

LEG. FINANCE - BILLS 1985 - 1986 2386

HB 239

2386

COMMITTEE REPORT
HOUSE

(11)

FURTHER:

3/20/85

Date: 4-30-85

The Committee on FINANCE has had HB 239

"An Act relating to the longevity bonus program; and providing for an effective date."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 239 (FIN) same title new title
- and recommends do pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

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MEMBERS HAVING
OTHER RECOMMENDATIONS:

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CHAIRMAN

Bill:
Everything
but the bird
itself

SUMMARY OF FISCAL NOTES FOR CS HB 239 (FIN)

Fiscal Note #1:	\$413.8	Non-nursing home Medicaid
Fiscal Note #2:	\$2160.0	OAA/SSI
Fiscal Note #3:	\$ 399.0	Loss of nursing wing ALB income to Pioneers' Homes
Sub-Total	\$2972.8	
Fiscal Note #3:	(\$1712.4)	Savings from not paying ALB's to nursing home residents.
	<hr/> <hr/>	
TOTAL	\$1260.4	Net additional general funds required.

NOTE: No funds are provided in these fiscal notes for the payment of bonuses.
These funds are provided in FY 86 budget.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CS HB 239 (Fin)
Title: Longevity Bonus

FISCAL DETAIL

Agency Affected: Dept. Health & Social Serv.
Program Category Affected: Social and Economic Assistance
BRU, Program or Subprogram(s) Affected: Medical Assistance

Sponsor: Senator Ray, et al.

Requestor: House Finance Committee

Date of Request: 4/29/85

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						
800 MISCELLANEOUS						
TOTAL OPERATING		0				

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

REVENUE		(413.8)				
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FUNDING: (Thousands of Dollars)

GENERAL FUND		413.8				
FEDERAL FUNDS		(413.8)				
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

The bill authorizes state funds to replace lost federal funds for medicaid benefits for non-nursing home medicaid recipients. There is no increase in operating expenditures, only a change in funding source.

MPA

Prepared By: Representative Al Adams -Chair
Division: House Finance Committee

Phone: 465-3706
Date: 4/29/85

Approved by Commissioner: _____
Agency: _____

Date: _____

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.: CS HB 239 (Fin)
Title: Longevity Bonus

FISCAL DETAIL

Agency Affected: Dept. Health & Social Serv.
Program Category Affected: Social & Economic Assistance

Sponsor: Senator Ray, et al.

BRU, Program or Subprogram(s) Affected:

Requestor: House Finance Committee

General Relief Assistance

Date of Request: 4/29/85

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		2160.0				
800 MISCELLANEOUS						
TOTAL OPERATING		2160.0				

CAPITAL						
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REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	2160.0					
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached analysis

APA

Prepared By: Representative Adams Chairman
Division: House Finance Committee

Phone: 465-3706

Date: 4/29/85

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):

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

Fiscal Note Analysis

CS HB 239 (Fin)

1. Costs reflect replacing lost supplemental security income monthly payments with General Relief Assistance:

			<u>FY cost</u>
FY 86:	750 persons/month	=	1,400.0
FY 87:	794 persons/month	=	1,530.5
FY 88:	838 persons/month	=	1,669.8
FY 89:	884 persons/month	=	1,821.6
FY 90:	933 persons/month	=	1,987.4

2. Costs also reflect replacing lost Old Age Assistance monthly payments with General Relief Assistance:

			<u>FY cost</u>
FY 86:	750 persons/month	=	760.0
FY 87:	794 persons/month	=	830.7
FY 88:	838 persons/month	=	906.3
FY 89:	884 persons/month	=	988.8
FY 90:	933 persons/month	=	1017.9

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CS HB 239 (Fin)
Title: Longevity Bonus

Sponsor: Senator Ray, et al

Requestor: House Finance Committee

Date of Request: 4/29/85

FISCAL DETAIL

Agency Affected: Administration

Program Category Affected: Social and Economic assistance for the aged.

BRU, Program or Subprogram(s) Affected: _____

Longevity Bonus and Pioneers' Home

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		(1712.4)				
800 MISCELLANEOUS						
TOTAL OPERATING		(1712.4)				
CAPITAL						
REVENUE		(1399.0)				

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS		(1313.4)				
OTHER						
TOTAL		(1313.4)				

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See Attached Analysis.

Prepared By: ^{RPA} Representative Adams - Chairman Phone: 465-3706
Division: House Finance Committee Date: 4/29/85

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):

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

7/1/84

CS HB 239 (Fin)

Fiscal note analysis:

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

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 savings.)
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 approximate 133 nursing care residents of the 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.)

Original sponsor: Finance Committee

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 239 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to a longevity bonus; and providing
7 for an effective date."

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

9 * Section 1. FINDINGS AND PURPOSE. The legislature finds and declares
10 that

11 (1) the state is committed to the elderly and has been since
12 territorial days, as evidenced by the many programs benefiting the elderly,
13 including the Alaska longevity bonus program; the Alaska Supreme Court in
14 *Schafer v. Vest*, however, struck down the original longevity bonus program,
15 thus requiring action by the legislature; as a result, the program is now
16 open to an ever-increasing number of recipients, placing an ever-expanding
17 burden on the general fund;

18 (2) projections of declining oil revenue, combined with an
19 increasing senior citizen population, make it clear that the longevity
20 bonus program will be increasingly difficult to fund and it must be a-
21 mended;

22 (3) the state still desires to recognize the achievements of
23 Alaska's elderly, who served Alaska prior to statehood; thus, the legisla-
24 ture is committed to the principle that those currently receiving the
25 longevity bonus will continue to receive it in the future;

26 (4) this legislation provides for the eventual phasing out of
27 the current program in as fair and cost effective a manner as possible,
28 leaving it to subsequent legislatures to decide if another program is
29 needed to assist future Alaskan elders at some later point in time.

1 * Sec. 2. AS 47.45.010(a) is amended to read:

2 (a) A person who is 65 years of age or over on or before July 1,
3 1986, who resides in the state for at least one year immediately
4 preceding application for a longevity bonus under this chapter may
5 apply to the commissioner of administration for qualification to
6 receive a monthly bonus of \$250 upon reaching age 65.

7 * Sec. 3. AS 47.45.030 is amended to read:

8 Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification, a
9 recipient shall notify the commissioner of administration when the
10 recipient expects to be absent from the state if the absence is for a
11 continuous period that exceeds 30 days. After that notification, the
12 recipient may no longer receive bonuses from the Department of Admin-
13 istration after the last regularly approved monthly application. Upon
14 returning to the state, the recipient may again make application for a
15 bonus. Whenever the absence is for a continuous period that exceeds 90
16 [180] days the recipient shall be disqualified from receiving bonuses
17 for the next 12 calendar months after returning to the state. However,
18 when the commissioner of administration determines a period of absence
19 is beyond the control of the recipient, the recipient may not be
20 disqualified if the recipient still otherwise qualifies upon returning
21 to the state. Continual absences from the state, even though report-
22 ed, and failure to notify the commissioner of an expected absence may
23 be grounds for disqualification.

24 * Sec. 4. AS 47.45.070 is amended to read:

25 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is
26 one who

27 (1) does not meet the age or residence requirements as
28 provided for under this chapter;

29 (2) meets the age and residence requirements of this

1 chapter but either is confined in a state or federal mental health
2 institution or facility and is certified by the state as unable to
3 manage personal affairs, or resides in a nursing home as that term is
4 defined in AS 08.70.180; however, if that person, at the time of
5 commitment or commencement of residence, provided the principal
6 support of a spouse, the commissioner of administration may determine
7 to pay the confined person's bonus to the person's spouse until the
8 spouse is qualified for a bonus;

9 (3) is otherwise qualified but confined in a penal or
10 correctional institution or facility; upon completion of sentence or
11 upon the conferral of a pardon, parole or probation, the person may
12 make application; confinement outside the state shall be considered as
13 residence in the state if a person was convicted and sentenced from a
14 court in Alaska; revocation of parole or probation shall be cause for
15 immediate disqualification until release from confinement is again
16 effected;

17 (4) voluntarily leaves the state and remains absent from
18 the state for a continuous period of more than 90 [180] days.

19 * Sec. 5. AS 47.45 is amended by adding a new section to read:

20 Sec. 47.45.122. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) An
21 individual whose public assistance is denied or reduced solely because
22 of the receipt of a bonus under this chapter by the individual or by a
23 member of the individual's household is eligible for assistance under
24 the general relief assistance program in AS 47.25.120 - 47.25.300.
25 Notwithstanding the limit in AS 47.25.130, the individual is entitled
26 to receive the same amount as the individual would have received under
27 other public assistance programs had the individual not received a
28 longevity bonus.

29 (b) In this section "other public assistance" means

- 1 (1) Supplemental Security Income (42 U.S.C. 1381 - 1385);
2 (2) Medicaid (42 U.S.C. 1396 - 1396p); and
3 (3) Adult Public Assistance (AS 47.25.430 - 47.25.615).

4 * Sec. 6. Section 11, ch. 38, SLA 1984 is repealed.

5 * Sec. 7. Sections 1 - 5 of this Act take effect July 1, 1985.

6 * Sec. 8. Section 6 of this Act takes effect immediately in accordance
7 with AS 01.10.070(c).

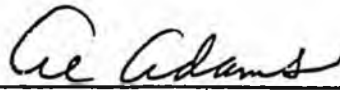
HOUSE JOURNAL

House Finance Committee
Letter of Intent
for
CS HB 239 (FIN)

CS HB 239 (FIN) phases out the longevity bonus program in a fair and just manner by insuring that today's seniors will receive a monthly longevity bonus for the rest of their lives regardless of need. The bill does, however, address the income of these seniors who are eligible for public assistance.

Because the federal government has indicated that the longevity bonus will be considered a prior resource when determining eligibility for medicaid and supplemental security income (SSI), many of Alaska's poorest seniors who qualify for the bonus will lose their medicaid and SSI benefits. Also, because the state funded Old Age Assistance (OAA) program must follow the federal ruling, these same seniors will lose their OAA benefits as well. This bill will hold the affected seniors harmless from this federal ruling by authorizing the state to pay those medicaid, SSI and OAA benefits that the federal government no longer allows, with one exception. Instead of paying the federal portion of medicaid for eligible nursing home residents, these individuals are prohibited from receiving a bonus. This is because the federal portion of their medicaid benefits far outweighs the \$3,000 in annual bonus income and because the cost to the state of paying both the bonus and the federal medicaid portion of their nursing home care is prohibitive. Nursing home care in Alaska averages \$140 per day.

The legislature recognizes that the federal government may consider the bonus as a prior resource for other programs for which eligibility requirements are controlled at the federal level. Therefore, it is the intent of the legislature that the House and Senate Health, Education & Social Services Committees conduct a joint review of the relationship between eligibility for a longevity bonus and eligibility for federal assistance programs and report back to the legislature next session. The review should consider, but is not limited to, the following items: (1) an inventory of programs for which receipt of the bonus will change eligibility for the federal program, (2) the cost of holding bonus recipients harmless for each program, (3) how best to administer hold harmless programs; (4) how an individual would fare under each program if the individual were made ineligible for a bonus, (5) proposals for legislative action, and (6) the federal reaction to any proposed legislative actions. In conducting the review, the Committees should work closely with the House and Senate Finance Committees and the affected state agencies.



Al Adams, Chair
House Finance Committee

Rec'd 5/8
r/d 4/30

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____ Page 1 of 3

REQUEST
Bill/Resolution No.: CSHB239 (Fin)
Title: Longevity Bonus
Sponsor: Finance Committee
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	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)	(6,677.4)	(11,819.4)	(17,033.4)
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(1,712.4)	(1,712.4)	(6,677.4)	(11,819.4)	(17,033.4)
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	(1,313.4)	(1,313.4)	(6,278.4)	(11,420.4)	(16,634.4)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	(1,313.4)	(1,313.4)	(6,278.4)	(11,420.4)	(16,634.4)

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 Munson, Director Phone: 465-4400
Division: Pioneers' Benefits Date: May 2, 1985

Approved by Commissioner: Lisa Rudd Date: 5/7/85
Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- 8/1B1/0403-02/1

CSHB 239 (Finance)
Fiscal Note Analysis
Prepared by Division of Pioneers' Benefits
Department of Administration
May 2, 1985

This House Finance Committee version of the bill phases out the Longevity Bonus Program by requiring eligible applicants to be age 65 or over on or before July 1, 1986. It also would make persons who reside in nursing homes ineligible for the Longevity Bonus. This would have the effect of holding harmless those who would lose their SSI, Adult Public Assistance and Medicaid benefits by receipt of the Longevity Bonus. This bill also deems unqualified those who voluntarily leave the state and remain absent for a continuous period of more than 90 days.

ASSUMPTIONS

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

1. Limiting eligibility to those who are age 65 on or before July 1, 1986, (the beginning of FY 87), would have the effect of reducing the number of participants beginning in FY 88, because the number of eligible persons who leave Alaska or die is expected to exceed the number of persons who would move to Alaska, achieve one year of residence and apply for the Longevity Bonus.
2. The number of persons who would be affected in Pioneers' Homes and nursing homes was approximately 608 as of February 1985. For the purpose of this fiscal note, it is assumed this number would remain unchanged. (608 x 12 x \$250 = \$1,824,000 saving)
3.
 - a. 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)
 - b. 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 about them at this time.)
4. It is assumed that changing the allowable absence from Alaska from 180 to 90 continuous days will result in some persons returning early so as not to lose the Bonus for an additional 12 months. This number is unknown, and therefore no fiscal impact is shown.

CSHB 239 (Finance)
 Fiscal Note Analysis
 Prepared by Division of Pioneers' Benefits
 Department of Administration
 May 2, 1985

Summary

<u>Element</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
Savings/Nursing Homes (Longevity Bonus)	(\$1,824.0)	(\$1,824.0)	(\$1,824.0)	(\$1,824.0)	(\$1,824.0)
Lost Revenues (Pioneers' Home)	399.0	399.0	399.0	399.0	399.0
Stipends Paid (Pioneers' Home)	111.6	111.6	111.6	111.6	111.6
Grants Difference (Longevity Bonus)	0	0	(4,965.0)	(10,107.0)	(15,321.0)
Net Change	(\$1,313.4)	(\$1,313.4)	(\$6,278.4)	(\$11,420.4)	(\$16,634.4)

POSITION PAPER
CSHB239 (Fin)


This is a companion bill to HCSCSB56 (Fin), with exactly the same wording and effect.

This House Finance Committee version of the bill phases out the Longevity Bonus Program by requiring eligible applicants to be age 65 or over on or before July 1, 1986. It also would make persons who reside in nursing homes ineligible for the Longevity Bonus. This would have the effect of holding harmless those who would lose their SSI, Adult Public Assistance and Medicaid benefits by receipt of the Longevity Bonus. This bill also deems unqualified those who voluntarily leave the state and remain absent for a continuous period of more than ninety days.

The legislature is presently divided over the method of providing future financial security for Alaska's elderly. Unless some action is taken, the Longevity Bonus program will cease on June 30, 1985.

The uncertainty of the program's future has had an unsettling effect on those who now receive the bonus and those who have planned their future with income from the Longevity Bonus in mind. For this reason, the Department of Administration favors a permanent solution to the State's dilemma over the Longevity Bonus, rather than a stopgap measure.

The Department of Administration is taking a neutral position on this bill.



Joyce Munson, Director
Division of Pioneers' Benefits
Department of Administration

5/3/85

Date



Commissioner Lisa Rudd
Department of Administration

5/7/85

Date

PROPOSED LETTER OF INTENT FOR CS HB 239 (FIN)

CS HB 239 (FIN) phases out the longevity bonus program in a fair and just manner by insuring that today's seniors will receive a monthly longevity bonus for the rest of their lives regardless of need. The bill does, however, address the income of these seniors who are eligible for public assistance.

Because the federal government has indicated that the longevity bonus will be considered a prior resource when determining eligibility for medicaid and supplemental security income (SSI), many of Alaska's poorest seniors who qualify for the bonus will lose their medicaid and SSI benefits. Also, because the state funded Old Age Assistance (OAA) program must follow the federal ruling, these same seniors will lose their OAA benefits as well. This bill will hold the affected seniors harmless from this federal ruling by authorizing the state to pay those medicaid, SSI and OAA benefits that the federal government no longer allows, with one exception. Instead of paying the federal portion of medicaid for eligible nursing home residents, these individuals are prohibited from receiving a bonus. This is because the federal portion of their medicaid benefits far outweighs the \$3,000 in annual bonus income and because the cost to the state of paying both the bonus and the federal medicaid portion of their nursing home care is prohibitive. Nursing home care in Alaska averages \$140 per day.

The legislature recognizes that the federal government may consider the bonus as a prior resource for other programs for which eligibility requirements are controlled at the federal level. Therefore, it is the intent of the legislature that the House and Senate Health, Education & Social Services Committees conduct a joint review of the relationship between eligibility for a longevity bonus and eligibility for federal assistance programs and report back to the legislature next session. The review should consider, but is not limited to, the following items: (1) an inventory of programs for which receipt of the bonus will change eligibility for the federal program, (2) the cost of holding bonus recipients harmless for each program, (3) how best to administer hold harmless programs; (4) how an individual would fare under each program if the individual were made ineligible for a bonus, (5) proposals for legislative action, and (6) the federal reaction to any proposed legislative actions. In conducting the review, the Committees should work closely with the House and Senate Finance Committees and the affected state agencies.

Entire bill is replaced
with contents of HCS SB
56(Fin) - the bill that
passed the House on
4/1/85.

Original sponsor: Finance Committee

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IN THE HOUSE

BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 239 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to a longevity bonus; and providing for an effective date."

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

* Section 1. FINDINGS AND PURPOSE. The legislature finds and declares that

(1) the state is committed to the elderly and has been since territorial days, as evidenced by the many programs benefiting the elderly, including the Alaska longevity bonus program; the Alaska Supreme Court in *Schafer v. Vest*, however, struck down the original longevity bonus program, thus requiring action by the legislature; as a result, the program is now open to an ever-increasing number of recipients, placing an ever-expanding burden on the general fund;

(2) projections of declining oil revenue, combined with an increasing senior citizen population, make it clear that the longevity bonus program will be increasingly difficult to fund and it must be amended;

(3) the state still desires to recognize the achievements of Alaska's elderly, who served Alaska prior to statehood; thus, the legislature is committed to the principle that those currently receiving the longevity bonus will continue to receive it in the future;

(4) this legislation provides for the eventual phasing out of the current program in as fair and cost effective a manner as possible, leaving it to subsequent legislatures to decide if another program is needed to assist future Alaskan elders at some later point in time.

1
2 * Sec. 2. AS 47.45.010(a) is amended to read:

3 (a) A person who is 65 years of age or over on or before July 1,
4 1986, who resides in the state for at least one year immediately
5 preceding application for a longevity bonus under this chapter may
6 apply to the commissioner of administration for qualification to
7 receive a monthly bonus of \$250 upon reaching age 65.

8 * Sec. 3. AS 47.45.030 is amended to read:

9 Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification, a
10 recipient shall notify the commissioner of administration when the
11 recipient expects to be absent from the state if the absence is for a
12 continuous period that exceeds 30 days. After that notification, the
13 recipient may no longer receive bonuses from the Department of Admin-
14 istration after the last regularly approved monthly application. Upon
15 returning to the state, the recipient may again make application for a
16 bonus. Whenever the absence is for a continuous period that exceeds 90
17 [180] days the recipient shall be disqualified from receiving bonuses
18 for the next 12 calendar months after returning to the state. However,
19 when the commissioner of administration determines a period of absence
20 is beyond the control of the recipient, the recipient may not be
21 disqualified if the recipient still otherwise qualifies upon returning
22 to the state. Continual absences from the state, even though report-
23 ed, and failure to notify the commissioner of an expected absence may
24 be grounds for disqualification.

25 * Sec. 4. AS 47.45.070 is amended to read:

26 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is
27 one who

28 (1) does not meet the age or residence requirements as
29 provided for under this chapter;

(2) meets the age and residence requirements of this

1 chapter but either is confined in a state or federal mental health
2 institution or facility and is certified by the state as unable to
3 manage personal affairs, or resides in a nursing home as that term is
4 defined in AS 08.70.180; however, if that person, at the time of
5 commitment or commencement of residence, provided the principal
6 support of a spouse, the commissioner of administration may determine
7 to pay the confined person's bonus to the person's spouse until the
8 spouse is qualified for a bonus;

9
10 (3) is otherwise qualified but confined in a penal or
11 correctional institution or facility; upon completion of sentence or
12 upon the conferral of a pardon, parole or probation, the person may
13 make application; confinement outside the state shall be considered as
14 residence in the state if a person was convicted and sentenced from a
15 court in Alaska; revocation of parole or probation shall be cause for
16 immediate disqualification until release from confinement is again
17 effected;

18 (4) voluntarily leaves the state and remains absent from
19 the state for a continuous period of more than 90 [180] days.

20 * Sec. 5. AS 47.45 is amended by adding a new section to read:

21 Sec. 47.45.122. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) An
22 individual whose public assistance is denied or reduced solely because
23 of the receipt of a bonus under this chapter by the individual or by a
24 member of the individual's household is eligible for assistance under
25 the general relief assistance program in AS 47.25.120 - 47.25.300.
26 Notwithstanding the limit in AS 47.25.130, the individual is entitled
27 to receive the same amount as the individual would have received under
28 other public assistance programs had the individual not received a
29 longevity bonus.

(b) In this section "other public assistance" means

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- (1) Supplemental Security Income (42 U.S.C. 1381 - 1385);
- (2) Medicaid (42 U.S.C. 1396 - 1396p); and
- (3) Adult Public Assistance (AS 47.25.430 - 47.25.615).

* Sec. 6. Section 11, ch. 38, SLA 1984 is repealed.

* Sec. 7. Sections 1 - 5 of this Act take effect July 1, 1985.

* Sec. 8. Section 6 of this Act takes effect immediately in accordance with AS 01.10.070(c).

Proposed Amendment
to HB 239

POURCHOT

*Section 1. AS 47.45.010 is amended by adding a new subsection to read:

(d) Notwithstanding (a) of this section, on July 1, 1986 [1991], the age requirement for eligibility for a longevity bonus shall be increased to 66 years of age. On July 1 of each succeeding year the age requirement shall be increased by one year.

*Sec. 2. Section 11, ch. 38, SLA 1984 is repealed.

*Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c).

COST COMPARISONS OF LONGEVITY BONUS LEGISLATION

Attached is an amendment to HB 239, the stair-stepping alternative program to replace the present, temporary Alaska Longevity Bonus Program. This amendment would begin the stair-step increments in FY 87 (July 1, 1986) rather than FY 92 (July 1, 1991).

For the information of the committee, the yearly costs^{*} of the FY 87 stair-step alternative, the FY 92 stair-step alternative and the annuity alternative (CSSB 56), that passed the Senate March 21, are:

In Millions of Dollars

Year	HB 239 (stair-stepping)	HB 239 (with proposed amendment)	Savings with Amendment	CSSB 56 (Annuity)
86	50.2	45.1	(5.1)	50.2
87	53.3	43.0	(10.3)	53.1
88	56.3	41.0	(15.3)	55.7
89	59.5	38.9	(20.6)	58.2
90	62.7	36.9	(25.8)	60.3
91	65.7	34.8	(30.9)	61.7
92	62.5	32.8	(29.7)	62.4
93	59.7	30.8	(28.9)	62.5
94	56.9	28.8	(28.1)	61.7
95	53.9	26.8	(27.1)	60.0
96	51.0	24.9	(26.1)	56.9
97	48.1	22.9	(25.2)	52.1
98	45.2	21.0	(24.2)	45.9
99	42.4	19.2	(23.2)	37.6
00	39.6	17.4	(22.2)	27.0
01	36.8	15.7	(21.1)	15.7
02	34.0	14.0	(20.0)	14.0
03	31.3	12.5	(18.8)	12.5
04	28.7	11.0	(17.7)	11.0
05	26.2	9.6	(16.6)	9.6
06	23.7	8.4	(15.3)	8.4
07	21.3	7.2	(14.1)	7.2
08	19.1	6.2	(12.9)	6.2
09	17.0	5.3	(11.7)	5.3
10	15.0	4.3	(10.7)	4.3
TOTALS	1060.1	558.5	(501.6)	899.5
<hr/>				
TOTALS as of 2034	1138.0	576.0	(562.0)	916.5

* These costs are in nominal dollars and are from rough projections made by the Office of Management and Budget on March 21. There may be minor modifications of numbers as they continue to refine the computer program but these numbers give a fairly accurate picture of future costs.

HB 239

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: HB 239

Title: Longevity Bonus Program

Sponsor: Finance Committee

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	0	0	0	0	0	0
300 CONTRACTUAL	0	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	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

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

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

POSITIONS:	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 Kestler, Director
Division: Pioneers' Benefits

Phone: 465-4400
Date: March 1, 1985

Approved by Commissioner: Lisa Rudd
Agency: Department of Administration

Date: 3/1/85

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

House Bill 239
Fiscal Note Analysis
Prepared by the Division of Pioneers' Benefits
Department of Administration
March 1, 1985

This Bill would restrict growth and eventually phase out the Longevity Bonus Program by escalating the age of eligibility.

Assumptions

1. Section 11 of Chapter 38, SLA 84, which would have ended the program on June 30, 1985, is repealed, and therefore the program will continue.
2. Beginning on July 1, 1991, the age requirement for eligibility for a longevity bonus would be increased to 66 years of age. On July 1 of each succeeding year the age requirement would be increased by one year. This would have the effect of closing the program to new applicants, except for new residents of Alaska who complete one year of residency at an appropriate age, or those few Alaskans of appropriate age who may have previously chosen not to apply.
3. All those presently on the program, and those who come on the program prior to July 1, 1991, will remain eligible and continue to receive longevity bonus payments.
4. The Bill becomes effective immediately upon becoming law.

POSITION PAPER

HB 239

This bill is a proposed act relating to the longevity bonus program; and providing for an effective date.

This bill would restrict growth and eventually phase out the longevity bonus program by escalating the age of eligibility.


Section 11 of Chapter 38, SLA §4, which would have ended the program on June 30, 1985, would be repealed, and therefore the program would continue.

Beginning on July 1, 1991, the age requirement for eligibility for a longevity bonus would be increased to 66 years of age. On July 1 of each succeeding year the age requirement would be increased by one year. This would have the effect of closing the program to new applicants, except for new residents of Alaska who complete one year of residency at an appropriate age, or those few Alaskans of appropriate age who may have previously chosen not to apply.

All those presently eligible for the program, and those who come on the program prior to July 1, 1991, would remain eligible and continue to receive longevity bonus payments.

The bill would become effective immediately upon becoming law.

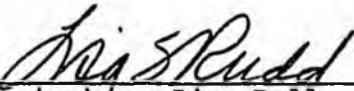
At this point, the Department of Administration is maintaining a neutral position on this bill.



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. HR No. 239
 Title: An Act relating to longevity
bonus program.
 Sponsor: Finance
 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						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUNDS		-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. HB No. 239 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: 3-6-85

Approved by Commissioner: J.R. Taber Date: 3/8/85 fce
 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: _____

REQUEST

Bill/Resolution No.: HB 239
 Title: An Act amending the LB prgm and PFD prgm estab. an annuity prgm.
 Sponsor: Finance
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Health & Social Services
 Program Category Affected: _____
 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						
600 LAND & STRUCTURES						
700 CRANTS, CLAIMS		(2,133.2)	(2,430.2)	(2,342.3)	(3,237.4)	(3,702.6)
800 MISCELLANEOUS						
TOTAL OPERATING		(2,133.2)	(2,430.2)	(2,342.3)	(3,237.4)	(3,702.6)

CAPITAL						
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REVENUE		(934.9)	(1,062.3)	(1,217.2)	(1,386.0)	(1,584.8)
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FUNDING: (Thousands of Dollars)

GENERAL FUND		(1,248.3)	(1,417.9)	(1,625.6)	(1,851.4)	(2,117.8)
FEDERAL FUNDS		(934.9)	(1,062.3)	(1,217.2)	(1,386.0)	(1,584.8)
OTHER						
TOTAL		(2,183.2)	(2,480.2)	(2,842.8)	(3,237.4)	(3,702.6)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

HB 239 results in the loss of Medicaid coverage for Medicaid recipients whose income due to the receipt of the Annuity and or ALB, will exceed the Medicaid limit. Both nursing home and non nursing home recipients would be affected. The attached table projects the reductions of the number of recipients (line h and f) and the FFP (lines i and g) in the Medicaid Program.

Prepared By: Rod Betit, Director *R Betit* Phone: 465-33355
 Division: Medical Assistance Date: 3/6/85

Approved by Commissioner: J. 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
- Impacted Agency(ies)

7/1/84

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	<u>880,525</u>	<u>1,003,423</u>	<u>1,142,921</u>	<u>1,300,606</u>	<u>1,483,261</u>

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	<u>1,302,675</u>	<u>1,476,790</u>	<u>1,699,927</u>	<u>1,936,817</u>	<u>2,219,287</u>

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 eligibles; 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.

FY 86 GOVS

03-02-04-01-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET SUMMARY

17:54

12/21/84

AGENCY: DEPARTMENT OF ADMINISTRATION
 CATEGORY: SOCIAL SERVICES

PROGRAM: LONGEVITY BONUS
 SUB-PROGRAM: GRANTS

----- F I S C A L Y E A R 1 9 8 5 -----

EXPENDITURES & FUNDING	(18) FY83 ACT	(01) FY84 ACT	(02) FY85 ATH	(03) ADJ BASE	(04) FORMULA	(05) AMT	(06) REQUEST	(08) GOVERNOR	(09) HOUSE	(10) SENATE	(11) C. C.	(12) BILLS	(13) LEG.REC.
01 PERS. SERV.	169.4	179.0	293.9										
02 TRAVEL	1.7	3.5	115.6										
03 CONTRACTUAL	84.6	75.4	192.0										
04 COMMODITIES	1.0	2.2	6.5										
05 EQUIPMENT	.4	2.5											
06 LANDS/BLDGS													
07 GRANTS, CLMS	27504.5	29155.8	46962.5	46962.5	50447.0	3484.5	50447.0	49780.3					
08 MISC.													
** TOTAL EXPEND	27761.6	29418.4	47570.5	46962.5	50447.0	3484.5	50447.0	49780.3					
09 I-A TRANSFER	26.1	22.8	39.3										
1004 GEN FUND	27761.6	29418.4	47570.5	46962.5	50447.0	3484.5	50447.0	49780.3					
15 FULL TIME	5.0	5.0	8.0										
16 PART TIME													
17 TEMPORARY													
18 STAFF MONTHS	60.0	60.0	102.0										

03-02-04-01-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET ANALYSIS

17:54

12/21/84

AGENCY: DEPARTMENT OF ADMINISTRATION
CATEGORY: SOCIAL SERVICES

PROGRAM: LONGEVITY BONUS
SUB-PROGRAM: GRANTS

***** GOVERNOR ANALYSIS *****

OBJECT GROUP	VARIATION		DESCRIPTION: GOVERNOR (\$49,780.3) VERSUS FY85 ATH (\$47,570.5)
01 PERS. SERV.	-293.9	-100.0%	
02 TRAVEL	-115.6	-100.0%	
03 CONTRACTUAL	-192.0	-100.0%	
04 COMMODITIES	-6.5	-100.0%	
07 GRANTS, CLMS	2817.8	6.0%	TRANSFER IN FROM ADMINISTRATION COMPONENT THE GRANTS PORTION OF BONUS PROGRAM \$46962.5. INCREASE FORMULA PROGRAM SIX PERCENT \$2817.8.
** TOTALS	2209.8	4.6%	

***** PROGRAM DESCRIPTION & PRIOR YEAR INFORMATION *****

1984 LEGISLATION: CH38 SL84 EXTENDS BONUS PROGRAM TO ONE YEAR RESIDENTS AGE 65 OR OLDER THROUGH JUNE 30, 1985.

FY85 INTENT: IN THE EVENT THAT FUNDING FOR THE LONGEVITY BONUS PROGRAM PROVES TO BE INSUFFICIENT IN FY85, THE DEPARTMENT SHALL REQUEST SUPPLEMENTAL FUNDING.

AGENCY RESPONSE: APPLICATIONS FOR THE LONGEVITY BONUS HAVE SLOWED. PROJECTIONS SHOW THAT THE PROGRAM WILL BE ABLE TO OPERATE WITHIN AVAILABLE FUNDING DURING FY85. THEREFORE, BARRING UNFORESEEN EVENTS, NO SUPPLEMENTAL APPROPRIATION WILL BE NEEDED.

NOTE: STATUTORY BASIS IS AS 47.45.010-.170. GOVERNOR'S ESTIMATE ASSUMES 6 PERCENT INCREASE, DEPARTMENT USES HOUSE RESEARCH AGENCY FIGURE FOR POPULATION SERVED TO REACH FULLY FUNDED AMOUNT OF \$50447.0.

217.1

17:54

12/21/84

03-02-04-03-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET SUMMARY

AGENCY: DEPARTMENT OF ADMINISTRATION
 CATEGORY: SOCIAL SERVICES

PROGRAM: LONGEVITY BONUS
 SUB-PROGRAM: ADMINISTRATION

EXPENDITURES & FUNDING	FISCAL YEAR 1985												
	(18) FY83 ACT	(01) FY84 ACT	(02) FY85 ATH	(03) ADJ BASE	(04) FORMULA	(05) INCREMNT	(06) REQUEST	(08) GOVERNOR	(09) HOUSE	(10) SENATE	(11) C. C.	(12) BILLS	(13) LEG.REC.
01 PERS. SERV.				233.0		30.7	263.7	263.7					
02 TRAVEL				1.7		.2	1.9	1.9					
03 CONTRACTUAL				139.0		8.0	147.0	147.0					
04 COMMODITIES				4.0		.3	4.3	4.3					
05 EQUIPMENT													
06 LANDS/BLDGS													
07 GRANTS, CLMS													
08 MISC.													
MM TOTAL EXPEND				377.7		39.2	416.9	416.9					
09 I-A TRANSFER				44.3			44.3	44.3					
1004 GEN FUND				377.7		39.2	415.9	416.9					
15 FULL TIME				7.0			7.0	7.0					
16 PART TIME				1.0			1.0	1.0					
17 TEMPORARY													
18 STAFF MONTHS				90.0			90.0	90.0					

03-02-04-03-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET ANALYSIS

17:54

12/21/84

AGENCY: DEPARTMENT OF ADMINISTRATION
CATEGORY: SOCIAL SERVICES

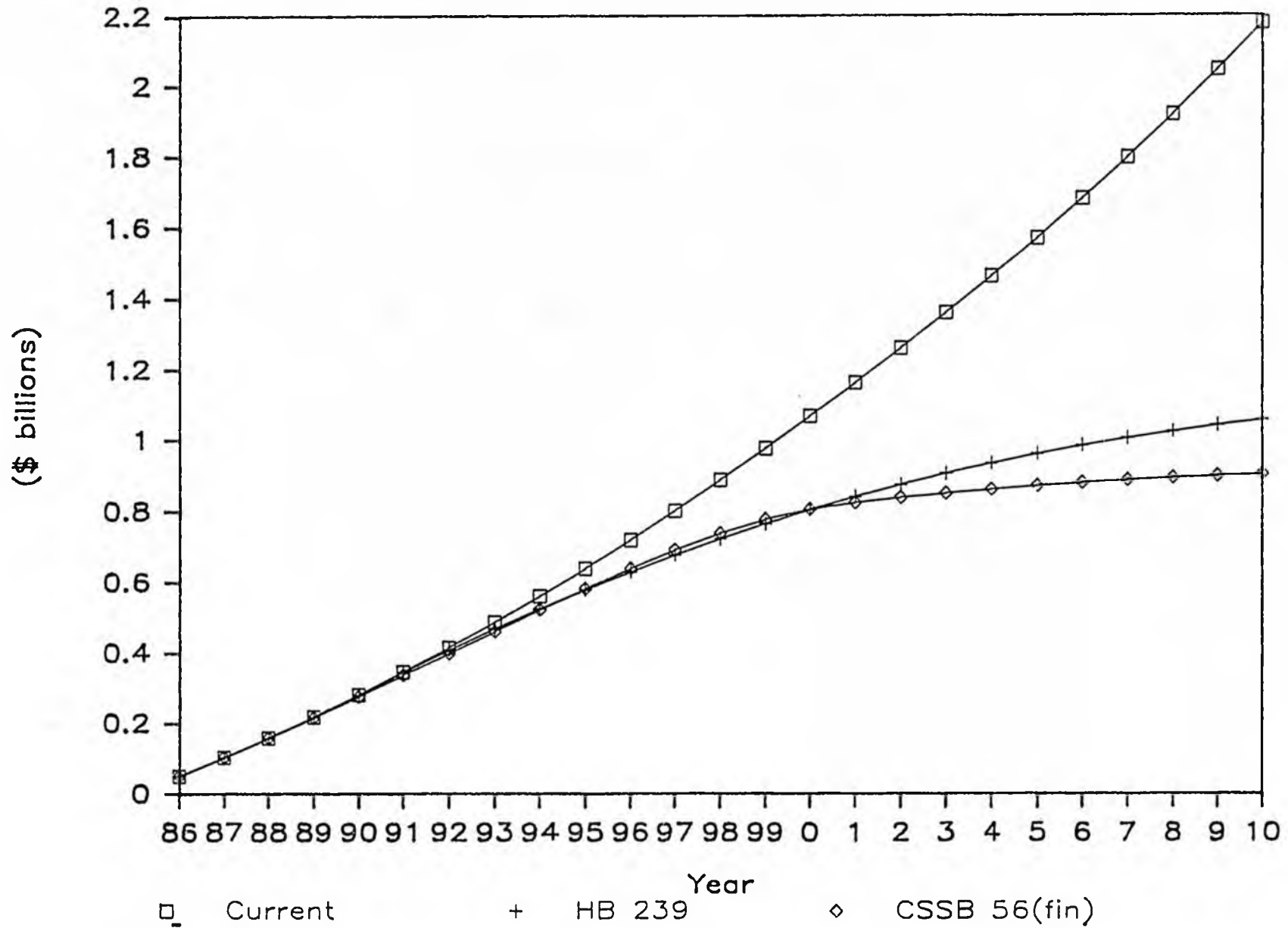
PROGRAM: LONGEVITY BONUS
SUB-PROGRAM: ADMINISTRATION

***** GOVERNOR ANALYSIS *****

OBJECT GROUP	VARIATION		DESCRIPTION: GOVERNOR (\$416.9) VERSUS FY85 ATH (\$0.0)
01 PERS. SERV.	263.7	100.0%	ONE-TIME ITEM LONGEVITY BONUS COMMITTEE (\$70.1), PERSONAL SERVICES ADJUSTMENT \$9.2, REDUCE PERSONAL SERVICES UNDERFUNDING \$30.7.
02 TRAVEL	1.9	100.0%	ONE-TIME ITEM LONGEVITY BONUS COMMITTEE (\$113.9), INFLATION \$0.2.
03 CONTRACTUAL	147.0	100.0%	ONE-TIME ITEM LONGEVITY BONUS COMMITTEE (\$53.0), INFLATION \$8.0.
04 COMMODITIES	4.3	100.0%	ONE-TIME ITEM LONGEVITY BONUS COMMITTEE (\$2.5), INFLATION \$0.3.
** TOTALS	416.9	100.0%	

LONGEVITY BONUS COST ANALYSIS

Cumulative Cost



extend current program forever

LONGEVITY BONUS COST ANALYSIS

Current Program

Fiscal Year	Over 65 by 1/86	Monthly Bonus	Cost (millions)	I I I I	Eligibility Age	Reach 65 after 1/1/86	Monthly Bonus	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1		65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	250	43.0		65	3,419	250	10.3	53.3	103.5
1988	13,660	250	41.0		65	5,109	250	15.3	56.3	159.8
1989	12,974	250	38.9		65	6,854	250	20.6	59.5	219.3
1990	12,293	250	36.9		65	8,620	250	25.9	62.7	282.1
1991	11,616	250	34.8		65	10,292	250	30.9	65.7	347.8
1992	10,943	250	32.8		65	11,906	250	35.7	68.5	416.3
1993	10,273	250	30.8		65	13,588	250	40.8	71.6	487.9
1994	9,606	250	28.8		65	15,193	250	45.6	74.4	562.3
1995	8,945	250	26.8		65	16,946	250	50.8	77.7	640.0
1996	8,291	250	24.9		65	18,572	250	55.7	80.6	720.6
1997	7,644	250	22.9		65	20,048	250	60.1	83.1	803.7
1998	7,012	250	21.0		65	21,645	250	64.9	86.0	889.6
1999	6,396	250	19.2		65	23,160	250	69.5	88.7	978.3
2000	5,799	250	17.4		65	24,712	250	74.1	91.5	1,069.8
2001	5,225	250	15.7		65	26,234	250	78.7	94.4	1,164.2
2002	4,676	250	14.0		65	27,764	250	83.3	97.3	1,261.5
2003	4,156	250	12.5		65	29,292	250	87.9	100.3	1,361.9
2004	3,666	250	11.0		65	30,817	250	92.5	103.4	1,465.3
2005	3,210	250	9.6		65	32,511	250	97.5	107.2	1,572.5
2006	2,788	250	8.4		65	34,342	250	103.0	111.4	1,683.9
2007	2,402	250	7.2		65	36,087	250	108.3	115.5	1,799.3
2008	2,050	250	6.2		65	38,259	250	114.8	120.9	1,920.3
2009	1,778	250	5.3		65	40,416	250	121.2	126.6	2,046.8
2010	1,449	250	4.3		65	42,563	250	127.7	132.0	2,178.9

Prepared by the House Research Agency

04-Mar-85

607400

HB239

LONGEVITY BONUS COST ANALYSIS

HB 239

Begin Stairstep: FY 92
 Step Increment: 1
 Age Cap: None

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (millions)	Cumulative Cost (millions)
1986	56	65	16,744	\$250	\$50.2
1987	63	65	17,768	250	53.3
1988	1	65	18,769	250	56.3
1989	2	65	19,828	250	59.5
1990	3	65	20,913	250	62.7
1991	4	65	21,908	250	65.7
1992	5	66	20,925	250	62.8
1993	6	67	19,938	250	59.8
1994	7	68	18,952	250	56.9
1995	8	69	17,974	250	53.9
1996	9	70	17,001	250	51.0
1997	10	71	16,032	250	48.1
1998	11	72	15,071	250	45.2
1999	12	73	14,116	250	42.3
2000	13	74	13,169	250	39.5
2001	14	75	12,233	250	36.7
2002	15	76	11,313	250	33.9
2003	16	77	10,411	250	31.2
2004	17	78	9,530	250	28.6
2005	18	79	8,676	250	26.0
2006	19	80	7,851	250	23.6
2007	20	81	7,059	250	21.2
2008	21	82	6,304	250	18.9
2009	22	83	5,585	250	16.9
2010	23	84	4,922	250	14.8

Prepared by the House Research Agency 11-Mar-85

CS SB 56
(FIN)

LONGEVITY BONUS COST ANALYSIS
CSSD 56(rin)
assumes participants contribute 100% of PFD to annuity account.

Fiscal Year	(Full PFD)			OVER 65 BY 1/1/86					REACH 65 AFTER 1/1/86					PROGRAM TOTALS		
	PFD	Annuity Balance	Maximum Annuity	Recipients	Monthly Bonus	Monthly Annuity	Annual Bonus Annuity & PFD	GF Cost of ALB (Millions)	Recipients	Monthly Bonus	(Full PFD) Monthly Annuity	Annual Bonus Annuity & PFD	GF Cost of ALB (Millions)	Recipients	Annual GF Cost of ALB (Millions)	Cumulative GF Cost of ALB (Millions)
1986	5436	5518	50.00	15,039	\$250	0.0	53,496	45.1	1,705	\$250	50	\$3,000	55.1	16,744	\$50.2	\$50.2
1987	543	1,133	5.01	14,349	250	0.0	3,543	42.0	3,419	245	5	3,000	10.1	17,768	53.1	103.3
1988	577	1,839	10.94	13,660	250	0.0	3,577	41.0	5,109	239	11	3,000	14.7	18,769	55.6	159.0
1989	619	2,650	17.76	12,971	250	0.0	3,619	38.9	6,854	232	18	3,000	19.1	19,828	58.0	217.0
1990	677	3,597	25.61	12,293	250	0.0	3,677	36.9	8,620	224	26	3,000	23.2	20,913	60.1	277.1
1991	744	4,698	34.75	11,616	250	0.0	3,744	34.8	10,292	215	35	3,000	26.6	21,908	61.4	338.5
1992	814	5,971	45.39	10,943	250	0.0	3,814	32.8	11,906	205	45	3,000	29.2	22,849	62.1	400.6
1993	887	7,435	57.69	10,273	250	0.0	3,887	30.8	13,588	192	58	3,000	31.4	23,861	62.2	462.8
1994	964	9,112	71.83	9,606	250	0.0	3,964	28.8	15,193	178	72	3,000	32.5	24,799	61.3	524.1
1995	1,042	11,021	88.03	8,945	250	0.0	4,042	26.8	16,946	162	88	3,000	32.9	25,891	59.8	583.8
1996	1,128	13,191	106.47	8,291	250	0.0	4,128	24.9	18,572	144	106	3,000	32.0	26,863	56.9	640.7
1997	1,218	15,652	127.45	7,644	250	0.0	4,218	22.9	20,048	123	127	3,000	29.5	27,692	52.4	693.1
1998	1,310	18,429	151.22	7,012	250	0.0	4,310	21.0	21,645	99	151	3,000	25.7	28,657	46.7	739.8
1999	1,407	21,558	178.05	6,396	250	0.0	4,407	19.2	23,160	72	178	3,000	20.0	29,556	39.2	779.0
2000	1,506	25,073	208.28	5,799	250	0.0	4,506	17.4	24,712	42	208	3,000	12.4	30,511	29.8	808.7
2001	1,606	29,008	242.24	5,225	250	0.0	4,606	15.7	26,234	8	242	3,000	2.4	31,459	18.1	826.9
2002	1,707	33,402	280.25	4,676	250	0.0	4,707	14.0	27,764	0	280	3,363	0.0	32,440	14.0	840.9
2003	1,806	38,295	322.71	4,156	250	0.0	4,806	12.5	29,292	0	323	3,872	0.0	33,448	12.5	853.4
2004	1,910	43,738	369.98	3,666	250	0.0	4,910	11.0	30,817	0	370	4,440	0.0	34,483	11.0	864.4
2005	2,014	49,779	422.57	3,210	250	0.0	5,014	9.6	32,611	0	423	5,071	0.0	35,721	9.6	874.0
2006	2,117	56,471	480.93	2,788	250	0.0	5,117	8.4	34,342	0	481	6,771	0.0	37,130	8.4	882.4
2007	2,223	63,877	545.59	2,402	250	0.0	5,223	7.2	36,087	0	546	8,547	0.0	38,489	7.2	889.6
2008	2,328	72,059	617.14	2,050	250	0.0	5,328	6.2	38,259	0	617	10,406	0.0	40,309	6.2	895.7
2009	2,437	81,090	696.19	1,778	250	0.0	5,437	5.3	40,416	0	696	12,354	0.0	42,194	5.3	901.0
2010	2,547	91,050	783.44	1,449	250	0.0	5,547	4.3	42,563	0	783	14,401	0.0	44,012	4.3	905.4

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465-3800

MEMORANDUM

February 28, 1985

SUBJECT: Sectional analysis of HB 239
(phase out of longevity bonus program)

TO: Representative Albert P. Adams
Chairman, House Finance Committee

FROM: Keith B. Levy ^{KBL}
Legislative Counsel

You have requested a sectional analysis of HB 239, the so-called "stair-stepping" longevity bonus bill.

Section 1 of the bill provides that, on July 1, 1991, the age requirement for eligibility to receive a longevity bonus payment will increase from 65 to 66 years of age. On July 1 of each year after that, the age of eligibility will increase by one year so that in 1992 it will be 67, in 1993 it will be 68, and so on. As a result, anyone who is not 65 years old before July 1, 1991, will never become eligible for the program. After that date, the only people not already eligible for the longevity bonus who may begin receiving the bonus are those who move to the state, meet the new age requirements, and meet the other requirements such as the one year residency requirement. Because there will be very few new recipients, the program will gradually phase itself out through the mortality of those already eligible when the stair-stepping begins.

Section 2 repeals sec. 11, ch. 38, SLA 1984, which would have repealed the longevity bonus program on June 30, 1985. This is necessary to make it clear that the longevity bonus program is not repealed on that date.

Section 3 provides for an immediate effective date.

If I may be of any further assistance please feel free to contact me.

KBL:ojb
J12/036

SECTIONAL ANALYSIS: CS HB 239 (FIN)

Section 1. This is the findings and purpose section. It articulates why the legislature is phasing out the program.

Section 2. This section phases out the program. Only those individuals who turn 65 by July of 1986 will be eligible for a monthly bonus for the rest of their lives.

Section 3. Under current law, a bonus recipient can be Outside for 6 months without losing eligibility for the bonus for the next year. This section would only allow the recipient to be Outside for 3 months without losing eligibility.

Section 4. This section disqualifies those who reside in nursing homes, nursing wings of Pioneer homes, and mental health facilities from receiving a longevity bonus. This is because they will lose their medicaid eligibility if they continue to receive a bonus and the amount that medicaid pays for their care far exceeds the \$3,000 in annual bonus income. (Please refer to letter of intent for further details.)

Section 5. This section "holds harmless" those bonus recipients who would otherwise lose their medicaid, SSI, and OAA benefits because the federal government now considers the bonus as a prior resource when determining eligibility for these programs. (Please refer to letter of intent for further details.)

Section 6. This section repeals the July 1, 1985 termination date of the current longevity bonus program.

Sections 7 and 8. These sections make all of the bill go into effect on July 1, 1985 except for section 6 which goes into effect immediately.

NOTE: These issues are
deNOTED in HB 212.

POSITION PAPER
HB 239

"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: The amendments to the Longevity Bonus Program proposed in HB 239 do not contain a "hold-harmless" section to protect Medicaid coverage for approximately 33 nursing home residents as well as an additional 333 non-nursing home recipients. The Department is holding these persons' medical benefits harmless at the present time. However, FY86 medical assistance state fund savings of \$1,248,200 will result if HB 239 passes without a medical hold harmless, and if a medical hold-harmless is not created by separate legislation. These State funds will be needed if the Legislature intends there to be a medical hold-harmless in FY86 either through HB 239 or other legislation.

b. Public Assistance Cash Benefits: HB 239 also 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 amended FY86 request.

c. Net Impact on Public Assistance Budget: The net impact of HB 239 on the Department's FY86 budget request is a savings of \$1,248,300 in state funds.

II. IMPACT OF STAIR-STEPPING PROPOSAL ON PUBLIC ASSISTANCE RECIPIENTS: As low-income 65 year old Alaskans lose access to the Bonus program after 1991, they will qualify for more in state Old Age Assistance grants and federal SSI grants.

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 HB 239 will again alter the federal government's position and, perhaps, end the special exclusion for approximately 1700 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. However, the Department does believe that the minimal changes made by HB 239 to Bonus eligibility criteria pose a very low level of risk of Waiver loss.

152 711

IV. DEPARTMENT OF HEALTH & SOCIAL SERVICES RECOMMENDATION: Given the broad policy issues addressed by HB 239 and the minor involvement of Department of Health & Social Services program issues, the Department does not take a position either supporting or opposing HB 239. However, we believe that the simplicity of the changes proposed by HB 239, and the ample "advance notice" it gives near-elderly needy Alaskans will be very advantageous to those we serve. Nevertheless, the Department strongly recommends the addition of provisions to protect low-income, elderly Alaskans from the loss of public assistance. The most critical "hold harmless" concerns of the Department could be met by the addition of provisions to exclude nursing home residents from receipt of the Bonus and to protect medical coverage for non-institutional Bonus recipients. Should the legislature decide to also add a financial assistance "hold harmless" for either Old Age Assistance or Supplemental Security Income payments, additional appropriations will be required. While a financial assistance hold harmless is being separately considered in HB 212, the Department recommends that the legislature examine these issues together in order that the full impact may be seen.

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

Date: 3/6/85

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

Date: 3/6/85

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: _____

REQUEST

Bill/Resolution No. HR No. 239
 Title: An Act relating to longevity
bonus program.
 Sponsor: Finance
 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. HB No. 239 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: 3-6-85

Approved by Commissioner: J.R. Taber Date: 3/8/85 *fce*

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.: HB 239
 Title: An Act amending the LB prgm and PFD prgm estab. an annuity prgm.
 Sponsor: Finance
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Health & Social Services
 Program Category Affected: _____
 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						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		(2,183.2)	(2,480.2)	(2,842.8)	(3,237.4)	(3,702.6)
800 MISCELLANEOUS						
TOTAL OPERATING		(2,183.2)	(2,480.2)	(2,842.8)	(3,237.4)	(3,702.6)
CAPITAL						
REVENUE		(934.9)	(1,062.3)	(1,217.2)	(1,386.0)	(1,584.8)

FUNDING: (Thousands of Dollars)

GENERAL FUND	(1,248.3)	(1,417.9)	(1,625.6)	(1,851.4)	(2,117.8)
FEDERAL FUNDS	(934.9)	(1,062.3)	(1,217.2)	(1,386.0)	(1,584.8)
OTHER					
TOTAL	(2,183.2)	(2,480.2)	(2,842.8)	(3,237.4)	(3,702.6)

POSITIONS:

FULL-TIME					
PART-TIME					
TEMPORARY					

ANALYSIS: Attach a separate page if necessary

HB 239 results in the loss of Medicaid coverage for Medicaid recipients whose income due to the receipt of the Annuity and or ALB, will exceed the Medicaid limit. Both nursing home and non nursing home recipients would be affected. The attached table projects the reductions of the number of recipients (line h and f) and the FFP (lines i and g) in the Medicaid Program.

Prepared By: Rod Betit, Director *R Betit* Phone: 465-33355
 Division: Medical Assistance Date: 3/6/85

Approved by Commissioner: *J. 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
 Impacted Agency(ies)

7/1/84

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	<u>880,525</u>	<u>1,003,423</u>	<u>1,142,921</u>	<u>1,300,606</u>	<u>1,483,261</u>

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	<u>1,302,675</u>	<u>1,476,790</u>	<u>1,699,927</u>	<u>1,936,817</u>	<u>2,219,287</u>

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 eligibles; 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/ recip/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 eligibiliy. 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.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

HB 239

March 12, 1985

MEMORANDUM

TO: Representative Al Adams
Attention: Louann Cutler

FROM: Gretchen Keiser *Gretchen Keiser*
Legislative Analyst

RE: Longevity Bonus Cost Analysis
Research Request 85-218; Supplemental Information

You requested that this agency prepare a series of simplified tables which present the total recipients, annual and cumulative costs for the various stairstepping options. We were also asked to graph the annual and cumulative costs of the various stairstepping options. These tables and graphs are attached.

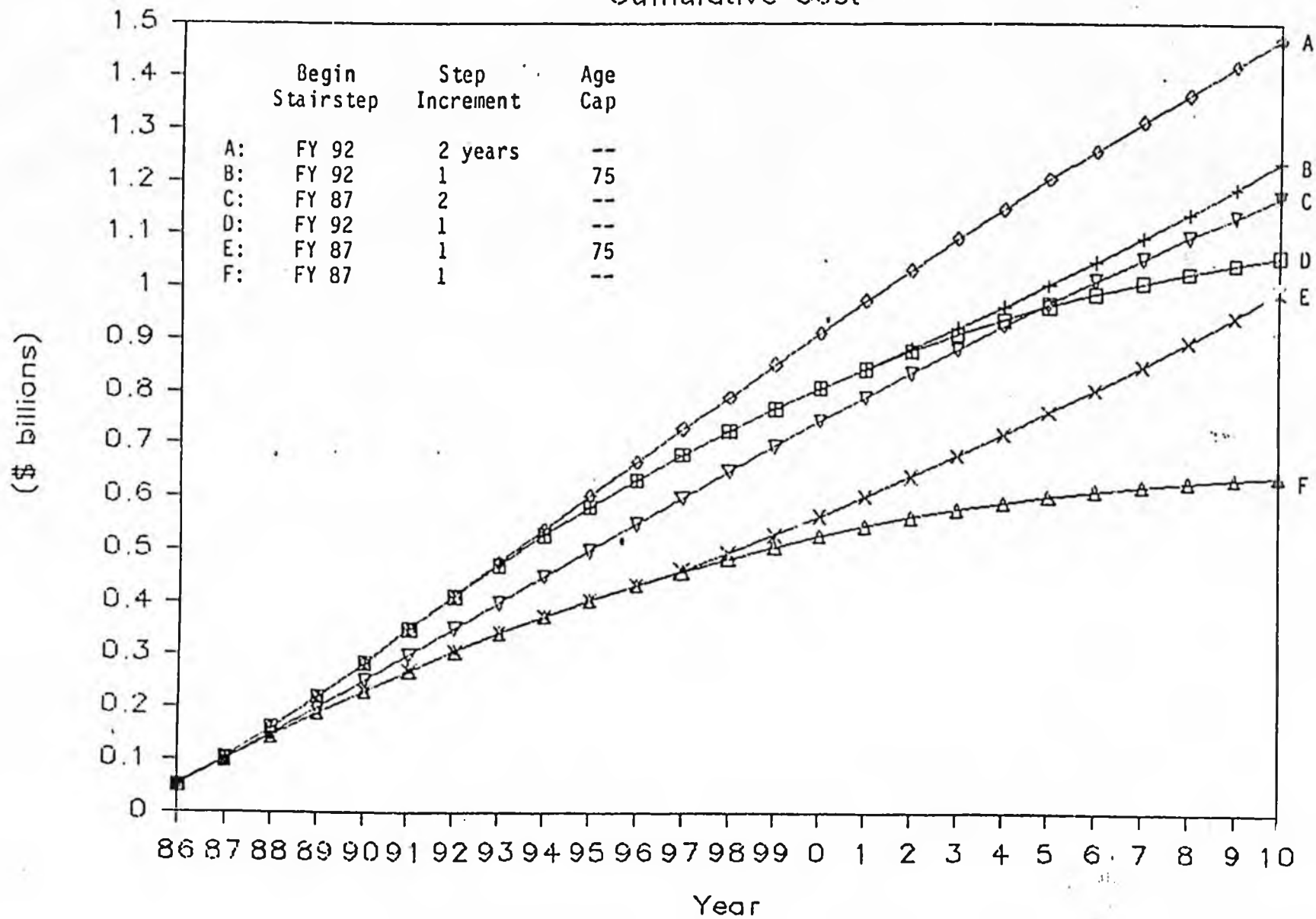
Please contact us if we can be of further assistance.

GK

Attachments

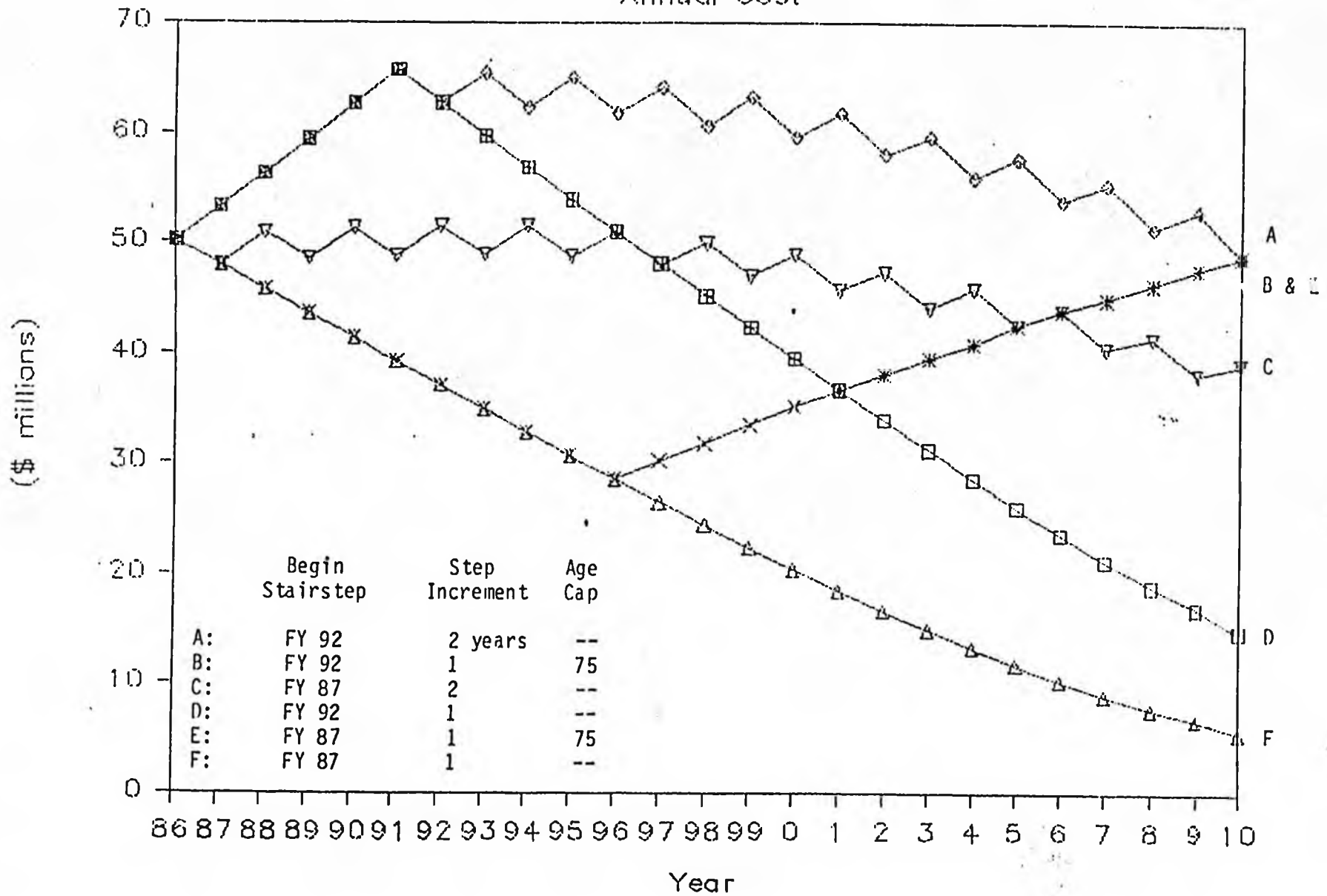
LONGEVITY BONUS COST ANALYSIS

Cumulative Cost



LONGEVITY BONUS COST ANALYSIS

Annual Cost



	Begin Stairstep	Step Increment	Age Cap
A:	FY 92	2 years	--
B:	FY 92	1	75
C:	FY 87	2	--
D:	FY 92	1	--
E:	FY 87	1	75
F:	FY 87	1	--

LONGEVITY BONUS COST ANALYSIS

HB 239

Begin Stairstep: FY 92
 Step Increment: 1
 Age Cap: None

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (millions)	Cumulative Cost (millions)
1986	65	16,744	\$250	\$50.2	\$50.2
1987	65	17,768	250	53.3	103.5
1988	65	18,769	250	56.3	159.8
1989	65	19,828	250	59.5	219.3
1990	65	20,913	250	62.7	282.1
1991	65	21,908	250	65.7	347.8
1992	66	20,925	250	62.8	410.6
1993	67	19,938	250	59.8	470.4
1994	68	18,952	250	56.9	527.2
1995	69	17,974	250	53.9	581.2
1996	70	17,001	250	51.0	632.2
1997	71	16,032	250	48.1	680.3
1998	72	15,071	250	45.2	725.5
1999	73	14,116	250	42.3	767.8
2000	74	13,169	250	39.5	807.3
2001	75	12,233	250	36.7	844.0
2002	76	11,313	250	33.9	878.0
2003	77	10,411	250	31.2	909.2
2004	78	9,530	250	28.6	937.8
2005	79	8,676	250	26.0	963.8
2006	80	7,851	250	23.6	987.4
2007	81	7,059	250	21.2	1,008.5
2008	82	6,304	250	18.9	1,027.5
2009	83	5,635	250	16.9	1,044.4
2010	84	4,922	250	14.8	1,059.1

Prepared by the House Research Agency

11-Mar-85

LONGEVITY BONUS COST ANALYSIS HB 239

Begin Stairstep: FY 92
 Step Increment: 1
 Age Cap: 75

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (millions)	Cumulative Cost (millions)
1986	65	16,744	\$250	\$50.2	\$50.2
1987	65	17,768	250	53.3	103.5
1988	65	18,769	250	56.3	159.8
1989	65	19,828	250	59.5	219.3
1990	65	20,913	250	62.7	282.1
1991	65	21,908	250	65.7	347.8
1992	66	20,925	250	62.8	410.6
1993	67	19,938	250	59.8	470.4
1994	68	18,952	250	56.9	527.2
1995	69	17,974	250	53.9	581.2
1996	70	17,001	250	51.0	632.2
1997	71	16,032	250	48.1	680.3
1998	72	15,071	250	45.2	725.5
1999	73	14,116	250	42.3	767.8
2000	74	13,169	250	39.5	807.3
2001	75	12,233	250	36.7	844.0
2002	75	12,689	250	38.1	882.1
2003	75	13,190	250	39.6	921.7
2004	75	13,632	250	40.9	962.6
2005	75	14,180	250	42.5	1,005.1
2006	75	14,638	250	43.9	1,049.0
2007	75	14,994	250	45.0	1,094.0
2008	75	15,446	250	46.3	1,140.3
2009	75	15,897	250	47.7	1,188.0
2010	75	16,297	250	48.9	1,236.9

Prepared by the House Research Agency

12-Mar-85

LONGEVITY BONUS COST ANALYSIS HB 239

Begin Stairstep: FY 92
 Step Increment: 2
 Age Cap: None

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (millions)	Cumulative Cost (millions)
1986	65	16,744	\$250	\$50.2	\$50.2
1987	65	17,768	250	53.3	103.5
1988	65	18,769	250	56.3	159.8
1989	65	19,828	250	59.5	219.3
1990	65	20,913	250	62.7	282.1
1991	65	21,908	250	65.7	347.8
1992	66	20,925	250	62.8	410.6
1993	66	21,815	250	65.4	476.0
1994	67	20,776	250	62.3	538.3
1995	67	21,681	250	65.0	603.4
1996	68	20,591	250	61.8	665.2
1997	68	21,366	250	64.1	729.3
1998	69	20,230	250	60.7	789.9
1999	69	21,088	250	63.3	853.2
2000	70	19,905	250	59.7	912.9
2001	70	20,603	250	61.8	974.7
2002	71	19,383	250	58.1	1,032.9
2003	71	19,911	250	59.7	1,092.6
2004	72	18,657	250	56.0	1,148.6
2005	72	19,247	250	57.7	1,206.3
2006	73	17,961	250	53.9	1,260.2
2007	73	18,451	250	55.4	1,315.6
2008	74	17,139	250	51.4	1,367.0
2009	74	17,672	250	53.0	1,420.0
2010	75	16,297	250	48.9	1,468.9

Prepared by the House Research Agency

12-Mar-85

LONGEVITY BONUS COST ANALYSIS

HR 239

Begin Stairstep: FY 87
 Step Increment: 1
 Age Cap: None

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (millions)	Cumulative Cost (millions)
1986	65	16,744	\$250	\$50.2	\$50.2
1987	66	16,012	250	48.0	98.3
1988	67	15,277	250	45.8	144.1
1989	68	14,540	250	43.6	187.7
1990	69	13,809	250	41.4	229.1
1991	70	13,082	250	39.2	268.4
1992	71	12,360	250	37.1	305.5
1993	72	11,642	250	34.9	340.4
1994	73	10,927	250	32.8	373.2
1995	74	10,216	250	30.6	403.8
1996	75	9,511	250	28.5	432.4
1997	76	8,810	250	26.4	458.8
1998	77	8,122	250	24.4	483.2
1999	78	7,449	250	22.3	505.5
2000	79	6,794	250	20.4	525.9
2001	80	6,160	250	18.5	544.4
2002	81	5,550	250	16.7	561.0
2003	82	4,967	250	14.9	575.9
2004	83	4,413	250	13.2	589.2
2005	84	3,893	250	11.7	600.8
2006	85	3,408	250	10.2	611.1
2007	86	2,961	250	8.9	619.9
2008	87	2,549	250	7.6	627.6
2009	88	2,221	250	6.7	634.3
2010	89	1,840	250	5.5	639.8

Prepared by the House Research Agency

12-Mar-85

LONGEVITY BONUS COST ANALYSIS

HB 239

Begin Stairstep: FY 87
 Step Increment: 1
 Age Cap: 75

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (millions)	Cumulative Cost (millions)
1986	65	16,744	\$250	\$50.2	\$50.2
1987	66	16,012	250	48.0	98.3
1988	67	15,277	250	45.8	144.1
1989	68	14,540	250	43.6	187.7
1990	69	13,809	250	41.4	229.1
1991	70	13,082	250	39.2	268.4
1992	71	12,360	250	37.1	305.5
1993	72	11,642	250	34.9	340.4
1994	73	10,927	250	32.8	373.2
1995	74	10,216	250	30.6	403.8
1996	75	9,511	250	28.5	432.4
1997	75	10,066	250	30.2	462.6
1998	75	10,596	250	31.8	494.3
1999	75	11,159	250	33.5	527.8
2000	75	11,732	250	35.2	563.0
2001	75	12,233	250	36.7	599.7
2002	75	12,689	250	38.1	637.8
2003	75	13,190	250	39.6	677.4
2004	75	13,632	250	40.9	718.3
2005	75	14,180	250	42.5	760.8
2006	75	14,638	250	43.9	804.7
2007	75	14,994	250	45.0	849.7
2008	75	15,448	250	46.3	896.0
2009	75	15,897	250	47.7	943.7
2010	75	16,297	250	48.9	992.6

Prepared by the House Research Agency

12-Mar-85

LONGEVITY BONUS COST ANALYSIS

HB 239

Begin Stairstep: FY 87
 Step Increment: 2
 Age Cap: None

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (millions)	Cumulative Cost (millions)
1986	65	16,744	\$250	\$50.2	\$50.2
1987	66	16,012	250	48.0	98.3
1988	66	16,989	250	51.0	149.2
1989	67	16,204	250	48.6	197.8
1990	67	17,109	250	51.3	249.2
1991	68	16,277	250	48.8	298.0
1992	68	17,184	250	51.6	349.6
1993	69	16,308	250	48.9	398.5
1994	69	17,183	250	51.5	450.0
1995	70	16,261	250	48.8	498.8
1996	70	17,001	250	51.0	549.8
1997	71	16,032	250	48.1	597.9
1998	71	16,669	250	50.0	647.9
1999	72	15,661	250	47.0	694.9
2000	72	16,302	250	48.9	743.8
2001	73	15,253	250	45.8	789.6
2002	73	15,785	250	47.4	836.9
2003	74	14,701	250	44.1	881.0
2004	74	15,296	250	45.9	926.9
2005	75	14,180	250	42.5	969.5
2006	75	14,638	250	43.9	1,013.4
2007	76	13,500	250	40.5	1,053.9
2008	76	13,817	250	41.5	1,095.3
2009	77	12,715	250	38.1	1,133.5
2010	77	13,042	250	39.1	1,172.6

Prepared by the House Research Agency

12-Mar-85

LONGEVITY BONUS COST ANALYSIS

HB 239

Begin Stairstep: FY 87
 Step Increment: 2
 Age Cap: 75

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (millions)	Cumulative Cost (millions)
1986	65	16,744	\$250	\$50.2	\$50.2
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1988	66	16,989	250	51.0	149.2
1989	67	16,204	250	48.6	197.8
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1994	69	17,183	250	51.5	450.0
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1999	72	15,661	250	47.0	694.9
2000	72	16,302	250	48.9	743.8
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2006	75	14,638	250	43.9	1,013.4
2007	75	14,994	250	45.0	1,058.3
2008	75	15,446	250	46.3	1,104.7
2009	75	15,897	250	47.7	1,152.4
2010	75	16,297	250	48.9	1,201.3

Prepared by the House Research Agency

12-Mar-85

HB 239

SUMMARY OF REPORT FROM THE STATE SPECIAL COMMITTEE ON THE ALASKA LONGEVITY BONUS PROGRAM, February 1, 1985

I. MAJORITY REPORT

The report recommends phasing out the existing longevity bonus program, replacing it with individual annuity accounts funded by the permanent fund dividends of participants. (This proposal is now embodied in SB56). At age 65, participants (those who reach age 65 after 1985) will receive at least \$250, inflated by 3% annually. Current participants will continue to receive their \$250 monthly bonus, but inflated by 3% annually, without having to forego their permanent fund dividend. During a transition period, some participants would receive annuity proceeds combined with a reduced longevity bonus. The annuity amounts would increase and the longevity bonus payments decrease each year, with the transition period ending by the year 2003. Thus, a state retirement program would be created for those under 65 by 1986 who choose to invest their permanent fund dividends in it.

The committee also considered a "means test" program. Elders earning less than \$25,000 per year would receive \$250 a month payments, with those earning more than \$25,000 receiving \$100 per month. No inflation adjustments would be made. This proposal was rejected by the committee, as was a "stairstepping" approach.

The following are the major features of the annuity program:

1. Front-loading. Front-loading (additional legislative appropriations to individual annuity accounts) will increase individuals' incentive to participate and decrease residual longevity bonus payments in later years (resulting in lower general fund obligations in later years). "The committee bill will work only if Alaskans participate. If they do not, Alaska's future elderly may still place demands on the general fund." The source of front-loading funds may be the earnings of the undistributed income account of the Permanent Fund.
2. 3% Escalator. Rather than leave inflation adjustments to future legislative action, the committee chose to provide certainty through a 3% annual inflation adjustment.
3. Administrative Costs. Administrative costs would be appropriated from the annuity accounts, with costs allocated taking into account factors such as number of participants, age, and relative account balances.
4. Choice of Benefits. Since the annuity program is available to both spouses, the committee decided to not include survivor benefits. (Senate State Affairs CSSB56 now includes survivor benefits only for those who die prior to reaching age 65).
5. Setting the Amount of the Longevity Bonus Payment. The longevity bonus portion (during the transition period) of the payment is calculated by adding an annual 3% increase and then deducting from that payment the maximum possible annuity available to a person who turns 65 in the year in question.

6. Residency Questions. There are no residency requirements (but a person must be a one year resident to receive a permanent fund dividend).

7. Federal Income Tax Considerations. There is no assurance that the proposed annuity will be considered tax deferred by the IRS. If no frontloading takes place in a particular year, "there would be a substantial risk that those receiving annuity credits would be taxable immediately on the amount of cash they could have elected in lieu of the credit."

8. Annuity Credits Are Not A Vested Right. "Thus, the legislature may legally appropriate annuity funds for any public purpose. An individual's right to an annuity payment prior to dispersal is an unfunded, unsecured promise of the state." (The decision not to allow vested rights was made to improve the possibility of the annuity receiving tax-deferral status).

9. Protection of Alaska's Existing Elderly. Persons who reach 65 before 1986 will not be required to forego their permanent fund dividend in order to receive a \$250 per month Longevity Bonus, inflated 3% annually. This approach protects current recipients who are dependent upon both the Longevity Bonus and the permanent fund dividend.

10. Possible Participation Rates. Differences between the proposed annuity plan and voluntary employee retirement plans are such that comparison of participation rates may be meaningless. "...the committee does not believe that any meaningful projection, or even range of projections, can be provided."

11. Impact Upon Eligibility for Old Age Assistance and Medicaid. Under a recent change in federal statute, longevity bonus payments count as income except for those who are 65 on or before September 30, 1985, and who have 25 years on continuous residency in Alaska by that date. This change adversely affects Alaskans' eligibility for Supplemental Security Income and/or state Old Age Assistance and Medicaid. The bill provides, however, that persons residing in a nursing home are ineligible to receive the longevity bonus, thus preventing the loss of federal Medicaid nursing home coverage. Nursing home residents lose the \$250 per month bonus, but retain eligibility for the \$50,000 per year nursing home payments.

12. Costs of Various ALB Alternatives. The committee developed general fund cost estimates for the following: (1) continuing the current longevity bonus program; (2) the annuity program (SB 56) but requiring existing seniors to forego their permanent fund dividends; (3) the longevity bonus portion of SB56; and (4) stairstepping (as identified in last session's legislation). No costs were estimated for the "means test" approach. The committee also estimated the costs of "front loading" the program. (Note: Cost figures have since been revised).

II. MINORITY REPORT

PHILOSOPHICAL DIFFERENCES: Each option represents a different philosophy. Philosophical assumptions underlying the annuity proposal are that the current program should be replaced with a state retirement program for all Alaskans; that individuals need encouragement from the State to prepare for retirement; that there is a need for cash assistance to elders regardless of their length of residency; and that Alaskans should choose between the alleged short term benefits of permanent fund dividends and the supposed long term benefits of the annuity program.

Stairstepping philosophy includes: (1) the original program was always intended to end if the courts ever declared it unconstitutional; (2) many older Alaskans count on the bonus for their retirement plans, despite its constitutional status; (3) State faces declining revenues; (4) younger individuals will provide for their own retirement through the private sector or will be eligible for public assistance; (5) fiscal reality is faced by phasing out the program rather than shifting its cost to the permanent fund; and (6) need is not taken into account.

Means test proposal philosophical assumptions include: (1) longevity program should continue, but provide larger benefit to those who need it the most; and (2) the program should mesh with federal entitlement programs so State can provide more benefits for the poor overall with less State cash.

The option of maintaining the current program assumes that the bonus should continue in its present form because all Alaskans rely on it, regardless of whom it was originally intended to benefit.

ANNUITY PROPOSAL--Aspects not discussed in the majority report:

(1) Front-loading. To subsidize the program by using the permanent fund reserve account is an inappropriate use of the permanent fund. Front-loading, if undertaken, would likely be necessary "far beyond 1989" as tax counsel has advised tax shelter status will only be available in years in which the program is front-loaded, if then. The amount of each year's general fund bonus is tied to the maximum annuity of a 65 year old. Thus, since the maximum annuity will be smaller if not subsidized, the general fund cost would be more than indicated in the majority report.

(2) 3% Escalator. Rather than 3%, an inflation factor should be tied to some acknowledged COLA indicator so that the bonus amount is increased for valid economic reasons.

(3) Participation. Forty percent of current bonus recipients have annual incomes of less than \$10,000. IRS indicates that only 2% of taxpayers in this income category buy IRAs. Deferred compensation participation statistics are similar.

Current longevity bonus recipients are protected under SB56 as they do not have to forego their permanent fund dividends, but others have to choose to take cash now to meet basic needs or skimp on basic needs and defer their dividend for a promise of a future payment. Wealthier Alaskans may not participate because of (1) uncertain tax deferral status; (2) no survivor benefits; (3) inability to liquidate or transfer an annuity account; and (4) lack of vested property rights.

STAIRSTEPPING PROPOSAL:

Impact on Younger Alaskans. Stairstepping protects today's elders, but not those who will turn 60 after July, 1985. Its purpose is to ensure that those who have counted on the bonus for their retirement years receive it throughout the rest of their lives. Given revenues, "the only affordable method of protecting the bonus for current elders is to discontinue the program for everyone else."

Why Protection for 60 Year Olds Instead of 65 Year Olds. Alaskans counting on the bonus include those approaching 65. Many of these people also count on the permanent fund dividend also. Any age cut off is arbitrary, but age 60 gives those in their 50s time to prepare for a retirement without a bonus.

Legality of the Proposal. Stairstepping appears constitutional and able to withstand any legal challenge.

MEANS TEST PROPOSAL:

The \$25,000 cap would allow 80% of Alaskan elders to continue to receive the \$250 monthly bonus. Wealthier individuals would receive the smaller \$100 monthly bonus.

Reasons for a Means Test Program. The federal government insists that the \$250 bonus be counted when determining public assistance eligibility for some Alaskan elders. The means test proposal directly cancels the affect of the federal action. It favors those Alaskans who need the bonus most.

Legality of Proposal. The legal issue raised is residency. The "one year residency" requirement is valid if the proposal does not provide a "basic necessity."

STATUS QUO PROPOSAL:

Bonus as a Priority for State Funding. This proposal assumes the current form of the bonus is a major priority and should be continued for all Alaskans despite the high cost. Dwindling revenues raise fears that other statewide needs such as education, roads, water and sewer, and health care will suffer if the bonus program continues in its present form.

IMMEDIATE IMPACT ON PUBLIC ASSISTANCE ELIGIBILITY:

How to Protect the Bonus Income of Public Assistance Recipients. Federal and state laws require seniors to apply for the longevity bonus, and then reduce or eliminate public assistance payments, dollar for dollar. Senior citizens on public assistance thus recognize no material gain from their longevity bonuses, unlike middle and high income seniors who receive the longevity bonus on top of all other income. Also, many lose their entitlement to public assistance medical benefits that the longevity bonus does not replace. "The poorest of our seniors--those who need the bonus the most--are actually harmed by the Alaska longevity bonus."

This impact hits two groups of seniors: (1) those who became 65 during 1984 through September 30, 1985, and who did not meet the unconstitutional residency requirements; and (2) those who reach age 65 after September 30, 1985, irrespective of their residency.

Only two solutions exist: (1) create a means test longevity bonus program, or (2) create a "hold harmless" provision in State statutes to ensure that the State makes up the difference in federal benefits lost and continues to pay State public assistance to these affected seniors.

The cost for FY86 includes \$760,000 (already budgeted) for State Older Alaskan Assistance payments, \$1,400,000 to substitute for federal Supplemental Security Income payments, and \$413,847 to substitute for federal non-nursing Home Medical payments. In addition, the new program, regardless of which approach is adopted, needs to exclude individuals in nursing homes from receiving the bonus--this protects their eligibility for federal Medicaid assistance for nursing home care, worth approximately \$4,000 a month. This exclusion "is intended to protect such elders from the exorbitant cost of nursing home care."

COST INFORMATION

Note: Cost figures have since been revised.

ALASKA STATE LEGISLATURE
Katie Hurley, House of Representatives

HB 239



Pouch V
Juneau, Alaska 99811
Ph: (907) 465-4763
Box 870157
Wasilla, Alaska 99687

Chair, State Affairs Committee
Member, Health Education & Social Services
Member, Alaska Legislative Council
Member, House Special Committee on Fisheries

March 20, 1985

Representative Adams
Chair, House Finance Committee

Dear Representative Adams:

After extensive hearings on the longevity bonus bills, House State Affairs Committee members unanimously concluded House Bill No. 239 best addresses the restructuring of the longevity bonus program. It was the committee's opinion that the bill should be passed on to the Finance Committee for further consideration.

I am submitting for your committee's deliberations, the following amendments:

AMENDMENT #1

FINDINGS AND PURPOSE. The legislature finds and declares that:

1) the State of Alaska is committed to the elderly and has been since territorial days, as evidenced by the many programs benefiting the elderly, including the Alaska longevity bonus program. The Alaska Supreme Court in Schafer v. Vest, however, struck the original longevity bonus program, thus requiring action by the legislature. As a result, the program is now open to an ever-increasing number of recipients, placing an ever expanding burden on the general fund;

2) projections of declining oil revenues, combined with an increasing senior citizen population, make it clear that the longevity bonus program will be increasingly difficult to fund; and it must be amended;

3) the State of Alaska still desires to recognize the achievements of Alaska's elderly, who served Alaska prior to statehood. Thus, the legislature is committed to the principle that those currently receiving the longevity bonus will continue to receive it in the future;

4) the State of Alaska also desires to ensure that those older Alaskans, not yet 65 but approaching retirement, now counting on the bonus as part of their retirement income and without sufficient time to add to their retirement, are also protected;

5) this legislation provides for the eventual phasing out of the current program in as fair and cost effective a manner as possible, leaving to subsequent legislatures to decide if another program or programs are needed to assist future Alaskan elders at some later point in time.

AMENDMENT # 2

Refer to Section 47.45.030. ABSENCE FROM THE STATE and Section 47.45.070. UNQUALIFIED PERSONS.

Delete [180] days and insert 90 days. This amendment to become effective July 1, 1985.

Thank you for your consideration.

Sincerely,



Katie Hurley
Representative
Chair, House State Affairs Committee

HB 239

SUMMARY OF DEPARTMENT OF LAW'S OPINION OF STAIRSTEPPING

Stairstepping creates two classes of people: those who are 60 or over today and those who are 59 or younger today. Thus, like all programs that create two classes of people, it could be the subject of an equal protection challenge.

The concept would withstand such a challenge. It would be subject to the "rational basis" test, i.e. the state would have to prove that it is rationally related to a legitimate purpose. The state's rational basis is the need to balance the reliance of the elderly on the program with the state's declining revenues.

There is some confusion about the AG's opinion of stairstepping every other year instead of every year. The AG has said that if stairstepping occurred every other year all Alaskans would eventually become eligible if they live long enough but the program costs would increase dramatically. Therefore the balance represented by waiting five years and then stairstepping every year is considered constitutional by the AG because it protects today's elders while recognizing revenue constraints. For more information on this point, please refer to the last paragraph of both the attached opinions from the AG.

Prepared by Deborah Vogt,
Assistant AG, January, 1985

Stairstepping -- Legal Analysis:

The stairstepping concept embodied in the bill which passed the House last year (H.B. 655) would raise the age of eligibility for bonus payments one year each year, beginning in 1991. The bill would thus provide continuing bonus payments to any person who reached the age of 65 by 1990. Younger persons would not qualify under the bill.

Any law which establishes classifications is subject to a challenge under the equal protection clauses of both the Alaska Constitution and the United States Constitution. A challenge will not succeed if the classifications embodied in the law are rational, and further legitimate governmental purposes. Thus, the existing longevity bonus law could be challenged because it treats differently those over age 65 and those younger than age 65; however, such a challenge would fail because of the obvious rationale for providing retirement security to senior citizens who are past their wage earning years.

Some laws which implicate further constitutional rights beyond simple equal protection, such as racial discrimination or the federally protected right to travel, are subjected to a much higher degree of scrutiny under the equal protection clauses. Rather than simply meeting the requirement of rationality, these laws must further a compelling state interest in order to be valid.

The stairstepping approach would not implicate any constitutional right beyond general equal protection. It would

provide benefits to newcomers who met the age requirement, and thus would not implicate the right to travel. 1/ Thus, the bill must only be rational, and substantially further legitimate state purposes in order to be valid.

The approach embodies a balance between recognition of the fact that Alaska's elderly and near elderly have planned and relied on the longevity bonus program on one hand, and a perception that the state cannot continue to fund an ever expanding program indefinitely. In a recent case, the Alaska supreme court reaffirmed that the recognition of "grandfather rights" and "hardship" are legitimate goals of the limited entry law under equal protection analysis. Kalmakoff v. State, Op. No. 2900 (January 11, 1985). It appears that that court would find it legitimate for the legislature to "grandfather" those who were presently receiving the bonus or expecting to receive it in the near future, since those individuals would suffer the most hardship if the program were precipitously ended. Individuals younger than 60 at the date of enactment would have considerable

1/ The bill, like the current law, would require that an applicant have lived in the state one year in order to qualify. This requirement serves to separate bona-fide Alaskans from visitors, and as such is clearly constitutional. Benefits under the bill would be available to any new resident of the state, after one year, so long as that individual met the age requirement.

notice that the program would not be available to them at retirement, and would have some wage-earning years to adjust their expectations.

The state's revenue expectations are certainly a legitimate element in balancing what program should be enacted. While a stairstepping approach which would raise the eligibility age by one year every other year would eventually phase out the program and delay benefits rather than deny them altogether to younger residents, this option would also increase dramatically the overall costs of the program.

Means test -- Legal analysis:

The means test bill would institute a two part longevity bonus program. Full benefits of \$250 per month would be available to an applicant whose adjusted gross income for the preceeding year was less than \$25,000. Individuals whose income exceeded that amount, or who did not chose to apply under that provision, would be eligible for benefits of \$100 per month. A person must have resided in the state for one year for either benefit.

The question has been raised as to whether the one year residency requirement would be valid for the part of the program which would provide full benefits of \$250 per month, since benefits are based on a person's income. The United States

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

BILL SHEFFIELD, GOVERNOR

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JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

March 9, 1984

The Honorable Hugh Malone
Alaska State House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Malone:

You have asked what legal arguments could be made in defense of the "stair-stepping" approach to the longevity bonus program (HB 655) which has passed the house.

As you know, the bill would raise the eligibility age for benefits by one year each year starting in 1990. Effectively, this means that if a person has reached age 65 by 1990, that person will receive benefits but if a person is 64 in 1990, that person will never be old enough to qualify for benefits.

The most important difference in analysis between this program and the existing longevity bonus program (as well as certain other proposed alternatives) is that HB 655 cannot be viewed, in any way, as infringing on the federally protected "right to travel." While HB 655 does create a closed class - those who are 65 in 1990 versus those who are not - the class is not defined by any characteristic such as race or residency or sex which would give rise to close scrutiny by a court. Thus, a court should subject the program to the minimal "rational basis" equal protection test which requires only that legislation be rationally related to legitimate purposes.

It would appear that HB 655 is the result of a balancing between a recognition that many of our elderly have planned and relied on the longevity bonus program on one hand, and a perception that the state cannot afford to fund an expanding program indefinitely. You have asked specifically whether a "limited-revenue" argument can defend a state funded program. A state certainly may not, for example, close its schools or libraries or swimming pools to blacks while keeping them open to whites on the grounds that it would be too expensive to open those facilities. Nor may a state, as we have seen,

The Honorable Hugh Malone
Alaska State House of Representatives --

March 9, 1984
-- Page 2

limit welfare benefits to long term residents on the grounds that it would be too expensive to pay newcomers. But that is because those sorts of discrimination are invalid on their own, and not because it is "illegitimate" for a legislature to consider the state's revenue needs. It is certainly legitimate for a legislature to consider whether or not a program is affordable.

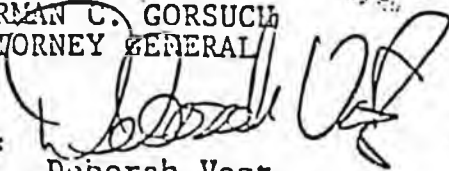
It is legitimate for the legislature to consider the reliance interest of those individuals who presently receive a bonus or who have planned on it in the near future. HB 655 would recognize that it is difficult for the elderly to change their economic circumstances; many present recipients have planned their lives around the bonus. By not beginning the "stair-stepping" until 1990, the bill also recognizes that those who are near retirement age may find it difficult to augment their planned retirement income without the bonus. Obviously, those who are younger will have time to make alternate plans. Assuming that the legislature determines that the program cannot be funded indefinitely, it would seem that a six year lead time before phasing out benefits is a rational choice.

It is my understanding that certain members of the legislature have examined the possibility of phasing out the program more slowly -- for example, stair-stepping every two years instead of every year. A slower phase-out would result in a delay of benefits rather than a complete denial, at least in the early years of the program. (At some point, however, a person would have to be so old to qualify that this type of program would be an effective denial.) I understand that the one year stair step was preferred by the House because the projected cost of the program closely matches the state's projected revenue curve, while a slower phase-out would require increased expenditures in years in which the state's revenues will be declining. It is our opinion that these considerations are legitimate.

Please let us know if we can be of any further assistance.

Sincerely,

NORMAN C. GORSUCH
ATTORNEY GENERAL

By: 
Deborah Vogt
Assistant Attorney General

DV:jf

SUMMARY OF CHAPTER 38 SLA 84

The act's highlights are as follows:

Allows all one year residents who are at least 65 to receive a monthly bonus of \$250.

Establishes the State Special Committee on the Alaska Longevity Bonus Program. The committee includes 2 representatives, 2 senators, 2 executive branch officials, and 3 public members appointed by the Governor. The committee is directed to "determine the feasibility of replacing the longevity bonus program ... with an annuity program, a needs-based program, or other longevity program." The committee is further directed to consider the "format and structure", cost, opinions of current recipients, and sources of funding for all alternatives developed by the committee. The Committee must report to the legislature and governor by 2/1/85.

The act and the law are repealed on 6/30/85.



LAWS OF ALASKA

1984

Source

HR 717 am

Chapter No.

30

AN ACT

Relating to the longevity bonus program, requiring the payment of longevity bonuses from appropriations from the general fund, and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 11

Approved by the Governor: April 27, 1984
Actual Effective Date: April 28, 1984

Chapter 38

AN ACT

Relating to the longevity bonus program, requiring the payment of longevity bonuses from appropriations from the general fund, and providing for an effective date.

* Section 1. FINDINGS AND PURPOSE. (a) The legislature finds and declares that

(1) the high cost of goods and services in Alaska and the state's remoteness and harsh environment, make it difficult for many elderly Alaskans to remain in the state after retirement;

(2) when a person is forced to live out retirement years away from home, family, and friends, that person suffers an irreparable loss;

(3) Alaska's elderly are a precious human resource, and it is in the public interest to provide a financial incentive for them to remain in the state after retirement; and

(4) it is in the public interest to continue the longevity bonus program for elderly Alaskans irrespective of need.

(b) The longevity bonus program is not a form of welfare and is not a substitute for or supplement to public assistance. Other programs are available to provide the basic necessities of life. The longevity bonus program is intended to encourage elderly Alaskans to spend their retirement years in the comfort of their homes.

* Sec. 2. AS 47.45.010 is amended to read:

Sec. 47.45.010. PERSONS WHO MAY QUALIFY FOR LONGEVITY BONUS.

(n) A person who is 65 years of age or over, who resides in the state for at least one year immediately preceding application for a longevity bonus under this chapter [WAS DOMICILED IN THE TERRITORY ON OR BEFORE JANUARY 3, 1959 AND WHO HAS MAINTAINED A CONTINUOUS DOMICILE IN THE TERRITORY OR STATE FOR 25 YEARS] may apply to the commissioner of administration for qualification to receive a monthly bonus of \$250.

(h) When the commissioner of administration determines that an applicant qualifies under AS 47.45.010 - 47.45.170 the commissioner [HE] shall immediately begin payment of the bonus.

(c) A person who otherwise qualifies to receive a bonus provided for in AS 47.45.010 - 47.45.170 may continue to do so only as long that person continues to be a resident of [HE CONTINUOUSLY RETAINS A DOMICILE IN] the state.

* Sec. 3. AS 47.45.030 is amended to read:

Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification, a [A] recipient shall notify the commissioner of administration when the recipient [HE] expects to be absent from the state if the absence is for a continuous period that exceeds 30 days. After that notification, the recipient may [SHALL] no longer receive bonuses from the Department of Administration after the [HIS] last regularly approved monthly application. Upon returning [HIS RETURN] to the state, the recipient [HE] may again make application for a bonus. Whenever the absence is for a continuous period that exceeds 180 days the recipient shall be disqualified from receiving bonuses for the next 12 calendar months after returning [HIS RETURN] to the state. However, when the commissioner of administration determines a period of absence is beyond the control of the recipient, the recipient [HE] may not be disqualified [,] if the recipient [HE] still otherwise qualifies upon returning [HIS RETURN] to the state. Continual absences from

state, even though reported, and failure to notify the commissioner of an expected absence may be grounds for disqualification.

* Sec. 4. AS 47.45.090(n) is amended to read:

(n) The [THERE IS THE] Alaska longevity bonus fund is created for the purpose of paying the monthly bonuses provided for in this chapter. The fund consists only of [ALL] money made available by appropriations of the [STATE] legislature from the general fund, and [FROM OTHER APPROPRIATED FUNDS, ALL CONTRIBUTIONS FROM WHATEVER SOURCE, AND] income and interest derived from the investment of money of the longevity bonus fund.

* Sec. 5. AS 47.45.150 is amended to read:

Sec. 47.45.150. DEFINITIONS. In this chapter

(1) "bonus" means a monthly Alaska longevity bonus payment made to a person or the person's [HIS] beneficiary who qualifies under this chapter;

(2) "resident" or "resident of the state" means an individual who is physically present in the state with the intent to remain in the state indefinitely and to make a home in the state; a person demonstrates the requisite intent by maintaining a principal place of abode in the state for one year and by providing other proof of intent the commissioner may require by regulation, including proof that the person is not claiming residency outside the state or obtaining benefits under a claim of residency outside the state ["DOMICILE" MEANS THE PLACE WITH WHICH A PERSON HAS A SETTLED CONNECTION FOR DETERMINATION OF HIS CIVIL STATUS OR OTHER LEGAL PURPOSES BECAUSE IT IS ACTUALLY OR LEGALLY HIS PERMANENT AND PRINCIPAL HOME].

* Sec. 6. Section 2, ch. 205, SLA 1972, and AS 47.45.170 are repealed.

* Sec. 7. SPECIAL COMMITTEE. The State Special Committee on the Alaska Longevity Bonus Program is created, consisting of two members of the Alaska

Senate appointed by the president of the senate, two members of the Alaska House of Representatives appointed by the speaker of the house, two members of the executive branch selected by the governor, and three public members appointed by the governor. The committee shall determine the feasibility of replacing the longevity bonus program, as amended by this Act, with an annuity program, a needs-based program, or other longevity program. In making the determination of feasibility required by this section, the committee shall consider (1) the format and structure of alternative programs; (2) the cost of alternative programs as compared to the cost of the longevity bonus program, as amended by this Act; (3) opinions of recipients of longevity bonus payments on the question of replacing the longevity bonus program with an alternative program; and (4) sources of funding for the alternative programs. The committee shall report its findings on the feasibility of alternative programs, together with draft legislation to implement the alternative programs if the committee finds that one or more programs are feasible, to the legislature and the governor by February 1, 1985.

* Sec. 8. If any provision of this Act, or the application of this Act to any person or circumstance is held invalid, the remainder of this Act and the application of this Act to other persons or circumstances is not affected by that holding.

* Sec. 9. (a) A person who was qualified to receive a monthly longevity bonus under AS 47.45 on March 30, 1984 is presumed to be qualified to receive a monthly bonus under AS 47.45 as amended by this Act. Payments under AS 47.45, as amended by this Act, may be made to that person as long as the person continues to qualify for payments under those provisions.

(b) A person (1) who is eligible to receive a monthly longevity bonus under AS 47.45, as amended by this Act, for which that person was not eligible under AS 47.45 on March 30, 1984, and (2) whose application for

longevity bonus for May, June, July, or August, 1984 is received by September 1, 1984, may be paid for each month for which that person is qualified and for which such an application was filed, notwithstanding any other provision of law to the contrary.

* Sec. 10. Sections 1 - 8 of this Act are retroactive to May 1, 1984.

* Sec. 11. This Act and AS 47.45 are repealed June 30, 1985.

* Sec. 12. This Act takes effect immediately in accordance with AS 01.10.070(c).

Briefing Materials
on
ELDERLY POPULATION PROJECTIONS

prepared for

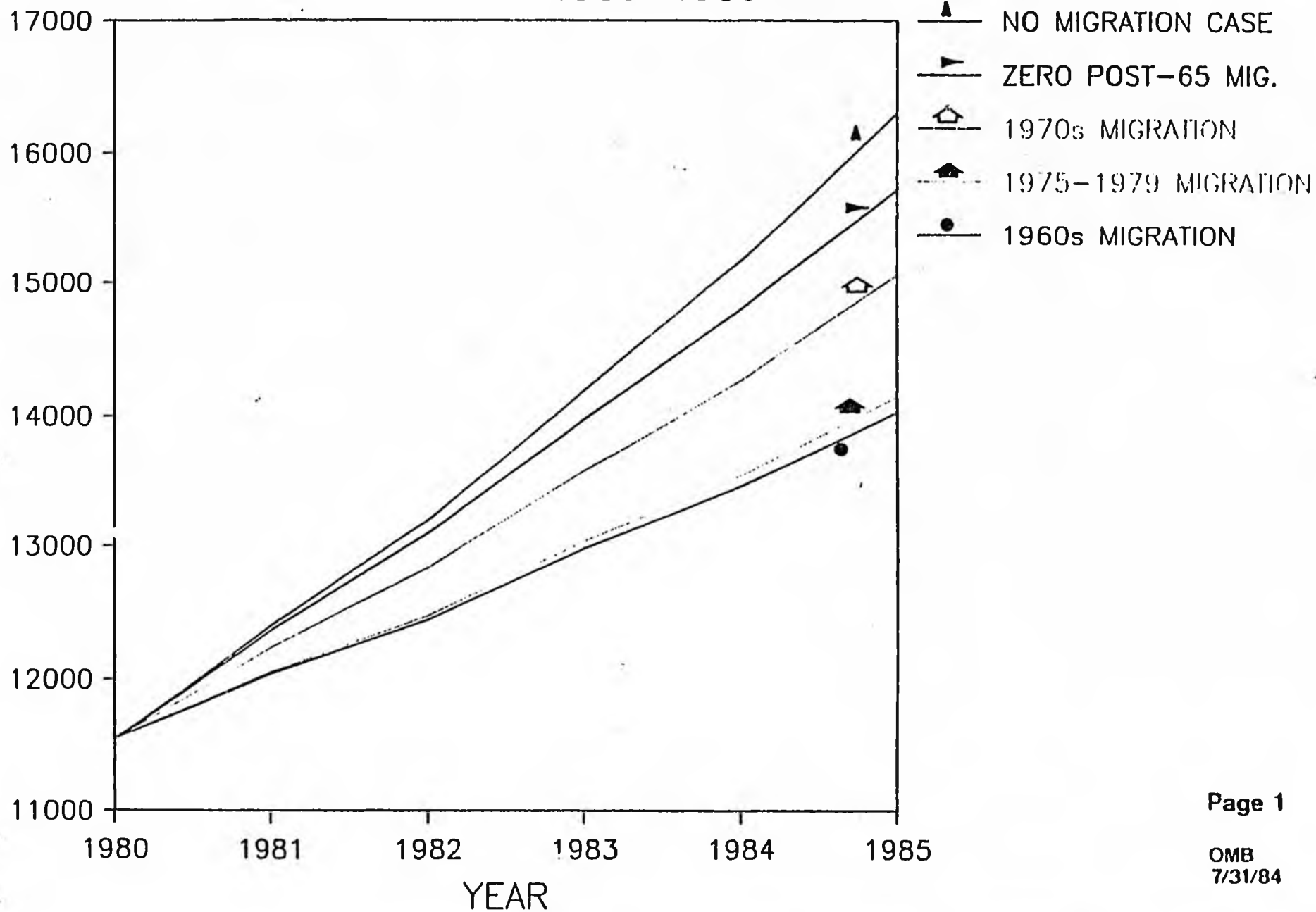
THE HOUSE STATE AFFAIRS COMMITTEE

by

Division of Strategic Planning
Office of Management and Budget

6 March 1985

ALASKA OVER-65 POPULATION PROJECTIONS 1980-1985



GROWTH OF INTERIM ALB PROGRAM

MONTH	QUALIFIED ALB RECIPIENTS	MONTHLY GROWTH (EXPRESSED AS AN ANNUAL RATE)
May 1984	10,018	
June	10,769	86.7%
July	11,960	125.9%
Aug.	13,099	109.2%
Sept.	13,627	47.4%
Oct.	13,990	31.5%
Nov.	14,222	19.7%
Dec.	14,361	11.7%
Jan. 1985	14,438	6.4%
Feb.	14,563	10.3%
Mar.	14,651	7.2%

DATA SOURCE: Division of Pioneer Benefits.

PREPARED BY: Division of Strategic Planning, OMB,

3/ 6/85

ALASKA OVER-65 POPULATION PROJECTIONS 1980-2013

