

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

HB 151, HB 154 281

HB

151

HOUSE COMMITTEE REPORT

(11)

Date referred: 4/10/87

FURTHER REFERRALS:

DATE: 5-2-87

The Finance Committee has considered HB 151

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

RECOMMENDS:

- replace with CS HB 151 (FIN) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Pat Rauscher

Gene Myers

SIGNING OTHER RECOMMENDATIONS:

Al Adams - no Rec

Ronald J. Lamm - no Rec

Lay Brown - DO NOT PASS

Mike Davis - ~~no Rec~~ no Rec

Frank no rec

Mark Boyer, no rec

Rich Lee - no rec

C Church - NO REC

Ray Wallin - "

Albert P. Adams

Chairman's signature

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version: CS HB 151 (FIN)
Publish Date: _____

REQUEST: _____

Revision Date: _____

Title: Re: longevity bonus program

Agency Affected: Administration

BRU: Longevity Bonus Program

Sponsor: Governor

Requestor: House Finance Committee

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS		(556.2)	(5094.9)	(10334.1)	(15323.6)	(20152.0)
MISCELLANEOUS						
TOTAL OPERATING		(556.2)	(5094.9)	(10334.1)	(15323.6)	(20152.0)
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		(556.2)	(5094.9)	(10334.1)	(15323.6)	(20152.0)
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

By changing eligibility for the longevity bonus program, cost savings will be achieved as shown above. These figures are provided by the Department of Administration.

Prepared by: Al Adams, Chair Phone: 465-3706
Division: House Finance Committee Date: 5/5/87

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):

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

Alaska Longevity Bonus -- Grant Estimations

5/5/87

FISCAL YEAR	POPULATION 65 & OVER			ALB RECIPIENTS		BUDGET \$	
	TOTAL	BORN BEFORE 1923	BORN AFTER	CURRENT LAW	HOUSE VERSION	CURRENT LAW	HOUSE VERSION
1988	18,469	18,270	199	17,084	16,900	51,251.5	50,699.3
1989	19,511	17,675	1,836	18,048	16,349	54,143.0	49,048.1
1990	20,579	16,855	3,724	19,036	15,591	57,106.7	46,772.6
1991	21,558	16,036	5,522	19,941	14,833	59,823.5	44,499.9
1992	22,484	15,222	7,262	20,798	14,080	62,393.1	42,241.1

Assumption: 7.5% of those eligible do not receive benefits.

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 151 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. AS 47.45.010(a) is amended to read:

10 (a) A person who is 65 years of age before January 1, 1988 [OR
11 OVER], who resides in the state for at least one year immediately
12 preceding application for a longevity bonus under this chapter may,
13 upon reaching age 65, apply to the commissioner of administration for
14 qualification to receive a monthly bonus of \$250.

15 * Sec. 2. Sections 1 - 18, 25, and 26, ch. 99, SLA 1985, are repealed.

16 * Sec. 3. This Act takes effect July 1, 1987.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HCS CS SB 157
Publish Date: HOUSE 4/8/87

REQUEST: _____

Revision Date: _____

Title: Appropriating from earnings
reserve account of AK PF to GF

Sponsor: Governor

Requestor: _____

Agency Affected: Permanent Fund Corporation

BRU: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	0-174.9M	-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	0-174.9M	-0-	-0-	-0-	-0-	-0-
TOTAL	0-174.9M	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Fran Ulmer, Chair Phone: 465-4963

Division: House State Affairs Committee Date: April 7, 1987

Approved by Commissioner: _____ Date: _____

Agency: _____

Distribution (by preparer):

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

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

No. 1

REQUEST

Bill Version: HB 151
Publish Date: HOUSE 2/27/87

Revision Date: _____ Agency Affected: Administration
Title: An Act relating to the Longevity Bonus Program effective date. BRU: Longevity Bonus
Sponsor: Governor Components: Grants; Administrative
Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

There is no fiscal impact beyond what is included in the Governor's FY 88 budget request, as revised approximately March 1, 1987. The attached pages present the full cost of the revised program.

Prepared By: John Andrews Phone: 465-2200
Division: Commissioner's Office Date: 2/27/87
Approved by Commissioner: Garrey Peska Date: 2/23/87
Agency: Department of Administration

Distribution (by preparer):

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

ATTACHMENT -- LONGEVITY BONUS FISCAL NOTE
2/23/87

The following tables represent the FULL COST of Grants and Administration for the revised Longevity Bonus program, as proposed in the Governor's bill.

The FY88 portion of these costs is included in the Governor's budget request, AS AMENDED approximately March 1, 1987.

GRANTS (dollars in thousands)

Fiscal Year	Current Law	Governor's Proposal	Annual Difference
=====	=====	=====	=====
1988	51,200.0	37,300.0	(13,900.0)
1989	52,700.0	30,900.0	(21,800.0)
1990	55,600.0	29,700.0	(25,900.0)
1991	58,200.0	28,400.0	(29,800.0)
1992	60,700.0	27,100.0	(33,600.0)
1993	63,400.0	25,800.0	(37,600.0)
1994	65,900.0	24,500.0	(41,400.0)
1995	68,800.0	23,200.0	(45,600.0)
1996	71,400.0	21,900.0	(49,500.0)
1997	73,600.0	20,600.0	(53,000.0)
1998	76,100.0	19,300.0	(56,800.0)
1999	78,500.0	18,000.0	(60,500.0)
2000	81,100.0	16,700.0	(64,400.0)
2001	83,600.0	15,400.0	(68,200.0)

METHODOLOGY:

=====

Assumptions:

17,067 average checks per month in FY88; current law
79.0% of qualifiers have AGI less than \$20,000
6.0% have AGI between \$20,000 and \$25,500

Calculations:

FY88 costs under current law =
(\$250) * (17,067 checks per month) * (12 months)
= \$ 51,201.0
=====

FY88 costs under Governor's proposal =
(\$200) * (17,067 checks) * (6 months) July-Dec
+ (\$200) * (13,483 checks) * (6 months) Jan-June
+ (\$100) * (1,024 checks) * (6 months) Jan-June
= \$ 37,274.3
=====

No. 1
2/27/87

ATTACHMENT -- LONGEVITY BONUS FISCAL NOTE
2/23/87

ADMINISTRATION (dollars in thousands)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
	Revised	Total	Total	Total	Total	Total
	=====	=====	=====	=====	=====	=====
Personal Services	258.9	389.8	300.0	300.0	300.0	300.0
Travel	0.9	0.9	1.0	1.0	1.0	1.0
Contractual	53.1	95.5	60.0	60.0	60.0	60.0
Supplies	4.3	5.1	5.0	5.0	5.0	5.0
Equipment	0.0	24.2	0.0	0.0	0.0	0.0
	-----	-----	-----	-----	-----	-----
Total Operating (all G.F.)	317.2	515.5	366.0	366.0	366.0	366.0
	=====	=====	=====	=====	=====	=====
Perm Full Time	6.0	9.0	8.0	8.0	8.0	8.0
Perm Part Time	1.0	4.0	0.0	0.0	0.0	0.0
Months	81.6	126.6	96.0	96.0	96.0	96.0

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

No. 3

REQUEST: _____

Bill Version: HB 151
Publish Date: HOUSE 2/27/87

Revision Date: _____

Agency Affected: Health & Social Services
BRU: Medical Assistance

Title: An Act Relating to the Alaska Longevity Bonus Program

Sponsor: _____

Components: Alaska Longevity Bonus
Hold Harmless

Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
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						
OTHER						
TOTAL						

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

The Governor's FY88 budget assumes the elimination of the Medical Assistance - Alaska Longevity Bonus Hold Harmless program. It is important to note that the dollars saved by this proposed legislation have already been removed from the Governor's FY88 budget request. If this legislation does not pass, projected FY88 costs of \$571.5 must be appropriated to the Medical Assistance BRU FY88 budget. This analysis also assumes that the needs based requirements meet federal standards.

Prepared by: [Signature]

Phone: 765-3355

Division: Medical Assistance

Date: 2/24/87

Approved by Commissioner: [Signature]

Date: 2/24/87

Agency: Health and Social Services

Distribution (by preparer):

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

A M E N D M E N T

Offered in the FINANCE COMMITTEE

By Sund

TO: HB 151

Page 1, lines 9 - 23:

Delete all material

Insert a new bill section to read:

"* Section 1. AS 47.45.010(a) is amended to read:

(a) 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, and who meets the income qualification of AS 47.45.015, may apply to the commissioner of administration for qualification to receive a monthly bonus in the amount set out in AS 47.45.016 [OF \$250]."

Renumber remaining bill sections accordingly.

Page 2, line 20:

Delete "200.00"

Insert "250.00"

Page 2, line 21:

Delete "183.33"

Insert "229.17"

Page 2, line 22:

Delete "166.66"

Insert "208.34"

Page 2, line 23:

Delete "150.00"

Insert "187.51"

Page 2, line 24:

Delete "133.33"

Insert "166.68"

Page 2, line 25:

Delete "116.66"

Insert "145.85"

Page 2, line 26:

Delete "100.00"

Insert "125.02"

Page 2, line 27:

Delete "83.33"

Insert "104.19"

Page 2, line 28:

Delete "66.66"

Insert "83.36"

Page 2, line 29:

Delete "50.00"

Insert "62.53"

Page 3, line 1:

Delete "33.33"

Insert "41.70"

Page 3, line 2:

Delete "16.66"

Insert "20.87"

Page 4, lines 13 - 15:

Delete all material

Insert a new bill section to read:

"* Sec. 7. This Act takes effect January 1, 1988."

A M E N D M E N T

Offered in the FINANCE COMMITTEE

By Adams

TO: HB 151

Page 1, line 12, following "chapter":

Insert "and who meets the income qualification of AS 47.45.015"

Page 1, lines 14 - 15:

Delete "in the amount of \$200 [OF \$250]"

Insert "of \$250"

Page 1, lines 16 - 23:

Delete all material

Renumber remaining bill sections accordingly.

Page 1, line 24:

Delete "new sections"

Insert "a new section"

Page 1, line 29:

Delete "less than \$25,500"

Insert "\$20,000 or less"

Page 2, line 1:

Delete "less than \$51,000"

Insert "\$40,000 or less"

Page 2, line 6:

Delete ", in the amount set out in AS 47.45.016,"

Page 2, line 14, through page 3, line 2:

Delete all material.

Page 4, lines 13 - 15:

Delete all material.

Insert a new bill section to read:

"* Sec. 7. This Act takes effect January 1, 1988."

GRAND IGLOO
PIONEERS OF ALASKA

ORGANIZED AUGUST 4, 1908



OFFICE OF GRAND PRESIDENT

Petersburg Alaska
March, 5, 1987

Hon. Fran Ulmer, Chairman,
Committee On State Affairs.

Dear Representative Ulmer,

I just want to formally inform you, that at
the last Pioneers convention held in Juneau last
Sept.

We took a vote on the Annuity Program, and it
carried by a majority vote.

The Pioneers of Alaska will greatly appreciate
your support for Senate Bill #56, which will activate
the Annuity Program and leave the Longevity Bonus
as is.

Yours Truly,

A handwritten signature in cursive script that reads "Arnold P. Wasvick (Swede)".

Arnold P. Wasvick
Grand President PIONEERS OF ALASKA



DEPARTMENT OF HEALTH & HUMAN SERVICES

Social Security Administration
Office of the
Regional Commissioner

Region X
M/S 302
2901 Third Avenue
Seattle, WA 98121

JAN 16 1987

Nancy Bennett, Administrator
Division of Medical Assistance
Department of Health and Social Services
Pouch H-07
Juneau, Alaska 99811

Dear Ms. Bennett:

This letter is in response to your letter to me of January 5, 1987, regarding possible legislative changes in the Alaska Longevity Bonus (ALB) program. You asked whether a legislative change which would change the ALB to a needs-based program would allow for the exclusion from income under 20 CFR 416.1124(c)2.

Since a copy of the proposed legislation was not included in your correspondence, I cannot refer to it for an opinion from the Office of General Counsel. I can assure you, however, that the above regulation remains in place, and to our knowledge, no changes are contemplated. That regulation is based in Statute found in Section 1612(b)6 of the Social Security Act.

For your information, I am enclosing copies of a Social Security Ruling (SSR #79-10) and SSA operating guidelines (POMS SI 00840.020) providing additional discussion and interpretation of the above regulation. You will note two criteria are necessary for exclusion. Assistance based on need must be provided under a program which:

- o is wholly funded by a State or political subdivision, and
- o uses income as a factor in determining eligibility.

When copies of the draft legislation are available, please feel free to submit them for our review. If you have any further questions, please contact Loren Gomez, Assistance Programs Branch, at (206) 442-4476.

Sincerely,

Robert H. Dunn
Acting Regional Commissioner

Enclosures

cc: DM, Anchorage
G.Landes (DHSS)

fit, we will reduce the retroactive social security benefits by an amount equal to the amount of SSI payments (including federally administered State supplementary payments) that we would not have paid to you if your social security benefits had been paid when regularly due rather than retroactively (see § 404.408(b)). If a balance is due you from your retroactive social security benefits after this reduction, for SSI purposes we will not count the balance as unearned income in a subsequent month in which you receive it. This is because your social security benefits were used to determine the amount of the reduction. This exception to the unearned income counting rule does not apply to any monthly social security benefits for a period for which you did not receive SSI.

[45 FR 63350, Oct. 3, 1980];
47 FR 4988, Feb. 3, 1982;
47 FR 13704, Apr. 1, 1982;
50 FR 48574, Nov. 26, 1985]

§ 416.1124 Unearned income we do not count.

(a) *General.* While we must know the source and amount of all of your unearned income for SSI, we do not count all of it to determine your eligibility and benefit amount. We first exclude income as authorized by other Federal laws (see paragraph (b) of this section). Then we apply the other exclusions in the order listed in paragraph (c) of this section to the rest of your unearned income in the month. We never reduce your unearned income below zero or apply any unused unearned income exclusion to earned income except for the \$20 general exclusion described in paragraph (c)(10) of this section.

(b) *Other Federal laws.* Some Federal laws other than the Social Security Act provide that we cannot count some of your unearned income for SSI purposes. We list the laws and the exclusions in the appendix

to this subpart which we update periodically.

(c) *Other unearned income we do not count.* We do not count as unearned income—

(1) Any public agency's refund of taxes on real property or food;

(2) Assistance based on need which is wholly funded by a State or one of its political subdivisions. (For purposes of this rule, an Indian tribe is considered a political subdivision of a State.) Assistance is based on need when it is provided under a program which uses the amount of your income as one factor to determine your eligibility. Assistance based on need includes State supplementation of Federal SSI benefits as defined in Subpart T of this part but does not include payments under a Federal/State grant program such as Aid to Families with Dependent Children under title IV-A of the Social Security Act;

(3) Any portion of a grant, scholarship, or fellowship used for paying tuition, fees, or other necessary educational expenses. However, we do count any portion set aside or actually used for food, clothing, or shelter;

(4) Food which you or your spouse raise if it is consumed by you or your household;

(5) Assistance received under the Disaster Relief Act of 1974 and assistance provided under any Federal statute because of a catastrophe which the President of the United States declares to be a major disaster. See § 416.1150 for a more detailed discussion of this assistance, particularly the treatment of in-kind support and maintenance received as the result of a major disaster;

(6) Up to \$20 of unearned income in a month if it is infrequent or irregular; that is, if you receive a type of income listed in § 416.1121 only once during a calendar quarter from a single source or if you cannot reasonably expect it. If the total amount of infrequent or irregular

Income

(Previously Published as PPD No. 24)

SSR 79-10

**TITLE XVI: EXCLUSION FROM INCOME OF ASSISTANCE
BASED ON NEED FURNISHED BY ANY STATE OR
POLITICAL SUBDIVISION**

PURPOSE: To revise existing policy with respect to exclusion from countable income, under the supplemental security income (SSI) program, of certain assistance based on need as mandated by Section 505(b) of Public Law 94-566.

CITATIONS (AUTHORITY): Section 401 of Public Law 92-603 and Section 212 of Public Law 93-66; Sections 1612(a)(2), 1612(b)(6) as amended by Section 505(b) of Public Law 94-566, 1614(e) and (f), and 1616(a) of the Social Security Act; Regulations No. 16, Sections 416.120(c), 416.1102, 416.1109, 416.1125, 416.1145(b)(2), 416.1151, 416.1185, and 416.2001.

PERTINENT HISTORY: As originally enacted, Section 1612(b)(6) of the Social Security Act, in determining the income of an individual (and eligible spouse), authorized the exclusion from countable income of assistance, as described in Section 1616(a), which was based on need and furnished by any State or political subdivision of a State. In order to meet the requirements of Section 1616(a), excludable assistance payments had to be made to an eligible individual in cash, on a regular basis, and in supplementation of SSI benefits. A payment was considered to be "based on need" if the program under which the payment was made required use of the individual's or family's income (or income and resources) as a criterion for determining eligibility for and amount of payment. A payment was considered to be "in cash" only if a cash payment were made directly to an eligible individual (and eligible spouse, if any) or to such a person's representative or protective payee. Thus, vendor payments which resulted in an individual's receipt of in-kind support and maintenance, even though made by a State agency or a political subdivision of a State under a needs-based program, were not excluded under this provision because the payments were not made in cash directly to an eligible individual. Therefore, a State administered and State/local funded payment made for foster care resulted in countable income in the form of in-kind support and maintenance. Similarly, adoption subsidies to enable low-income parents to adopt a child were considered income to the parents; if the parents applied for SSI, the adoption subsidies could effect their eligibility. If the adopted child were eligible for SSI and the parents were not, the subsidy was included in parental income to be deemed to the child under the provisions of Section 1614(f).

Because of the statutory requirements for State supplementation related to Section 1616(a), assistance "furnished by a State or political subdivision of a State" has been interpreted to mean only those payments funded wholly

SSR 79-10

OF ASSISTANCE
BY STATE OR

exclusion from count-
able (SSI) program, of
Section 505(b) of Public

Public Law 92-603 and
Section 1612(b)(6) as
amended by Section
1614(e) and (f), and
Section No. 16, Sections
416.1185, 416.1151.

Section 1612(b)(6) of
the Social Security Act
and eligible
income of assistance,
need and furnished by
order to meet the re-
quirements had to be
on a cash basis, and in sup-
ported to be "based on
made required use of
resources) as a criterion
1. A payment was con-
sidered made directly to an
individual or to such a person's
representative which resulted
in maintenance, even though
the payment was made by a
State under a needs-
based provision because the
payment was made for an
eligible individual.
The payment made for
in-kind support and
services for low-income parents
and children; if the parents ap-
pear eligible. If the
parents were not, the subsidy
for the child under the provi-

mentation related to
a political subdivision of
the State, or payments funded wholly

by a State of the United States (as defined in Section 1614(e)), a political subdivision thereof, or a combination of the two. (For this purpose, an Indian tribe was considered to be a political subdivision of a State). Excludable assistance payments do not involve any Federal or private agency funding. Consequently, payments under a needs-based program such as Aid to Families with Dependent Children (AFDC), though made directly to an eligible individual and administered by a State agency, are not excluded under Section 1612(b)(6) because of the Federal funding involved. On October 20, 1976, Public Law 94-566 was signed. Section 505(b) of that law amended Section 1612(b)(6) of the Social Security Act effective October 1, 1976. As amended, that section now provides for the exclusion from income of assistance, furnished to or on behalf of an eligible individual, which is based on need and furnished by any State or political subdivision thereof. In addition, the reference to Section 1616(a), with its requirement that payments be made in cash to an eligible individual, has been deleted. Therefore, the requirement that an assistance payment must be made in cash to an eligible individual in order to be excluded as assistance based on need has been abolished; payments made to a vendor on behalf of an eligible individual can also qualify for this exclusion.

Once it is established that certain payments qualify as assistance based on need under 1612(b)(6), existing regulations automatically exclude them from consideration in the deeming process under Section 416.1185 of Regulations No. 16. The result is the total exclusion from countable income of such payments, as well as of State supplementary payments which have always before been excluded under this provision.

POLICY DIRECTIVE STATEMENT: 1. Effective October 1, 1976, assistance, furnished to or on behalf of an eligible individual (and eligible spouse, if any) is excluded from counting as income under the SSI program if it meets both of the following criteria:

(a) The assistance is provided under a public (governmental) program which uses income, or income and resources, as criteria for determining eligibility for and amount of payment; and

(b) The paying program is funded wholly by a State of the United States (as defined in Section 1614(e)) or by a political subdivision of a State, including an Indian tribe, or any combination of such jurisdictions.

2. Assistance provided under programs described in 1. above is excluded from income regardless of whether the program provides it in cash directly to an eligible individual (and eligible spouse, if any) or whether it purchases in-kind (noncash) benefits for an individual from a third party. Thus, certain vendor payments which prior to October 1, 1976, resulted in countable income are now excluded; e.g., State foster care payments, adoption subsidies, and other payments to providers of food, clothing, and shelter are excluded if they are based on need. (Vendor payments made by a public or private agency or by a private individual for social services or for medical

care or services, including room and board furnished during medical confinement, have never been treated as income for SSI purposes. Such items are not defined as "income" under Sections 416.1102 and 416.1109 of Regulations No. 16, and this Program Policy Directive makes no change in that definition.)

3. Any payments which are excluded from income on the basis of being assistance based on need under Section 1612(b)(6) are also excluded from income to be deemed under Section 416.1185 of Regulations No. 16.

DOCUMENTATION: Evidence must be obtained from the agency administering potentially excludable assistance that an individual is receiving assistance as alleged, that the program uses income (or income and resources) to determine eligibility and payment amounts, and that there is no Federal or private agency funding involved. Federal funding is involved when Federal monies are provided for benefit payments under a specific Federal/State program of project grants or formula grants, (such as grants-in-aid under title IV-A of the Social Security Act).

FURTHER INFORMATION: Final regulations covering this policy were published in the Federal Register on October 20, 1978, at 43 FR 48994.

This Program Policy Directive does not make any change in existing policy with respect to what constitutes a payment which is based on need. Neither does it change the existing interpretation of what constitutes assistance "furnished by" a State or a political subdivision thereof. Payments made under needs-based programs which are funded in whole or in part by the Federal Government (e.g., Bureau of Indian Affairs general assistance, Veterans Administration pensions, AFDC, etc.) or by any private non-profit agency (Goodwill Industries, Red Cross, etc.) are not excluded under this rule. Similarly, this exclusion does not apply to programs, such as unemployment compensation, which are State/local administered but do not use income to determine eligibility and payment amount.

CROSS-REFERENCE: Claims Manual Section 12362

Income

(Previously Published as PPD No. 31)

SSR 79-11

**TITLE XVI: TREATMENT OF ASSISTANCE PROVIDED UNDER
THE EMERGENCY ENERGY CONSERVATION
SERVICES PROGRAM**

PURPOSE: To alter existing supplemental security income (SSI) policy to exclude from consideration as income or as a resource for SSI purposes.

C. How Exclusions are Applied

The exclusions enumerated in Table I are applied in the order shown. If by applying one or more exclusions the countable income for the period is reduced to zero, no additional exclusion(s) need be considered. No exclusion applying to earned or unearned income may be applied in a way to exceed the limit of the amount of the exclusion for a month. The exclusions are applied in months (against income received in the applicable months) to their limit per month; however, the amount of the limit of an exclusion or unused part of the amount cannot be carried forward from one month to the next month.

Therefore, the amount of the limit of an exclusion for a given calendar month, if not fully absorbed by income in that month, is lost. (See SI 00860.000 for the instructions on income computation.)

Exclusions from Income

00840.010 Refunds of Taxes

Any amount received by an individual from any public agency as a return or refund of taxes paid on real property or on food purchased is excluded from income. If an individual reports receiving a refund of this nature, accept the allegation and exclude the income without further development unless you have reason to question the allegation (e.g., the program making the refund is unknown, the amount of the refund appears inordinate, etc.). Record the facts in the file. If you have reason to question the allegation, develop until your questions are resolved.

00840.020 Assistance Based on Need from a State or Political Subdivision (Including Indian Tribes)

See SI 00850.110, SI E00850.110 and SI 00810.200 A.3. for effect on deeming.

A. Policy Principle (Effective October 1, 1976)
Section 1612(b)(6) of the Social Security Act; 20 CFR 416.1124(c)(2)

Assistance provided by a State or local Government (including the District of Columbia and Indian tribes) is excluded from countable income if:

1. the assistance is funded *wholly* by a State or political subdivision of a State, or any combination of such jurisdictions (including the District of Columbia and Indian tribes); and
2. the assistance is provided under a program which uses income as a factor in determining eligibility.

EXCEPTION: Regular State supplementation payments, as defined in SI 01401.010, made to refugees are excluded from countable income regardless of any Federal reimbursement to the State.

NOTE: If a program uses income to determine payment amount but not eligibility, the assistance based on need exclusion does not apply.

B. Operating Policy

1. VALID PRECEDENT EXISTS

Where a field office precedent established within the preceding year, or a precedent established by regional instructions, indicates that a particular type of assistance from a State or political subdivision is excludable, accept the claimant's allegation as to the type of assistance and the source from which it is derived, and exclude the assistance without further development. It is not necessary to document the file with a copy of, or reference to, the precedent.

2. NO VALID PRECEDENT

Where no previous determination has been made or a field office precedent is more than 1 year old, contact the administering agency to determine the program under which the assistance is provided. Verify with agency personnel and/or program descriptions that no Federal or private funds are involved and that income is used in arriving at eligibility determinations. Retain this evidence (either written material or oral statements documented on a Report of Contact) for the field office precedent file. Where the evidence establishes that the assistance is excludable under this provision, exclude the assistance without further development.

NOTE: The term 'Federal funds' for purposes of this section means those monies supplied and directed by the Federal Government for use solely in the type of assistance being provided by the State or local Government. Some examples of programs in which Federal funding is involved are: Aid to Families with Dependent Children; Bureau of Indian Affairs General Assistance; Veteran's Administration pensions or compensation based on need; and Refugee Cash Assistance (not to be confused with exception in A. above). Although payments under these programs may be administered by a State or local governmental agency, the presence of Federal funds in the payments prohibits their being excluded from income under this provision. (See SI 00840.110 C. for discussion of these payments for SSI purposes.) However, monies provided by the Federal Government and not allocated for specific purposes but available upon request to a State or local Government, are not considered Federal funds for purposes of this provision. For example, revenue sharing funds are not 'Federal funds' for purposes of this provision.

00840.030 Disaster Assistance

A. General

Under the provisions of Public Law 95-171, enacted November 12, 1977, an individual (and eligible spouse, if any) adversely affected by a presidentially declared disaster which occurred on or after June 1, 1976, shall be entitled, under certain conditions, to have the value of support and maintenance as well as other assistance (and interest earned on such assistance) excluded from countable income and resources for SSI purposes. The applicability of the specific income exclusions discussed below is dependent upon two major factors:

1. the date on which the presidentially declared disaster occurred, and

MEMORANDUM

State of Alaska

TO: Mary Halloran, Director
Division of Policy
Office of the Governor

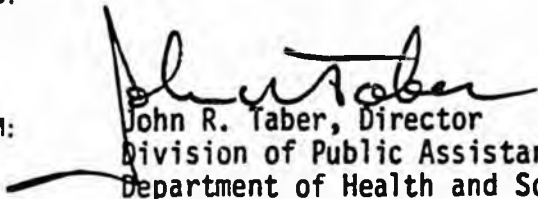
DATE: February 10, 1987

FILE NO.:

THRU:

TELEPHONE NO.: 465-3347

FROM:


John R. Taber, Director
Division of Public Assistance
Department of Health and Social Services

SUBJECT: Longevity Bonus and
Old Age Assistance

You had asked for information concerning Old Age Assistance and how it might interface with various Longevity Bonus options under discussion. I have framed these in a question-and-answer format:

Q: What is an Old Age Assistance (OAA) client?

A: There are 2,646 OAA recipients (December, 1986.) Approximately 1,600 are Native. Approximately 40 percent live in rural areas. 90 percent live as individual; 10 percent live with a spouse (who is usually also eligible).

To qualify for OAA a person must be 65 years of age or older, pass an income test by having a countable monthly income less than \$632 (for an individual living independently), and pass a separate resource test. The resource limit is \$1,800 for an individual, \$2,700 for a couple; resources include real and personal property, savings accounts, stocks, bonds, and the face value of some types of insurance. One motor vehicle, personal and household items, and the home of actual residence are excluded from counting against these limits.

Anyone with less than \$340 countable monthly income must apply for and be eligible to receive payments from the Social Security Administration's Supplemental Security Income (SSI) program, which has a \$340 income test and the same resource test as OAA.

Medicaid eligibility is automatic for SSI recipients. It is also automatic for persons who are OAA eligible but whose monthly income is over the lower SSI limit, provided that the State OAA Program uses the income and resource rules that SSI uses.

About 45 percent of all OAA recipients receive SSI payments; the remaining 55 percent receive some other type of income, usually Social Security retirement benefits. About 80 percent of all OAA recipients, including those who receive SSI, also receive Social Security retirement payments.

About 1,600 OAA recipients receive the type of Longevity Bonus which is not counted as income by SSI rules. About 840 OAA recipients receive a Bonus that is countable by SSI, and the "Alaska Longevity Bonus Hold Harmless Program" replaces for them the amount of SSI payment they lose by having their Bonus counted against the SSI \$340 limit. This program also provides continuing Medicaid coverage for those whose countable Bonus, with their other income, exceeds the OAA income limit.

The vast majority of OAA clients are individuals who have \$902 per month in spendable gross income from OAA, SSI, Social Security, and the Longevity Bonus.

Q: Is the current \$632 standard adequate?

A: There is no way to generalize an answer. No welfare jurisdiction in America has ever found a way to define "adequate" in such a way as to encompass all of the thousands of different living situations, money management capacities, and needs and desires that can be found in any program's recipient body.

Anecdotally, we encounter few cases of real hardship among our OAA recipients, even in the urban rental economy portion of our caseload, where reason suggests we would find overall expenses for necessities are highest. Clients who live with other family members and clients who live in subsidized housing appear, in our experience, to live in health and dignity, with modest leftover or "discretionary" income each month. Many so situated contribute regularly to the support of their extended family.

Comparisons are perhaps helpful: excluding the Bonus, OAA pays its clients 118 percent of the federal poverty level for Alaska. OAA clients, because of the Bonus, have \$250 more income each month than Alaska's needy blind or disabled persons. In our Aid to Families with Dependent Children (AFDC) program, a mother and one child receive only \$33 per month more than an elderly person without a Bonus, \$283 less than a single elderly person who receives a Bonus. Alaska's Old Age Assistance benefits are the highest in the nation.

Q: Do most needy seniors receive OAA?

A: No. Far from it. Available income information indicates that OAA's "market penetration" is highest among Alaska Natives, lowest among non-Natives. Overall, it appears that OAA serves perhaps one-third to one-fourth of all Alaskan seniors who would pass the OAA monthly income test.

We see the following reasons why our overall market penetration is so low:

- 1) many elderly are in living situations which demand little cash;
- 2) many have lowered expectations, i.e. many do not perceive themselves as "needy";
- 3) many have an innate bias against accessing "welfare";
- 4) many own property or have savings that exceed OAA resource limits;
- 5) many have adequate medical coverage via Public Health or Medicare; and
- 6) for many, the Longevity Bonus provides the cash, or the additional cash, to reduce perceived or actual need sufficiently to avoid (or to postpone seeking) assistance.

Q: If the Bonus decreases to \$200, what will be the effect?

A: The Bonus, whether it is federally countable or exempt, has, in effect, a direct dollar impact on OAA recipients. Absent other changes, a \$50 Bonus decrease will decrease each OAA recipient's monthly income by \$50. Only 10-15 percent of OAA clients receive Food Stamps; it is possible that a decrease in income would be partially offset for these clients by a slight increase in Food Stamps.

Q: What happens if the Bonus is based on income and paid only to persons below a certain annual income amount?

A: From an OAA perspective, this is an ideal solution. SSI rules exclude any state "assistance based on need" from countable income, which they have defined to us as meaning any periodic payment with an income qualifying limit. A resource requirement is not necessary, and there is no upper dollar limit on what the income qualifying limit must be.

Assuming that the prohibition on paying the Bonus to nursing home residents continues, needs-basing the Bonus would totally eliminate all need for the protection of the "Hold Harmless" program. Needs-basing would result in all OAA recipients continuing with the total monthly income they now enjoy and the State would save all its Hold Harmless costs. (Needs-basing also eliminates the OAA and SSI requirement that anyone who appears to be eligible for a countable Bonus must apply for it.)

Q: What would be the OAA effects if a PFD-related annuity program incrementally replaced the Bonus?

A: From an OAA recipient's perspective, this is not a desirable option. The short-range effects depend largely on how the "transition phase" would be structured, whether SSI would view such a change as eliminating the current exemption from income of 1,600 OAA/Bonus recipients, and whether the Legislature would continue, end, or modify the "Hold Harmless" program.

In the long-term, SSI, OAA, and Medicaid would require applicants and recipients to apply for an annuity as a condition of eligibility. This would amount to requiring clients to give up their Permanent Fund Dividend (which, because of the PFD "Hold Harmless" program is now "extra" or "free" money to them) in exchange for an annuity, which would count dollar for dollar against their OAA and SSI grants. As that countable annuity amount grew, more and more recipients would become over income for SSI and for OAA, and they would lose Medicaid eligibility. The effects would exactly parallel what could have occurred when the Bonus changed to one year residency and SSI rules on the Bonus changed: those persons with regular medical needs and little or no other medical coverage (or annually-increasing deductibles and coverage decreases in Medicare) would have all or part of their annuity income used up by medical expenses. Some of those facing large medical expenses would defer essential treatment, or deny themselves essentials trying to pay for their treatment, or simply be unable to pay.

Q: What are the effects of decreasing the Bonus by an amount and adding that amount to the OAA payment levels? ("stair-stepping")

A: This would protect the monthly income of OAA recipients. It would decrease the "Hold Harmless" costs, and it would not threaten the Bonus income exemption enjoyed now by 1,600 SSI recipients. In theory, the OAA \$632 limit could be increased by as much as \$387 a month before OAA recipients who do not receive SSI would become ineligible for Medicaid.

As a practical matter, even a modest increase of \$50 or less would, in our opinion, subject us to a lawsuit. No jurisdiction we know of pays more to needy elderly than to needy disabled or blind persons. Indeed, all jurisdictions which have payment differences pay more to disabled or blind persons than to elderly persons. Given the common knowledge of the expensive and ongoing special needs many disabled and blind persons have, it would be hard to defend as a Public Policy matter a payment structure that appeared to be based on the fiction that the elderly had greater needs.

Q: If the Bonus were needs based, would it be advantageous to have it administered by the Division of Public Assistance?

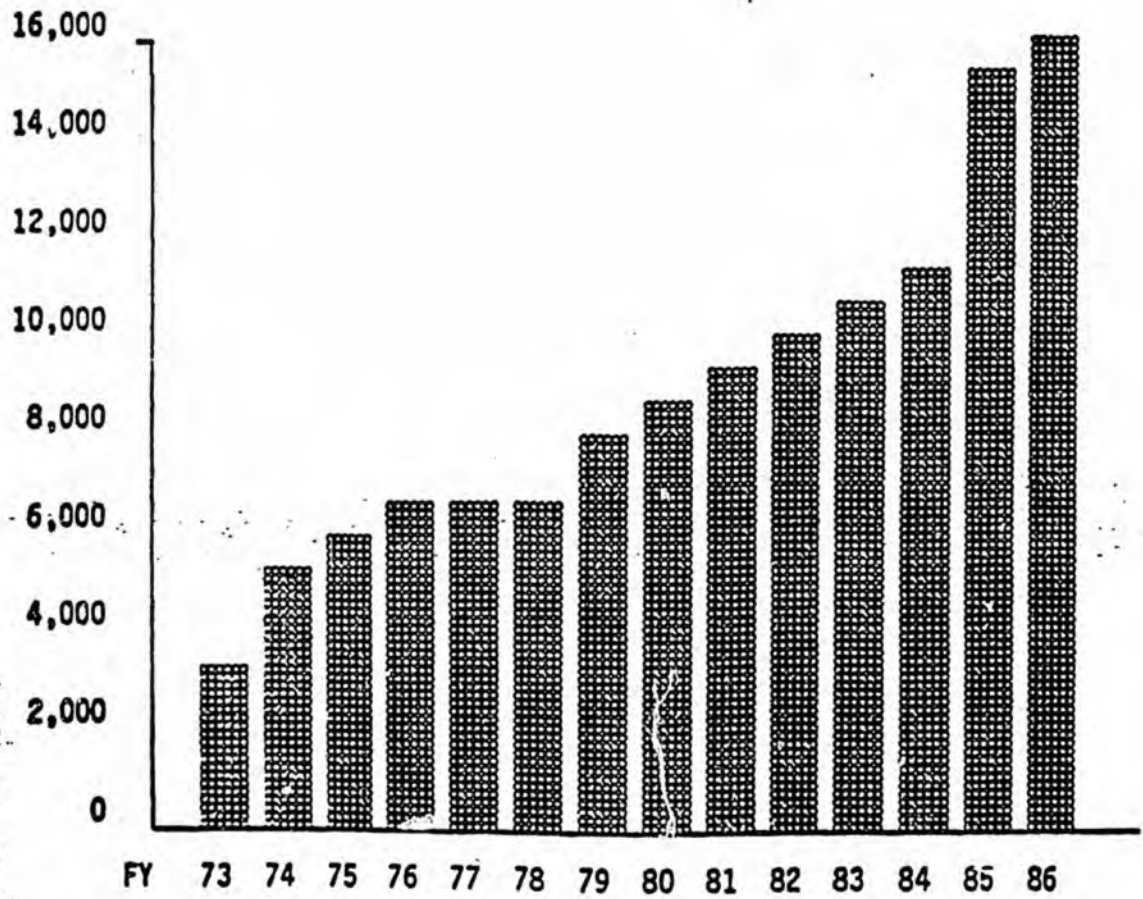
A: This deserves careful study, but our initial impression is that this would not necessarily be advantageous. If the new Bonus would involve only an annual, largely client-declaration eligibility determination, it makes sense to continue to administer it from a central location by Pioneer Benefits. It may be unnecessarily expensive, a kind of "administrative over-kill", to integrate such a simple Bonus program with our highly automated, highly accessible field structure designed to meet emergent need, respond to frequent client changes in many eligibility factors, apply complex program rules, and meet rigid federal audit, timeliness, and accuracy standards.

While it is likely that integrating OAA and the Bonus might well result (in very short order) in substantial increases in the "market penetration" of OAA and Medicaid, with attendant increases in public assistance benefit expenditures, we would expect that a substantial majority of the remaining Bonus recipients would either resist entering OAA or be ineligible for OAA because of their resources. The Division of Public Assistance would be serving 8,000 or more new people who do not want or need any of the other programs we offer.

However, if the current very simple idea of the Bonus as needs-based were to grow in complexity, as many such concepts so often do, it could become much more like a "real" assistance program. If a resource test were added, or income were to be examined quarterly or monthly in order to adjust the amount of the Bonus being paid to reflect an individual's income (rather than paying a flat \$250 per eligible individual), then the new Bonus would more closely resemble a "real" assistance program. If such changes were to occur, it is possible that the Division of Public Assistance would be the more effective choice to administer the program.

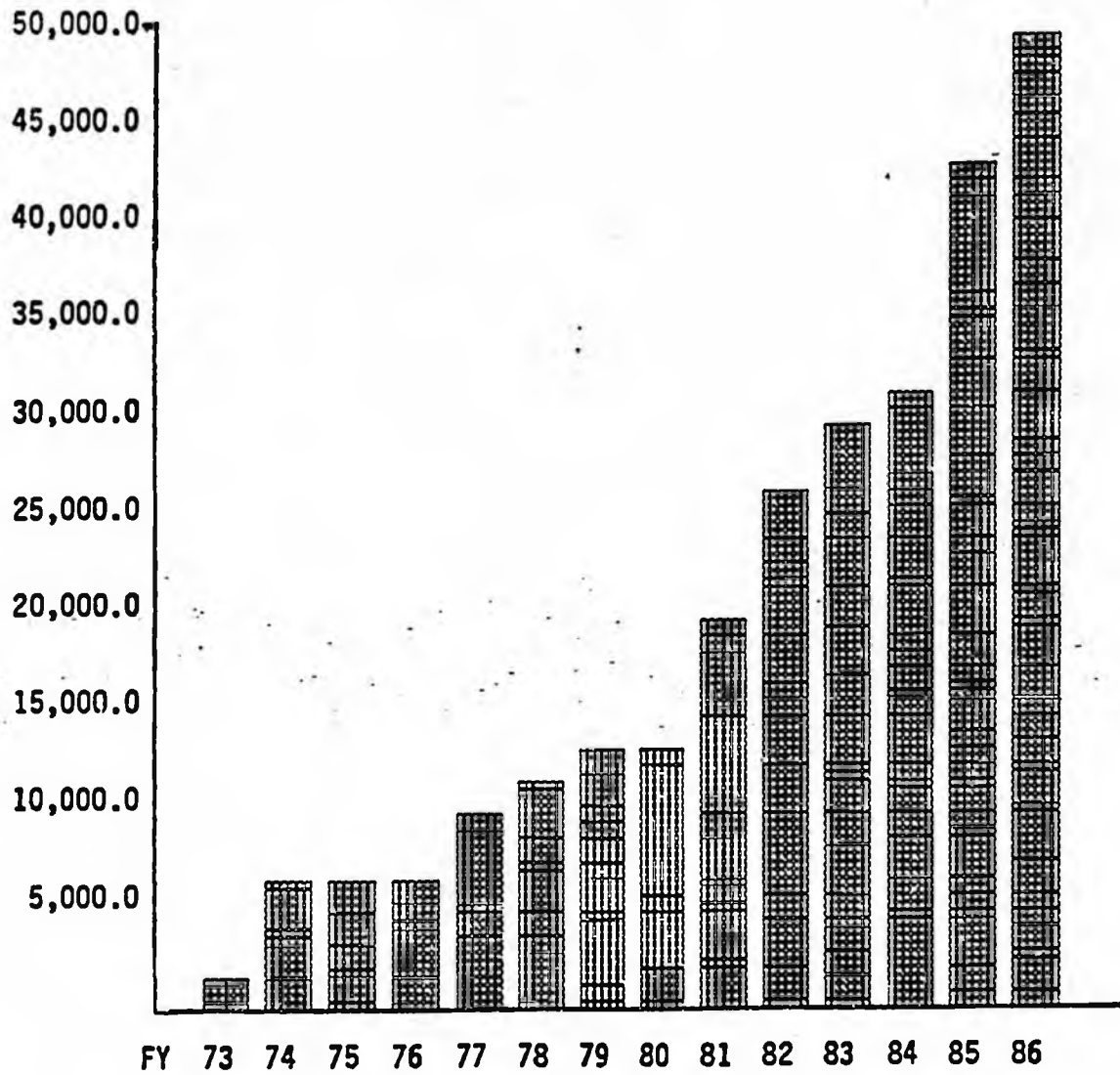
cc: Randall Burns
Special Assistant
Office of the Commissioner
DHSS

QUALIFIED RECIPIENTS
LONGEVITY BONUS PROGRAM



1/1220-14

ANNUAL EXPENDITURES (IN THOUSANDS)
LONGEVITY BONUS PROGRAM



9/7C1/1220-16

Comparative Program Costs

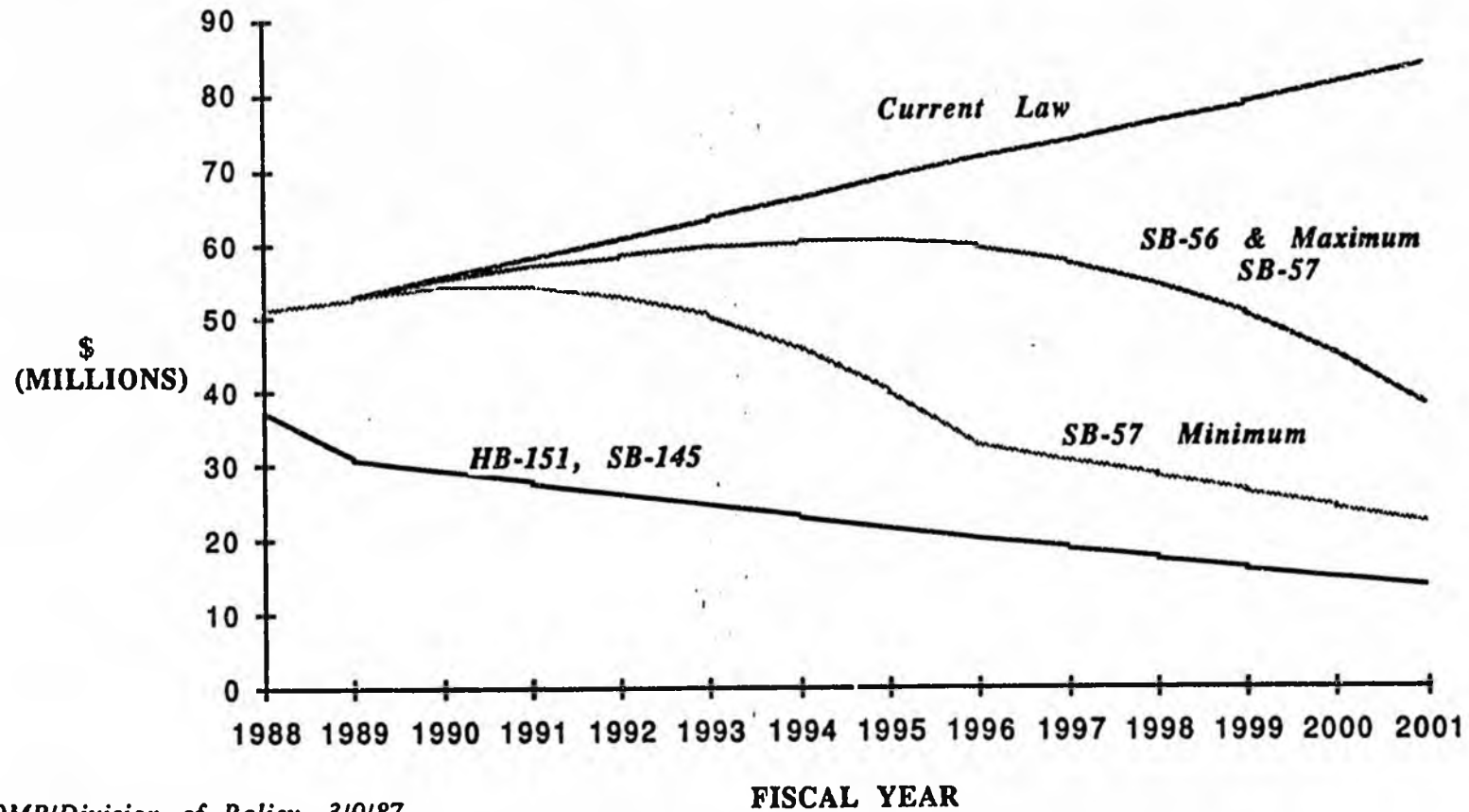
(\$Millions, General Funds Only)

	<u>FY 87 Revised</u>	<u>FY 88 Governor's Revised</u>
Education	485.4	463.0
H & SS	219.6	210.4
University	143.7	135.8
DOT-PF	143.4	141.0**
C&RA	139.8	113.1
Administration*	100.4	87.6
Corrections	79.3	79.3
Public Safety	70.1	58.6
Capital	337.6	59.8
Loans	61.0	45.7
LONGEVITY BONUS	47.4	37.8
Fish & Game	41.4	35.3
Commerce	40.8	30.2
DNR	39.7	35.4
Court System	38.7	35.9
Legislature	29.7	30.6
Law	24.2	23.3
Revenue	13.1	21.3
Military Affairs	5.7	14.7
Governor	14.3	14.6
DEC	10.5	10.7
Labor	12.4	8.3

* Longevity Bonus Program excluded.

** Total includes fiscal note on Motor Fuel tax.

ALB Program Costs



OMB/Division of Policy, 3/19/87

FISCAL YEAR

LONGEVITY BONUS PROGRAM COSTS*
(millions of general fund dollars)

Fiscal Year	Current	SB-56†	SB-57†		HB-151, SB-145
		Annuity Program	Annuity Maximum	Program Minimum	Variant Governor's Proposal
1988		51.2	51.2	51.2	37.3
1989	52.7	52.7	52.7	52.7	30.9
1990	55.6	55.3	55.3	54.2	29.3
1991	58.2	57.2	57.2	54.2	27.7
1992	60.7	58.6	58.6	52.7	26.1
1993	63.4	59.7	59.7	50.0	24.6
1994	65.9	60.2	60.2	45.6	23.1
1995	68.8	60.3	60.3	39.7	21.6
1996	71.4	59.3	59.3	32.5	20.1
1997	73.6	57.2	57.2	30.3	18.7
1998	76.1	54.3	54.3	28.2	17.3
1999	78.5	50.1	50.1	26.1	15.9
2000	81.1	44.5	44.5	24.1	14.6
2001	83.6	37.4	37.4	22.1	13.3

*Grants only. Does not include administrative costs.

†Assumes first annuity contribution is from October 1988 dividend, with first annuity payment in July 1989.

OMB/Division of Policy, 3/2/87 (footnote & heading revised 3/10/87)

**SENIOR PROGRAMS
(GF and CF Match)**

DEPARTMENT	PROGRAM	FY 86 ACTUAL	FY 87 AUTHORIZED	FY 87 REVISED	FY 88 GOVERNOR	FY 88 CONF. REVISED
Administration	Longevity Bonus	\$44,468.0	\$47,503.2	\$47,447.2	\$37,815.5 ¹	\$37,777.3
	Pioneers' Homes	20,456.6	19,906.3	19,684.3	17,660.9	17,890.6
	Older AK Commission	4,534.8	4,207.3	4,132.0	3,735.1	3,711.1
	Pioneers' Home Advisory Board	12.6	10.0	10.0	5.0	5.0
Health and Social Services	Old Age Assistance	6,026.2	6,797.4	6,927.4 ²	7,882.6	7,463.5 ³
	OAA-ALB Hold Harmless	1,241.0	2,112.5	2,112.5	0.0	1,369.1 ³
	Personal Care Attendants	-	514.5	514.5	514.5	764.5
	Home Health (Skilled Nursing/Home Health Aides)	808.2	824.6	802.9	793.5	793.5
	Public Health Nursing *	418.7	502.8	405.1	401.0	401.0
	Adult Homemaker Services	1,008.0	1,050.8	893.2	893.2	893.2
	Medicaid *	9,167.8	9,507.6	9,507.6	8,000.0	10,938.6
	Manillaq Homemaker Service	126.2	119.9	104.9	99.7	99.7
	Senior Center	972.8	925.0	818.7	706.6	706.6
	Norton Sound Homemaker Service	189.2	179.6	157.1	149.2	149.2
Community and Regional Affairs	Senior Citizen Tax Exemption	3,958.6	3,184.2	2,866.3	0.0	0.0
	Renters Equivalency Rebate	308.7	245.8	221.2	0.0	0.0
	TOTAL	\$93,697.4	\$97,591.5	\$96,604.9	\$78,655.8	\$82,962.9

* These are services not specifically aimed at the elderly. These figures represent encounters by age or an estimate of services provided based on percentage of elderly served.

¹ This figure reflects the Governor's amended version or an increase from the original proposal of \$5,870.0.

² Includes \$130.0 requested for an FY 87 Supplemental.

³ Services to Seniors through this program have not changed. Due to ALB proposed legislation (reducing size of bonus and instituting eligibility criteria) effective date of 1/1/88, some OAA clients will be funded via the hold harmless program during the first six months of FY 88.

⁴ Reflects hold harmless provision for first six months of FY 88. Presumes passage of Governor's proposed legislation making changes to the Alaska Longevity Bonus program.

NOTE: Additional services to seniors are provided through the Community Mental Health grant system, services to the chronically mentally ill, nutritional counseling, and services provided by social workers. Since these programs provide services to all Alaskans it is often very difficult to accurately quantify this information. For example, there are presently five clients 65 years of age or older being served in the component Services to the Chronically Mentally Ill; there are five social workers statewide who provide intervention and prevention services solely to seniors -- other Social Workers also provide services to this client group as well as others; nutritional guidance and counseling services are provided by licensed dieticians to all Alaskans - seniors included.

While the quantification of the service funding amount is not provided on the chart, please be aware that there are additional services being provided to seniors.

COMPARATIVE FY 88 COSTS OF VARIOUS LONGEVITY BONUS PROPOSALS

<u>Program</u>	<u>COSTS</u>			
	<u>Grants</u>	<u>DOA Adm.</u>	<u>Hold Harmless</u>	<u>Total</u>
#1--Current Law	51,200.0	289.8	4,068.1	\$55,557.9
#2--\$20K and less=\$250; >\$20K to \$25K=slide down in \$25 decrements	43,100.0	477.3	1,940.6	\$45,517.9
#3--\$20K and less=\$250; >\$20K=0: HB 151 W/ ADAMS AMENDMENT	41,800.0	477.3	1,940.6	\$44,217.9
#4--\$20K and less=\$250; >\$20K to \$25K=slide down in % decrements: HB 151 W/ SUND AMENDMENT	43,800.0	477.3	1,940.6	\$46,217.9
#5--\$20K and less=\$200; >\$20K to \$25.5K= slide down in % decrements: GOV'S PROPOSAL	34,500.0	477.3	1,940.6	\$36,917.9
#6--Annuity plan CS SB 56	49,900.0	289.8	4,068.1	\$54,257.9

SAVINGS FROM CURRENT LAW IN FY88: #2 = \$10,040; #3 = \$11,340; #4 = \$9,340; #5 = \$18,640; and #6 = \$1,300.

PLEASE SEE HOUSE RESEARCH AGENCY MEMORANDUM FOR COMPARISON OF LONG TERM COSTS OF THE GRANTS PORTION OF THE PROGRAM.

All needs based proposals have hold harmless costs in FY88 because they do not go into effect until January 1, 1988. After FY88, needs based programs do not have any hold harmless costs. The cost of DOA administration increases somewhat for needs based programs because of the need to verify income, etc.



P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3591

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

This memo covers
costs of grants,
only, on a long
term basis.

April 30, 1987

MEMORANDUM

TO: Representative Al Adams
ATTN: Louann Cutler
FROM: Karen Oakley *KO*
Legislative Analyst
RE: Projected Costs of the Alaska Longevity Bonus Program Under
Proposed Modifications of House Bill 151
Research Request 87.231 (Supplemental Information)

You asked us to prepare a table and figures comparing the annual and cumulative costs of the Alaska Longevity Bonus Program and the various proposals to modify the program currently being considered by the legislature. The following proposals were analyzed:

- 1) **Current Program.** All persons 65 years of age or older receive \$250 per month for the remainder of their lives.
- 2) **Governor's Proposal.** House Bill 151, proposed by Governor Cowper, would provide a bonus only to individuals who turn 65 prior to January 1, 1988 and who have an adjusted gross income of less than \$25,500. The bonus amount would vary from \$200 to \$17 per month depending upon the recipient's income.
- 3) **House Bill 151 Modification: \$25,000 income limit; \$250 bonus.** Persons must turn 65 years prior to January 1, 1988 to be eligible for the bonus. Persons with incomes of \$20,000 or less would receive a monthly bonus of \$250; persons with incomes greater than \$20,000 but less than \$25,000 would receive a reduced monthly bonus varying between \$25 and \$225; and persons with incomes greater than \$25,000 would be ineligible.
- 4) **House Bill 151 Modification: \$20,000 income limit; \$250 bonus.** Persons must turn 65 years prior to January 1, 1988 to be eligible. Persons with incomes of \$20,000 or less would receive a monthly bonus of \$250; persons with incomes greater than \$20,000 would be ineligible.

- 5) **Bonus Reduction.** All persons 65 years or over would be eligible to receive the bonus. The bonus amount would start at \$225 per month in FY 88 and be reduced \$25 each year until reaching zero in FY 97. (This proposal has also been referred to as Phase-out.)
- 6) **Bonus Reduction with Needs.** All persons 65 years or older with incomes of \$20,000 or less would receive a bonus of \$225. Persons with incomes greater than \$20,000 would receive a monthly bonus of \$225 in FY 88; in subsequent years, the bonus amount would be reduced by \$25 each year until the bonus amount reaches zero in FY 97. In FY 97, once the bonus amount reaches zero for all recipients with incomes greater than \$20,000, the bonus program ends.
- 7) **Needs Based; No Age Cutoff.** All persons 65 years and over would be eligible to receive a monthly bonus of \$250 if their income is \$20,000 or less. Persons with incomes greater than \$20,000 and less than \$25,500 would be eligible for a reduced monthly bonus, and persons with incomes greater than \$25,500 would be ineligible.
- 8) **Bonus Reduction/Annuity Program.** Under the Committee Substitute for Senate Bill 56 (CSSB 56), all persons 65 years of age or older on January 1, 1988 will receive \$250 per month for the remainder of their lives. For those persons turning 65 years after January 1, 1988, the bonus amount is reduced in each year by the maximum possible straight-life annuity payment that would be due a 65-year-old who had invested all Permanent Fund Dividends received after December 1987 in an annuity account. Once a person turns 65 years old and begins to receive the bonus, the bonus amount would not change. In FY 2003, the bonus amount is projected to reach zero, so anyone turning 65 after 2003 would not be eligible to receive the bonus. Although this proposal is commonly referred to as the "annuity" program, the primary effect of CSSB 56 is to reduce the bonus amount gradually over the next 15 years; the Permanent Fund Dividend annuity program simply provides the schedule for reducing the bonus amount.

Attached are the following:

Table 1. Comparison of Annual and Cumulative Costs between the Current Longevity Bonus Program and Various Proposals.

Figure 1. Comparison of Annual Costs.

Figure 2. Comparison of Cumulative Costs.

I hope you find this information useful. If you need any additional information, please let me know.

Attachments

TABLE 1

Comparison of Annual and Cumulative Costs between the Current Longevity Bonus Program and Various Proposals

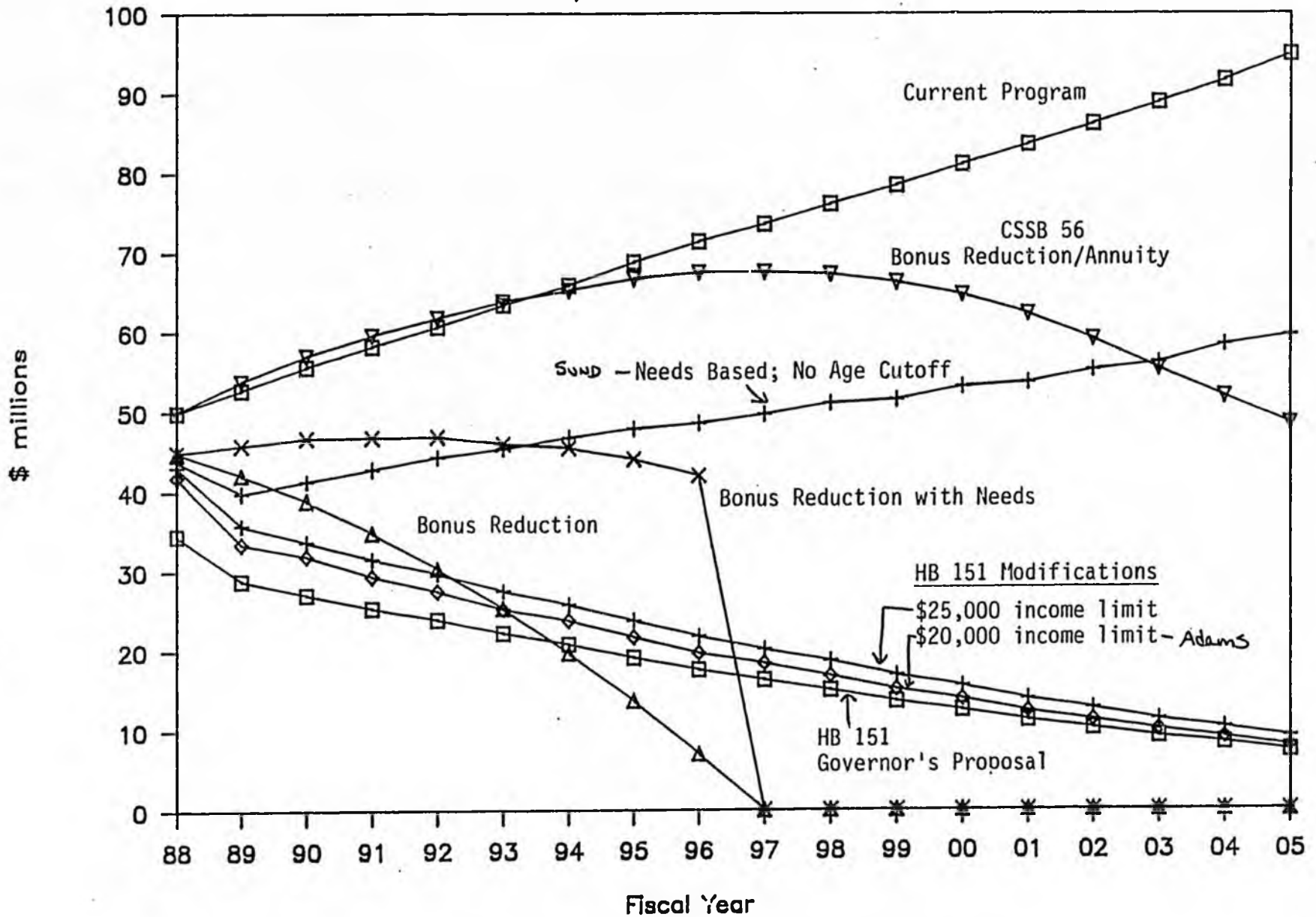
Fiscal Year	Current Program		HB 151 Governor's Proposal		HB 151 Modifications				Bonus Reduction		SUND Needs Based No Age Cutoff		CSSB 56 Bonus Reduction/Annuity			
	Annual Cost	Cumulative Cost	Annual Cost	Cumulative Cost	\$25,000 Income Limit		ADAMS \$20,000 Income Limit		With Needs		Annual Cost	Cumulative Cost	Annual Cost	Cumulative Cost		
					Annual Cost	Cumulative Cost	Annual Cost	Cumulative Cost	Annual Cost	Cumulative Cost						
1988	\$49.9	\$49.9	\$34.5	\$34.5	\$43.1	\$43.1	\$41.8	\$41.8	\$44.9	\$44.9	\$44.9	\$44.9	\$43.8	\$43.8	\$49.9	\$49.9
1989	52.7	102.6	28.8	63.3	35.8	78.9	33.4	75.2	42.1	87.0	45.8	90.7	39.8	83.6	53.8	103.7
1990	55.6	158.2	27.1	90.4	33.7	112.6	31.9	107.1	38.9	125.9	46.7	137.4	41.3	124.9	57.0	160.7
1991	58.2	216.4	25.4	115.8	31.6	144.2	29.4	136.5	34.9	160.8	46.8	184.2	42.8	167.7	59.6	220.3
1992	60.7	277.1	24.0	139.8	29.8	174.0	27.5	164.0	30.4	191.2	46.9	231.1	44.3	212.0	61.8	282.1
1993	63.4	340.5	22.3	162.1	27.6	201.6	25.3	189.3	25.4	216.6	46.0	277.1	45.4	257.4	63.9	346.0
1994	65.9	406.4	20.9	183.0	25.9	227.5	23.9	213.2	19.8	236.4	45.5	322.6	46.8	304.2	65.3	411.3
1995	68.8	475.2	19.2	202.2	23.9	251.4	21.8	235.0	13.8	250.2	44.1	366.7	47.9	352.1	66.8	478.1
1996	71.4	546.6	17.7	219.9	21.9	273.3	19.8	254.8	7.1	257.3	42.0	408.7	48.6	400.7	67.5	545.6
1997	73.6	620.2	16.4	236.3	20.3	293.6	18.5	273.3	0	257.3	0.0	408.7	49.7	450.4	67.6	613.2
1998	76.1	696.3	15.1	251.4	18.8	312.4	16.9	290.2	0	257.3	0.0	408.7	51.1	501.5	67.3	680.5
1999	78.5	774.8	13.7	265.1	17.0	329.4	15.2	305.4	0	257.3	0.0	408.7	51.6	553.1	66.3	746.8
2000	81.1	855.9	12.6	277.7	15.7	345.1	14.0	319.4	0	257.3	0.0	408.7	53.2	606.3	64.7	811.5
2001	83.6	939.5	11.3	289.0	14.0	359.1	12.4	331.8	0	257.3	0.0	408.7	53.7	660.0	62.3	873.8
2002	86.2	1,025.7	10.3	299.3	12.8	371.9	11.3	343.1	0	257.3	0.0	408.7	55.3	715.3	59.1	932.9
2003	88.9	1,114.6	9.2	308.5	11.4	383.3	10.1	353.2	0	257.3	0.0	408.7	56.2	771.5	55.4	988.3
2004	91.6	1,206.2	8.4	316.9	10.4	393.7	9.1	362.3	0	257.3	0.0	408.7	58.4	829.9	51.9	1,040.2
2005	94.9	1,301.1	7.4	324.3	9.2	402.9	8.0	370.3	0	257.3	0.0	408.7	59.6	889.5	48.5	1,088.7

Note: Population figures used to project the costs of the program under the Committee Substitute for Senate Bill 56 were slightly different from the population figures used to project costs of the other proposals.

Prepared by the House Research Agency, April 1987 (87-231S2; 860330-03).

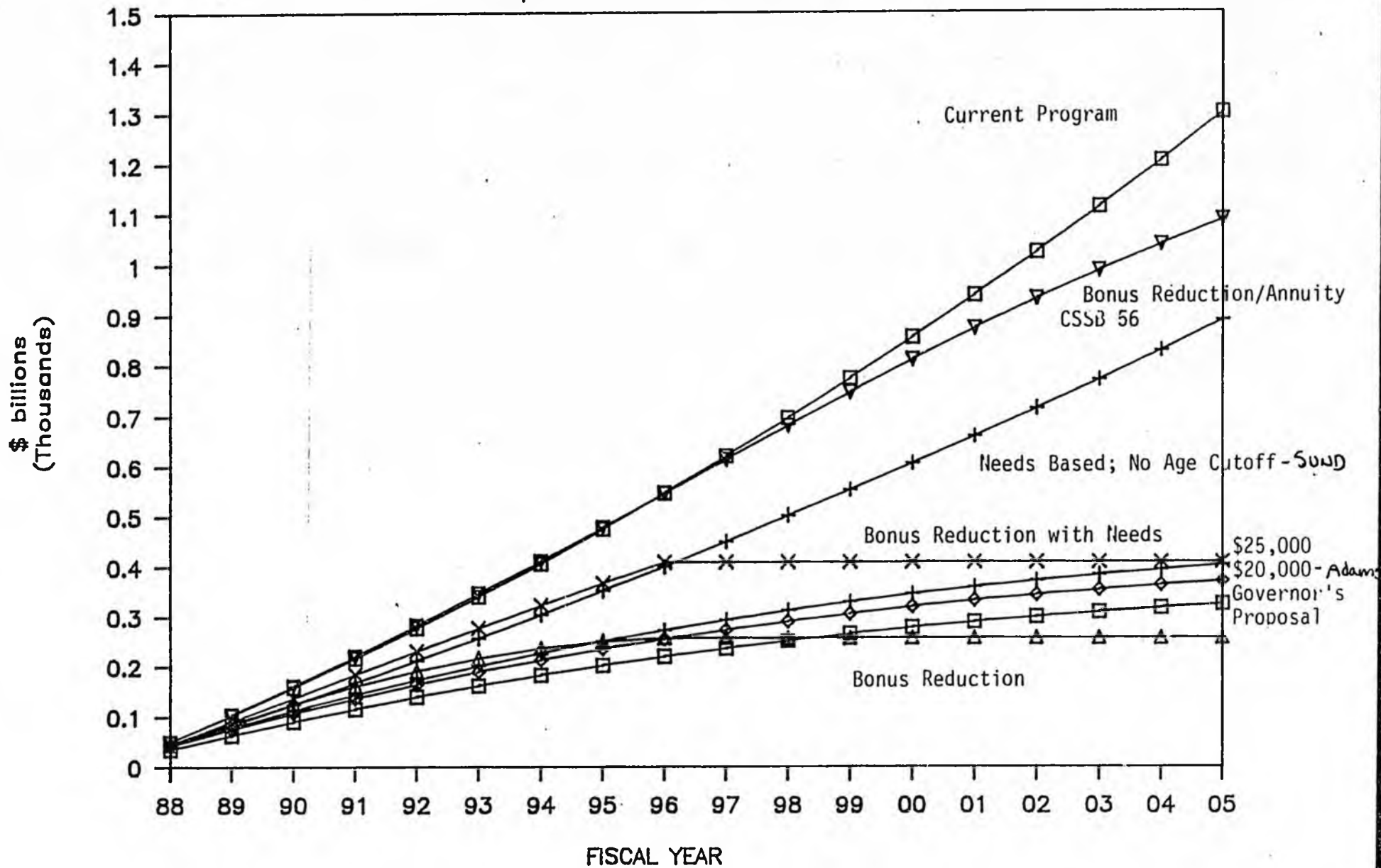
FIGURE 1 ALASKA LONGEVITY BONUS

Comparison of Annual Costs



Prepared by the House Research Agency, April 1987.

FIGURE 2
 Alaska Longevity Bonus
 Comparison of Cumulative Costs



Prepared by the House Research Agency, April 1987.

Ketchikan - Jan 3 - 1957

Freeman at odds with bonus plan

By RON POST
Daily News Staff Writer

A proposal to revamp the senior citizen longevity bonus amounts to barking up the wrong tree for cuts in the state budget, former Ketchikan legislator Oral Freeman says.

Gov. Steve Cowper's press secretary, David Ramseur, said recently if the longevity bonus program was based on need, the state would save money while preserving the \$250-per-month benefit for those who need it.

Freeman, 71, who headed Cowper's transition team, said he doesn't believe the governor endorses the proposal that was publicized.

"It's changing it, in effect, to a welfare program," he said.

An estimated \$11.8 million of

state savings would follow if the idea was adopted, according to the Office of Management and Budget. The change would eliminate the bonus for about one-fourth of the 16,257 senior citizens receiving it, and it would bar from eligibility those earning \$20,000 or more in adjusted gross income.

Freeman says the savings are minimal and the program has hidden benefits. The monthly bonus keeps Alaska's senior citizens from moving out of state, he said, making the program "not all a total loss."

"A lot of people, me included, would get along just fine without the longevity bonus, but personally, I would prefer to live out my years here, with my children and grandchildren and

great-grandchildren," Freeman said.

He said the state has adopted many programs that most residents would rather see cut than the longevity bonus, although "from a more-cold blooded standpoint, if you compare an older person to a younger person, the older person will have the money."

Gov. Cowper's staff "made a political blunder" in announcing the idea, Freeman added.

He suggested if a small proposed cut in the bonus had appeared - perhaps \$50 less across the board - instead of the policy suggestion of an income lid, the move would appear fairer to senior citizens.

"I've made this statement to the governor, that whatever he and

the Legislature decide to do in this budget, (they must) give the people the perception that it's fair and equal," he said.

Freeman said cuts in such programs should be made only after major reductions in departmental appropriations.

"You have to go where the big bucks are" first, he said.

Freeman, who chaired the seven-member panel which outlined many options for ways the state government could enhance revenues and trim spending, would not comment on his recommendations for the budget.

But "we've got too many high-priced people on the state payroll," he said, and "the Department of Transportation and Public Facilities is an overgrown monster," he said.

line ~~now~~ APR 29 '87 14:17 LEG. AFFAIRS - WASILLA
John R. Wall

na whittington
Mrs. B. Sanders
Edie Hornung
Nereida Johnson
Theodore W. Martin
Lambert A. Martin
Dorothy Hill

Wasilla Area Seniors, Inc.
1301 Century Circle
Wasilla, Alaska
99687

April 29, 1987

Governor Steve Cowper
Members of the House Finance Committee

Dear Sirs:

We, the members of Wasilla Area Seniors, Inc would at this time like to put in writing our opinion concerning House Bill # 151 and Senate Bill # 56.

Despite the need to cut the State budget, we feel that the Seniors Longevity Bonus program should not be set up on a "needs-basis". In our opinion Senate Bill # 56 would be a much better option than House Bill # 151.

Thank You,

David Varaschall
Karel M. Sisk
Antonina DiGregorio
Thomas Power
Maurice S. Champagne
Walter J. Champagne
E. vance C. Johnson
Harris A. Sisk
Hugh A. Johnson
Dick C. Black
Kathleen M. Beach
Berthonia Tollett
Kebui Tollett
Louise McNeil
Nora C. O'Neil
Alice C. O'Neil

Carrie Maddy
Alice Trezel
Dorothy Moore
Annal Davis
Rosalia M. Hartwick
Susan V. Vancos
Nellie Shelton
Lois Covlesky
Darnice C. Morit
Mary Louise Colby
Jyle R. Hill
Rose S. Palmquist
Agnes Lent
Elizabeth R. ...
Evelyn F. Tidd
B. J. T. T. ...

LEGISLATIVE FINANCE

* * * * * DEPARTMENT OF ADMINISTRATION * * * * *

SHORT FORM PAGE	BUDGET COMPONENT	FY86 ACT	FY87 ATH	FY87 REV	GOV REV	HOUSE	HOUSE - GOV REV COMPARISON
	EDUCATION						
2	TEACHER RETIREMENT MATCH	36774.3	31595.7	26856.3			
	SOCIAL SERVICES						
6	LONGEVITY BONUS						
8	GRANTS	44024.3	47130.0	47130.0	37300.0	51200.0	13900.0 37.3%
	ADMINISTRATION	443.7	373.2	317.2	477.3	289.8	-187.5 -39.3%
	*** PROGRAM TOTAL ***	44468.0	47503.2	47447.2	37777.3	51489.8	13712.5 36.3%
	PIONEERS HOMES						
12	SITKA	4242.4	4294.6	4294.6	3934.3	3934.3	
14	FAIRBANKS	3741.1	3952.3	3952.3	3640.7	3640.7	
16	PALMER	3737.3	3870.9	3870.9	3555.3	3555.3	
18	ANCHORAGE	8005.5	8033.7	7811.7	7162.8	7162.8	
20	KETCHIKAN	2400.8	2322.1	2322.1	2137.5	2137.5	
22	JUNEAU					844.0	844.0 100.0%
24	CENTRAL OFFICE	348.5	255.0	255.0	231.1	231.1	
26	PIONEERS HOMES ADVISORY BOARD	12.6	10.0	10.0	5.0	10.0	5.0 100.0%
	*** PROGRAM TOTAL ***	22488.2	22738.6	22516.6	20666.7	21515.7	849.0 4.1%
30	OLDER ALASKANS COMMISSION						
	OLDER ALASKAN SVCS	9352.2	9539.6	9464.3	8999.0	8999.0	
	*** SOCIAL SERVICES TOTAL ***	76308.4	79781.4	79428.1	67443.0	82004.5	14561.5 21.6%
	ADMINISTRATION OF JUSTICE						
	PUBLIC DEFENDER						
34	FIRST JUDICIAL DISTRICT	680.5	705.4	705.4	625.0	649.0	24.0 3.8%
36	SECOND JUDICIAL DISTRICT	695.8	748.5	748.5	476.7	593.8	117.1 24.6%
38	THIRD JUDICIAL DISTRICT	2904.1	2884.6	2884.6	2645.7	2806.1	160.4 6.1%
40	FOURTH JUDICIAL DISTRICT	1466.2	1444.7	1444.7	1391.6	1369.7	-21.9 -1.6%
42	ADMINISTRATION AND SUPPORT	216.6	230.0	230.0	211.0	210.8	-0.2 -0.1%
	*** PROGRAM TOTAL ***	5963.2	6013.2	6013.2	5350.0	5629.4	279.4 5.2%
46	OFFICE OF PUBLIC ADVOCACY	3348.4	3659.0	3659.0	3535.4	3535.4	
	*** ADMINISTRATION OF JUSTICE TOTAL ***	9311.6	9672.2	9672.2	8885.4	9164.8	279.4 3.1%
	GENERAL GOVERNMENT						
	CENTRAL AND STATEWIDE SERVICES						
50	OFFICE OF THE COMMISSIONER	765.8	973.1	829.4	637.2	637.2	
52	ADMINISTRATIVE SERVICES	2287.8	1944.1	1768.3	1209.2	1209.2	
54	MUNICIPAL GRANTS		361.7	353.6	150.8	150.8	
56	PRIOR YEAR DP/WP	960.1					
58	CIP DIRECT CHARGE POSITIONS	752.4	652.4	99.1	89.3	89.3	
60	PERSONNEL	3041.1	2469.6	2289.0	1931.1	1931.1	
62	PRODUCTIVITY IMPROVEMENT CENTE		516.1	516.1	278.9	278.9	
64	LABOR RELATIONS	975.9	875.2	787.7	663.4	663.4	
66	FINANCE	2831.8	2733.8	2618.8	2394.5	2394.5	

SALCUTA

STATE OF ALASKA -- OPERATING BUDGET SUMMARY

13:38

4/16/87

LEGISLATIVE FINANCE

* * * * * DEPARTMENT OF ADMINISTRATION * * * * *

PORT FORM PAGE	BUDGET COMPONENT	FY86 ACT	FY87 ATH	FY87 REV	GOV REV	HOUSE	HOUSE - GOV REV COMPARISON	
58	PURCHASING	1527.2	1386.4	1281.3	1200.7	1182.2	-18.5	-1.5%
70	PROPERTY MANAGEMENT	493.6	394.1	382.6	349.5	349.5		
72	CENTRAL DUPLICATING AND MAIL	2005.3	2157.7	2155.0	2028.3	2028.3		
74	ARCHIVES	914.3	608.0	556.2	466.4	456.4		
76	RETIREMENT AND BENEFITS	4936.4	6324.0	5660.1	4968.8	4968.8		
78	RETIREMENT INCENTIVE OPERATION				88.8	133.8	45.0	50.7%
30	LABOR RELATIONS AGENCY	73.7	87.0	74.0	68.6	68.6		
32	RAILROAD LABOR RELATIONS AGENC	70.8	85.0	85.0	85.0	85.0		
	*** PROGRAM TOTAL ***	21636.2	21568.2	19456.2	16610.5	16637.0	26.5	0.2%
36	AK PUBLIC OFFICES COMMISSION	555.2	613.5	572.5	533.3	533.3		
30	RISK MANAGEMENT	15322.7	22322.0	22322.0	22124.0	22124.0		
	INFORMATION RESOURCE MGMT							
34	INFORMATION RESOURCE MGMT	15678.5	13482.5	13151.7	11632.7	11632.7		
36	TELECOMMUNICATIONS OPERATIONS	8700.1	5229.8	4582.7	4765.6	4919.6	154.0	3.2%
38	RURAL AK TELEVISION NETWORK		3550.0	3483.5	980.0	3056.0	2076.0	211.8%
10	TELECOMMUNICATIONS SERVICES	805.5	713.4	598.7				
	*** PROGRAM TOTAL ***	25184.1	22975.7	21816.6	17378.3	19608.3	2230.0	12.8%
14	PUBLIC BROADCASTING COMMISSION	7854.6	6664.0	6585.7	1347.2	6871.8	5524.6	410.1%
18	LEASING AND FACILITIES	39035.9	34089.5	32175.4				
0	ADMINISTRATION				561.5	561.5		
2	AK STATE HOUSING AUTHORITY				6533.2	6533.2		
4	LEASES				29514.4	28467.2	-1047.2	-3.5%
	*** PROGRAM TOTAL ***	39035.9	34089.5	32175.4	36609.1	35561.9	-1047.2	-2.9%
6	EMPLOYEE HOUSING	1191.9	1468.1	965.9				
8	RETIREMENT INCENTIVE PROGRAM				148.3	148.3		
	*** GENERAL GOVERNMENT TOTAL ***	110780.6	109701.0	103894.3	94750.7	101484.6	6733.9	7.1%
	***** TOTAL AGENCY EXPENDITURES	233174.9	230750.3	219850.9	171079.1	192653.9	21574.8	12.6%
	***** AGENCY FUNDING							
	FED. RECEIPT	4817.4	5332.3	5332.3	5305.4	5305.4		
	GENERAL FUND	196259.7	153112.0	147835.9	125199.7	147776.7	22577.0	18.0%
	OTHER FUNDS	32097.8	72306.0	66682.7	40574.0	39571.8	-1002.2	-2.5%

LEGISLATIVE FINANCE

*** DEPARTMENT OF HEALTH & SOCIAL SERVICES ***

SHORT FORM PAGE	BUDGET COMPONENT	FY86 ACT	FY87 ATH	FY87 REV	GOV REV	HOUSE	HOUSE - GOV REV COMPARISON
	SOCIAL SERVICES						
	ASSISTANCE PAYMENTS						
2	AFDC	48669.1	53199.3	53199.3	59209.9	59821.3	611.4 1.0%
4	GENERAL RELIEF ASST	909.6	864.8	864.8	1463.9	1463.9	
6	ADULT PUBLIC ASST	13715.9	15538.6	15538.6	16167.4	16413.2	245.8 1.5%
8	OAA-ALB HOLD HARMLESS	1241.0	2112.5	2112.5	1369.1	2925.1	1556.0 113.7%
10	POST MORTEM EXAMINATIONS				463.4	463.4	
	*** PROGRAM TOTAL ***	64535.6	71715.2	71715.2	78673.7	81086.9	2413.2 3.1%
14	PERM FUND DIV HOLD HARMLESS	3524.9	4211.7	4211.7	8581.2	8581.2	
18	ENERGY ASSISTANCE PROGRAM	7507.4	8127.0	8127.0	8085.8	8085.8	
	MEDICAL ASSISTANCE						
22	MEDICAID NON-FACILITY	16706.7	21109.2	21109.2	25167.1	22967.1	-2200.0 -8.7%
24	MEDICAID-FACILITIES	52834.1	51983.1	51804.2	57318.5	57011.6	-306.9 -0.5%
26	ALB HOLD HARMLESS	150.0	10.0	10.0	571.5	1143.0	571.5 100.0%
28	GENERAL RELIEF MEDICAL	12046.0	7200.0	7200.0	6203.6	8550.0	2346.4 37.8%
30	CATASTROPHIC ILLNESS	312.6					
	*** PROGRAM TOTAL ***	82049.4	80302.3	80123.4	89260.7	89671.7	411.0 0.5%
	PUBLIC ASST ADMIN						
34	ADMINISTRATION	758.7	880.7	877.0	819.0	819.0	
36	QUALITY CONTROL	825.6	909.2	901.4	836.4	836.4	
38	ELIGIBILITY DETERMINATION	10882.2	11276.9	11222.8	10892.2	10892.2	
40	FRAUD INVESTIGATION	790.2	1100.7	1100.1	1076.9	1076.9	
42	WORK INCENTIVE	499.8	884.2	882.6	845.9	845.9	
44	RURAL FOOD STAMP PROGRAM	111.6					
46	DATA AND WORD PROCESSING	2535.4	2522.9	2520.8	2588.5	2588.5	
	*** PROGRAM TOTAL ***	16403.5	17574.6	17504.7	17058.9	17058.9	
50	MEDICAL RATE COMMISSION	380.4	390.7	389.3	330.5	344.5	14.0 4.2%
	MEDICAL ASST ADMIN						
54	CENTRAL ADMIN	464.5	394.0	432.4	399.7	514.7	115.0 28.8%
56	CLAIMS PROCESSING	2050.4	2518.4	2421.6	2825.5	2825.5	
58	MED CARE ADVISORY COMMITTEE	44.8	66.6	66.4	62.5	62.5	
60	CERTIFICATION/LICENSING	468.7	428.2	479.6	453.7	453.7	
	*** PROGRAM TOTAL ***	3028.4	3407.2	3400.0	3741.4	3856.4	115.0 3.1%
	PURCHASED SERVICES						
64	PREVENTIVE SERVICES	2617.7	3001.4	2714.6	2090.1	2756.7	666.6 31.9%
66	ADULT SERVICES	2757.9	2067.2	1765.0	1751.2	1751.2	
68	EARLY INTERVENTION SERVICES	719.7	733.8	632.4	600.8	600.8	
70	PRE-MATERNAL SERVICES	344.8	396.8	347.2			
72	FOSTER CARE	6600.4	7050.4	6720.4	7286.3	7368.4	82.1 1.1%
74	RESIDENTIAL CHILD CARE	10834.3	10830.3	9806.5	9305.3	9795.1	489.8 5.3%
	*** PROGRAM TOTAL ***	23874.8	24079.9	21986.1	21033.7	22272.2	1238.5 5.9%
	SOCIAL SERVICES						
78	SOUTHCENTRAL REGION	4904.5	5095.5	4823.6	4509.8	4509.8	
80	NORTHERN REGION	2806.5	2760.4	2588.2	2443.3	2443.3	
82	NORTHWESTERN REGION	388.8	375.8	331.8	303.9	303.9	
84	WESTERN REGION	900.1	982.6	871.9	763.2	763.2	

LEGISLATIVE FINANCE

* * * * * DEPARTMENT OF HEALTH & SOCIAL SERVICES * * * * *

SHORT FORM PAGE	BUDGET COMPONENT	FY86 ACT	FY87 ATH	FY87 REV	GOV REV	HOUSE	HOUSE - GOV REV COMPARISON	GOV REV
86	SOUTHEASTERN REGION	1690.8	1859.4	1772.3	1645.0	1718.6	73.6	4.5%
88	CENTRAL OFFICE FYS	2116.4	2039.3	1846.8	1906.5	1943.9	37.4	2.0%
	*** PROGRAM TOTAL ***	12807.1	13113.0	12234.6	11571.7	11682.7	111.0	1.0%
92	SOC SERV BLOCK GRANT OFFSET							
	YOUTH SERVICES							
96	MCLAUGHLIN YOUTH CENTER	6808.5	6564.3	5973.0	5841.7	6054.7	213.0	3.6%
98	FAIRBANKS YOUTH FACILITY	1600.8	2000.9	1516.1	2187.8	2223.8	36.0	1.6%
100	NOME YOUTH FACILITY	994.1	988.9	621.0	579.2	579.2		
102	JOHNSON YOUTH CENTER	821.0	858.6	818.4	748.0	748.0		
104	BETHEL YOUTH FACILITY		644.0	69.6	66.7	273.0	206.3	309.3%
106	PROBATION SERVICES	4025.8	4006.4	3773.3	3514.9	3527.2	12.3	0.3%
	*** PROGRAM TOTAL ***	14250.2	15063.1	12771.4	12938.3	13405.9	467.6	3.6%
	MANIILAQ							
110	ELIG DETERMINATION & STAFF DEV	186.5	180.9	180.9	180.9	180.9		
112	SOCIAL SERVICES	2054.0	1683.0	1498.6	953.0	853.3	-99.7	-10.5%
114	PUBLIC HEALTH SVCS	850.4	798.4	698.6	663.7	690.5	26.8	4.0%
116	ALCOHOLISM & DRUG ABUSE SVCS	660.7	665.7	582.5	553.4	553.4		
118	MENTAL HEALTH/DD SERVICES	278.1	249.9	218.7	207.8	207.8		
120	SENIOR CENTER	969.2	925.0	809.1	706.6	868.3	161.7	22.9%
	*** PROGRAM TOTAL ***	4998.9	4502.9	3988.4	3265.4	3354.2	88.8	2.7%
	NORTON SOUND							
124	SOCIAL SERVICES	453.2	261.7	229.0	217.5	217.5		
126	PUBLIC HEALTH SVCS	1309.1	1119.7	990.6	945.4	1003.8	58.4	6.2%
128	ALCOHOLISM & DRUG ABUSE SVCS	629.0	597.5	522.8	496.7	496.7		
130	MENTAL HEALTH & DD SVCS	385.5	325.7	285.0	233.3	278.3	45.0	19.3%
132	SANITATION	257.7	244.8	214.2	203.5	88.0	-115.5	-56.8%
	*** PROGRAM TOTAL ***	3034.5	2549.4	2241.6	2096.4	2084.3	-12.1	-0.6%
136	KAWERAK SOCIAL SERVICES	470.1	507.7	462.2	381.0	298.9	-82.1	-21.5%
	TANANA CHIEFS CONFERENCE							
140	PUBLIC HEALTH SERVICES	367.9	367.9	321.9	203.7	295.1	91.4	44.9%
142	ALCOHOLISM & DRUG ABUSE SVCS	284.4	270.2	236.4	224.6	224.6		
144	MENTAL HEALTH SERVICES	249.0	236.6	207.0	196.6	196.6		
	*** PROGRAM TOTAL ***	901.3	874.7	765.3	624.9	716.3	91.4	14.6%
	TLINGIT-HAIDA							
148	SOCIAL SERVICES	150.0	132.7	116.1	110.3	126.1	15.8	14.3%
	ANCHORAGE SOCIAL SERVICES							
152	BLOCK GRANT	2500.0	2755.0	2410.6	1500.0	2290.0	790.0	52.7%
	FAIRBANKS SOCIAL SERVICES							
156	BLOCK GRANT	500.0	500.0	437.5	294.5	415.6	121.1	41.1%
	*** SOCIAL SERVICES TOTAL ***	240916.5	249807.1	242885.1	259548.4	265331.6	5783.2	2.2%
	HEALTH							
	STATE HEALTH SERVICES							
160	NURSING	8475.5	8830.9	8194.8	7497.7	8712.2	1214.5	16.2%
162	COMMUNICABLE DISEASE CONTROL	2071.2	2483.8	2166.0	1461.9	1467.8	5.9	0.4%
164	FAMILY HEALTH	6956.5	7478.4	7053.0	6817.8	7140.2	322.4	4.7%

LEGISLATIVE FINANCE

* * * * * DEPARTMENT OF HEALTH & SOCIAL SERVICES * * * * *

SHORT FORM PAGE	BUDGET COMPONENT	FY86 ACT	FY87 ATH	FY87 REV	GOV REV	HOUSE	HOUSE COMPARISON	- GOV REV
166	LAB SERVICES	2229.1	2352.7	2114.6	1741.2	2043.1	301.9	17.3%
168	PUBLIC HEALTH ADMIN SVCS	1785.7	1477.3	1220.4	720.9	726.6	5.7	0.8%
170	POST MORTEM EXAMINATIONS	851.4	614.9	522.3				
172	HEPATITIS B	829.6	407.9	377.8				
174	DATA & WORD PROCESSING	53.3	82.7	69.8				
176	EPIDEMIOLOGY				1035.6	1039.8	4.2	0.4%
178	EMS TRAINING & LICENSING				341.4	341.4		
	*** PROGRAM TOTAL ***	23252.3	23728.6	21718.7	19616.5	21471.1	1854.6	9.5%
	HEALTH GRANTS							
182	INFANT LEARNING PROGRAM GRANTS	2274.8	2321.8	2072.9	1969.3	2321.8	352.5	17.9%
184	COMMUNITY HEALTH GRANTS	4204.0	4598.4	4023.2	3056.7	2957.2	-99.5	-3.3%
186	EMERGENCY MEDICAL SVC GRANTS	1843.4	1956.7	1711.9	1454.4	1587.6	133.2	9.2%
188	HEALTH PROMOTION		313.8	313.8	313.8	313.8		
	*** PROGRAM TOTAL ***	8322.2	9190.7	8121.8	6794.2	7180.4	386.2	5.7%
	ALCOHOL & DRUG ABUSE SERVICES							
192	ADMINISTRATION	1441.5	1360.0	1590.5	1051.6	1051.6		
194	DRUG ABUSE GRANTS	1915.4	1835.4	1606.0	1525.7	1525.7		
196	ALCOHOL ABUSE GRANTS	12134.7	11656.4	9990.2	9108.3	9150.4	42.1	0.5%
198	ASAP				936.9	936.9		
	*** PROGRAM TOTAL ***	15491.6	14851.8	13186.7	12622.5	12664.6	42.1	0.3%
	COMMUNITY MENTAL HEALTH GRANTS							
202	COMMUNITY MENTAL HEALTH GRANTS	8656.9	8728.6	7479.8	6314.3	7563.8	1249.5	19.8%
204	FAIRBANKS COMM MENTAL HEALTH		1785.8	1562.6	1484.5	1573.9	89.4	6.0%
206	SVCS/CHRONICALLY MENTALLY ILL		686.0	600.2	670.2	2022.2	1352.0	201.7%
	*** PROGRAM TOTAL ***	8656.9	11200.4	9642.6	8469.0	11159.9	2690.9	31.8%
210	COMMUNITY D.D. GRANTS	8483.0	8485.1	7424.4	7265.0	7422.0	157.0	2.2%
	INSTITUTIONS & ADMINISTRATION							
214	MH ADMIN	2073.8	2232.0	1975.6	1709.8	1924.9	215.1	12.6%
216	ALASKA PSYCHIATRIC INSTITUTE	14256.5	15528.7	13418.9	12323.8	12323.8		
218	HARBORVIEW DEVELOPMENT CENTER	7413.4	7891.7	7319.2	6580.5	6760.7	180.2	2.7%
220	ALASKA YOUTH INITIATIVE				151.3	412.2	260.9	172.4%
	*** PROGRAM TOTAL ***	23743.7	25652.4	22713.7	20765.4	21421.6	656.2	3.2%
	ADMINISTRATIVE SERVICES							
224	COMMISSIONER'S OFFICE	853.2	48.8	680.8	534.2	634.2	100.0	18.7%
226	AUDIT	492.9	533.9	452.2	373.5	384.0	10.5	2.8%
228	PERSONNEL AND PAYROLL	614.6	685.0	622.1	563.0	563.0		
230	BUDGET AND FINANCE	1735.1	1732.4	1594.6	1400.3	1400.3		
232	GOVERNORS COUNCIL/HANDICAPPED	316.8	300.0	300.0	282.6	300.0	17.4	6.2%
234	DATA & WORD PROCESSING	575.6	582.6	447.4	519.8	528.3	8.5	1.6%
236	PLANNING & DEVELOPMENT	1206.0	982.4	945.4	488.1	498.6	10.5	2.2%
238	VITAL STATISTICS	457.3	440.9	441.1	401.9	411.1	9.2	2.3%
240	OVERHEAD & CIP COSTS	189.5	268.3	206.7	191.7	191.7		
	*** PROGRAM TOTAL ***	6441.0	5574.3	5690.3	4755.1	4911.2	156.1	3.3%
242	RETIREMENT INCENTIVE PROGRAM				178.9	178.9		
	*** HEALTH TOTAL ***	94390.7	98683.3	88498.2	80466.6	86409.7	5943.1	7.4%

SALCUTA

STATE OF ALASKA -- OPERATING BUDGET SUMMARY

17:49

4/13/87

LEGISLATIVE FINANCE

* * * * * DEPARTMENT OF HEALTH & SOCIAL SERVICES * * * * *

SHORT
FORM
PAGE

BUDGET COMPONENT

FY86 ACT FY87 ATH FY87 REV GOV REV HOUSE

HOUSE - GOV REV
COMPARISON

***** TOTAL AGENCY EXPENDITURES

335307.2 348490.4 331383.3 340015.0 351741.3 11726.3 3.4%

***** AGENCY FUNDING

FED. RECEIPT
GENERAL FUND
OTHER FUNDS

85184.7 92700.6 92811.5 100927.2 100567.9 -359.3 -0.4%
235258.4 236806.6 219574.2 210402.0 222038.9 11636.9 5.5%
14864.1 18983.2 18997.6 28685.8 29134.5 448.7 1.6%

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

P.O. BOX C
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200

April 3, 1987

The Honorable Al Adams
Alaska State Legislature
P.O. Box V
Juneau, AK 99811-3100

Dear Representative Adams:

Thank you for this opportunity to explain the projected financial needs of the FY 88 Longevity Bonus Program, if the program remains unchanged.

Based upon FY 85, FY 86, and FY 87 (to date) historical data, projections can be made based upon the following two assumptions:

Assumption #1 - Base Figure

Using FY 85 data, a monthly percentage increase based upon the number of April warrants, results in a June 1987 projection of 16,962 warrants. The same methodology, using FY 86 data projects 16,338 warrants to be written in June 1987. To begin the 12-month projections for FY 88, a weighted June average of 16,420 has been used. The choice of this figure, between 16,962 and 16,338, is based upon changes which occurred during FY 85 which tended to distort the percentages of increase. Therefore, the base figure for FY 88 is assumed to be 16,420 warrants, from which the 12 months can be projected.

Assumption #2 - Monthly Increase

In FY 86 the average monthly increase was 25 warrants. In FY 87, this average increase rose to 96 (using a projected May and June number of warrants). From this data, a projected increase of 99 warrants is assumed for FY 88 projections.

The table below shows the projected monthly expenditures based upon the above two assumptions:

April 3, 1987

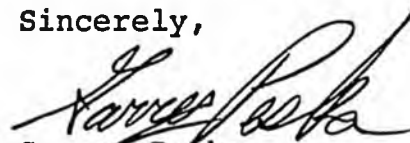
<u>Month</u>	<u>Projected Number of Warrants</u>		<u>\$250 Monthly Bonus</u>	<u>Total Monthly Expenditure</u>
June	16,420 (base) +99			
July	<u>16,519</u> +99	x	\$250 =	\$4,129,750
August	<u>16,618</u> +99	x	\$250 =	\$4,154,500
September	<u>16,717</u> +99	x	\$250 =	\$4,179,250
October	<u>16,816</u> +99	x	\$250 =	\$4,204,000
November	<u>16,915</u> +99	x	\$250 =	\$4,228,750
December	<u>17,014</u> +99	x	\$250 =	\$4,253,500
January	<u>17,113</u> +99	x	\$250 =	\$4,278,250
February	<u>17,212</u> +99	x	\$250 =	\$4,303,000
March	<u>17,311</u> +99	x	\$250 =	\$4,327,750
April	<u>17,410</u> +99	x	\$250 =	\$4,352,500
May	<u>17,509</u> +99	x	\$250 =	\$4,377,250
June	<u>17,608</u>	x	\$250 =	\$4,402,000

Total Warrants = 204,762

Total Expenditures = \$51,190,500

I hope this explanation of the FY 88 projections is of assistance. If further information is necessary, please feel free to contact me.

Sincerely,



Garrey Peška
Commissioner

GP/JA/jms

5/1D1/0402-02

cc: Division of Administrative Services
Department of Administration

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 26, 1987

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska longevity bonus program.

The original longevity bonus program that was enacted in 1972 has been radically changed as a result of the Alaska Supreme Court decision in Schafer v. Vest, 680 P.2d 1169 (Alaska 1984). The program's original intent -- to benefit those pioneers who built the state -- has been irrevocably altered. Because the original program benefitted only those who were residents before statehood, it eventually would have phased out naturally as territorial residents died or left the state.

As a result of that court decision, the program now simply requires one year of residence. Consequently, we now have a program that grows larger every year. At the same time we are faced with an unprecedented crisis in our budget. We can no longer afford to provide this substantial benefit to an ever increasing population of senior citizens.

The attached bill has three main components. First, it reduces the maximum amount of the bonus to \$200 a month. The bonus was increased substantially during the height of our oil wealth: in 1980, it went from \$150 to \$200, and in 1981 it went from \$200 to \$250.

Second, the bill limits the bonus to those individuals who reach age 65 before January 1, 1988. In 1985, both houses of the legislature passed programs that used a 1988 cut-off date (ch. 99, SLA 1985). (The effective dates for those programs were never triggered.) The House "stairstepping" approach simply limited the bonus to those individuals who reached age 65 by that date. The Senate annuity approach provided additional general fund payments to younger individuals; the payments were to decrease yearly until they were gone. Thus, even in 1985 when our fiscal picture was much brighter, both houses decided to terminate general fund payments to those younger than age 65 in 1988. This bill, then, incorporates that idea.

Finally, the bill places an income cap on eligibility for the bonus. The full bonus would be available only to those individuals whose income (excluding longevity bonus and permanent fund dividend income) is less than \$20,000 (or whose joint income, for a married couple, is less than \$40,000). As an individual's income goes up, the amount of the bonus goes down, until, at the income level of \$25,500, an individual will not receive a bonus. A part of the intent of the original program was to provide a financial incentive to Alaska's seniors to remain in the state. The income cap would allow the great majority of Alaskan seniors to continue to receive the bonus; however, it would terminate benefits for the more fortunate segment of that population.

Placing an income cap on the longevity bonus raises the question of whether the one-year residency requirement would withstand judicial scrutiny. The question arises because the United States Supreme Court, in Shapiro v. Thompson, 394 U.S. 618 (1969), invalidated a one-year residency requirement for welfare payments. The residency requirement in Shapiro was struck because the court determined that the welfare program was designed to provide the "basic necessities of life." The question is whether a court would find that the longevity bonus payment is designed to provide a basic necessity of life.

The longevity bonus, as embodied in this bill, is not designed to provide a basic necessity of life. First, the state has other programs, such as old age assistance and medicaid, which provide the most substantial benefits in the nation for the elderly -- programs that are available to needy seniors upon arrival in the state. Second, the income-cap provisions do not establish a typical welfare program because the income test makes no asset determination; an individual's property is not considered in determining eligibility. Since the majority of Alaskan seniors would continue to qualify for the bonus, the income-cap provisions are more properly viewed as a retirement supplement to all but a small segment of senior citizens, rather than as a program to fulfill basic needs. Finally, the fact that the bill would terminate the program entirely for those who do not reach age 65 before January 1, 1988 weighs against characterizing the program as a provision for basic needs.

The one-year residency requirement is not a "durational" residency requirement in that its intent is not to distinguish between short-term residents and longer-term residents. Rather, the purpose of the requirement is to determine, in an administratively feasible manner, which seniors

are truly Alaskans and which are merely visitors. Because senior citizens are typically not tied by employment to one location, they can spend substantial amounts of time away from their true home. A shorter residency requirement would make the bonus available to seniors who are on extended visits to Alaska, but who do not intend to make Alaska their home. In view of the nature of the program, and the nature of the senior citizen population, I believe that a one-year residency requirement would be upheld. However, if it were successfully challenged, that requirement is severable under AS 01.10.030.

A section-by-section analysis follows:

Section 1 of the bill amends AS 47.45.010(a) to establish the January 1, 1988 age qualification date and change the amount of the bonus to \$200. The changes take effect July 1, 1987 under sec. 8 of the bill.

Section 2 of the bill also amends AS 47.45.010(a). Under sec. 9 of the bill, the amendments in sec. 2 would take effect January 1, 1988. The amendments in sec. 2 are set out showing the changes in AS 47.45.010(a) as already amended by sec. 1. The sec. 2 amendments continue the January 1, 1988 age qualification date established by sec. 1 of the bill, and add a reference to the income qualification requirement in proposed AS 47.45.015. Then, instead of stating a set amount for the bonus, amended AS 47.45.010(a) will refer instead to proposed AS 47.45.016, the schedule of bonus amounts. As mentioned earlier, that schedule is tied to income levels.

Section 3 of the bill adds two new sections to AS 47.45. Proposed AS 47.45.015 sets out the income qualification requirement described earlier, and proposed AS 47.45.016 sets out the schedule of bonus amounts. Sections 4 and 5 of the bill make conforming amendments to AS 47.45.020 and 47.45.070. Sections 3 -- 5 also take effect January 1, 1988, under sec. 9 of the bill.

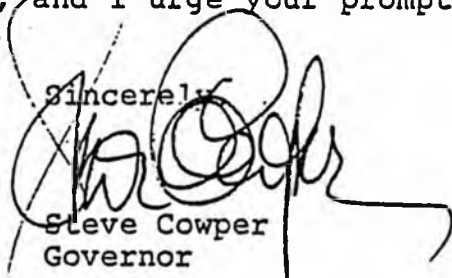
Section 6 of the bill repeals the provisions of ch. 99, SLA 1985 that have never taken effect, and the provision in the current law dealing with tax treatment of the bonus (AS 47.45.120(a)). The latter is repealed because it is possible that the Internal Revenue Service will find that the income-capped bonus is not taxable; either way, our statutes need not address federal tax treatment. However, if the federal government does tax that income, and if a state personal

income tax is enacted this year, the longevity bonus should be taxed by the state. These repeals take effect July 1, 1987, under sec. 8 of the bill.

Section 7 of the bill repeals the "hold harmless" provision (AS 47.45.122). That statute authorizes providing public assistance to individuals whose assistance is denied or reduced because they received a longevity bonus. Because the state has been assured by the federal government that the bonus, under the income-cap program, will be disregarded in determining eligibility for those benefits, the "hold harmless" provision, and the money needed to implement it, will no longer be necessary. Under sec. 9 of the bill, the repeal would take effect at the same time that the income-cap provisions take effect, January 1, 1988.

This bill is essential to deal with the issues presented by the longevity bonus program, and I urge your prompt and favorable consideration of it.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Steve Cowper". The signature is written over the typed name and title.

Steve Cowper
Governor

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 151

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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

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

9 * Section 1. AS 47.45.010(a) is amended to read:

10 (a) A person who is 65 years of age before January 1, 1988 [OR
11 OVER], who resides in the state for at least one year immediately
12 preceding application for a longevity bonus under this chapter may,
13 upon reaching age 65, apply to the commissioner of administration for
14 qualification to receive a monthly bonus in the amount of \$200 [OF
15 \$250].

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

17 (a) A person who is 65 years of age before January 1, 1988, who
18 resides in the state for at least one year immediately preceding
19 application for a longevity bonus under this chapter, and who meets
20 the income qualification of AS 47.45.015, may[, UPON REACHING AGE 65,]
21 apply to the commissioner of administration for qualification to
22 receive a monthly bonus in the amount set out in AS 47.45.016 [OF
23 \$200].

24 * Sec. 3. AS 47.45 is amended by adding new sections to read:

25 Sec. 47.45.015. INCOME QUALIFICATION. (a) A person who meets
26 the qualifications set out in AS 47.45.010 may qualify for a monthly
27 bonus if that person's adjusted gross income as calculated for federal
28 income tax purposes, less Alaska longevity bonus income and Alaska
29 permanent fund dividend income received, is (1) less than \$25,500 or,

1 (2) less than \$51,000 of joint income if the person is a married indi-
2 vidual who files a joint federal income tax return. An applicant must
3 submit a true copy of his or her federal income tax return, or a
4 certified statement that such a return was not required, as proof of
5 income qualification. A person is qualified for a monthly bonus under
6 this section, in the amount set out in AS 47.45.016, during the fiscal
7 year beginning the July 1 following the calendar year during which the
8 income qualification was met. The Department of Administration shall
9 adopt regulations that set out procedures and time limits for estab-
10 lishing qualifications under this section.

11 (b) Federal tax returns submitted to the Department of Adminis-
12 tration are confidential. The provisions of AS 43.05.230 apply to
13 these returns.

14 Sec. 47.45.016. AMOUNT OF BONUS. The amount of the monthly
15 bonus is as follows:

16 If the income (or, in the case of a
17 married individual filing a joint
18 return, one-half of the income) as
19 calculated under AS 47.45.015(a) is

Then the bonus is

20	\$19,999 or less	\$200.00
21	20,000 -- 20,499	183.33
22	20,500 -- 20,999	166.66
23	21,000 -- 21,499	150.00
24	21,500 -- 21,999	133.33
25	22,000 -- 22,499	116.66
26	22,500 -- 22,999	100.00
27	23,000 -- 23,499	83.33
28	23,500 -- 23,999	66.66
29	24,000 -- 24,499	50.00

1 24,500 -- 24,999 33.33
2 25,000 -- 25,499 16.66

3 * Sec. 4. AS 47.45.020 is amended to read:

4 Sec. 47.45.020. CONTINUOUS ELIGIBILITY PROCEDURES. After quali-
5 fication, monthly applications for bonuses may be made in person to
6 any office of the Department of Administration. Mailed monthly appli-
7 cations must [SHALL] also be considered by the Department of Adminis-
8 tration. In-person or mailed applications must [SHALL] be made on
9 forms provided by the Department of Administration and must [SHALL]
10 conform to the conditions [AS] provided by regulation. The commis-
11 sioner may make exceptions for those residents who are isolated in
12 rural areas and cannot mail a monthly application; however, they must
13 [SHALL] mail an application at least once every six months. An appli-
14 cant or recipient must re-qualify each year under AS 47.45.015.

15 * Sec. 5. AS 47.45.070 is amended to read:

16 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is
17 one who

18 (1) does not meet the age, income, or residence require-
19 ments of [AS PROVIDED FOR UNDER] this chapter;

20 (2) meets the age, income, and residence requirements of
21 this chapter but either is confined in a state or federal mental
22 health institution or facility and is certified by the state as unable
23 to manage personal affairs, or resides in a nursing home as that term
24 is defined in AS 08.70.180; however, if that person, at the time of
25 commitment or commencement of residence, provided the principal sup-
26 port of a spouse, the commissioner of administration may determine to
27 pay the confined person's bonus to the person's spouse until the
28 spouse is qualified for a bonus;

29 (3) is otherwise qualified, but is confined in a penal or

1 correctional institution or facility; upon completion of sentence or
2 upon the conferral of a pardon, parole, or probation, the person may
3 make application; confinement outside the state is [SHALL BE] con-
4 sidered as residence in the state if a person was convicted and sen-
5 tenced from a court in Alaska; revocation of parole or probation is
6 [SHALL BE] cause for immediate disqualification until release from
7 confinement is again effected;

8 (4) voluntarily leaves the state and remains absent from
9 the state for a continuous period of more than 90 days.

10 * Sec. 6. Sections 1 -- 18, 25 and 26, ch. 99, SLA 1985, and AS 47.45.-
11 120(a), are repealed.

12 * Sec. 7. AS 47.45.122 is repealed.

13 * Sec. 8. Sections 1 and 6 of this Act take effect July 1, 1987.

14 * Sec. 9. Sections 2 -- 5, and 7 of this Act take effect January 1,
15 1988.

HB

154

HOUSE COMMITTEE REPORT

(11)

Date referred: 4/8/87

FURTHER REFERRALS:

DATE: 5/7/87

The Finance Committee has considered HB 154

"An Act relating to the taxation of income derived by individuals; relating to amended tax returns filed by taxpayers; and providing for an effective date."

RECOMMENDS:

- replace with CS HB 154 (SA) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Ray Wallis

SIGNING OTHER RECOMMENDATIONS:

Pat Lauchert DO NOT PASS

Robert Turner DO NOT PASS

Charles [unclear] DO NOT PASS

Mark Beyer NO REC.

Steve [unclear] DO NOT PASS

Mark DO NOT PASS

Lay Brown - Needs amendment

Peter [unclear] - NO REC.

Al Adams - NO REC.

W. [unclear] WITH AMENDMENT

Allen P. [unclear]

Chairman's signature

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CS HB 154 (JA)
Publish Date: _____

REQUEST: _____

Revision Date: _____

Title: Relating to the taxation of
income derived by individuals

Sponsor: _____

Requestor: _____

Agency Affected: Revenue

BRU: Audit, Admin. Services, Public
Services, Treasury

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		559.8				
TRAVEL		33.0				
CONTRACTUAL		571.2				
SUPPLIES		9.4				
EQUIPMENT		171.6				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		1345.0				

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND		1345.0				
FEDERAL FUNDS						
OTHER						
TOTAL		1345.0				

POSITIONS:

FULL-TIME		21				
PART-TIME		4				
TEMPORARY		0				

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani, Revenue Analyst Phone: 465-3795
Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version: HB154 (SA)
Publish Date: _____

REQUEST: _____

Revision Date: _____
Tide: State Individual Income Tax

Agency Affected: Revenue
BRU: Audit

Sponsor: _____
Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		150.4				
TRAVEL		6.5				
CONTRACTUAL		34.5				
SUPPLIES		4.5				
EQUIPMENT		15.0				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		210.9				

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND		210.9				
FEDERAL FUNDS						
OTHER						
TOTAL		210.9				

POSITIONS:

FULL-TIME		6				
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani; Revenue Analyst Phone: 465-3795
Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
Agency: _____

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

-1-
Division of Audit
Fiscal Note Analysis

Assumptions:

The Audit Division will administer the individual income tax laws to insure compliance with Alaska Statutes. Although calendar year tax returns will not be due until 1989, a withholding tax system must be in place and operative by January 1, 1988. Additional staff must be hired and fully trained to accomplish the following:

1. Compliance. This function will be accomplished by utilizing both tax examiner and auditor staff. Tax examiners, more typically, will handle desk review and less complex issues. Auditors will complete field audits and deal with more sophisticated and complex tax issues.
2. Appeals Coordination. These positions will be staffed by both tax examiners and auditors depending on the complexity and issues involved.
3. Payroll Withholding. This function will be accomplished by staffing of tax examiners to reconcile employers quarterly withholding, returns, monthly deposits and annual statements. They will maintain and reconcile the employees W-2's to the employers returns.
4. Return Examination and Processing. This function will be completed by clerks and tax examiners. The field returns will be checked for accuracy and completeness. Payments will be posted to the appropriate returns, and desk reviews will be completed to process the returns. Selected returns will be forwarded to an auditor for examination.
5. Public Education and Staff Training. This function will be performed by audit level staff members. Public education of the individual income tax laws and filing requirements will be accomplished through seminars conducted in various locations throughout the state and by training staff members dealing with the public. Staff training is necessary to maintain a competent level of employee and educate staff to the new and changing tax laws.

A schedual of estimated costs to operate the Audit Division programs are as follows:

Personal Services - FY 88

1 PFT Revenue Auditor III, R18, @ \$4,016/Mo including salary and benefits for 9 months	36.1
1 PFT Tax Examiner III, R14, @ \$3,115/Mo including salary and benefits for 9 months	28.0
1 PFT Tax Examiner II, R12, @ \$2,673/Mo including salary and benefits for 9 months	24.1
1 PFT Tax Examiner I, R10, @ \$2,468/Mo including salary and benefits for 9 months	22.2
1 PFT Clerk III, R8, @ \$2,222/Mo including salary and benefits for 9 months	20.0
1 PFT Clerk Typist III, R8, @ 2,222/Mo including salary and benefits for 9 months	20.0

150.4

Travel - FY 88

6.5

This figure reflects a one time travel cost for employer training to be conducted in various locations throughout the State in conjunction with Public Services Division.

Contractual - FY 88

Wang terminals & software 34.5

Supplies - FY 88 4.5

Equipment - FY 88

Microfilm, printer, desks, chairs, etc. 15.0

Total Expenditures 210.9

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSHB154(SA)
Publish Date: _____

REQUEST: _____

Revision Date: _____
Title: State Individual Income Tax

Agency Affected: Revenue
BRU: Administrative Services

Sponsor: _____
Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		356.9				
TRAVEL		10.0				
CONTRACTUAL		394.1				
SUPPLIES		4.4				
EQUIPMENT		151.6				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		907.1				

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND		907.0				
FEDERAL FUNDS						
OTHER						
TOTAL		907.0				

POSITIONS:

FULL-TIME		14				
PART-TIME		2				
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani, Revenue Analyst Phone: 465-3795
Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)
 Senate Secretary

Administrative Services
Fiscal Note Analysis

1. The Administrative Services Division will be responsible for the following functions relative to the Alaska Individual Income Tax Withholding system and the Alaska Individual Income Tax Return Processing system.

- a) Design, purchase and distribute all necessary tax returns and related forms.
- b) Process all tax returns, including mail handling, microfilming, document review, data capture and filing.
- c) Process all remittance of tax due which is received with tax returns.
- d) Design, program, test, document, and maintain the automated Alaska Individual Income Tax Withholding system and Alaska Individual Income Tax Processing system.
- e) Process and account for all individual income tax refunds to individuals.
- f) Establish an automated billing subsystem for routine tax deficiencies, penalty and interest.
- g) Acquire and maintain computer capacity to accommodate the two systems and the access required by the department's users.

2. The Department of Revenue will contract with a bank to provide a "lock-box" function, with employees depositing all individual income taxes on a monthly basis.

3. The Department of Administration's data processing chargeback system will require that the Department of Revenue budget for the cost of data processing resources used by withholding system and returns processing system. The total chargeback is budgeted in Administrative services.

4. The Permanent Fund Dividend program will stay intact in its current form.

5. The processing of Withholding and Individual Income Tax will be automated as much as possible.

6. The Alaska Individual Income Tax Withholding System must be in place before January 1, 1988.

7. The Alaska Individual Tax Return Processing System must be in place before January 1, 1989.

8. The fiscal note includes the incremental cost of providing space for the employees and equipment required by the department.

9. After reviewing the fiscal analyses of all divisions, an estimate of the additional computer resources needed has been made. This cost assumes:

- a) The withholding and income tax processing systems will reside on DOA's mainframe computer and will be programmed in command-level CICS.
- b) To gain the tremendous advantages in programming development offered by the Wang VS, Revenue will purchase a software package which allows an analyst/programmer to write programs on the Wang VS and have them translated to command level CICS to run on the mainframe, which offers economical storage and processing for large files.

10. Given the existing federal tax law, this bill requires all persons receiving a permanent fund dividend to file an Alaska Individual Income Tax Return. However, for purposes of this fiscal analysis, it is assumed that the final version would not require filing by a person whose only source of income is the Alaska Permanent Fund Dividend. Thus, most of Alaska's children would not have to file. If this proves not to be the case, there will be an incremental cost of processing the additional 180,000 tax returns.

Program Summary:

The Alaska Individual Income Tax will require the creation of two major processing systems:

- 1) Alaska Individual Income Tax Withholding System.
- 2) Alaska Individual Income Tax Return Processing System.

In addition to designing, programming and maintaining the two above mentioned automated systems, the Administrative Services Division will process, review, microfilm, and data capture approximately 70,000 withholding forms and 275,000 Alaska Individual Income Tax Returns annually. Refund warrants will be issued on approximately 213,750 of the returns filed. In addition, approximately 25,000 individual letters will be prepared, mailed, and controlled in response to persons who file incomplete tax returns or whose tax returns result in a mathematical adjustment.

Finally, the addition of such a major program to the Department of Revenue will definitely impact the ability of the Administrative Services Division to provide general administrative support services with the existing staff.

The Administrative Services Division will require staffing as early as FY 88 in order to design and establish the computerized processing systems envisioned, and to produce the forms required.

Personal Services - FY 88

1 PFT Analyst/Programmer V, R21, @ \$4,856/Mo including salary and benefit for 12 months	58.3
2 PFT Analyst/Programmer IV, R19, @ \$4,281/Mo including salary and benefits for 12 months	102.7
2 PFT Analyst/Programmer III, R17, @ \$3,730/Mo including salary and benefits for 6 months	44.8
1 PFT Clerk IV, R9, @ \$2,343/Mo including salary and benefits for 3 months	7.0
1 PFT Tax Examiner III, R14, @ \$3,115/Mo including salary and benefits for 5 months	15.6
3 PFT Document Processor I, R7, @ \$2,118/Mo including salary and benefits for 3 months	19.1
2 PFT Data Processing Clerk I, R8, @ \$2,222/Mo including salary and benefits for 3 months	13.3
1 PPT Personnel Assistant II, R14, @ \$1,557/Mo including salary and benefits for 12 months	18.7
1 PPT Supply Officer II, R16, @ \$1,757/Mo including salary and benefits for 12 months	21.1
1 PFT Clerk Typist III, R8, @ \$2,222/Mo including salary and benefits for 12 months	26.7
1 PFT Accounting Clerk III, R10, @ \$2,468/Mo including salary and benefits for 12 months	29.6
Total expenditures	<u>356.9</u>

The analyst programmer team will design, program, and maintain the two major systems mentioned earlier, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System. All other positions will provide support in the following areas:

- a) Mailroom
- b) Microfilming
- c) Manual review of the tax returns
- d) Data capture
- e) Personnel, fiscal, supply and purchasing

Travel - FY 88

10.0

On-site review of selected tax return processing systems in other states and training for analyst/programmer in command level CICS and Wang VS Cobol.

Contractual - FY 88

1.	2 Wang 4250 workstations	12.2
2.	2 Wang emulator boards	1.6
3.	2 Wang 4230 key-punch terminals for 2 months	1.8
4.	Micrfilmer, with maintenance, 3 months	3.8
5.	4 phones, centrex costs, local and long distance	5.4
6.	Printing: Withholding Returns, Deposit Coupons, /w-4's, etc.	42.0
7.	Postage	22.0
8.	Chargeback for computer time from DOA	91.6
9.	Wang/IBM development package (NETRON-CAP) with maintenance	123.5
10.	Wang/IBM remote access software with maintenance	5.2
11.	Wang Disk Pack cleaning	.7
12.	IBM Control Unit Maintenance	.6
13.	Wang VS-100 I.O.P., Memory, Disk	
14.	Drive maintenanc	3.3
15.	DOR's additional office space requirement	80.8
	Total Contractual	<u>394.1</u>

Supplies - FY 88

4.4

Equipment - FY 88

1.	Kodak film cabinet and carresoul	1.2
2.	Wang VS-100 IOP (2)	7.2
3.	Wang VS-100 Memory (6 MB)	32.4
4.	Wang VS-100 Disk Drive (628 MB)	27.0
5.	Wang Disk Packs and IBM Control Unit	12.8
6.	Additional systems furniture	61.3
7.	Operational seating	4.7
8.	File cabinets, calculators, etc.	5.0
	Total Equipment	<u>151.6</u>

Total Expenditures

907.0

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: CSHB154(SA)
Publish Date: _____

Revision Date: _____
Title: State Individual Income Tax

Agency Affected: Revenue
BRU: Public Services

Sponsor: _____
Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		19.7				
TRAVEL		16.5				
CONTRACTUAL		98.0				
SUPPLIES		.5				
EQUIPMENT		5.0				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		139.7				

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

FUNDING: (Thousands of Dollars)

GENERAL FUND		139.7				
FEDERAL FUNDS						
OTHER						
TOTAL		139.7				

POSITIONS:

FULL-TIME						
PART-TIME		1				
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani, Revenue Analyst Phone: 465-3795
Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)
 Senate Secretary

Public Services
Fiscal Note Analysis

Assumptions:

1. Regulations will be promulgated requiring monthly or quarterly reporting of taxes withheld on wages.
2. Approximately 17,500 withholding reports and 275,000 annual individual income tax returns will need processing.
3. Public Services Division will provide individual income tax assistance to both businesses and individuals.
4. Public Services Division, in close association with the Audit Division, will develop employee training for the division and employer training for the public.

Personal Services - FY 88

1 PPT Revenue Office Manager, R15, @ 1646/Mo
including salary and benefits for 12 months 19.7

Travel - FY 88

Employee training in conjunction with Audit
Division and administrative travel 16.5

Contractual - FY 88

1. Advertising campaign, withholding requirements, income tax filing	45.0
2. Postage	30.0
3. Printing	5.0
4. Telephone charges	15.0
5. Messenger Services	2.0
6. Computer terminal maintenance	.5
7. Publications	.5
Total Contractual	98.0

Supplies - FY 88 .5

Equipment - FY 88 5.0

Total Expenditures 139.7

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CS HB 154 (SA)
Publish Date: _____

REQUEST: _____
Revision Date: _____
Title: Individual Income Tax
Sponsor: _____
Requestor: _____

Agency Affected: Revenue
BRU: Treasury
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		32.8				
TRAVEL						
CONTRACTUAL		44.6				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		77.4				

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

FUNDING: (Thousands of Dollars)

GENERAL FUND		77.4				
FEDERAL FUNDS						
OTHER						
TOTAL		77.4				

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani, Revenue Analyst Phone: 465-3795
Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
Agency: _____

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

Division of Treasury
Fiscal Note Analysis

Assumptions:

1. Cash Management Section will develop the RFP and the contract to lockbox the monthly employers' withholding tax deposits, 17,500 payments per month.
2. Cash Management Section will perform the depository functions of the remittances attached to individual tax returns. 100,000 per year.
3. Cash Management Section will process all returned items (NSF checks, etc.). 1,500 per year.
4. Processing and deposit of penalty and interest payments.
5. Cash Management Section will provide the accounting to AKSAS and reconciliation between the bank, AKSAS, and the Department of Revenue's system for the tax payments on a consolidated basis.

Personal Services - FY 88

1 PFT Accounting Tech I, R12, @ \$2718/Mo including salary and benefits for 7 months	19.0
1 PFT Accounting Clerk II, R9, @ \$2310/Mo including salary and benefits for 6 months	13.8
Total Personal Services	<u>32.8</u>

Contractual - FY 88

Lockbox contract	<u>44.6</u>
Total Expenditures	<u>77.4</u>

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR HOUSE BILL NO. 154 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act relating to the taxation of income; relating
7 to individual tax credits; and providing for an
8 effective date."

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

10 * Section 1. AS 43.20.011 is amended by adding new subsections to read:

11 (g) There is imposed for each taxable year upon the taxable
12 income of every resident, nonresident, and part-year resident indi-
13 vidual and fiduciary of the state, except those subject to the rates
14 in (h), (i), and (j) of this section, a tax computed according to the
15 following table:

16 If the taxable income is:	Then the tax is:
17 Over \$31 but less than \$30,000	3.2 percent of taxable income
18 \$30,000 or more	\$960 plus 5.7 percent of the 19 excess over \$30,000.

20 (h) There is imposed for each taxable year upon the taxable
21 income of every resident, nonresident, and part-year resident married
22 individual who makes a single return jointly with a spouse, as provid-
23 ed in 26 U.S.C. 6013 (Internal Revenue Code), and upon every resident,
24 nonresident, and part-year resident surviving spouse, as defined in 26
25 U.S.C. 2(a) (Internal Revenue Code), a tax computed according to the
26 following table:

27 If the taxable income is:	Then the tax is:
28 Over \$31 but less than \$50,000	3.2 percent of taxable income
29 \$50,000 or more	\$1,600 plus 5.7 percent of the

1 excess over \$50,000.

2 (i) There is imposed for each taxable year upon the taxable
3 income of every resident, nonresident, and part-year resident head of
4 a household, as defined in 26 U.S.C. 2(b) (Internal Revenue Code), a
5 tax computed according to the following table:

6 If the taxable income is:	Then the tax is:
7 Over \$31 but less than \$40,000	3.2 percent of taxable income
8 \$40,000 or more	\$1,280 plus 5.7 percent of the 9 excess over \$40,000.

10 (j) There is imposed for each taxable year upon the taxable
11 income of every resident, nonresident, and part-year resident married
12 individual who does not make a single return jointly with a spouse a
13 tax computed according to the following table:

14 If the taxable income is:	Then the tax is:
15 Over \$31 but less than \$25,000	3.2 percent of taxable income
16 \$25,000 or more	\$800 plus 5.7 percent of the 17 excess over \$25,000.

18 (k) In (g), (h), (i), and (j) of this section, the tax on a
19 nonresident or part-year resident individual or fiduciary is the tax
20 computed on taxable income from all sources, multiplied by a fraction
21 the numerator of which is adjusted gross income from sources in the
22 state and the denominator of which is adjusted gross income from all
23 sources.

24 (l) An individual shall determine the tax under this section
25 using the same filing status as used on the individual's federal
26 return.

27 * Sec. 2. AS 43.20.030(a) is amended to read:

28 (a) Every individual, fiduciary, and [IF A PARTNERSHIP WHICH HAS
29 A CORPORATION AS A PARTNER OR A] corporation [IS] required to make a

1 return under the provisions of the Internal Revenue Code [, IT] shall
2 at the same time file with the department a return setting out

3 (1) the amount of tax due under this chapter, less allow-
4 able credits and payments claimed against the tax; and

5 (2) other information for the purpose of carrying out the
6 provisions of this chapter that [WHICH] the department requires.

7 * Sec. 3. AS 43.20.030(d) is amended to read:

8 (d) A taxpayer [, UPON REQUEST BY THE DEPARTMENT,] shall file
9 with the return [FURNISH TO THE DEPARTMENT] a [TRUE AND] correct copy
10 of the tax return [WHICH THE TAXPAYER HAS] filed with the United
11 States Internal Revenue Service. Every taxpayer shall file an amended
12 return with the department, and remit any additional tax and interest
13 due [NOTIFY THE DEPARTMENT IN WRITING OF ANY ALTERATION IN, OR MODI-
14 FICATION OF, THE TAXPAYER'S FEDERAL INCOME TAX RETURN AND OF A RECOM-
15 PUTATION OF TAX OR DETERMINATION OF DEFICIENCY (WHETHER WITH OR WITH-
16 OUT ASSESSMENT)]. A FULL STATEMENT OF THE FACTS SHALL ACCOMPANY THIS
17 NOTICE. THE NOTICE SHALL BE FILED] within 60 days after the final
18 determination of the taxpayer's federal tax liability [MODIFICATION,
19 RECOMPUTATION OR DEFICIENCY, AND THE TAXPAYER SHALL PAY THE ADDITIONAL
20 TAX OR PENALTY UNDER THIS CHAPTER]. For purposes of this section, a
21 final determination means [SHALL MEAN] the time that an amended feder-
22 al return is filed or the date a federal [A NOTICE OF DEFICIENCY OR
23 AN] assessment is made [MAILED TO THE TAXPAYER BY THE INTERNAL REVENUE
24 SERVICE, EXCEPT THAT IN NO EVENT WILL THERE BE A FINAL DETERMINATION
25 FOR PURPOSES OF THIS SECTION UNTIL THE TAXPAYER HAS EXHAUSTED RIGHTS
26 OF APPEAL UNDER FEDERAL LAW].

27 * Sec. 4. AS 43.20.031 is amended by adding new subsections to read:

28 (j) The gross income of an individual or a fiduciary is gross
29 income as defined in 26 U.S.C. 61 (Internal Revenue Code), and

1 includes those items specifically included in gross income under 26
2 U.S.C. 71 - 26 U.S.C. 89 (Subtitle A, Ch. 1B, Part II of the Internal
3 Revenue Code) and excludes those items specifically excluded from
4 gross income under 26 U.S.C. 101 - 26 U.S.C. 135 (Subtitle A, Ch. 1B,
5 Part III of the Internal Revenue Code), with the following modifica-
6 tions:

7 (1) a taxpayer who receives a cost-of-living allowance that
8 is exempt from federal income tax shall determine and include that
9 amount as part of the taxpayer's income as if the cost-of-living
10 allowance were not exempt;

11 (2) a taxpayer who receives interest upon obligations of a
12 state, or interest upon obligations of a political or municipal subdi-
13 vision of a state, that is exempt from federal income tax shall deter-
14 mine and include that amount as part of the taxpayer's income as if
15 the interest were not exempt;

16 (3) gross income does not include longevity bonuses re-
17 ceived under AS 47.45.

18 (k) The following adjustments to the gross income of an indi-
19 vidual or fiduciary are allowed as deductions in arriving at adjusted
20 gross income under this section:

21 (1) the deductions allowable under 26 U.S.C. 62 (Internal
22 Revenue Code)

23 (A) attributable to a trade or business carried on by
24 a taxpayer;

25 (B) from the sale or exchange of property;

26 (C) attributable to property held for the production
27 of rents or royalties;

28 (D) for the premature withdrawal of money from time
29 savings accounts or deposits;

- 1 (E) for alimony;
- 2 (2) interest received on obligations of the United States;
- 3 (3) refunds of state income taxes included in gross income;
- 4 (4) permanent fund dividends paid under AS 43.23.055.

5 (1) The taxable income of a fiduciary is its adjusted gross
6 income. The taxable income of an individual taxpayer is the taxpay-
7 er's adjusted gross income less personal exemptions. An individual
8 taxpayer may deduct from adjusted gross income the number of personal
9 exemptions to which the taxpayer is entitled under 26 U.S.C. 151
10 (Internal Revenue Code). The exemption amount is \$3,000 and is not
11 adjusted for inflation.

12 (m) In this section, "individual" means a resident, nonresident,
13 or part-year resident individual, and "fiduciary" means a resident,
14 nonresident, or part-year resident fiduciary.

15 * Sec. 5. AS 43.20 is amended by adding a new section to read:

16 Sec. 43.20.032. TAX CALCULATION FOR NONRESIDENTS AND PART-YEAR
17 RESIDENTS AND FIDUCIARIES. (a) In computing the tax of a nonresident
18 or part-year resident individual or fiduciary under AS 43.20.011(k),
19 the part of the adjusted gross income attributable to sources in the
20 state is determined under AS 43.20.040.

21 (b) In computing adjusted gross income attributable to sources
22 in the state for a nonresident or part-year resident individual or
23 fiduciary, deductions and adjustments are allowed only to the extent
24 that they are connected with income that arises from sources in the
25 state or property having a situs for taxation in the state.

26 * Sec. 6. AS 43.20.040(b) is amended to read:

27 (b) In this section, income is from a source having a taxable or
28 business situs in the state if it is derived from

29 (1) owning or operating business facilities or property in