senator Pat Pourchot

RE: SB 34, "An Act relating to absence from the state for purposes of qualifying for longevity bonuses."

From public hearings held by the Division of Pioneer Benefits this past Fall on proposed changes to longevity bonus regulations, it was evident that seniors felt unduly restricted in their travel by the current 90-day statutory limitation on continuous absences. This restriction appears severe in light of the fact that many seniors must save for several years before being able to afford a trip outside.

Enclosed is a copy of SB 34 which increases the length of time from 90 to 165 days that a longevity bonus recipient may be continuously absent from the state without having to undergo the one-year requalification procedure.

For seniors who like to take several shorter trips during the year, the bill includes a provision that allows a person to miss 5 bonus payments during a previous 12-month period without fear of the one-year disqualification.

This legislation appears to be a win/win situation. Not only would seniors be afforded greater travel opportunities, but the overall cost of the longevity bonus program may be reduced since seniors may choose to be gone up to 75 additional days (and not receive a bonus) without risking disqualification.

Senator Pourchot  
January 28, 1991

#### SUMMARY

SB 34 amends the Longevity Bonus statutes governing length of absence from the state by increasing from 90 to 165 days the length of time a bonus recipient can be gone before having to go through the one year requalification process.

For seniors who like to take several shorter trips during the year, the bill includes a provision that allows a person to miss 5 bonus payments during a previous 12-month period without fear of the one-year disqualification.

In public hearings held by the Division of Pioneer Benefits this past fall, seniors repeatedly stated that they felt unduly restricted in their travel by the current statutory 90-day limitation on absences. This restriction appears severe in light of the fact that many seniors must save for several years before being able to afford a trip Outside.

By allowing seniors to be gone an additional 75 days (during which time they do not receive a bonus), the bill appears to offer a win/win situation. Not only would seniors be afforded greater travel opportunities, but the overall cost of the longevity bonus program may be reduced since seniors may choose to forfeit up to 5 bonuses without fear of being disqualified from the program for one year. In addition, this proposal may reduce the chicanery that is suspected in current reporting of absence procedures.

1991 LEGISLATION  
POSITION PAPER  
DEPARTMENT OF ADMINISTRATION

Division Pioneers' Benefits Bill Number SB34

Bill Title Longevity Bonus: Allowable Absence

**Position Statement:** Explain briefly what bill does, its impacts and Department's position, i.e.  
a) support, b) do not support, c) neutral or d) oppose.

The department supports a reasonable increase in the amount of time a longevity bonus recipient may be out of state without losing the bonus for a year, if the change will not increase the cost of the program.

APPROVED:

Director Barbara Bathony Division Pioneers' Benefits  
print name

Signature Barbara Bathony Date 1-28-91

Commissioner Millett Keller

Signature Millett Keller Date 1/30/91

(For more information, call Barbara Pritchett 465-2200)

Rev. 1/23/91