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WALTER J. HICKEL  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 22, 1993

58

The Honorable Rick Halford  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear President Halford:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that phases out the longevity bonus program over a several-year period.

This bill is necessary because the ever-increasing number of senior citizens in Alaska, coupled with the projected decline in state revenue, makes it clear that the state will not be able to afford the longevity bonus program over the long term. It is becoming increasingly necessary to shift state resources from non-need-based programs to programs for those truly in need. The bill protects current bonus recipients, and those future recipients who turn 65 before January 1, 1994, by providing that they will receive \$250 a month for the remainder of their lives (as long as the eligibility requirements are met). The bill phases out the program by reducing to \$200 the monthly bonus for those turning 65 in 1994, by reducing to \$150 the monthly bonus for those turning 65 in 1995, by reducing to \$100 the monthly bonus for those turning 65 in 1996, and by eliminating the bonus altogether for those turning 65 in 1997 and later.

I am proposing this phased elimination because many Alaskans who will be reaching age 65 in the next four years have counted on the bonus in planning for their retirement, and an abrupt termination of the program would not be fair to them.

I urge your prompt consideration and passage of this bill.

Sincerely,

A handwritten signature in black ink that reads "Walter J. Hickel". The signature is written in a cursive, flowing style.

Walter J. Hickel  
Governor

FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. SB No. 58

Revision Date: \_\_\_\_\_ Dept. Affected: Health and Social Services  
 Title: An Act relating to longevity BRU: Assistance Payments  
bonus payments Component: OAA - ALB Hold Harmless  
 Sponsor: Senate Rules Committee  
 Requestor: Governor COMPONENT SERIAL NO. 03-06-01-08-00 (223)

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	(5.3)	(74.0)	(213.6)	(435.5)	(803.0)	(1,188.5)
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>(5.3)</b>	<b>(74.0)</b>	<b>(213.6)</b>	<b>(435.5)</b>	<b>(803.0)</b>	<b>(1,188.5)</b>
<b>CAPITAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>REVENUE FUND SOURCE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	(5.3)	(74.0)	(213.6)	(435.5)	(803.0)	(1,188.5)
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>(5.3)</b>	<b>(74.0)</b>	<b>(213.6)</b>	<b>(435.5)</b>	<b>(803.0)</b>	<b>(1,188.5)</b>

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 (FY93) impact: NONE

ANALYSIS: (Attach a separate page if necessary)

Beginning January 1, 1994, SB 58 continues the Longevity Bonus program indefinitely, but steps down Longevity Bonus payments in \$50 increments each year over a three year period to individuals who reach age 65 on January 1, 1994 or later, and eliminates Longevity Bonus payments for individuals who reach the age of 65 after December 31, 1996.

As the amount of the Longevity Bonus payments decreases, the amount of OAA - ALB Hold Harmless funds necessary for federal Supplemental Security Income (SSI) replacement also decreases. SB 58 does not affect the Adult Public Assistance program because Longevity Bonus payments are not treated as countable income by the program.

See the attached addendum for an analysis of this proposed change.

Prepared by: Jan L. Hansen, Director  
 Division: Division of Public Assistance  
 Approved by Commissioner: Theodore A. Malz, MD, MPH  
 Agency: Department of Health & Social Services

Phone: 465-2680  
 Date: 2/1/93  
 Date: 2/2/93

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**ANALYSIS (cont.):**

1. SB 58 continues the OAA-ALB Hold Harmless program.
2. Only those who become 65 on or after January 1, 1994 will receive a reduced bonus.
3. For FY94 through FY99, without considering the effect of SB 58, the estimated number of new OAA-ALB recipients for each year will be as follows:

FY94	300
FY95	316
FY96	332
FY97	348
FY98	366
FY99	384

4. Because the bonus decreases take effect in the middle of each fiscal year, the number of OAA clients impacted during a fiscal year is one-half of the estimated new OAA-ALB Hold Harmless recipients for that fiscal year plus the number of new OAA-ALB Hold Harmless recipients for each previously impacted fiscal year.
5. Approximately 35 percent of all OAA recipients receive SSI. The change in the bonus amount affects only the hold harmless benefits paid to replace SSI benefits.
6. The effect of any bonus decrease on OAA-ALB Hold Harmless is delayed by 4 months because of the 2-month retrospective payment methodologies used by both the ALB program and the SSI program. For example, the bonus decreases will affect only 2 months in FY94 because the bonus decrease will not occur for the impacted OAA recipients until March 1, 1994, and SSI benefits will not be affected until May 1, 1994. Therefore, changes in the amount of hold harmless benefits to replace lost SSI benefits also begin May 1, 1994.
7. Estimates assume average age of new applicants for Old Age Assistance will be 65.
8. Longevity Bonus payments will decrease for OAA-ALB Hold Harmless recipients who become eligible for the bonus on or after January 1, 1994. OAA-ALB Hold Harmless program costs impacted will be as follows:

	BONUS DECREASE X	NEW OAA-ALB RECIPIENTS X 35%	CLIENT MONTHS X	SAVINGS
FY94	\$50	150 X 35% = 53	2	5.3
FY95	\$50	300 X 35% = 105	12	63.0
	\$100	158 X 35% = 55	2	11.0
				<u>74.0</u>
FY96	\$50	300 X 35% = 105	12	63.0
	\$100	316 X 35% = 111	12	133.2
	\$150	166 X 35% = 58	2	17.4
				<u>213.6</u>
FY97	\$50	300 X 35% = 105	12	63.0
	\$100	316 X 35% = 111	12	133.2
	\$150	332 X 35% = 116	12	208.8
	\$250	174 X 35% = 61	2	30.5
				<u>435.5</u>

## ANALYSIS (cont.):

FY98	\$50	$300 \times 35\% = 105$	12	63.0
	\$100	$316 \times 35\% = 111$	12	133.2
	\$150	$332 \times 35\% = 116$	12	208.8
	\$250	$348 \times 35\% = 122$	12	366.0
	\$250	$183 \times 35\% = 64$	2	<u>32.0</u>
				803.0
FY99	\$50	$300 \times 35\% = 105$	12	63.0
	\$100	$316 \times 35\% = 111$	12	133.2
	\$150	$332 \times 35\% = 116$	12	208.8
	\$250	$348 \times 35\% = 122$	12	366.0
	\$250	$366 \times 35\% = 128$	12	<u>384.0</u>
	\$250	$192 \times 35\% = 67$	2	1188.5

FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. SB 58

Revision Date: 2/8/93  
Title: An act relating to the Longevity Bonus  
Sponsor: Senate Rules Committee  
Requestor: HES

Department Affected: Administration  
BRU: Pioneers' Benefits  
Component: Longevity Bonus  
Grants  
COMPONENT SERIAL NO. 26

Expenditures/Revenues:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
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	(500.0)*	(4,000.0)*	(7,100.0)*	(11,300.0)*	(17,500.0)*	(23,600.0)*
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	(500.0)	(4,000.0)	(7,100.0)	(11,300.0)	(17,500.0)	(23,600.0)

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:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	(500.0)	(4,000.0)	(7,100.0)	(11,300.0)	(17,500.0)	(23,600.0)
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	(500.0)	(4,000.0)	(7,100.0)	(11,300.0)	(17,500.0)	(23,600.0)

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 (FY93) impact: 0

ANALYSIS: \* Cost savings reflect the difference between current program costs and new program costs. Budget requests will continue to go up through FY96 due to growth in numbers of participants. By FY97 budget requests begin to go down. See attached table for details of the calculations.

Prepared by: Dennis L. DeWitt, Director  
Division: Pioneers' Benefits

Phone: 465-4400  
Date: 2/5/93

Approved by Commissioner: Nancy Bear Usera  
Agency: Administration

Date: 2/8/93

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## Longevity Bonus Fiscal Note

FY	Current Program		Proposed Phase-Out		Difference	
	Number of Participants	Annual Cost	Number of Participants	Annual Cost	Number of Participants	Annual Savings to the State
1994	24,059	69.6	24,059	69.1	0	(0.5)
1995	25,864	74.8	25,864	70.8	0	(4.0)
1996	27,021	78.2	27,021	71.1	0	(7.1)
1997	28,081	81.2	26,581	69.9	(1,500)	(11.3)
1998	29,188	84.4	25,525	66.9	(3,663)	(17.5)
1999	30,266	87.5	24,444	63.9	(5,822)	(23.6)

Cost in Millions of Dollars

**Explanation:** 1. For purposes of consistency, we have used Legislative Research figures for the 'Number of Participants' and 'Annual Cost' for the Current Program and the Proposed Phase-Out.

**Note :** There is an additional fiscal note associated with this proposal for the administration component, for \$11,625 for computer modifications.

FISCAL NOTE

No. 2

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

Bill Version: SB 58

(S) Publish Date: 1/22/93

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

Department Affected: Administration

Title: An act relating to the Longevity Bonus Program

BRU: Pioneers' Benefits

Sponsor: Rules Committee

Component: Longevity Bonus

Requestor: Governor

COMPONENT SERIAL NO. 27

Expenditures/Revenues:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	11.6	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	11.6	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:

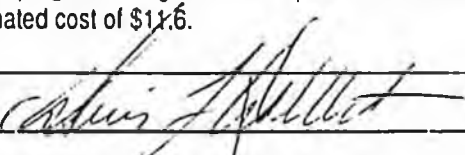
1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	11.6	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	11.6	0	0	0	0	0

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

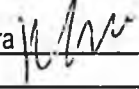
Estimate of current year (FY93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)

The proposed Longevity Bonus program changes would require modifications to both mainframe and microcomputer software and revised interface programs at an estimated cost of \$11.6.

Prepared by: Dennis L. DeWitt   
Division: Pioneers' Benefits

Phone: 465-4400  
Date: 1/15/93

Approved by Commissioner: Nancy Bear Usura   
Agency: Administration

Date: 1/15/93

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Senate Bill 58  
Sectional Analysis

Sec. 1: Provides for phase out of the Longevity Bonus Program.  
Specifically:

- a. All current Longevity Bonus recipients and persons reaching age 65 before January 1, 1994, would receive the current \$250 per month bonus payment.
- b. Persons reaching age 65 during calendar year 1994 would receive \$200 per month.
- c. Persons reaching age 65 during calendar year 1995 would receive \$150 per month.
- d. Persons reaching age 65 during calendar year 1996 would receive \$100 per month.

Under current law, all persons 65 or older are eligible to receive a \$250 per month bonus payment.

Sec. 2: Provides that persons must be 65 before January 1, 1997, to receive a bonus payment. Persons turning 65 after that time would not be eligible.

## GOVERNOR'S PROPOSAL LONGEVITY BONUS PHASE OUT TALKING POINTS

### Phase out program

- ~ Grandfathering all current recipients
- ~ End new enrollment with those who turn 65 before January 1, 1997
- ~ Reduce payment for new eligibles over next three years (94 -- \$200; 95 -- \$150; 96 -- \$100)

### Origin of program

- ~ Established in 1972 to pay \$100/month to those over age 65 who lived in Alaska prior to statehood (January 3, 1959)
- ~ Intended to provide for Alaskans who helped build our state but didn't have retirement income to stay in Alaska

### Program changes

- ~ Vest case (1984) eliminated original residency requirements
- ~ Changes focus of program and made it open ended
- ~ Monthly bonus increased from \$100 to \$250

### Program growth and costs

- |        |                   |                            |
|--------|-------------------|----------------------------|
| ~ 1973 | 4,753 recipients  | \$346,100 annual cost      |
| ~ 1983 | 9,731 recipients  | \$27.5 million annual cost |
| ~ 1986 | 15,763 recipients | \$44 million annual cost   |
| ~ 1993 | 23,000 recipients | \$66 million annual cost   |
| ~ 2000 | 31,000 recipients | \$93 million annual cost   |
- ~ We've spent \$88 million more than we would if the program had been phased out in 1986.
  - ~ Each year phase out is delayed, the total (aggregate through end) cost of the program increases over \$100 million.

### Changes for today's seniors

- ~ Alaska's life style and cost of living are now comparable to other states
- ~ More traditional employment opportunities have employer-based pensions
- ~ Social Security benefits have increased
- ~ Medical assistance programs are now available
- ~ ERISA protection for pensions is now provided

- ~ The Permanent Fund Dividend program was initiated
- ~ Senior citizen tax relief is available
- ~ Free and/or subsidized private and governmental services are available for all senior citizens
- ~ OAC grant programs which fund a variety of community based senior services have been initiated

#### Annuity programs

- ~ After six years of trying, the issue has still not been resolved.
- ~ Government-operated annuity program will require new expenditures and new administrative programs
- ~ The new direct deposit feature for the PFD allows recipients to self-direct dividends to an account of their choice
- ~ Annuity concept requires large pool of participants to ensure financial viability
- ~ The less affluent will be able to invest little or none of their PFD

#### Time to act

- ~ Current year is a window of opportunity to assure grandfathering of existing recipients
- ~ Ability to provide any transition time is becoming more difficult
- ~ Pressure to terminate all non-needs based benefits is growing

**ALASKA LONGEVITY BONUS  
-PHASE OUT  
Questions and Answers**

1. *Whom was the Longevity Bonus intended to serve?*

In 1972 the Legislature established the Longevity Bonus Program to serve seniors who were 25 year residents and lived in Alaska prior to statehood.

2. *What was the purpose of the Longevity Bonus Program?*

"The sole purpose of this chapter is to offer..... an incentive to continue uninterrupted residency in the state." Chapter 205 SLA 1972

3. *What changes have occurred since the creation of the Longevity Bonus Program in 1972 that reduce the need for the program?*

The need for future seniors to rely on the Longevity Bonus has been mitigated by a number of programs/protections that were not available when the Longevity Bonus was created.

- ~ Alaska's life style and cost of living are now comparable to other states
- ~ More traditional employment opportunities have employer-based pensions
- ~ Social Security benefits have increased
- ~ Medical assistance programs are now available
- ~ ERISA protection for pensions is now provided
- ~ The Permanent Fund Dividend program was initiated
- ~ Senior citizen tax relief is available
- ~ Free and/or subsidized private and governmental services are available for all senior citizens
- ~ OAC grant programs which fund a variety of community-based senior services have been initiated

In addition, elimination of the 25 year residency and requirement to be in Alaska before January 3, 1959, (Statehood) has drastically enlarged the group the program was designed to served.

4. *Why phase out the Longevity Bonus program?*

The state budget cannot sustain the projected growth of this program. Current recipients who are dependent on the Longevity Bonus are in jeopardy of eventually losing the benefit if growth is not curtailed. Projections indicate the program will exceed \$100,000,000 in the year 2002.

5. *Why end eligibility with those who are now age 62?*

This provides those with reasonable expectations of receiving the bonus some financial support from the Longevity Bonus. It provides adequate notice to others who have time for planning that the Longevity Bonus will no longer be available.

6. *Isn't a three year phase out short notice?*

Alaskans have been on notice that the Longevity Bonus was not likely to continue since 1986 when the legislature began considering proposals to phase out the program. Therefore, with the proposed three-year phase out, Alaskans will have known for over ten years that it was not likely that the program could be sustained indefinitely.

7. *Will phase out of the Longevity Bonus adversely affect the Alaska economy?*

No. The phase out will be gradual over 41 years so the effect will not be significant. With necessary budget reductions, the funds otherwise spent on the Longevity Bonus will be shifted to other priorities.

8. *In 1986 there was an advisory vote to end the Longevity Bonus and create an annuity program. Why doesn't this proposal contain an annuity plan?*

Economic conditions, investment options, and available technology have changed during the ensuing 7 years. The annuity plan calls for creation of a new government program at a time when it is necessary to downsize government operations. Additionally, Alaskans can now self-direct investment of their PFD to any number of options through direct deposit.

9. *Under other proposals that include an annuity plan, will seniors be guaranteed payment of \$250 per month when they reach age 65?*

Absolutely not. They will receive payments based only upon how much money they actually deposited in the program. The size of monthly payments will depend on the amount of annual investment; number of years in the program; and rate of interest earned. Those who did not invest any portion of their PFD will receive nothing.

10. *What costs has the state incurred by not ending the Longevity Bonus in 1986?*

The state has spent over \$88 million more than it would have if the growth had been held to the \$44 million budget of 1986. Today, the program serves 23,000 recipients and adds an additional \$5 million to the budget annually.

11. *Why will this approach to phasing out the Longevity Bonus program work when others have failed?*

This plan is simple. It is a single issue, not tied to development of new and financially complex programs. It is not dependent on uncertainties of the financial markets. It is sensitive to people's needs. It recognizes the special role of Senior Alaskans. It simply makes sense.

## GOVERNOR'S PROPOSAL LONGEVITY BONUS PHASE OUT

The original Longevity Bonus legislation stated, "The sole purpose of this chapter is to offer and provide ... an incentive to continue uninterrupted residency in the state." (Ch. 205, SLA 1972) We propose to phase out the Longevity Bonus Program because:

- ~ Other incentives are now offered that enhance the living conditions of seniors
  - Alaska's life style and cost of living are now comparable to other states
  - More traditional employment opportunities have employer based pensions
  - Social Security benefits have increased
  - Medical assistance programs are now available
  - ERISA protection for pensions is now available
  - The Permanent Fund Dividend program was initiated
  - Senior citizen tax relief is available
  - Free and/or subsidized private and governmental services are available for all senior citizens
  - OAC grant programs which fund a variety of community based services have been initiated
- ~ 25 year residency requirement was struck down, negating the original intent of the program
- ~ It is serving all those who were at least 45 years old when it was passed
- ~ Bonus amount has increased from \$100 to \$250 and will need further adjustment to keep pace with inflation
- ~ Combination of the increased Bonus and more recipients due to shorter residency has made the program too costly
- ~ Limited state resources should be focused on those less able to help themselves
- ~ Alaskans generally agree it's time to phase out the current program

### Key Provisions of Proposal

Terms	3-year phase out \$200, \$150, \$100 Grandfather all current recipients
Cost	Declines rapidly after 1996 Set formula allows for accurate budgeting
Administration	No new administrative cost Program ends by 2040
Investment Options for Permanent Fund Dividend (PFD)	Self-directed through direct deposit instructions on PFD application
Effect on Alaska's Seniors	Proposal easily understood Current recipients continue bonus at \$250 Provides for a reasonable transition

## LONGEVITY BONUS PHASE OUT PROPOSALS COMPARISON CHART

	GOVERNOR'S PROPOSAL	SENATE BILL 6
TERMS	<ul style="list-style-type: none"> <li>- 3 year phase out</li> <li>- \$200, \$150, \$100</li> <li>- Grandfather all current recipients</li> </ul>	<ul style="list-style-type: none"> <li>- Estimated 15 year phase out</li> <li>- Bonus declines based on variable factors</li> <li>- Grandfather all current recipients</li> </ul>
COST	<ul style="list-style-type: none"> <li>- Declines rapidly after 1996</li> <li>- Set formula allows for accurate budgeting</li> </ul>	<ul style="list-style-type: none"> <li>- Declines gradually</li> <li>- Declines dependent on PFD and investment income</li> <li>- Additional administrative costs</li> <li>- Variable nature makes budgeting difficult</li> </ul>
ADMINISTRATION	<ul style="list-style-type: none"> <li>- No new administrative costs</li> <li>- Program ends by 2040</li> </ul>	<ul style="list-style-type: none"> <li>- New administrative system to determine annual payments within the longevity bonus program</li> <li>- create new government managed and administered annuity investment program</li> <li>- Longevity Bonus administration ends 2040</li> <li>- New annuity administration open ended</li> </ul>
INVESTMENT OPTIONS FOR PERMANENT FUND DIVIDENDS (PFD)	<ul style="list-style-type: none"> <li>- Self-directed through direct deposit instructions on PFD application</li> </ul>	<ul style="list-style-type: none"> <li>- Creates complex state operated annuity program as option for investing PFD</li> <li>- May not have sufficient participation to sustain financial viability</li> </ul>
EFFECT ON ALASKA'S SENIORS	<ul style="list-style-type: none"> <li>- Proposal easily understood</li> <li>- Current recipients continue at level they started</li> <li>- Provides for a reasonable transition</li> <li>- Frees resources for other senior needs</li> </ul>	<ul style="list-style-type: none"> <li>- Complex to understand</li> <li>- Annual bonus dependent on PFD and investment income</li> <li>- Dedicates more general funds to non-needs based senior program</li> </ul>

**GOVERNOR'S PROPOSAL  
LONGEVITY BONUS PROGRAM  
PHASE OUT  
SUMMARY OF INTENT**

The Alaska Longevity Bonus Program was established in 1972 to pay \$100 per month as a "bonus" to those over age 65 who had lived in Alaska for 25 years and were here at the time of statehood. This was a finite, self liquidating group. The purpose of the program was to "offer and provide.... an incentive to continue interrupted residency in the state." (Ch. 205, SLA 1972) Were the original criteria still in place, those eligible to enroll in the program in 1996 would have been 28 years old at the time of statehood.

At the end of 1973 the program had 4,753 recipients and an annual cost of \$346,100. The program grew at a steady rate up through 1983 when there were 9,731 recipients and an annual budget of \$27,586,750. The \$100 monthly bonus was increased in 1976, 1978, 1981, and 1982 to its current level of \$250 per month. Current projections suggest the annual cost of the ALB will exceed \$90 million in the year 2000 and will pass the \$100 million mark in 2002.

In 1984, the Supreme Court found the residency rules unconstitutional in the Vest case. By the end of 1986 the Longevity Bonus Program had 15,763 recipients with an annual budget of \$44,105,500. Compared to 1983, that represented a 62% increase in recipients and a 60% increase in budget. More important, the Vest case changed the group being served from a finite, self liquidating group (65 years old, 25 years in state, here at time of statehood) to a continually growing group (anyone age 65 with one year residency). Beyond the change in the size of the group, the basic purpose of the Longevity Bonus Program changed. It was no longer a program to provide an incentive to long term Alaskans who helped build our state prior to statehood.

During the years since the creation of the Longevity Bonus, there have been several changes that have improved the economic condition of Alaskan seniors. The federal government passed the Employee Retirement Income Security Act (ERISA) in 1976, Individual Retirement Accounts (IRAs) became widely available, Senior Citizen Property Tax Relief was enacted, property values increased, The Permanent Fund Dividend was established, State income taxes were repealed, and Social Security incomes steadily increased. As a group, those reaching age 65 today, have had the advantage of the economic growth of the past 20 years and are more economically stable than any previous group of seniors.

This proposal protects those who planned their retirement around the Longevity Bonus Program. They will be able to depend on it for the rest of the time they remain in Alaska. The three year transition period before new enrollment is ended allows those close to retirement to receive the Longevity Bonus. It gives future retirees time to make other plans for retirement income. This proposal does not provide for creating a government operated annuity plan. For those who wish to invest their Permanent Fund Dividend to provide for future retirement income, today they can do so by directing the Permanent Fund Dividend Division to send the PFD to a private annuity plan or other investment of their choice. This can be accomplished through direct deposit instructions on the PFD application. This preserves the investment concept without creating a new bureaucracy to implement an insurance type program.

This proposal returns the Longevity Bonus Program to its original goal -- assisting a finite group who may not have remained in Alaska in retirement without this assistance.

## Funds Spent on Senior Programs

*FY '93 unless otherwise noted*

Program	State	Federal	Total
<b>Dept. of Administration</b>			
Longevity Bonus	64,811,700		64,811,700
Pioneer Homes	30,432,500		30,432,500
Older Alaskans Commission	6,053,500	6,486,900	12,523,400
<b>TOTAL DEPT.</b>	<b>101,297,700</b>	<b>6,486,900</b>	<b>107,767,600</b>
<b>Dept. of Health &amp; Social Services</b>			
Supplemental Security Income		3,580,580	3,580,580
Longevity Bonus Hold Harmless	2,194,500		2,194,500
Adult Public Assistance (for aged)	14,600,000		14,600,000
Food Stamps for elderly		165,600*	165,600*
Medicaid home health care	227,800	227,000	455,600
Medicaid nursing homes			
Skilled nursing	2,677,100	2,677,100	5,354,200
Intermediate nursing	16,385,400	16,385,400	32,770,800
General Relief Medical (Nursing Homes)	253,900		253,900
Medicaid Permanent Fund (Hold Harmless)	2,621,200		2,621,200
<b>TOTAL DEPT.</b>	<b>38,959,900</b>	<b>23,035,680</b>	<b>61,996,380</b>
<b>Dept. of Community &amp; Regional Affairs</b>			
Homeowners Property Tax Exemption	2,838,800		2,838,800
Renters Equivalency Rebate	820,000		820,000
Job Training Partnership Act		185,125	185,125
<b>TOTAL DEPT.</b>	<b>3,658,800</b>	<b>185,125</b>	<b>3,843,925</b>
<b>Dept. of Commerce and Economic Development</b>			
Alaska Housing Finance Corporation			
Senior Housing Development	141,100		141,100
Senior Housing Revolving Loan Program	Up to \$30 million in bonds available from AHFC		
<b>TOTAL DEPT.</b>	<b>141,100</b>		<b>141,100</b>
<b>TOTAL ALL DEPARTMENTS</b>	<b>144,057,500</b>	<b>29,707,625</b>	<b>173,765,125</b>

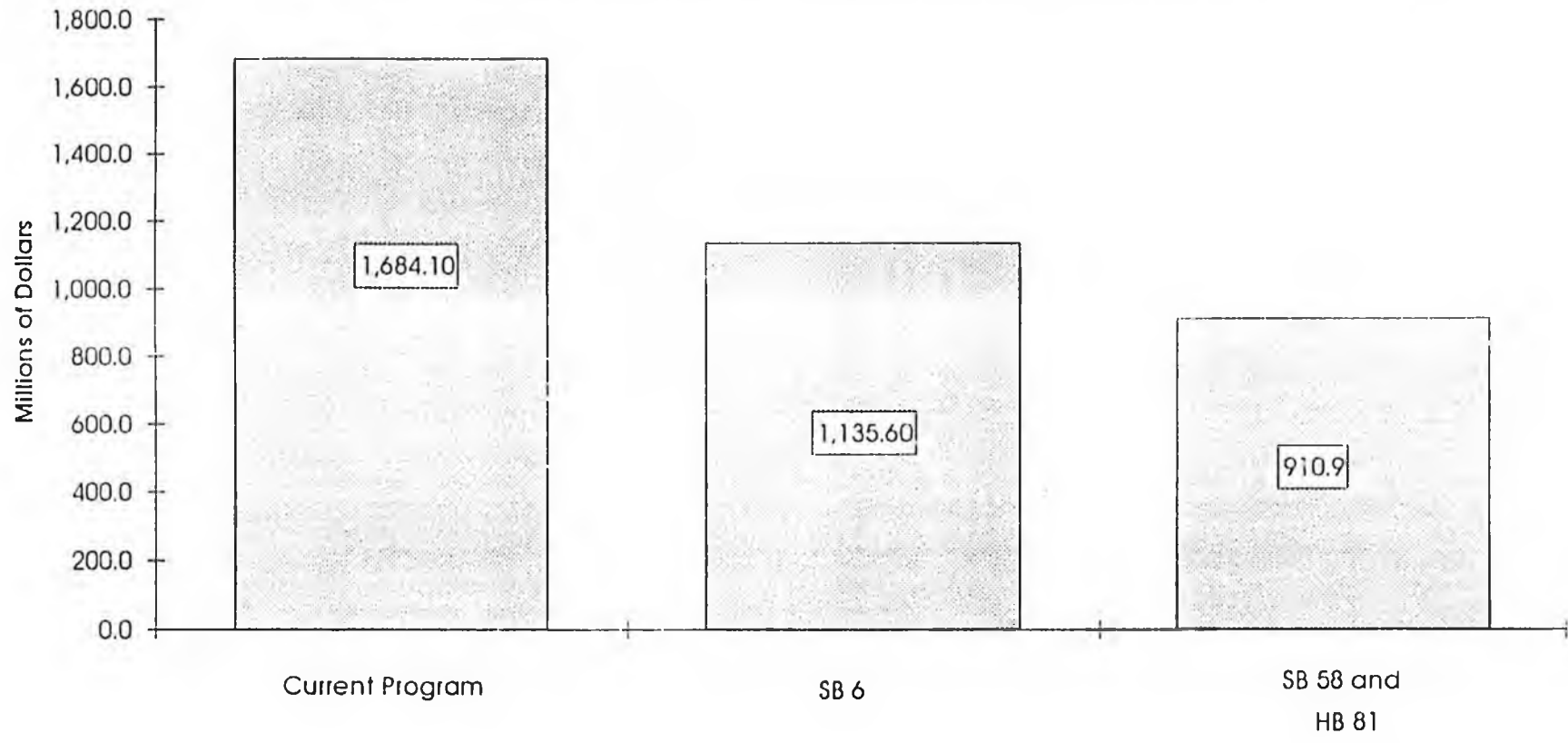
Total number of seniors age 60+ = 35,266. Average benefit per senior = \$4,927.00.

\* Estimated figure based on percentage of seniors served

*Note: All funding levels are for FY 93 authorized, except for Medicaid and Job Training Partnership Act, which are FY 92 actual.*

Additional State Benefits--Revenues Lost	Additional Municipal Benefits--Revenues Lost
Dept. of Transportation, ferry fares: \$540,800	Municipal Tax Exemptions \$8,454,353*
Dept. of Public Safety, vehicle registration: Estimated \$300,000.	*The above information does not include municipal services or discounts for seniors. Municipalities also often offer sales tax exemptions, discounted bus fares and similar programs.
University of Alaska, tuition waiver: \$230,267 estimated	Total number of seniors age 60+ = 35,266. Total revenues lost = \$8,454,353.
Dept. of Fish and Game: waivers of hunting, trapping, and fishing licenses (average cost: \$10.60): \$27,560.	Total average benefit = \$240.
Total additional State benefits = \$1,098,627. Average senior benefit = \$31.15.	

Longevity Bonus Proposals - Cumulative Cost Through Fiscal Year 2010



### Longevity Bonus Program Alternative Funding Proposals

Fiscal Year	Projected Cost			Projected Number of Participants		
	Current Program	Senate Bill 6	Senate Bill 58 and House Bill 81	Current Program	Senate Bill 6	Senate Bill 58 and House Bill 81
1994	69.6	69.6	69.1	24,059	24,059	24,059
1995	74.8	74.7	70.8	25,864	25,864	25,864
1996	78.2	77.5	71.1	27,021	27,021	27,021
1997	81.2	79.5	69.9	28,081	28,081	26,581
1998	84.4	81.1	66.9	29,188	29,188	25,525
1999	87.5	82.0	63.9	30,266	30,266	24,444
2000	90.8	82.3	60.9	31,408	31,408	23,385
2001	93.9	81.4	57.7	32,456	32,456	22,272
2002	97.1	79.7	54.7	33,557	33,557	21,181
2003	100.4	76.9	51.6	34,704	34,704	20,087
2004	103.8	72.9	48.5	35,880	35,880	18,950
2005	107.5	67.7	45.4	37,153	37,153	17,814
2006	111.9	61.0	42.2	38,675	38,675	16,666
2007	116.9	52.7	39.1	40,428	40,428	15,512
2008	123.1	42.3	36.0	42,572	42,572	14,367
2009	128.9	29.3	33.0	44,559	44,559	13,239
2010	134.1	25.0	30.1	46,376	46,376	12,136

Cumulative Costs Through 2010		
1,684.1	1,135.6	910.9

All dollars in millions