

LEG. FINANCE - BILLS 1985 - 1986 2165

SB 56 cont. 2165

3/15/85
 New Version of
 Fiscal Note
 need other
 hearing at 3/14/85

STATE OF ALASKA 1985 LEGISLATIVE SESSION
 FISCAL NOTE

Revision Date: March 18, 1985

Page 1 of ?

FISCAL DETAIL

B 56 (Judiciary) Agency Affected: Administration
 itv Program Program Category Affected: Social and
 Economic Assistance for the Aged
 BRU, Program or Subprogram(s) Affected:
 Longevity Bonus Program and Pioneers' Homes

(Thousands of Dollars)

OPERATING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(1,702.4)	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)

CAPITAL	0	0	0	0	0	0
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REVENUE	0	(399.0)	(399.0)	(399.0)	(399.0)	(399.0)
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	(1,303.4)	(1,313.4)	(1,313.4)	(1,313.4)	(1,313.4)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	(1,303.4)	(1,313.4)	(1,313.4)	(1,313.4)	(1,313.4)

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Joyce Manson Phone: 465-4400
 Division: Pioneers' Benefits Date: March 18, 1985

Approved by Commissioner: Lisa Rudd Date: 3/19/85
 Agency: Department of Administration

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

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: March 18, 1985

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REQUEST

Bill/Resolution No.: CSSB 56 (Judiciary)
Title: Longevity Bonus/Annuity Program

Sponsor: Ray

Requestor: _____

Date of Request: _____

FISCAL DETAIL

Agency Affected: Administration

Program Category Affected: Social and
Economic Assistance for the Aged

BRU, Program or Subprogram(s) Affected:

Longevity Bonus Program and Pioneers' Homes

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(1,702.4)	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)
CAPITAL	0	0	0	0	0	0
REVENUE	0	(399.0)	(399.0)	(399.0)	(399.0)	(399.0)

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	(1,303.4)	(1,313.4)	(1,313.4)	(1,313.4)	(1,313.4)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	(1,303.4)	(1,313.4)	(1,313.4)	(1,313.4)	(1,313.4)

POSITIONS:

	0	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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Joyce Manson, Director

Division: Pioneers' Benefits

Phone: 465-4400

Date: March 18, 1985

Approved by Commissioner: Lisa Rudd

Agency: Department of Administration

Date: 3/19/85

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

CSSB 56 (Judiciary)
Fiscal Note Analysis
Prepared by Division of Pioneers' Benefits
Department of Administration
March 18, 1985

ASSUMPTIONS

This version of the bill makes persons who reside in nursing homes and government operated mental health facilities ineligible for the Longevity Bonus.

This fiscal note addresses administrative costs for the Longevity Bonus Program, as well as the impact on the Pioneers' Homes.

Two payment systems will be run in the Longevity Bonus Program. The first would pay a monthly target amount for those eligibles age 65 before January 1, 1986. The second would pay monthly payments, varying each year, for those age 65 after January 1, 1986. The second system would be impacted by information from the Annuity program. Since information from the Annuity program is not available, the impact cannot be calculated for this fiscal note.

FY 86 Longevity Bonus Administrative Costs (Start-up)

Contractual Services	\$10,000
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Computer System Modification by Contractor

The Longevity Bonus program would need additional resources for modifications to data processing files.

Printing Costs already in 86 Budget

FY 87 Longevity Bonus Administrative Costs (Operations)

No Additional Costs

ASSUMPTIONS

1. Those persons who would be affected in mental health facilities, Pioneers' Homes and nursing homes was approximately 608 as of February 1985. For the purpose of this fiscal note, it is assumed this number will remain unchanged. (608 x 12 x \$250 = \$1,824,000 saving)
2. There are approximately 133 nursing care residents of the Pioneers' Homes who use the Longevity Bonus to pay their monthly charges for care. Loss of the Longevity Bonus to these people would result in loss of revenue as program receipts for the Pioneers' Homes. (133 x 12 x \$250 = \$399,000 est. loss of program receipts)
3. Of the approximately 133 residents in Pioneers' Homes who would be affected, approximately 93 would have incomes reduced to the point they would become eligible for the monthly stipend payable under AS 47.25.020 (b) and (c). (93 x 12 x \$100 = \$111,600)

No consideration has been given to persons who may occupy the Juneau Pioneers' Home beginning in FY 88 because information is not available at this time about their income or needs.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

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REQUEST

Bill/Resolution No.: CSSB 56 (Judiciary)

Title: Longevity Bonus/Annuity Program

Sponsor: Ray

Requestor: _____

Date of Request: _____

FISCAL DETAIL

Agency Affected: Administration

Program Category Affected: Social and Economic Assistance for the Aged

BRU, Program or Subprogram(s) Affected: _____

Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL						
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	10.0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	10.0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	10.0	0	0	0	0

POSITIONS:

	0	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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Joyce Munson, Director

Division: Pioneers' Benefits

Phone: 465-4400

Date: March 12, 1985

Approved by Commissioner: Lisa Rudd

Date: 3-13-85

Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

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

CSSB 56 (Jud)

CSSB 56 (Judiciary)
Fiscal Note Analysis
Prepared by Division of Pioneers' Benefits
Department of Administration
March 12, 1985

ASSUMPTIONS

The Judiciary Committee version of SB 56 would have no effect on the Longevity Bonus Program in relation to CSSB 56 (SA).

This fiscal note addresses administrative costs only for the Longevity Bonus Program.

Two payment systems will be run in the Division of Pioneers' Benefits. The first would pay a monthly target amount for those eligibles age 65 before January 1, 1986. The second would pay monthly payments, varying each year, for those age 65 after January 1, 1986. The second system would be impacted by information from the Annuity program.

The Longevity Bonus program would need additional resources for modifications to data processing files.

FY 86 Administrative Costs (Start-up)

Contractual Services	\$10,000
Computer System Modification by Contractor	

Printing Costs already in 86 Budget

FY 87 Administrative Costs (Operations)

No Additional Cost

A/B

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: S.B. 56
 Title: Longevity Bonus/Annuity
Program
 Sponsor: Ray
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Administration
 Program Category Affected: Social and
Economic Assistance for the Aged
 BRU, Program or Subprogram(s) Affected:
Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL						
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	10.0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	10.0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	10.0	0	0	0	0

POSITIONS:	0	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

ANALYSIS: (Attach a separate page if necessary)

Prepared By:  Director
 Division: Pioneers' Benefits

Phone: 465-4400

Date: January 22, 1985

Approved by Commissioner: Lisa Rudd
 Agency: Department of Administration

Date: 1/23/85

Distribution (by Agency preparing fiscal note):

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

S.B. 56
Fiscal Note Analysis
Prepared by Division of Pioneers' Benefits
Department of Administration
January 22, 1985

ASSUMPTIONS

This fiscal note addresses administrative costs only for the Longevity Bonus Program.

Two payment systems will be run in the Division of Pioneers' Benefits. The first would pay a monthly target amount for those eligibles age 65 before January 1, 1986. The second would pay monthly payments, varying each year, for those age 65 after January 1, 1986. The second system would be impacted by information from the Annuity program.

The Longevity Bonus program would need additional resources for modifications to data processing files.

FY 86 Administrative Costs (Start-up)

Contractual Services	\$10,000
Computer System Modification by Contractor	
Printing Costs already in 86 Budget	

FY 87 Administrative Costs (Operations)

No Additional Cost

A/G

IV
STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 56
 Title: An act amending the Longevity Bonus and PFD programs
 Sponsor: Ray, Halford, et al
 Requestor: Senate State Affairs
 Date of Request: 1/17/85

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: General Govt.
 BRU, Program of Subprogram(s) Affected: PFD BRU - Administrative Services, Enforcement, Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	229.2	-	-	-	-
200 TRAVEL	-	2.5	-	-	-	-
300 CONTRACTUAL	-	1073.5	-	-	-	-
400 SUPPLIES	-	1.0	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	1306.2	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	1306.2	-	-	-	-
<u>TOTAL</u>	-	1306.2	-	-	-	-

POSITIONS:

FULL-TIME	-	4	-	-	-	-
PART-TIME	-	3	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

(See attached)

Prepared By: Ervin B. Jones, Director
 Division: Administrative Services

Phone: 465-2313
 Date: 1/21/85

Approved by Commissioner: [Signature]
 Agency: _____

Date: 1/23/85

Distribution (by Agency preparing fiscal note):

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

SB 56
Fiscal Note Analysis
Department of Revenue
PFD BRU - Administrative Services Component
January 21, 1985

As can be seen from the attached analysis of the bill, section by section, the primary impact on the Administrative Services component of the Permanent Fund Dividend BRU is going to be in Data Processing. This impact can be summarized in three areas:

- 1) The need to completely re-program the 1985 PFD system, with its approximately one hundred DP programs, both batch and on-line. These programs are for both the IBM mainframe and for the WANG VS system that is used in Anchorage and in Juneau.
- 2) The dramatic changes wrought by this bill will push the Department to combine all years in some fashion. Carrying multiple, separate systems on-line, and maintaining these separate systems has become very costly in terms of data processing resources. Revenue has been looking at a modified system that allows both look-up and interaction with prior year accounts, but the addition of the annuity based 1986 system will severely complicate that system design.
- 3) The addition of the annuity choice and its related edit requirements will impact the data entry section.

The incremental costs of performing these functions between the assumed effective date of approximately July 1, 1985 and the end of FY86 is estimated as follows:

Personal Services

- 1) Reprogram for 1986 PFD system
 - 1 Analyst/Programmer V, R21, @ \$4,653.05/Mo
including salary and benefits for 12 months \$55,836
 - 1 Analyst/Programmer IV, R19, @ \$4100.75/Mo
including salary and benefits for 12 months \$49,209
- 2) Project to consolidate 1986 system with prior four years (online, same as above)
 - 1 Analyst/Programmer V, R21, @ \$4,653.05/Mo
including salary and benefits for 12 months \$55,836
 - 1 Analyst/Programmer IV, R19, @ \$4100.75/Mo
including salary and benefits for 12 months \$49,209
- 3) Data capture of additional data required on PFD applications.
 - 3 Data Entry Clerk I's, R8, @ \$2,120.77/Mo
including salary and benefits, for 3 Mos each \$19,087

SB 56
Fiscal Note Analysis
Department of Revenue
PFD BRU - Administrative Services Component
January 21, 1985

TOTAL Personal Services	\$229,200
<u>Travel</u> (all 3 projects)	\$2,500
To pay travel/per diem costs of system analysts attending meetings in Anchorage and Juneau to map out the needed changes to the current PFD system.	
TOTAL Travel	\$2,500
<u>Contractual</u>	
1) To contract with Wang Labs, Inc to modify the existing garnishment system for PFD's. The Analyst/Programmer who built the original garnishment system currently works for Wang Labs, Inc as a systems consultant. Assuming he was available, he could redesign the system much faster than any other programmer available. This amount is calculated at \$80/hour X 8 hour days X 5 day weeks X 16 weeks =	\$51,200
2) 4 Wang 4250 workstations rented for 12 Mos, @ \$398/Mo including emulator boards @ \$805 each, so they may be used as IBM terminals or Wang terminals =	\$22,300
3) Data Processing chargeback to the Department of Administration for development on the mainframe. This is a very difficult figure to estimate before knowing more specifically how the system will be designed. Based on our past experience, however when the 1982 PFD system was completely redone during FY83, the cost is estimated as	\$1,000,000
TOTAL Contractual	\$1,073,500
Supplies	1,000
TOTAL Administrative Services Cost	\$1,306,200

Alaska Department of Revenue
Enforcement Division
Fiscal Impact of SB 56
January 21, 1985

The fiscal impact of SB 56 is \$-0- given the following assumptions.

1. Garnishment EDP programming changes can be accomplished at least three months before the 1986 payment schedule begins.
2. Orders of Restitution are served on the Division just as any other garnishment document, such as writs or Orders to Withhold.
3. Language is included that assures a creditor may not defeat a State agency by electing an annuity. If this is not done, the potential impact is a loss of revenue. Although not readily estimateable it is not anticipated to be significant.
4. Deposit and fund crediting procedures for collections of erroneously paid annuities are kept simple and/or allocation between funds are determined by the Department of Administration.

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REQUEST

Bill/Resolution No.: SB 56
 Title: An act amending the Longevity bonus program
 Sponsor: Ray
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Administration
 Program Category Affected: Centralized Administrative Services
 BRU, Program or Subprogram(s) Affected: _____
 Data Processing Services/Annuity Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
Operating						
100 Personal Svcs		60.0	63.0	66.2	69.5	72.9
100 Ptmnt & Bnfts						
200 Travel						
300 Contractual						
400 Supplies		.5	.5	.6	.6	.6
500 Equipment		4.0	4.2	4.4	4.6	4.9
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	64.5	67.7	71.2	74.7	78.4

CAPITAL		750.0				
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		814.5	67.7	71.2	74.7	78.4
TOTAL	-0-	814.5	67.7	71.2	74.7	78.4

POSITIONS:

	-0-					
FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director Phone: 465-4470
 Division: Retirement & Benefits Date: 1-22-85

Approved by Commissioner: Lisa Rudd Date: 1/23/85
 Agency: Department of Administration

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

Senate Bill 56
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

January 22, 1985

IV Analysis:

This Fiscal Note addresses costs in the Data Processing Services BRU. We estimate that the annuity program will be fully automated to reduce the need for staff. We estimate that system analysis, development and construction costs would be \$750,000 and would be a capital appropriation from "other funds".

We anticipate the need for one full-time programmer/analyst IV to provide guidance in the development of the annuity systems with the contractors and, after implementation, to provide ongoing maintenance.

We estimated an inflation rate of 5%. Further, we assumed that "other funds" would be available for FY 86 costs.

A/B

STATE OF ALASKA 1985 LEGISLATIVE SESSION
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REQUEST

Bill/Resolution No.: SB 56
 Title: An act amending the
longevity bonus program
 Sponsor: Ray
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Administration
 Program Category Affected: _____
Labor Services
 BRU, Program or Subprogram(s) Affected: _____
Annuity Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		124.5	164.7	173.0	181.6	190.7
100 Ptmnt & Bnfts						
200 Travel						
300 Contractual		8.0	8.4	8.8	9.3	9.7
400 Supplies		1.6	1.7	1.8	1.9	1.9
500 Equipment		16.0				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	150.1	174.8	183.6	192.8	202.3
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		150.1	174.8	183.6	192.8	202.3
TOTAL	-0-	150.1	174.8	183.6	192.8	202.3

POSITIONS:

-0-

FULL-TIME		4	4	4	4	4
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys Director Phone: 465-4470
 Division: Retirement & Benefits Date: 1-22-85

Approved by Commissioner: Lisa Rudd Date: 1/23/85
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

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

Senate Bill 56
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

January 22, 1985

IV: Analysis: This Fiscal Note addresses costs in the Labor Services Program Category. The cost of the annuity program is anticipated to be borne entirely by the participants. We estimate that approximately four full-time employees will be needed to administer this program on a continuing basis. We estimate that the program supervisor and chief accountant will be needed for the entire first year to assist in the development and analysis of the computer system needs with the other two staff members being needed for only half of FY 86 to assist with the implementation and testing.

We estimated an inflation rate of 5% in all categories. Further, we assumed that "other funds" would be available for FY 86 costs.

We estimate that four positions are needed to administer this program.

Supervisor: Retirement & Benefits Specialist III
Accountant: Accountant II
Technician: Retirement & Benefits Technician I/II
(6 months FY86, full-time thereafter)
Clerk: Accounting Clerk III
(6 months FY86, full-time thereafter)

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STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 56
 Title: Longevity Bonus, Permanent Fund Dividend, and Annuity Programs
 Sponsor: Ray
 Requestor: Senate State Affairs
 Date of Request: January 17, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	9.3	11.1	14.8	19.3	24.7
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	9.3	11.1	14.8	19.3	24.7
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER Annuity Investment Fund	-	9.3	11.1	14.8	19.3	24.7
<u>TOTAL</u>	-	9.3	11.1	14.8	19.3	24.7

POSITIONS:

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

ANALYSIS: See attached analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: January 22, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 1/22/85

Distribution (by Agency preparing fiscal note):

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

SB 56
Fiscal Note Analysis

Costs in this fiscal note are based on the following projected balances of the annuity investment fund:

<u>Fiscal Year</u>	<u>Average Fund Balance (\$ Millions)</u>
1986	\$ 53
1987	88
1988	159
1989	244
1990	347

These projections assume three years of front-loading , 30% participation by eligibles, and 12% rate of return on investments.

Based on these average balances the following costs would be incurred (\$000):

<u>Fiscal Year</u>	<u>Securities Custody</u>
1986	9.3
1987	11.1
1988	14.8
1989	19.3
1990	24.7

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STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 02/22/85

REQUEST

Bill/Resolution No: CS SB56(SA)
 Title: An Act Amending the Longevity Bonus Program & Permanent Fund Dividend Program Establishing an Annuity Program and Providing an Effective Date.
 Sponsor: Ray (et all)
 Requestor:
 Date of Request: January 22, 1985

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: Revenue Collections & Management

BRU, Program or Subprogram(s) Affected: Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	78.3	164.3	174.2	184.7	195.8
200 TRAVEL	-	13.5	25.2	27.2	28.8	31.1
300 CONTRACTUAL	-	404.5	414.6	138.5	138.7	139.0
400 SUPPLIES	-	2.0	.8	.9	1.0	1.1
500 EQUIPMENT	-	5.0	-0-	-0-	-0-	-0-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	503.3	604.9	340.8	353.2	367.0
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	503.3	604.9	340.8	353.2	367.0
TOTAL	-	503.3	604.9	340.8	353.2	367.0

POSITIONS:

FULL-TIME	-	5	5	5	5	5
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: See attached.

Prepared By: Sally Smith, Director
 Division: Public Services

Phone: 465-2392
 Date: February 22, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 2/26/85

ASSUMPTIONS

490,000 eligible individuals
1986 application period, beginning April 1

PROGRAM SUMMARY

Public education and application assistance will be provided in rural and urban areas. Phone, letter and computer response to inquiries as well as application assistance will be provided at Public Service Centers in Anchorage, Fairbanks and Juneau, and forms distribution and application assistance will be available at various Legislative Information and Governor's Offices throughout the state.

Hearings on regulations to be promulgated for the new law will be conducted in various cities (Juneau, Anchorage, Fairbanks, Nome, Kotzebue, Barrow, Kodiak and Ketchikan).

Technical training will be provided for those individuals who will be assisting the general public in completing their applications.

EXPENDITURES

FY '86 FY '87

This revision corrects erroneously calculated personal services.

Personal Services

2 FT Document Proc. Clk 3 in Anchorage	30.5	64.1
2 FT Document Proc. Clk 3 in Juneau	30.5	64.1
1 FT Document Proc. Clk 3 in Fairbanks	<u>17.3</u>	<u>36.1</u>
	78.3	164.3

The experience with the Permanent Fund Dividend start-up was that we had an insufficient number of telephone lines and insufficient personnel to handle the volume of "walk-ins." Being available to explain the program adequately could prevent the need to reopen filing as happened with 1982 and 1983 PFD's.

Travel

Regulation Hearings		
Two employees to Anchorage, Fairbanks, Nome, Kotzebue, Kodiak, Barrow and Ketchikan	3.1	-0-
Administrative		
Anchorage, Fairbanks, and Legislative Information and Governor's Offices	<u>10.4</u>	<u>25.2</u>
	13.5	25.2

Contractual

*1/Advertising Campaign	250.0	50.0
Postage	10.0	11.0
*2/Long Distance Charges	100.0	250.0
Computer Terminals (2)	8.5	17.2
Space Rental (Anchorage, Juneau)	<u>36.0</u>	<u>86.4</u>
	404 5	414.6

Office Supplies

Supplies	2.0	.8
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Office Equipment

Desk, chair, filing cabinet, etc. for each new position	5.0	-0-
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FUNDING

The fiscal note from January 22, 1985 incorrectly shows the funding as being from general fund sources. More appropriately, these monies should be drawn from the Annuity Investment Fund. This revision reflects that change.

*1/Advertising

The experience of the Permanent Fund Dividend program is an indication of the need for adequate advertising. Because of inadequacies, the PFD filing period was reopened for both 1982 and 1983 filing years. Public Services currently spends \$50,000 on contracts to work in and with rural Alaska for filing assistance. Communities which no longer receive assistance would again need this contact.

A public awareness campaign would provide basic information on the change in program expectations while providing the public with phone numbers and names of contractors for further information.

*2/Long Distance Charges

When first calculating the figures, we erroneously figured the bulk of the calls came during the filing period which would likely be contained in FY '86. On closer scrutiny of our past experience we found that the major impact was during check distribution, later in the calendar year. To correct this error, figures for FY '86 and FY '87 have been reversed. Historically, once the program is fully implemented, the calls drop off. This drop should occur in FY '88.

POSITION TITLE Document Processing Clerk III				RANGE/STEP 10B	DEPT. UNIT G	PAGE/LINE	CON.	APPROV.	DATE
TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION EBA	ELECTION DISTRICT	LEC.		
CONTINUATION LEVEL				JUSTIFICATION					
ADDITION									
TITLE OF EXPENDITURE			AMOUNT						
1			2		3				
PERSONAL SERVICES									
Salary			22,716						
Benefits			7,792						
Supplemental Benefits									
Fixed Benefits									
TOTAL PERSONAL SERVICES			01		30,508				
Travel			02						
Contractual			03						
Utilities			04						
Equipment			05		2,000				
Other									
TOTAL COST					32,508				
RECEIPT CODE			FUNDING SOURCE						
			Federal Receipts 1002						
			G.F. Match 1003						
			General Funds 1004						
			IWA Receipts 1005						
			Program Receipts 1028						
			Other						
			32,508						
FOR BSM USE ONLY									
KEY NUMBER									

REQUEST FOR
NEW POSITION

AGENCY Revenue
PROGRAM Revenue Collections & Management
BRU PEB
COMPONENT Public Services Operating

Page 1 of 1
Revised Date _____

FY 86

POSITION TITLE Document Processing Clerk III				GRADE/STEP 10B	BARG. UNIT G	PAGE/LINE	C.N.	APPROV.	GEN.
TYPE OF POSITION PFT	STAFF MONTHS 6	RP NUMBER	PCN NUMBER	BRD PRIORITY	LOCATION JBA	ELECTION DISTRICT	LEG.		
CONTINUATION LEVEL				JUSTIFICATION					
ADDITION									
Type of Expenditure			AMOUNT						
1			2		3				
PERSONAL SERVICES									
Salary			12,810						
Benefits			4,394						
Supplemental Benefits									
Fixed Benefits									
TOTAL PERSONAL SERVICES			01		17,204				
Travel			02						
Contractual			03						
Commodities			04						
Equipment			05		1,000				
Other									
TOTAL COST					18,204				
RECEIPT CODE				FUNDING SOURCE					
				Federal Receipts 1002					
				C.F. Match 1003					
				General Funds 1004					
				I-A Receipts 1005					
				Program Receipts 1028					
				Other					
				18,204					
FOR BSM USE ONLY									
KEY NUMBER									

**REQUEST FOR
NEW POSITION**

AGENCY Revenue

PROGRAM Revenue Collections & Management

BRU PFD

COMPONENT Public Services Operating

Page 1 of 1

Revised Date _____

FY 86

POSITION TITLE Document Processing Clerk III				RANGE/STEP 10B	BARG. UNIT G	PAGE/LINE	COV.	APPROV.	DIS.
TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT 4	LEG.		

NEGOTIATION LEVEL		ADDITION	AMOUNT
1	2		3
PERSONAL SERVICES			
Salary	22,716		
Benefits	7,792		
Supplemental Benefits			
Fixed Benefits			
TOTAL PERSONAL SERVICES		01	30,508
Travel		02	
Contractual		03	
Utilities		04	
Equipment		05	2,000
Other			
TOTAL COST			32,508

JUSTIFICATION

RECEIPT CODE	FUNDING SOURCE	AMOUNT
	Federal Receipts 1002	
	C.F. Match 1003	
	General Funds 1004	
	IRA Receipts 1005	
	Program Receipts 1078	
	Other	32,508

FOR BSA USE ONLY
KEY NUMBER _____

**REQUEST FOR
NEW POSITION**

AGENCY Revenue
PROGRAM Revenue Collections & Management
BRU PFG
COMPONENT public Services Operating

FY 86

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Revised Date _____

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STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CS SB 56 (SA)
 Title: Longevity Bonus, Permanent Fund Dividend and Annuity
 Sponsor: Senate State Affairs
 Requestor: Senate Judiciary
 Date of Request: February 15, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	9.3	11.1	14.8	19.3	24.7
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	9.3	11.1	14.8	19.3	24.7
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER Annuity Investment Fund	-	9.3	11.1	14.8	19.3	24.7
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: See attached analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: February 15, 1985

Approved by Commissioner: Henry J. Sturdale
 Agency: Department of Revenue

Date: 2/21/85

Distribution (by Agency preparing fiscal note):

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

CS SB 56
Fiscal Note Analysis

Costs in this fiscal note are based on the following projected balances of the Annuity Investment Fund:

<u>Fiscal Year</u>	<u>Average Fund Balance (\$ Millions)</u>
1986	\$ 53
1987	88
1988	159
1989	244
1990	347

These projections assume three years of front-loading, 30% participation by eligibles, and 12% rate of return on investments.

Based on these average balances, the following costs would be incurred (\$000):

<u>Fiscal Year</u>	<u>Securities Custody</u>
1986	9.3
1987	11.1
1988	14.8
1989	19.3
1990	24.7

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CSSB 56 (SA)
 Title: An act amending the Longevity Bonus program
 Sponsor: Ray, Halford, et al
 Requestor: Senate Judiciary
 Date of Request: 2/15/85

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: General Government
 BRU, Program of Subprogram(s) Affected: PF - Admin. Services, Enforcement, Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	229.2	-	-	-	-
200 TRAVEL	-	2.5	-	-	-	-
300 CONTRACTUAL	-	73.5	-	-	-	-
400 SUPPLIES	-	1.0	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	306.2	-	-	-	-
CAPITAL						
	-	-	-	-	-	-
REVENUE						
	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	306.2	-	-	-	-
TOTAL	-	306.2	-	-	-	-

POSITIONS:

FULL-TIME	-	4	-	-	-	-
PART-TIME	-	3	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: See attached.

Prepared By: Ervin B. Jones, Director
 Division: Administrative Services

Phone: 465-2313
 Date: _____

Approved by Commissioner: Mary G. Skudole
 Agency: Revenue

Date: 2/21/85

Distribution (by Agency preparing fiscal note):

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

CSSB 56
Fiscal Note Analysis
Department of Revenue
PFD BRU - Administrative Services Component
February 19, 1985

As can be seen from the attached analysis of the bill, section by section, the primary impact on the Administrative Services component of the Permanent Fund Dividend BRU is going to be in Data Processing. This impact can be summarized in three areas:

- 1) The need to completely re-program the 1985 PFD system, with its approximately one hundred DP programs, both batch and on-line. These programs are for both the IBM mainframe and for the WANG VS system that is used in Anchorage and in Juneau.
- 2) The dramatic changes wrought by this bill will push the Department to combine all years in some fashion. Carrying multiple, separate systems on-line, and maintaining these separate systems has become very costly in terms of data processing resources. Revenue has been looking at a modified system that allows both look-up and interaction with prior year accounts, but the addition of the annuity based 1986 system will severely complicate that system design.
- 3) The addition of the annuity choice and its related edit requirements will impact the data entry section.

The incremental costs of performing these functions between the assumed effective date of approximately July 1, 1985 and the end of FY86 is estimated as follows:

Personal Services

1) Reprogram for 1986 PFD system

1 Analyst/Programmer V, R21, @ \$4,653.05/Mo
including salary and benefits for 12 months \$55,836

1 Analyst/Programmer IV, R19, @ \$4100.75/Mo
including salary and benefits for 12 months \$49,209

2) Project to consolidate 1986 system with
prior four years (online, same as above)

1 Analyst/Programmer V, R21, @ \$4,653.05/Mo
including salary and benefits for 12 months \$55,836

1 Analyst/Programmer IV, R19, @ \$4100.75/Mo
including salary and benefits for 12 months \$49,209

3) Data capture of additional data required
on PFD applications.

3 Data Entry Clerk I's, R8, @ \$2,120.77/Mo
including salary and benefits, for 3 Mos each
\$79,087

CSSB 56
Fiscal Note Analysis
Department of Revenue
PFD BRU - Administrative Services Component
February 19, 1985

TOTAL Personal Services	\$229,200
<u>Travel</u> (all 3 projects)	\$2,500
To pay travel/per diem costs of system analysts attending meetings in Anchorage and Juneau to map out the needed changes to the current PFD system.	
TOTAL Travel	\$2,500
<u>Contractual</u>	
1) To contract with Wang Labs, Inc to modify the existing garnishment system for PFD's. The Analyst/Programmer who built the original garnishment system currently works for Wang Labs, Inc as a systems consultant. Assuming he was available, he could redesign the system much faster than any other programmer available. This amount is calculated at \$80/hour X 8 hour days X 5 day weeks X 16 weeks	= \$51,200
2) 4 Wang 4250 workstations rented for 12 Mos, @ \$398/Mo including emulator boards @ \$805 each, so they may be used as IBM terminals or Wang terminals	= \$22,300
TOTAL Contractual	\$73,500
Supplies	1,000
TOTAL Administrative Services Cost	\$306,200

~~8~~ DEPARTMENT OF REVENUE -

The proposed legislation directly impacts four divisions within DOR:

- Division of Administrative Services
- Division of Enforcement
- Division of Treasury
- Division of Public Services

For purposes of convenience, we have consolidated our responses into categories instead of along division lines:

- I. Introduction - The Annuity Program
- II. Section-by-Section Analysis of Amendments to AS 43
- III. Proposed Amendments
- IV. Division(s) Fiscal Notes

I
Introduction
The Annuity Program

Annuity Program

Under the annuity program established by SB 56, an eligible Alaska resident under the age of 65 as of January 1, 1986 may forego all or a portion, but not less than 25%, of their permanent fund dividend in exchange for a credit to an individual annuity account. Upon reaching the age of 65, that person will receive a monthly annuity for the remainder of their life that is based on the accumulated value of their annuity account, including interest, at age 65.

As it does currently, the Enforcement Division of the Department of Revenue will determine eligibility for a dividend. Under SB 56 the division of Administrative Services will provide to the Department of Administration, the amount, if any, each resident's annuity account would be credited as a result of electing such credit rather than a cash dividend. The total of such credits will be transferred to the annuity investment fund from the dividend fund.

The Treasury Division of the Department of Revenue will invest the annuity investment fund. Investments permitted are the same as those of the Public Employees Retirement Fund except that the fund may also be invested in commercial insurance contracts. *Periodically, the Treasury Division will notify the Department of Administration of the income realized by the fund. The Department of Administration will allocate this as a pro-rata credit to each person's annuity account based on the balance in their account.

At age 65, a monthly annuity payment will be established for each individual. It will be determined by either the annuity available on the market which can be purchased with the amount in the annuitant's account or an amount determined by the Department of Administration based on then current interest rates, mortality tables, and amounts on the account if an "in-house" option is chosen to meet the liability for annuity payments. Under the "in-house" option the State would continue to manage the investment of the funds in annuitants' accounts at age 65 and thereafter.

Each year, the legislature may appropriate from the annuity investment account the amount required to make the monthly payments to annuitants who are 65 or older. The amounts required will be transferred to the Department of Administration which will make the payments.

The appropriation could be of "the amount required by AS 43.23.130" or the Department of Administration could provide an estimate each year which would be inexact due to deaths during the year of annuitants or those who would become annuitants in that year.

Comments

The private insurance option transfers from the fund the risk of inadequate earnings on post-65 annuitants' accounts to cover liabilities for payments. Of course the risk is not totally avoided since there is always some credit risk that the insurer will fail.

However, by incorporating the private insurance option into the investment fund as an investment, a conflict can arise with AS 43.23.110(c) which required crediting annuity accounts with investment fund earnings. If average fund rate-of-return is less than that on the insurance contracts, full payment of monthly annuities to those over 65 cannot be made while also crediting under-65 accounts at the average rate of return. This is because in this case the average rate of return on under-65 accounts would be higher than the actual returns. Of course, the credits can be made since they don't require cash payment and over time the problem may be eliminated by years in which average fund earnings exceed insurance contract rates of return.

A more definitive solution might be to credit under-65 accounts only with earnings net of annuity payments, to establish separate funds for those over and under 65, or to make the insurance contracts simply contracts of the Department of Administration and not investments of the annuity investment funds. In the case of "in-house" management, similar conflict would exist AS 43.23.110(c) when assumed rates of return and mortality differ from that realized.

The other major aspect of the annuity program which may present technical problems is the allocation from "front-loading" in AS 43.23.110(b)(2) and (3). If the base amount in (b)(2) is a separate

appropriation or allocation in the legislation appropriating the "front-loading", then that base amount can be determined. In any event, (b)(3)'s derivation remains ambiguous.

II

Alaska Department of Revenue Section by Section Analysis of SB 56 January 21, 1985

- Section 1: Intent section, no effect on Department of Revenue except that paragraph (4), lines 3-5 sets up the relationship of two choices: annuity is the default unless applicant chooses cash. This affects form design and programming.
- Section 2: Amends AS 43.23.005(c). Replaces the word "payment" with "dividend," for consistency reasons. There is no direct effect on the Department of Revenue.
- Section 3: Amends AS 43.23.005 by establishing alternatives for PFD applicants:
- a) If person is 65 or older on December 31, 1985, there is only one choice - 100% cash dividend.
 - b) If person is under 65 on December 31, 1985, there are two basic choices:
 - 1) 100% cash.
 - 2) At least 25% cash, and between 1 and 75% annuity.
- Section 4: Amends AS 43.23.015(a). This change would appear to have no effect on the Department of Revenue unless the intent is to limit the Department of Revenue's ability to adopt regulations defining residency, etc., as opposed to just establishing the process.
- Section 5: Amends AS 43.23.015(b) by changing the affidavit printed on the application, so that the applicant signs a statement that he or she understands that they will lose all dividends and interest credited to his/her annuity account. It should be amended to say the person also loses all the legislative appropriations credited under AS 43.23.110 (Section 16 of this bill). This represents a major forms change, and more importantly, creates substantial collection problems leaving many questions unanswered. For example, it is clear that the Department of Revenue can use collection procedures to collect money paid to applicants as cash dividends and within the limits of Section 10, as well as collect funds transferred to the Department of Administration based on an option for annuity, however what about:

- 1) Collecting annuities already paid to a person over 65? Who collects it and how?
- 2) If Revenue attempts to retrieve money from the Department of Administration after conviction or discovery of error, which agency goes after money from the annuitant? Under what provision of law? What if there aren't enough funds in the dividends account?

Section 6: Amends AS 43.23.015(e) in an attempt at consistency. But given the extreme difficulties that exist in administering a trust for persons in custody of a public agency (typically children in custody of the Department of Health & Social Services) and the animosity that is generated in the parents, giving a state agency the option of irrevocably placing a custodial person's dividend in an annuity account seems certain to generate extreme animosity from those parents and potential law suits for the recovery of the funds.

Section 7: Amends AS 43.23.015(f) for consistency with the new concept of the PFD annuity. It is important to note that this does nothing to correct the potential problem mentioned in the analysis of Section 6. Otherwise there is no effect on the Department of Revenue.

Section 8: Amends AS 43.23.015 by adding a paragraph directing the Department of Revenue to provide an option on the PFD application. For consistency's sake, the wording on line 16-17 should be changed to reflect the wording of the option as given in Section 3. Section 8 implies only two choices: 100% cash or 100% annuity. This doesn't square with Section 3, which provides that every applicant receives at least 25% of the dividend value in cash. It should also be noted that the use of the term "permanent fund dividend" on line 17 in juxtaposition to the term "cash" implies that the term "permanent fund Dividend" is defined as meaning annuity credit. This is not the definition provided in Section 15. The only effect on the Department of Revenue of this section is to modify the form and explain the choices to the public.

Section 9: Amends AS 43.23.035 to reflect the new concept of the PFD annuity option. It is unclear as to whether "additional credits" on line 24 means an allocation of future legislated appropriations and/or interest accrued to original annuity credits. The language here should be coordinated with the language in Section 5. Again, there are enforcement/collection problems. What if annuity payments have already started and there is not enough left to pay back all the erroneously credited dividends? How is the balance collected, and by whom? To what fund(s) are collections credited?

Section 10: Amends AS 43.23.035 to provide a mechanism for the Department of Revenue to collect dividends erroneously credited to the annuity investment account. This section also distinguishes between the remedy available to the Department of Revenue when the error is the fault of the state and when the error is the fault of the individual. It is difficult to evaluate which date starts the clock - date credited, or date discovered.

Section 11: Amends AS 43.23.055 to redefine the duties of the Department of Revenue to reflect the new concept of a PFD annuity option. Lines 19-20 again implies two choices - 100% cash or 100% annuity. Under the provisions of Section 3, everyone receives at least 25% cash. Lines 11-13 on page 6 requires the Department of Revenue to provide information to the Department of Administration necessary to maintain the individual annuity account records and administer the annuity program. It would appear that this information exchange would consist of the following:

- 1) Each week, starting with the first PFD payment run in October, the Department of Revenue would notify the Department of Administration (via a computer tape) of those applicants who came up for payment and who chose that a percentage of their dividend be credited to their annuity account. This will allow the Department of Administration to credit the account with the proper amount and as of the date on which the applicant would have otherwise been paid cash. This reporting will go on weekly as long as the Department of Revenue is making payments from that particular year's file.
- 2) On a regular basis, the Department of Revenue would have to provide the Department of Administration with the interest rate that reflects the earnings of the annuity investment fund.
- 3) On a case by case basis over a 10-year period the Department of Revenue - Enforcement would notify the Department of Administration of erroneous payments and seek reimbursement from the annuity investment fund.

Sections 12 & 13: Amend AS 43.23.065 to reflect the new concept of a PFD annuity option. The general effect of Sections 12 and 13, taken together, seems to be that the portion of a dividend which is taken as a credit to an annuity is not subject to levy, execution, garnishment, attachment, or other remedies for the collection of debt. As a statute change unrelated to the annuity concept, Section 12 provides for 100% attachment of a cash dividend to satisfy a court-ordered restitution under AS 12.55.045 - 12.55.051 or 12.55.100. It is important that the court order will serve to attach

the dividend only if served on the Department of Revenue timely, as in the case of any other attachment order (CSED, IRS, etc.). Section 13 goes further by providing that in the case of a CSED arrearage or in the case of a civil judgement or order of restitution, the Department of Revenue or the Alaska courts, respectively, may require the defendant to take his/her entire PFD in cash. First of all, it is important to note that neither the Department of Revenue nor the court can force a person to apply for a dividend, but can force a selection of cash once the applicant has filed. There are two potential problems with Section 13:

- 1) The Department of Revenue cannot determine that an applicant meets the criteria of Section 13 until either CSED or a court agency serves an attachment order on the Department of Revenue - Enforcement, and in the case of CSED, indicating a past-due debt, and
- 2) Given that the overall thrust of Sections 12 and 13 is to exempt dividends selected as annuity credits from attachment, in the case of a person who owes (under Section 13) less than the amount of the total dividend, and originally chose the annuity option, it would seem that only an amount necessary to satisfy the debts under both the proposed AS 43.23.065(b) and (c) could be converted to the cash option, with the residual amount still protected from general attachment. This needs to be clarified.

Section 14: Amends AS 43.23.075 to reflect the new concept of a PFD annuity option. There is no effect on the Department of Revenue.

Section 15: Amends AS 43.23.095(b) to change the definition of "permanent fund dividend" to include the PFD annuity option. There is no effect on the Department of Revenue, save substantial changes to existing regulations.

Section 16: This section establishes the Annuity Program, to be administered by the Department of Administration. Although this section of the bill has very little impact on the Department of Revenue - PFD BRU, the following thoughts are offered for consideration:

- 1) AS 43.23.110(a), as proposed, provides for the gross amount selected as annuity credits to be transferred from the PFD fund to the annuity investment fund annually. As previously noted, the Department of Revenue could provide a magnetic file weekly as annuity participants come up for payment. The question is when does the interest envisioned in the proposed AS 43.23.110(c) begins to accrue: at payment of the residual cash dividend, or at some annual date upon transfer of the gross amount.

2) AS 43.23.110(b), as proposed, provides that the Legislature may appropriate additional funds to the annuity investment fund. Since this appropriation will likely be made during January - May of a given year, it should be clarified as to whether the appropriation is to be allocated between annuity participants of that same calendar year, or amongst those who selected the annuity option for the prior calendar year. If as the bill implies, the former is the case, then the Legislature will be making an appropriation without prior knowledge of the number of participants or the total amount of dividends selected as annuity credits. The applications are filed between April 1 - June 30 and the information is not on computer file until approximately July 31.

AS 43.23.110(b)(1), as proposed, appears to have the same constitutional flaws that caused the Legislature to include the children of Alaska in the PFD program in 1982.

AS 43.23.110(b)(2), as proposed, does not specify what portion of the appropriation should be used as the "base" amount. Also there needs to be definitions of the formula for determining the base amount, i.e. half the appropriation divided by the number of eligible annuitants.

AS 43.23.110(b)(3), as proposed, is a very confusing paragraph and makes no comprehensible sense. The formula for showing the appropriation must be clarified and simplified to the point that it can be easily explained to the public, in written form in the application booklet, in person during the required rural assistance program, and to the tens of thousands of Alaskans who will be asking the Department of Revenue's Public Services Assistance Centers for a lucid explanation.

AS 43.23.110(b)(4), as proposed, again implies that a person has an option of opting for 100% annuity, in contradiction of Section 3.

AS 43.23.110(c), as proposed, requires the Department of Revenue to provide the Department of Administration with the appropriate interest rate. The question unanswered is how often? The other implication is that the monies in the annuity investment fund are not to be co-mingled with other monies in the General Fund, but truly invested as a separate fund. This needs to be nailed down.

AS 43.23.130, as proposed, describes the benefit PFD applicants would receive in exchange for the option of receiving their whole dividend in cash, versus accepting up to 75% of the dividend in annuity credit. For this reason, it is extremely important that this section be very clear

to the reader, and it is. In (f) of this section, there appears to be an attempt to shelter the original dividend given up, in part, for an annuity credit, from taxation by the federal government as income in the year the dividend was available in cash. The doctrine of "constructive receipt" would hold the dividend taxable in the current year and this will have to be pointed out to recipients of the dividend at the time their dividend is paid, whether it is paid in credits or in cash.

Section 22: Provides an implementation schedule for the provisions of this bill and makes the Act applicable to PFD years 1986 and thereafter. This defines the time period in which the Department of Revenue has to accomplish all of the necessary program changes. The Department of Revenue will have from the date this bill becomes law until March 31, 1986. This accelerated schedule will be costly and will make it very difficult to get everything on line by the 1986 filing period.

Section 23: Provides an effective date.

III
Alaska Department of Revenue
Suggested Amendments to SB 56
January 21, 1985

Submitted by Division of Administrative Services:

Eliminate Internal Contradictions Regarding Cash vs Annuity

1. Section 1 and Section 3 are contradictory as to the options available and should be modified.

Page 2, lines 3 - 5 implies that the entire dividend is applied to the annuity account absent a conscious election by the applicant.

Page 2, lines 22-24 says that the only choice other than 100% cash is 25% or more cash and between 1 and 75% annuity. Per Section 3, there does not appear to be a 100% annuity option.

2. Page 4, lines 16-17 should be amended to reflect the same wording of Section 3, to eliminate the contradiction regarding the available options.

Making Annuity/Cash Election Irrevocable

3. Page 5, lines 17-20 like Section 1, implies only two choices: 100% cash or 100% annuity. This should be amended to square with Section 3.
4. It is important that the election be binding and irrevocable. If people change their mind, make a mistake, or whatever, there should be no opportunity to change election. Otherwise, the cost of this program will go up dramatically.

Limit Choice

5. Page 2, lines 19-25 should be amended to limit the choice of hybrid payments to:
 - a) 100% cash,
 - b) 25% cash, 75% annuity credit,
 - c) 50% cash, 50% annuity credit, or
 - d) 75% cash, 25% annuity credit.

As it currently reads, there are at least 76 real options, significantly complicating the administration of the program.

Avoidance of Debts to State Agencies

6. Page 7, line 13 should be amended by adding a new subsection (d) to include debts to a state agency as a valid reason for compelling an applicant to elect a cash dividend.

Submitted by Division of Treasury: Comments on SB 56

1. Page 6, line 15

"(a)" should be inserted before "Fifty."

2. Page 8

Sec. 43.23.110(a) should include the statement that "Income of the annuity investment fund shall be added to the principal of the annuity investment fund." However, the Attorney General in a November 30, 1982 opinion expressed some doubt about whether a retention of investment earnings by a fund is permissible under the Constitution's prohibition of dedicated revenues.

3. Page 10, line 6

Add "purchased from insurance companies which have a Best's Policyholders' Rating of A or better and belong to Best's financial size Group XV at the time of purchase" at the end of the sentence.

4. Page 10, line 23

"received" should be "receive"

Treasury Division's Comments on SB 56

1. Page 6, line 15

"(a)" should be inserted before "Fifty."

2. Page 8

Sec. 43.23.110(a) should include the statement that "Income of the annuity investment fund shall be added to the principal of the annuity investment fund." However, the Attorney General in a November 30, 1982 opinion expressed some doubt about whether a retention of investment earnings by a fund is permissible under the Constitution's prohibition of dedicated revenues.

3. Page 9

Sec. 43.23.110(b)(2) and (3) are not clear as to how the credits for "front-loading" are to be determined.

4. Page 9, line 20

"rate of interest" should be amended to "rate of return"

5. Page 10, line 6

Add "purchased from insurance companies which have a Best's Policyholders' Rating of A or better and belong to Best's financial size Group XV at the time of purchase" at the end of the sentence.

1/5

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 02/19/85

REQUEST

Bill/Resolution No: CS SB56(SA)
 Title: An Act Amending the Longevity Bonus Program & Permanent Fund Dividend Program Establishing an Annuity Program and Providing an Effective Date.
 Sponsor: Ray (et al)
 Requestor:
 Date of Request: January 22, 1985

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: Revenue Collections
 BRU, Program or Subprogram(s) Affected: Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	60.7	159.9	172.7	183.1	197.2
200 TRAVEL	-	13.5	25.2	27.2	28.8	31.1
300 CONTRACTUAL	-	404.5	414.6	138.5	138.7	139.0
400 SUPPLIES	-	2.0	.8	.9	1.0	1.1
500 EQUIPMENT	-	5.0	-0-	-0-	-0-	-0-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	485.7	600.5	339.3	351.6	368.4
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	485.7	600.5	339.3	351.6	368.4
<u>TOTAL</u>	-	485.7	600.5	339.3	351.6	368.4

POSITIONS:

FULL-TIME	-	5	5	5	5	5
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: See attached.

Prepared By: Sally Smith, Director
 Division: Public Services

Phone: 465-2392

Date: February 19, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 2/21/85

1.	POSITION TITLE Document Processing Clerk III				RANGE/STEP 10A	BARG. UNIT G	PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION JBA	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	9,865								
6.	Benefits	1,618								
7.	Supplemental Benefits	605								
8.	Fixed Benefits	1,137								
9.	TOTAL PERSONAL SERVICES	01	13,225							
10.	Travel	02								
11.	Contractual	03								
12.	Commodities	04								
13.	Equipment	05	1,000							
14.	Other									
15.	TOTAL COST		14,225							
	RECEIPT CODE			FUNDING SOURCE						
16.			Federal Receipts 1002							
17.			G.F. Match 1003							
18.			General Funds 1004							
19.			I-A Receipts 1005							
20.			Program Receipts 1028							
21.			Other							14,225
FOR B&M USE ONLY KEY NUMBER _____										

**REQUEST FOR
NEW POSITION**

AGENCY Revenue
PROGRAM Revenue Collections
BRU Public Services
COMPONENT Operating

Page 1 of 1
Revised Date _____

FY 86

1.	POSITION TITLE Document Processing Clerk III				RANGE/STEP 10A	BARG. UNIT G	PAGE/LINE	COV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 24	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT 4	LEG.		
3.	CONTINUATION LEVEL		ADDITION		JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	17,480								
6.	Benefits	2,866								
7.	Supplemental Benefits	1,071								
8.	Fixed Benefits	2,264								
9.	TOTAL PERSONAL SERVICES	01		23,681						
10.	Travel	02								
11.	Contractual	03								
12.	Commodities	04								
13.	Equipment	05		2,000						
14.	Other									
15.	TOTAL COST			25,681						
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts	1002							
17.		G.F. Match	1003							
18.		General Funds	1004							
19.		I-A Receipts	1005							
20.		Program Receipts	1028							
21.		Other		25,681						
FOR B&M USE ONLY KEY NUMBER _____										

**REQUEST FOR
NEW POSITION**

AGENCY Revenue
PROGRAM Revenue Collections
BRU Public Services
COMPONENT Operating

Page 1 of 1
Revised Date _____

FY 86

1.	POSITION TITLE Document Processing Clerk III				RANGE/STEP 10A	BARG. UNIT G	PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 24	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION EBA	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1	2		3						
	PERSONAL SERVICES									
5.	Salary	17,480								
6.	Benefits	2,866								
7.	Supplemental Benefits	1,071								
8.	Fixed Benefits	2,264								
9.	TOTAL PERSONAL SERVICES	01		23,681						
10.	Travel	02								
11.	Contractual	03								
12.	Commodities	04								
13.	Equipment	05		2,000						
14.	Other									
15.	TOTAL COST			25,681						
16.	RECEIPT CODE	FUNDING SOURCE								
17.		Federal Receipts 1002								
18.		G.F. Match 1003								
19.		General Funds 1004								
20.		I-A Receipts 1005								
21.		Program Receipts 1028								
		Ocher		25,681						
FOR B&M USE ONLY KEY NUMBER _____										

**REQUEST FOR
NEW POSITION**

AGENCY Revenue
PROGRAM Revenue Collections
BRU Public Services
COMPONENT Operating

Page 1 of 1
Revised Date _____

FY 86

ASSUMPTIONS

490,000 eligible individuals
1986 application period, beginning April 1

PROGRAM SUMMARY

Public education and application assistance will be provided in rural and urban areas. Phone, letter and computer response to inquiries as well as application assistance will be provided at Public Service Centers in Anchorage, Fairbanks and Juneau, and forms distribution and application assistance will be available at various Legislative Information and Governor's Offices throughout the state.

Hearings on regulations to be promulgated for the new law will be conducted in various cities (Juneau, Anchorage, Fairbanks, Nome, Kotzebue, Barrow, Kodiak and Ketchikan).

Technical training will be provided for those individuals who will be assisting the general public in completing their applications.

EXPENDITURES

FY '86 FY '87

Personal Services

2 FT Document Proc. Clk 3 in Anchorage	23.7	62.5
2 FT Document Proc. Clk 3 in Juneau	23.7	62.5
1 FT Document Proc. Clk 3 in Fairbanks	13.3	34.9

The experience with the Permanent Fund Dividend start-up was that we had an insufficient number of telephone lines and insufficient personnel to handle the volume of "walk-ins." Being available to explain the program adequately could prevent the need to reopen filing as happened with 1982 and 1983 PFD's.

Travel

Regulation Hearings		
Two employees to Anchorage, Fairbanks, Nome, Kotzebue, Kodiak, Barrow and Ketchikan	3.1	-0-
Administrative		
Anchorage, Fairbanks, and Legislative Information and Governor's Offices	10.4	25.2

Contractual

*1/Advertising Campaign	250.0	50.0
Postage	10.0	11.0
*2/Long Distance Charges	100.0	250.0
Computer Terminals (2)	8.5	17.2
Space Rental (Anchorage, Juneau)	36.0	86.4

<u>Office Supplies</u>	FY '86	FY '87
Supplies	2.0	.8
<u>Office Equipment</u>		
Desk, chair, filing cabinet, etc. for each new position	5.0	-0-

FUNDING

The fiscal note from January 22, 1985 incorrectly shows the funding as being from general fund sources. More appropriately, these monies should be drawn from the Annuity Investment Fund. This revision reflects that change.

*1/Advertising

The experience of the Permanent Fund Dividend program is an indication of the need for adequate advertising. Because of inadequacies, the PFD filing period was reopened for both 1982 and 1983 filing years. Public Services currently spends \$50,000 on contracts to work in and with rural Alaska for filing assistance. Communities which no longer receive assistance would again need this contact.

A public awareness campaign would provide basic information on the change in program expectations while providing the public with phone numbers and names of contractors for further information.

*2/Long Distance Charges

When first calculating the figures, we erroneously figured the bulk of the calls came during the filing period which would likely be contained in FY '86. On closer scrutiny of our past experience we found that the major impact was during check distribution, later in the calendar year. To correct this error, figures for FY '86 and FY '87 have been reversed. Historically, once the program is fully implemented, the calls drop off. This drop should occur in FY '88.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____ Page 1 of 2

REQUEST
Bill/Resolution No.: CSSB 56 (SA)
Title: An act amending the
longevity bonus program
Sponsor: State Affairs
Requestor: _____
Date of Request: _____

FISCAL DETAIL
Agency Affected: Department of Administration
Program Category Affected: _____
Labor services
BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
Operating						
100 Personal Svcs		124.5	164.7	173.0	181.6	190.7
100 Ptmnt & Bnfts						
200 Travel						
300 Contractual		61.0	67.1	73.8	81.2	89.3
400 Supplies		10.6	12.7	15.3	18.3	22.0
500 Equipment		16.0				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	212.1	244.5	262.1	281.1	302.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	-0-	212.1	244.5	262.1	281.1	302.0
TOTAL	-0-	212.1	244.5	262.1	281.1	302.0

POSITIONS: -0-

FULL-TIME		4	4	4	4	4
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director Phone: 465-4470
Division: Retirement & Benefits Date: 2/21/85

Approved by Commissioner: Lisa Rudd Date: 2-21-85
Agency: Department of Administration

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

Labor Services

CS Senate Bill 56 (State Affairs)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

February 21, 1985

IV Analysis: This Fiscal Note addresses costs in the Data Processing Services BRU. We estimate that the annuity program will be fully automated to reduce the need for staff. We estimate that system analysis, development and construction costs would be \$750,000 and would be a capital appropriation from "other funds".

We anticipate the need for one full-time programmer/analyst IV to provide guidance in the development of the annuity systems with the contractors and, after implementation, to provide ongoing maintenance. We also estimate a cost of \$20.0 for computer records storage.

We estimated an inflation rate of 5%. Further, we assumed that "other funds" would be available for FY 86 costs.

A/B

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 56 (SA)
 Title: An act amending the longevity bonus program
 Sponsor: State Affairs
 Requestor: Judiciary
 Date of Request: 2/20/85

FISCAL DETAIL

Agency Affected: Department of Administration
 Program Category Affected: Centralized Administrative Services
 BRU, Program or Subprogram(s) Affected: BRU, Program or Subprogram(s) Affected:
 Data Processing Services/Annuity Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		60.0	63.0	66.2	69.5	72.9
100 Ptmnc & Bnfts						
200 Travel						
300 Contractual		20.0	21.0	22.0	23.2	24.3
400 Supplies		.5	.5	.6	.6	.6
500 Equipment		4.0	4.2	4.4	4.6	4.9
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	84.5	88.7	93.2	97.9	102.7
CAPITAL		750.0				
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		834.5	88.7	93.2	97.9	102.7
TOTAL	-0-	834.5	88.7	93.2	97.9	102.7

POSITIONS:

	-0-					
FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director
 Division: Retirement & Benefits

Phone: 465-4470
 Date: 2/21/85

Approved by Commissioner: Lisa Rudd
 Agency: Department of Administration

Date: 2-21-85

Distribution (by Agency preparing fiscal note):

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

central. administration

CS Senate Bill 56 (State Affairs)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

February 21, 1985

IV: Analysis: This Fiscal Note addresses costs in the Labor Services Program Category. The cost of the annuity program is anticipated to be borne entirely by the participants. We estimate that approximately four full-time employees will be needed to administer this program on a continuing basis. We estimate that the program supervisor and chief accountant will be needed for the entire first year to assist in the development and analysis of the computer system needs with the other two staff members being needed for only half of FY 86 to assist with the implementation and testing.

We are basing this Fiscal Note on the assumption that the Department of Revenue will verify ages of those who elect to participate in the annuity program. This is critical.

We estimated an inflation rate of 5% in all categories. Further, we assumed that "other funds" would be available for FY 86 costs.

We estimate that four positions are needed to administer this program.

Supervisor: Retirement & Benefits Specialist III
Accountant: Accountant II
Technician: Retirement & Benefits Technician I/II
(6 months FY86, full-time thereafter)
Clerk: Accounting Clerk III
(6 months FY86, full-time thereafter)

We propose that a notification will be sent to all Alaska boxholders to inform them of the provisions of the bill and to advise them of the contact persons or agencies. We estimate an annual cost of \$20.0 for independent audits. We also propose that there will be annual statements of account that will be sent to approximately 150,000 participants. This cost is estimated to be \$41.0 for FY 86.

A/B

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 56(SA)
 Title: Longevity Bonus/Annuity
 Program _____
 Sponsor: Ray
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Administration
 Program Category Affected: Social and
Economic Assistance for the Aged
 BRU, Program or Subprogram(s) Affected:
Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL						
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	10.0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	10.0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	10.0	0	0	0	0

POSITIONS:

	0	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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: E. Louis Keller, Director

Phone: 465-4400

Division: Pioneers' Benefits

Date: February 19, 1985

Approved by Commissioner: Lisa Rudd

Date: 2-21-85

Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

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

CSSB 56(SA)
Fiscal Note Analysis
Prepared by Division of Pioneers' Benefits
Department of Administration
February 19, 1985

ASSUMPTIONS

This fiscal note addresses administrative costs only for the Longevity Bonus Program.

Two payment systems will be run in the Division of Pioneers' Benefits. The first would pay a monthly target amount for those eligibles age 65 before January 1, 1986. The second would pay monthly payments, varying each year, for those age 65 after January 1, 1986. The second system would be impacted by information from the Annuity program.

The Longevity Bonus program would need additional resources for modifications to data processing files.

FY 86 Administrative Costs (Start-up)

Contractual Services	\$10,000
Computer System Modification by Contractor	
Printing Costs already in 86 Budget	

FY 87 Administrative Costs (Operations)

No Additional Cost

POSITION PAPER

CSSB 56 (STATE AFFAIRS)

This bill would affect three departments of state government, i.e., administration, revenue, and health and social services.

Basically the bill would amend the longevity bonus program and the permanent fund dividend program, establish an annuity program, and provide for an effective date. The effect of the bill would be to phase out the general funded longevity bonus program and replace it with individual annuity accounts funded primarily by deferral of participants permanent fund dividends by approximately the year 2003. The bill would also authorize the legislature to "front-load" the annuity fund with annual appropriations.

The bill "grandparents" in those citizens who are 65 years of age before January 1, 1986 in the longevity bonus program for their lifetime.

Following are some of the potential problems of administration, areas where it might be desirable to amend this bill before passage, and possible legal and social difficulties with the bill as proposed.

1. On page 2, under Section 3, AS 43.23.005 (d) beginning in midline 22 reads, "Alternatively, a person may elect to receive not less than 25 percent of the dividend in cash and the remainder as an annuity credit." This could create a problem of where a citizen may request any amount of permanent fund dividend in cash as long as it is more than 25 percent of the whole.

To amend the section as follows would greatly enhance the ability of those charged with administrative responsibilities to administer the fund and make elections simpler for participants. "Alternatively, a person may elect to receive 25, 50, or 75 percent of the dividend in cash and the remainder as an annuity credit." It is possible this could be addressed by regulations.

2. Page 6, Section 11, AS 43.23.055 (5) causes the commissioner of revenue to provide the commissioner of administration with information necessary to maintain individual annuity account records and administer the annuity program.

The regulations that would be written must meet the needs of both departments and at least the following information must be transmitted to the commissioner of administration: the verified age of the participant; the address of participant; the social security number of the participant; the particular election made by the participant; i.e., amount of cash or annuity credit; any deferrals that may affect the participant's account; the funds earnings; and the amount of any appropriations to the fund for distribution.

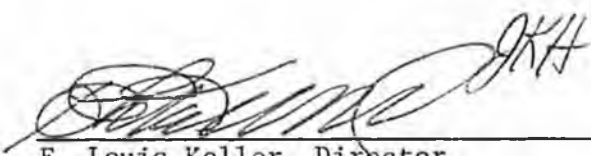
Much of the above information would have to come from the application for the permanent fund dividend and the verification of age would need to be accomplished by the department of revenue.

3. On page 8, Section 16, AS 43.23.110 (b) the legislature is authorized, if they deem appropriate, to appropriate money from either general funds or earnings of the undistributed income account in the Alaska permanent fund into the annuity investment fund. This is a process of "front-loading."

Inasmuch as the "front-loading" need not occur every year, or in any year, and inasmuch as it is the opinion of the longevity bonus committee's tax counsel that the permanent fund dividend is taxable in years when no "front-loading" occurs, the problem of record keeping becomes apparent.

4. On page 9, Section 16, AS 43.23.110 (b) (2) (3) the bill deals with two levels of increment earnings on individual annuity accounts. One level for persons age 18 through 35 and an escalating level for persons age 35 through 65.
5. On page 10, Section 16, AS 43.23.110 (e) the bill states that any costs of administration funded under this subsection will be allocated equally among all individual annuity accounts. Under this section it seems apparent that the writers of this bill have made the assumption that "front-loading" will occur at least during the first years of the program. If such "front-loading" should not occur during these initial years, sufficient funds may not be available for administrative costs.
6. The bill is vague on what happens to account balances of participants over the age of 65. If annuities vary from year to year, then do account balances also? When a participant becomes eligible to receive an annuity, what happens to that account balance? Does it get redistributed, or is a special reserve fund perhaps established? What if a participant over 65 dies? This lack of a definite cut off point greatly complicates the program and restricts the choice of participants.
7. On page 12, Section 19, AS 47.45.070 (2) under "Unqualified Persons" the bill states that participants become unqualified upon being admitted into a nursing home as defined in AS 08.70.180. This may raise the legal question of whether or not the state could disqualify an otherwise qualified annuity participant merely because that participant changes their place of residence, i.e., a nursing home.
8. It appears that it would be possible to provide for beneficiaries of those over the age of 65 without incurring undue costs. This would answer the concerns many have expressed.


At this point, the Department of Administration is maintaining a neutral position on this bill.



E. Louis Keller, Director
Division of Pioneers' Benefits



Date



Commissioner Lisa Rudd
Department of Administration



Date

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB No. 56
 Title: "An Act amending the LB prgm,
 & the PFD prgm, estab. an annuity...
 Sponsor State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Health & Social Services
 Program Category Affected: Soc. & Econ.
 Assistance for general population
 BRU, Program or Subprogram(s) Affected: Adult Public Assistance, Old Age Assist-
 ance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		(760.0)	(830.7)			
800 MISCELLANEOUS						
TOTAL OPERATING		(760.0)	(830.7)			

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		(760.0)	(830.7)			
FEDERAL FUNDS						
OTHER						
TOTAL		(760.0)	(830.7)			

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Budgeted FY86 and FY87 Old Age Assistance expenditures are currently predicated on all Longevity Bonus payments being disregarded as countable income. CSSB No. 56 provides for no "hold-harmless" OAA coverage for those who receive countable Bonus payments. Therefore, beginning July 1, 1985, OAA payments will be reduced (or ended) for the approximately 750 recipients who are receiving countable Bonus payment

Prepared By: John R. Taber, Director Phone: 465-3347
 Division: Public Assistance Date: _____

Approved by Commissioner: [Signature] Date: 2/21/85 *JCC*
 Agency: Health & Social Services

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

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB No. 56
 Title: "An Act amending the L.B. prgm & the PFD prgm, estab. an annuity.
 Sponsor: State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Health & Social Service
 Program Category Affected: Soc. & Econ. assistance for general pop.
 BRU, Program or Subprogram(s) Affected: Medical Assistance, Medicaid

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES		-0-	-0-			
200 TRAVEL		-0-	-0-			
300 CONTRACTUAL		-0-	-0-			
400 SUPPLIES		-0-	-0-			
500 EQUIPMENT		-0-	-0-			
600 LAND & STRUCTURES		-0-	-0-			
700 GRANTS, CLAIMS		-0-	-0-			
800 MISCELLANEOUS		-0-	-0-			
TOTAL OPERATING		-0-	-0-			
CAPITAL		-0-	-0-			
REVENUE		-0-	-0-			

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

As written, CSSB No. 56 would result in no net increase in Medicaid expenditures beyond what is budgeted for FY'86.

(Continued)

Prepared By: Rod Betit, Director *R Betit*
 Division: Division of Medical Assistance

Phone: 465-3355
 Date: _____

Approved by Commissioner: John R. Poy
 Agency: Health & Social Services

Date: 2/21/85 *JCC*

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

7/1/84

Were a full cash and medical hold-harmless adopted by amending CSSB No. 56, the costs would be

Federal (SSI) Payment	1,400,000	1,530,517
State (OAA) Payment	760,000*	830,737*
Non Nursing Home Medical	413,847	471,609
Nursing Home Medical	-0- @	-0- @
	<u>\$1,813,847</u>	<u>\$2,002,126</u>

* As these costs are already budgeted for FY 86, this is a non-add item.
@ No cost if the exclusion is effective upon enactment of SB 56.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: SB56
 Title: An Act Amending the Longevity Bonus Program & Permanent Fund Dividend Program Establishing an Annuity Program and Providing an Effective Date.
 Sponsor: Ray (et al)
 Requestor:
 Date of Request: January 22, 1985

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: Revenue Collections

BRL, Program or Subprogram(s) Affected
Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	60.7	159.9	172.7	183.1	197.2
200 TRAVEL	-	13.5	25.2	27.2	28.8	31.2
300 CONTRACTUAL	-	554.5	264.6	138.5	138.7	138.0
400 SUPPLIES	-	2.0	.8	.9	1.0	1.0
500 EQUIPMENT	-	5.0	-0-	-0-	-0-	-0-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	635.7	450.5	339.3	351.6	367.2
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	635.7	450.5	339.3	351.6	367.2
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	635.7	450.5	339.3	351.6	367.2

POSITIONS:

FULL-TIME	-	5	5	5	5	5
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: See attached.

Prepared By: Sally Smith, Director
 Division: Public Services

Phone: 465-2392

Date: January 22, 1985

Approved by Commissioner: [Signature]
 Agency: [Signature]

Date: 1/23/85

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

ASSUMPTIONS

Fiscal Note SB56

490,000 eligible individuals
 1986 application period (April 1st)

PROGRAM SUMMARY

Public education and application assistance will be provided in rural and urban areas. Phone, letter and computer response to inquiries as well as application assistance will be provided at Public Service Centers in Anchorage, Fairbanks and Juneau and forms distribution and application assistance will be available at various Legislative Information and Governor's Office locations throughout the state.

Hearings on regulations to be promulgated for the new law will be conducted in various cities (Juneau, Anchorage, Fairbanks, Nome, Kotzebue, Barrow, Kodiak and Ketchikan).

Technical training will be provided for those individuals who will be assisting the general public in completing their applications.

BUDGET

Personnel Services

	FY86	FY87
2FT Document Proc. Clk 3 in Anchorage	23.7	62.5
2FT Document Proc Clk 3 in Juneau	23.7	62.5
1FT Document Proc. Clk in Fairbanks	13.3	34.9

Travel

	FY86	FY87
--	------	------

Regulation Hearings

Two Employees to Anch, Fbks, Nome, Kotzebue, Kodiak, Barrow, Ketch	3.1	-0-
--	-----	-----

Administrative

Anch, Fbks, and Legislative Info. & Governor's Office locations	10.4	25.2
---	------	------

Contractural

	FY86	FY87
Advertising Campaign	250.0	50.0
Postage	10.0	11.0
Long distance charges	250.0	100.0
Computer Terminals (2)	8.5	17.2
Space rental (Anch & Juneau)	36.0	86.4

Office Supplies

	FY86	FY87
Office supplies	2.0	.8
Office Equipment (desk, chair, file cabinet, etc. for each new position)	5.0	-0-

**STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: March 8, 1985

REQUEST

Bill/Resolution No.: CSSB 56
 Title: "An Act amending the L.B. prgm & the PFD prgm. estab. an annuity.
 Sponsor: State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Health & Social Services
 Program Category Affected: Social & Econ. Assistance for the General Population
 BRU, Program or Subprogram(s) Affected: Medical Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS		-0-	-0-	-0-	-0-	-0-
800 MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE		(413.8)	(471.6)	(537.2)	(611.3)	(697.1)
----------------	--	---------	---------	---------	---------	---------

FUNDING: (Thousands of Dollars)

GENERAL FUND		413.8	471.6	537.2	611.3	697.1
FEDERAL FUNDS		(413.8)	(471.6)	(537.2)	(611.3)	(697.1)
OTHER						
TOTAL		-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

As written, CSSB 56 would result in no net increase in the Medical Assistance BRU expenditures beyond what is budgeted for FY '86. However, the Legislature's intent to hold harmless individuals who lose Medicaid benefits due solely to the receipt of the ALB would result in an increase in State fund expenditures under the GRM-Exception program, and a decrease in Federal receipts under Medicaid. While these adjustments offset each other, the State fund portion of the Medicaid Assistance BRU funding increases by ~~5413.8~~.

Prepared By: Rod Betit, Director
 Division: Medical Assistance

Phone: 465-3355
 Date: 3/7/85

Approved by Commissioner: [Signature]
 Agency: Health & Social Services

Date: 3/8/85

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

Table I

This table shows the State general fund match and federal financial participation in the Medicaid program for those expenditures likely to be affected by changes in the current ALB statute. By simply eliminating Medicaid coverage both state and federal expenditures would be reduced. Any change which established an ALB hold harmless provision would result in the loss of FFP. ALB hold harmless program would be funded by transferring the general fund match in the Medicaid program to the ALB hold harmless and adding to it new State general fund in an amount equal to the lost FFP. Because there are a number of legislative proposals seeking to amend the current ALB statute, the following two tables were developed to use in analyzing the impact of these proposals. The comment section on the fiscal note of each bill states whether Medicaid is being eliminated or hold harmless.

Line G. Distribution: Expenditures for non-nursing home clients who may lose Medicaid eligibility.

	FY86	FY87	FY88	FY89	FY90
FED	413,847	471,609	537,173	611,285	697,133
GF	466,678	531,814	605,748	689,321	786,128
TOTAL	880,525	1,003,423	1,142,921	1,300,606	1,483,261

Line I distribution: Expenditures for nursing home clients who may lose Medicaid eligibility.

FED	521,070	590,716	679,971	774,727	887,715
GF	781,605	886,074	1,019,956	1,162,090	1,331,572
TOTAL	1,302,675	1,476,790	1,699,927	1,936,817	2,219,287

Table II

The attached table was prepared to project the offset of various ALB legislative proposals on the Medicaid program. The table represents: a) the nursing home daily rate; b) the nursing home cost for 365 days of services; c) the average cost per non nursing home recipient; d) the recipient share of nursing home costs; e) the number of monthly OAA eligibles; f) the number of ineligible non nursing home OAA due to receipt of ALB; g) the FFP for non nursing home OAA ineligibles; h) the number of ineligible OAA nursing home clients and; i) the FFP for ineligible nursing home clients.

MEDICAL ASSISTANCE COST ANALYSIS

	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>
a. NH cost per day (7.5% annual increase)	123.	132.50	142.	153.	164.	177.
b. NH cost per year ((365 days)(a))	44,895.	48,362.	51,830.	55,845.	59,860.	64,605.
c. Non-NH medical cost/recipient/yr(7.5% annual)	2,617	2,813.	3,024.	3,251.	3,494.	3,756.
d. NH recipient cost sharing per year	11,304	11,705	12,660	13,152	12,692	14,232
e. Medicaid eligibles (monthly average)	2,609	2,768	2,937	3,107	3,293	3,491
f. OAA Med ineligibles due to ALB	314	333	353	374	396	420
g. OAA ineligibles cost (Federal Share at 47%) [.94(f)(c)]	363,044	413,847	471,609	537,173	611,285	697,133
h. NH ineligibles	31	33	35	37	39	41
i. NH ineligibles cost (Federal Replacement at 40%) (hb+hc - hd)	448,979	521,070	590,716	679,971	774,727	887,715

Assumptions:

1. FY84 was used as the base year for calculating recipients and expenditures.
2. In FY84 the average non-nursing home OAA recipient cost was \$2,434 per year.
3. The average cost per year was inflated yearly by a 4.5% inflation factor as indicated by the Anchorage Medical Services CPI. and a 3% intensity of service factor. The intensity factor includes such items as increases in technology, construction of new hospital beds, increases in morbidity and mortality and changes in method of treatment. The division feels the intensity factor is necessary to reflect the high medical risk in the elderly population.
4. The projected number of recipients will increase at 6% per year in line with the general population growth projected in the aged population.
5. In FY86 the number of non-nursing home OAA eligibles who will lose Medicaid coverage will be 333. Of these 94% will utilize medical services.
6. Since Medicaid non-long term care expenditures are composed of 47% federal and 53% state money, the state will need to provide state general funds to replace the 47% federal financial participation. The FFP rate for nursing homes is 40% federal 60% state.
7. The above table represents the cost associated with providing a medical hold harmless program for those OAA recipients who would lose Medicaid eligibility. Line "i" represents the FFP replacement cost for all nursing home hold harmless recipients. Line G is the FFP replacement for non-nursing home recipients.

REVISED
POSITION PAPER
CSSB 56

"An Act amending the Longevity Bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date".

I. IMPACT OF LONGEVITY BONUS PROGRAM CHANGES ON PUBLIC ASSISTANCE RECIPIENTS: a. Medical Benefits: Enactment of the amendments to the Longevity Bonus Program included in CSSB 56 would protect Medicaid coverage for approximately 33 nursing home residents, and by an accompanying letter of intent CSSB 56 would also provide a medical hold harmless for an additional 333 non-nursing home recipients who are expected to lose Medicaid benefits. The FY86 cost for protecting the medical benefits of the 333 in the non-nursing home group is \$413,800 in state funds.

b. Public Assistance Cash Benefits: CSSB 56 does not provide a hold harmless for the approximately 750 Alaskans whose Longevity Bonus will cause them to lose an average of \$240 in monthly cash benefits from state Old Age Assistance (OAA) and federal Supplemental Security Income benefits (SSI). The loss of these benefits will be felt beginning July 1, 1985 for many of these 750 Alaskans. The Department is holding Old Age Assistance payments harmless at the present time but must stop doing so on June 30, 1985 unless new statutory and budget authority have been created by the legislature before that date. Funding for continuation of the Old Age Assistance hold harmless is not in the Department's current FY86 request.

II. IMPACT OF ANNUITY PROGRAM ON PUBLIC ASSISTANCE RECIPIENTS: Enactment of the annuity program proposed in CSSB 56 would not have a substantial effect on most public assistance and Medicaid recipients. These individuals, whose annual incomes are less than \$10,000, cannot afford to defer their Permanent Fund checks, as they have an immediate need for these funds to buy basic necessities.

III. IMPACT ON FEDERAL OLD AGE ASSISTANCE WAIVER: The Department is unable to make any commitments as to whether changes in the Longevity Bonus Program due to CSSB 56 will again alter the federal government's position and, perhaps, end the special exclusion for 25-year residents who receive the bonus. If this were to occur, the number of recipients placed in jeopardy and the costs of providing them with "hold-harmless" protection would grow substantially beyond our current estimates.

POSITION PAPER/Department of Health & Social Services:

IV. DEPARTMENT OF HEALTH & SOCIAL SERVICES RECOMMENDATION: Given the broad policy issues addressed by CSSB 56 and the minor involvement of Department of Health & Social Services program issues, the Department does not take a position either supporting or opposing CSSB 56. The most critical hold harmless concerns of the Department are met by CSSB 56 with the medical provisions. However, should the legislature decide to add a financial assistance hold harmless for both Old Age Assistance and Supplemental Security Income payments to the medical hold harmless provisions now in this bill and the accompanying letter of intent, additional appropriations will be required. While a financial assistance hold harmless is being separately considered in SB 128, the Department recommends that the legislature examine these issues together in order that the full impact may be seen.

Recommended By: Rod Beñit
Rod Beñit, Director
Division of Medical Assistance

Date: 3-5-85

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

Date: 3-5-85

Approved By: John R. Pugh
John R. Pugh, Commissioner
Department of Health & Social
Services

Date: 3/8/85

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 3-5-85

REQUEST

Bill/Resolution No.: CSSB No. 56
 Title: "An Act amending the LB prgm & the PFD prgm, estab. an annuity.."
 Sponsor: State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Health & Social Services
 Program Category Affected: Soc. & Econ. Assistance for general population
 BRU Program or Subprogram(s) Affected: Adult Public Assistance, Old Age Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		-0-	-0-	-0-	-0-	-0-
800 MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

FY86 Adult Public Assistance formula need is predicated on Longevity Bonus payments being regarded as countable income. CSSB No. 56 does not create "hold-harmless" OAA coverage for those who receive countable Bonus payments.

Prepared By: John R. Taber, Director Phone: 465-3347
 Division: Public Assistance Date: 3-5-85

Approved by Commissioner: John R. Poy Date: 3/8/85 *JCC*
 Agency: Health & Social Services

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 56 (Jud)
 Title: An act amending the
longevity bonus program
 Sponsor: State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Administration
 Program Category Affected: _____
Labor services
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		124.5	164.7	173.0	181.6	190.7
100 Rtmnt & Bnfts						
200 Travel						
300 Contractual		61.0	67.1	73.8	81.2	89.3
400 Supplies		10.6	12.7	15.3	18.3	22.0
500 Equipment		16.0				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	212.1	244.5	262.1	281.1	302.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	-0-	212.1	244.5	262.1	281.1	302.0
TOTAL	-0-	212.1	244.5	262.1	281.1	302.0

POSITIONS:

	-0-					
FULL-TIME		4	4	4	4	4
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director
 Division: Retirement & Benefits

Phone: 465-4470
 Date: 3/12/85

Approved by Commissioner: Lisa Rudd
 Agency: Department of Administration

Date: 3-13-85

Distribution (by Agency preparing fiscal note):

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

CS Senate Bill 56 (Judiciary)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

March 12, 1985

IV: Analysis: This Fiscal Note addresses costs in the Labor Services Program Category. The cost of the annuity program is anticipated to be borne entirely by the participants. We estimate that approximately four full-time employees will be needed to administer this program on a continuing basis. We estimate that the program supervisor and chief accountant will be needed for the entire first year to assist in the development and analysis of the computer system needs with the other two staff members being needed for only half of FY 86 to assist with the implementation and testing.

We are basing this Fiscal Note on the assumption that the Department of Revenue will verify ages of those who elect to participate in the annuity program. This is critical.

We estimated an inflation rate of 5% in all categories. Further, we assumed that "other funds" would be available for FY 86 costs.

We estimate that four positions are needed to administer this program.

Supervisor: Retirement & Benefits Specialist III
Accountant: Accountant II
Technician: Retirement & Benefits Technician I/II
(6 months FY86, full-time thereafter)
Clerk: Accounting Clerk III
(6 months FY86, full-time thereafter)

We propose that a notification will be sent to all Alaska boxholders to inform them of the provisions of the bill and to advise them of the contact persons or agencies. We estimate an annual cost of \$20.0 for independent audits. We also propose that there will be annual statements of account that will be sent to approximately 150,000 participants. This cost is estimated to be \$41.0 for FY 86.

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

CS Senate Bill 56 (Judiciary)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

March 12, 1985

IV: Analysis: This Fiscal Note addresses costs in the Labor Services Program Category. The cost of the annuity program is anticipated to be borne entirely by the participants. We estimate that approximately four full-time employees will be needed to administer this program on a continuing basis. We estimate that the program supervisor and chief accountant will be needed for the entire first year to assist in the development and analysis of the computer system needs with the other two staff members being needed for only half of FY 86 to assist with the implementation and testing.

We are basing this Fiscal Note on the assumption that the Department of Revenue will verify ages of those who elect to participate in the annuity program. This is critical.

We estimated an inflation rate of 5% in all categories. Further, we assumed that "other funds" would be available for FY 86 costs.

We estimate that four positions are needed to administer this program.

Supervisor: Retirement & Benefits Specialist III
Accountant: Accountant II
Technician: Retirement & Benefits Technician I/II
(6 months FY86, full-time thereafter)
Clerk: Accounting Clerk III
(6 months FY86, full-time thereafter)

We propose that a notification will be sent to all Alaska boxholders to inform them of the provisions of the bill and to advise them of the contact persons or agencies. We estimate an annual cost of \$20.0 for independent audits. We also propose that there will be annual statements of account that will be sent to approximately 150,000 participants. This cost is estimated to be \$41.0 for FY 86.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 56 (Jud)
 Title: An act amending the longevit bonus program
 Sponsor: State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Administration
 Program Category Affected: Centralized Administrative Services
 BRU, Program or Subprogram(s) Affected: BRU, Program Processing Services/Annuity Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
Operating						
100 Personal Svcs		60.0	63.0	66.2	69.5	72.9
100 Print & Bnfts						
200 Travel						
300 Contractual		20.0	21.0	22.0	23.2	24.3
400 Supplies		.5	.5	.6	.6	.6
500 Equipment		4.0	4.2	4.4	4.6	4.9
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	84.5	88.7	93.2	97.9	102.7

CAPITAL		750.0				
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REVENUE						
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FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND						
FEDERAL FUNDS						
OTHER		834.5	88.7	93.2	97.9	102.7
TOTAL	-0-	834.5	88.7	93.2	97.9	102.7

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director
 Division: Retirement & Benefits

Phone: 465-4470
 Date: 3/12/85

Approved by Commissioner: Lisa Rudd
 Agency: Department of Administration

Date: 3-13-85

Distribution (by Agency preparing fiscal note):

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

CS Senate Bill 56 (Judiciary)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

March 12, 1985

IV Analysis: This Fiscal Note addresses costs in the Data Processing Services BRU. We estimate that the annuity program will be fully automated to reduce the need for staff. We estimate that system analysis, development and construction costs would be \$750,000 and would be a capital appropriation from "other funds".

We anticipate the need for one full-time programmer/analyst IV to provide guidance in the development of the annuity systems with the contractors and, after implementation, to provide ongoing maintenance. We also estimate a cost of \$20.0 for computer records storage.

We estimated an inflation rate of 5%. Further, we assumed that "other funds" would be available for FY 86 costs.

FISCAL NOTE SUMMARY

Attached are a total of eight fiscal notes for the most current version of Senate Bill 56. Three of the fiscal notes are from the Department of Administration, three from Revenue and two are from Health and Social Services. The amounts are as follows:

<u>Department of Administration</u>	<u>FY 86 Costs</u>
Centralized Administrative Services	\$ 84,500 (Operating) \$ 750,000 (Capital)
Social and Economic Assistance for the Aged	\$ 10,000
Labor Services	\$ 212,100
Department Total	\$1,056,600
<u>Department of Health and Social Services</u>	
Social and Economic Assistance	\$ -0-
Social and Economic Assistance	\$ (413,800)
Department Total	\$ (413,800)
<u>Department of Revenue</u>	
Collections and Management	\$ 503,300
Treasury	\$ 9,300
General Government	\$ 306,200
Department Total	\$ 818,800
TOTAL FISCAL IMPACT	\$1,461,600

3/19/85
2 FCS
20 Fails
12-10

CSSB 56 (JUD) FISCAL NOTE SUMMARY

Department of Administration

1. Centralized Administrative Services

Depts
\$ 84,000 Operating Program Receipts
\$ 750,000 Capital Program Receipts

1 new full-time employee
There is no complete backup for the \$750,000 Capital

2. Labor Services

\$ 212,100 Operating Program Receipts

4 new full-time employees

3. Pioneer Benefits

(\$1,303,400) Operating General Funds

There is a savings from the Department of Administration as CSSB 56 (JUD) disqualifies people in nursing homes and in the nursing home wings in Pioneers Homes from receiving Longevity Bonus.

Department of Health and Social Services

1. Medical Assistance

\$ 413,800 Operating General Funds

No new employees

These funds are needed to replace loss of federal Medicaid funds for approx. 333 people who will become ineligible for Medicaid because of receipt of the Longevity Bonus.

Federal officials require these elderly Alaskans to apply for the Longevity Bonus even if it causes loss of Medicaid benefits.

2. Public Assistance

\$ 0

Department of Revenue

✓ 1. Public Services

5/11/12
\$ 503,000 Operating Program Receipts
(\$ 250,000 Advertising Campaign)
(\$ 100,000 Long distance charges)

5 new full-time positions

✓ 2. General Government

12/11/12
\$ 306,200 Operating Program Receipts

Need to reprogram the Permanent Fund Dividend system
(Under contractual 4 new Wang workstations)

4 new full-time positions

3 new part-time positions

✓ 3. Treasury

12/11/12
\$ 9,300 Operating Program Receipts

No new positions

Securities custody on the Annuity Investment Fund

3/19/85
OKC
Jim Finkle

POLICY DECISIONS FOR SENATE BILL 56

- 1) Do you include a 3% escalator clause or not? If you do, it costs an additional \$450 million in nominal dollars up to the year 2034.
- 2) Do you include death/survivor benefits? If you do, it cost an additional \$78 million in nominal dollars up to the year 2034.
- 3) What are the decisions on Hold/Harmless? Cover medical insurance only? Cover Nursing Homes? Cover Old Age Assistance? Cover SSI (Supplemental Security Income for Blind, Aged or Disabled)? Refer to graph provided by Rod Betit of Health and Social Services.
- 4) What are the decision regarding front loading? If the program is front-loaded, how much in total and how much is each annuity account credited? Remember that front loading has 2 supposed advantages, adds tax deferability for the program and speeds up the winding down of Longevity Bonus funding requirements.
- 5) What about mandatory contributions as with Representative Larsons bill. Again, this adds tax deferability if that is important. As proposed in his bill, would end state support for ALB payments immediately. Requires that a portion of everyone's PFD (approx. 21% in 1986) be used to fund current recipients plus 50% of the remainder be used to fund a mandatory annuity program.

SB 56

POLICY CONSIDERATIONS OF FRONT LOADING

CSSB 56 authorizes the legislature to make an appropriation in any year into the annuity accounts of individuals who have chosen, in that year, to contribute their permanent fund dividends to their annuity accounts. The appropriation may be made, under the bill, either from the general fund or from the income of the undistributed income account within the permanent fund.

The bill sets out a formula for the allocation of this appropriation, or "front loading," among the annuity accounts. Individuals from age 18 through 35 receive a base amount, for example \$50, and that amount is increased by a percentage, for example 10%, for each year of age above 35. ^{1/} Under this formula using this base and this "tilt" an individual at age 65 would receive approximately \$700 of front loading in his or her account.

1/ The cost projections done by the Division of Strategic Planning which include front loading have used a base amount of \$50 and a "tilt" of 10%, and have hypothesized that the legislature would appropriate for front loading for three years. The projections further assume that with this front loading, approximately half of all Alaskans would choose to defer, with heavy participation among older Alaskans and little participation among younger Alaskans. Obviously, these projections are dependant upon many variables which may or may not prove to be true.

The State Special Committee on the Alaska Longevity Bonus Program provided for this "front loading" for several reasons. First, front loading is an obvious incentive to participate in the program, and that incentive increases the older the individual. Second, front loading in the early years saves general fund obligations for the ALB program in later years. Because the annuity accounts are increased by front loading, the residual ALB payment decreases more rapidly with front loading than without it. As a result, front loading in early years actually saves nominal dollars over the life of the program, and results in only a slight constant dollar increase.

Finally, tax counsel to the Committee concluded that under Internal Revenue Service rules, front loading annuity account will probably protect annuity investments from taxation in the year in which the dividend is issued.

SB 56

POLICY CONSIDERATIONS OF 3% ESCALATOR

CSSB 56 provides that the amount of the Alaska Longevity Bonus is increased by 3% annually beginning in FY 87. 1/ This element of the bill is one of the most costly provisions over time - in nominal dollars through the year 2034, the bill with the escalator (without front loading) is estimated to cost \$1,401 million; without the escalator the cost is estimated at \$916 million.

The State Special Committee on the Alaska Longevity Bonus Program included the 3% escalator because it recognized that the ALB, which was initially \$100, has been increased over the years and it anticipated similar pressure on the legislature to increase the bonus in the future. The committee felt that a guideline of 3% was a fiscally conservative measure to inform Alaska's seniors about what they could expect, and relieve this pressure on the legislature. Others believe that future increases, if any, should be left to future legislators who will be better able to assess cost of living increases.