

Leg. Finance-House & Senate Finance Comte Files (1991-1992) 819

## ALASKA DEPARTMENT OF EDUCATION

FY92 FOUNDATION PROGRAM AS REVISED BY SB 7

PREPARED 4/30/91

&lt;&lt; SEC. 1 THRU 3 BASED ON A \$63,000 UNIT &gt;&gt;

PROJ. FY92 ADM	SB 7 SEC. 1	SB 7 SEC. 2	SINGLE SITE	SB 7 SEC. 4	SB 7	
	COMBINED K-12 TABLE REVISED	SPLIT K-6 & 7-12 TABLES REVISED	SUPPLEMENTAL FORMULA < 500 ADM	INCREASE UNIT VALUE BY \$3,000	INCREASED FOUNDATION IF UNIT VALUE IS \$63,000	
ADAK	715.00	\$0	\$160,020	\$0	\$222,480	\$382,500
ALASKA GATEWAY	499.00	165,690	0	0	242,880	408,570
ALEUTIAN REGION	33.00	0	0	0	38,310	38,310
ALEUTIANS EAST	359.00	61,740	0	0	192,360	254,100
ANCHORAGE	42,070.00	15,120	252,000	0	10,064,760	10,331,880
ANNETTE ISLANDS	411.00	182,070	0	0	127,140	309,210
BERING STRAIT	1,398.00	236,250	0	0	839,250	1,075,500
BRISTOL BAY	265.00	160,650	0	0	122,310	282,960
CHATHAM	384.00	74,340	0	0	174,660	249,000
CHUGACH	110.00	0	0	0	80,040	80,040
COPPER RIVER	578.00	165,630	0	0	265,950	431,010
CORDOVA	437.90	206,010	0	197,190	140,430	543,630
CRAIG	413.00	183,330	0	173,880	117,510	474,720
DELTA/GREELY	870.00	0	146,160	0	261,000	407,160
DILLINGHAM	485.00	253,890	0	245,700	184,890	684,480
FAIRBANKS	14,683.00	0	393,120	0	3,644,520	4,037,640
GALENA	150.00	40,950	0	157,500	74,760	273,210
HAINES	441.00	185,850	0	0	135,960	321,810
HOONAH	230.00	125,370	0	173,880	80,070	379,320
HYDABURG	108.00	0	0	101,430	51,030	152,460
IDITAROD	394.00	66,150	0	0	258,000	324,150
JUNEAU	5,328.00	0	126,000	0	1,305,870	1,431,870
KAKE	172.00	56,070	0	136,080	64,260	256,410
KASHUNAMIUT	192.00	100,800	0	0	92,370	193,170
KENAI	9,723.50	601,020	630,000	0	2,666,340	3,897,360
KETCHIKAN	2,796.00	0	126,000	0	687,990	813,990
KLAWOCK	200.00	86,940	0	150,570	72,180	309,690
KODIAK	2,410.70	0	137,340	0	743,400	880,740
KUSPUK	413.45	86,940	0	0	259,620	346,560
LAKE AND PENN.	420.00	0	0	0	315,330	315,330
LOWER KUSKOKWIM	2,835.00	97,650	0	0	1,666,680	1,764,330
LOWER YUKON	1,352.00	412,650	0	0	692,520	1,105,170
MATSU	9,997.00	122,850	504,000	0	2,501,220	3,128,070
NENANA	180.00	75,600	0	163,170	78,450	317,220
NOME	777.95	0	168,840	0	274,740	443,580
NORTH SLOPE	1,406.00	166,320	182,700	0	657,630	1,006,650
NORTHWEST ARCTIC	1,583.60	138,600	182,700	0	823,200	1,144,500
PELICAN	48.00	0	0	61,110	30,780	91,890
PETERSBURG	707.00	0	126,000	0	186,960	312,960
PRIBILOF	153.00	630	0	0	93,870	94,500
RAILBELT	338.00	103,950	0	0	152,700	256,650
SITKA	1,745.00	0	126,000	0	414,360	540,360
SKAGWAY	130.00	10,710	0	116,550	53,010	180,270
SOUTHEAST	557.10	69,930	0	0	294,720	364,650
SOUTHWEST	485.00	49,770	0	0	318,060	367,830
ST MARY'S	115.60	0	0	134,190	68,490	202,680
TANANA	109.00	0	0	128,520	63,930	192,450
UNALASKA	298.00	181,440	0	165,690	114,450	461,580
VALDEZ	765.00	0	139,860	0	208,350	348,210
WRANGELL	520.00	0	126,000	0	152,220	278,220
YAKUTAT	152.00	36,540	0	132,300	63,540	232,380
YUKON FLATS	371.00	41,580	0	0	266,340	307,920
YUKON/KOYUKUK	510.00	62,370	0	0	333,930	396,300
YUPIIT	330.00	32,130	0	0	223,020	255,150
OTHER						225,640

TOTALS	111,439.80	\$4,656,960	\$3,526,740	\$2,237,760	\$33,258,840	\$43,905,940
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THIS SPREADSHEET ASSUMES INCREASED ENTITLEMENTS OVER AND ABOVE THE FY92 FULL FUNDING REQUEST OF \$541,746,200.

C. (1)

ALASKA DEPARTMENT OF EDUCATION  
FY92 FOUNDATION ENTITLEMENTS AT VARIOUS FUNDING LEVELS

EXHIBIT C - PAGE 1

ALL COMPARISONS ARE MADE TO EXISTING FORMULA AT \$60,000.

PREPARED 4/30/91	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H
	EXISTING FORMULA	EXISTING FORMULA	SINGLE SITE SUPPLEMENTAL < 600 ADM ADDED TO EXISTING FORMULA			SECTIONS 1 AND 2 WITH SINGLE SITE SUPPLEMENTAL < 600 ADM ADDED TO EXISTING FORMULA		
	AT \$60,000	AT \$68,500	AT \$68,500	AT \$60,000	AT \$68,000	AT \$68,500	AT \$60,000	AT \$68,000
ADAK	\$2,173,342	\$2,082,102	\$2,082,102	\$2,173,342	\$2,305,822	\$2,210,892	\$2,325,742	\$2,555,842
ALASKA GATEWAY	4,946,718	4,225,278	4,225,278	4,946,718	4,589,598	4,379,133	4,504,518	4,755,286
ALUTIAN REGION	880,488	881,313	881,313	880,488	718,778	881,313	880,488	718,778
ALEUTIANS EAST	2,916,874	2,820,494	2,820,494	2,916,874	3,106,034	2,878,409	2,976,074	3,171,404
ANCHORAGE	152,149,942	157,117,502	157,117,502	152,149,942	172,214,702	157,365,802	162,404,342	172,461,822
ANNETTE ISLANDS	1,305,482	1,241,892	1,241,892	1,305,482	1,482,802	1,411,542	1,479,482	1,615,302
BERING STRAIT	12,719,470	12,289,845	12,289,845	12,719,470	13,558,720	12,510,220	12,944,470	13,784,970
BRISTOL BAY	1,883,201	1,802,046	1,802,046	1,883,201	1,785,511	1,761,221	1,816,201	1,946,161
CHATHAM	2,558,823	2,469,593	2,469,593	2,558,823	2,731,583	2,536,823	2,627,723	2,805,823
CHIGACH	1,421,778	1,381,738	1,381,738	1,421,778	1,501,818	1,381,758	1,421,778	1,501,818
COPPER RIVER	5,087,338	4,954,361	4,954,361	5,087,338	5,383,288	5,107,631	5,244,538	5,518,348
CORDOVA	2,285,585	2,185,351	2,185,351	2,285,585	2,603,185	2,566,751	2,849,585	2,808,185
CRANG	2,138,824	2,080,199	2,080,199	2,138,824	2,304,824	2,430,314	2,412,449	2,614,274
DELTA/GREELY	4,244,749	4,114,249	4,114,249	4,244,749	4,505,749	4,248,369	4,383,949	4,651,369
DELLINGHAM	2,915,918	2,822,478	2,822,478	2,915,918	3,149,918	3,348,508	3,287,378	3,391,718
FAIRBANKS	60,237,847	58,415,357	58,415,357	60,237,847	63,982,167	58,780,427	60,612,047	64,275,287
GALENA	1,202,873	1,106,293	1,106,293	1,202,873	1,434,933	1,348,363	1,391,673	1,475,883
HAINES	2,258,312	2,190,332	2,190,332	2,258,312	2,384,272	2,362,907	2,436,312	2,580,122
HONAIH	1,405,719	1,385,884	1,385,884	1,405,719	1,689,889	1,643,569	1,680,719	1,785,039
HYDABURG	981,799	956,284	956,284	1,077,799	1,133,829	1,049,884	1,077,799	1,133,829
IDITAROD	4,388,121	4,257,121	4,257,121	4,388,121	4,844,121	4,318,546	4,449,121	4,710,271
JUNEAU	20,628,989	19,974,054	19,974,054	20,628,989	21,333,989	20,091,054	20,748,989	22,058,869
KAKE	1,036,056	1,003,926	1,003,926	1,168,256	1,237,026	1,182,351	1,219,056	1,292,486
KASHUNAMUT	1,390,598	1,344,411	1,344,411	1,390,598	1,482,988	1,438,011	1,486,598	1,583,788
KENAI	39,335,955	38,002,785	38,002,785	39,335,955	42,002,285	39,145,875	40,508,355	43,238,315
KETCHIKAN	10,378,089	10,034,084	10,034,084	10,378,089	11,086,079	10,151,084	10,488,089	11,192,079
KLAWOCK	1,290,491	1,254,401	1,254,401	1,433,891	1,513,241	1,474,948	1,516,891	1,600,181
KODIAK	11,987,800	11,595,900	11,595,900	11,987,800	12,711,000	11,723,430	12,088,400	12,848,340
KODIAK	4,884,283	4,554,473	4,554,473	4,884,283	4,943,903	4,635,788	4,787,883	5,091,473
KUDLUK	5,474,080	5,316,415	5,316,415	5,474,080	5,789,410	5,316,415	5,474,080	5,789,410

C (2.)

ALASKA DEPARTMENT OF EDUCATION  
FY92 FOUNDATION ENTITLEMENTS AT VARIOUS FUNDING LEVELS

EXHIBIT C - PAGE 1

ALL COMPARISONS ARE MADE TO EXISTING FORMULA AT \$90,000.

PREPARED 4/30/91	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H
	EXISTING FORMULA	EXISTING FORMULA	SINGLE SITE SUPPLEMENTAL < 500 ADM ADDED TO EXISTING FORMULA			SECTIONS 1 AND 2 WITH SINGLE SITE SUPPLEMENTAL < 500 ADM ADDED TO EXISTING FORMULA		
	AT \$90,000	AT \$68,500	AT \$58,500	AT \$90,000	AT \$63,000	AT \$58,500	AT \$90,000	AT \$63,000
LOWER KUSKOKWIM	27,763,760	28,830,420	28,930,420	27,763,760	29,430,440	27,021,095	27,656,760	29,528,090
LOWER YUKON	9,908,488	9,582,228	9,562,228	9,908,488	10,601,006	9,944,818	10,380,888	11,013,028
MATSU	42,994,358	41,743,746	41,743,746	42,994,358	45,495,576	42,325,821	43,591,356	46,122,426
NENANA	1,508,908	1,494,741	1,518,256	1,659,366	1,745,586	1,686,458	1,731,366	1,821,186
NOME	4,913,430	4,776,080	4,776,080	4,913,430	5,188,170	4,932,840	5,074,230	5,357,010
NORTH SLOPE	8,057,882	7,729,087	7,729,087	8,057,882	8,715,512	8,558,157	8,360,332	9,084,532
NORTHWEST ARCTIC	11,484,556	11,052,956	11,052,956	11,484,556	12,287,758	11,351,306	11,770,566	12,809,056
PELICAN	561,341	545,951	602,686	619,541	653,231	602,696	619,541	653,231
PETERSBURG	3,051,475	2,957,985	2,957,985	3,051,475	3,236,495	3,074,995	3,171,475	3,344,495
PRINCE OF WELLES	1,415,889	1,368,754	1,368,754	1,415,889	1,509,559	1,369,339	1,416,288	1,510,189
RAILBELT	3,013,707	2,937,367	2,937,367	3,013,707	3,186,407	3,033,882	3,112,707	3,270,367
SIKKA	6,306,158	6,097,978	6,097,978	6,306,158	6,719,518	6,214,978	6,425,158	6,845,518
SKAGWAY	822,752	798,247	904,472	938,752	992,312	914,417	943,952	1,008,022
SOUTHEAST	5,096,142	4,948,782	4,948,782	5,096,142	5,390,862	5,013,717	5,162,742	5,460,792
SOUTHWEST	5,029,342	4,870,312	4,870,312	5,029,342	5,347,402	4,915,942	5,076,142	5,368,542
ST MARY'S	1,304,147	1,269,902	1,384,507	1,431,947	1,508,827	1,394,507	1,431,947	1,506,827
TANANA	1,166,693	1,136,728	1,256,088	1,291,098	1,361,143	1,256,088	1,291,093	1,361,143
UNALASKA	1,666,678	1,611,458	1,785,308	1,824,478	1,948,818	1,833,788	1,900,278	2,130,258
VALDEZ	2,689,117	2,594,942	2,594,942	2,689,117	2,907,487	2,724,812	2,832,317	3,047,327
WRANGELL	2,603,887	2,527,777	2,527,777	2,603,887	2,756,107	2,644,777	2,723,887	2,882,107
YAKUTAT	1,157,318	1,125,548	1,247,813	1,292,718	1,352,528	1,282,328	1,318,118	1,389,598
YUKON FLATS	4,788,884	4,655,714	4,655,714	4,788,884	5,055,224	4,894,824	4,828,484	5,096,804
YUKON-KOYUKUK	5,421,486	5,254,531	5,254,531	5,421,486	5,785,428	5,313,031	5,481,486	5,818,428
YUPIK	3,508,802	3,392,292	3,392,292	3,508,802	3,726,822	3,421,542	3,593,802	3,758,822
OTHER	10,285,221	10,116,464	10,116,464	10,285,221	10,610,231	10,116,484	10,285,221	10,510,231
<b>TOTALS</b>	<b>\$541,746,166</b>	<b>\$524,947,989</b>	<b>\$527,025,324</b>	<b>\$543,878,786</b>	<b>\$577,487,146</b>	<b>\$534,625,844</b>	<b>\$551,671,988</b>	<b>\$585,652,108</b>

C. (3)

ALASKA DEPARTMENT OF EDUCATION  
 FY82 FOUNDATION ENTITLEMENTS AT VARIOUS FUNDING LEVELS

EXHIBIT C - PAGE 2

ALL COMPARISONS ARE MADE TO EXISTING FORMULA AT \$80,000.

PREPARED 4/30/91	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H
	LESS COLUMN A	LESS COLUMN A	LESS COLUMN A	LESS COLUMN A	LESS COLUMN A	LESS COLUMN A	LESS COLUMN A
ADAK	(\$111,240)	(\$111,240)	\$0	\$222,480	\$37,360	\$152,400	\$382,500
ALASKA GATEWAY	(121,440)	(121,440)	0	242,880	32,415	157,800	408,870
ALEUTIAN REGION	(19,155)	(19,155)	0	38,310	(19,155)	0	38,310
AI ZUTIANS EAST	(98,180)	(98,180)	0	192,360	(38,265)	59,400	254,730
ANCHORAGE	(5,032,380)	(5,032,380)	0	10,064,760	(4,784,340)	254,400	10,331,880
ANNETTE ISLANDS	(83,570)	(83,570)	0	127,140	108,080	174,000	309,840
BERING STRAIT	(419,825)	(419,825)	0	839,250	(200,250)	225,000	1,075,500
BRISTOL BAY	(81,155)	(81,155)	0	122,310	88,020	153,000	282,960
CHATHAM	(87,330)	(87,330)	0	174,660	(18,300)	70,800	249,000
CHUGACH	(40,020)	(40,020)	0	80,040	(40,020)	0	80,040
COPPER RIVER	(182,975)	(182,975)	0	285,950	20,295	157,200	431,010
CORDOVA	(70,215)	112,880	187,800	337,820	304,185	384,000	543,830
CRAIG	(58,755)	102,705	165,600	291,360	273,525	340,800	475,350
DELTA/GREELY	(130,500)	(130,500)	0	261,000	5,220	139,200	407,160
DILLINGHAM	(92,445)	136,705	234,000	430,560	371,480	475,800	684,480
FAIRBANKS	(1,822,280)	(1,822,280)	0	3,644,560	(1,457,220)	974,400	4,037,640
GALENA	(37,380)	108,870	150,000	232,260	148,885	189,000	273,210
HADEN	(57,980)	(57,980)	0	135,960	104,585	177,000	321,810
HOONAH	(40,085)	121,425	165,600	253,980	237,840	285,000	379,320
HYDABURG	(25,515)	88,085	96,000	151,830	68,085	96,000	151,830
IDITAROD	(129,000)	(129,000)	0	258,000	(57,575)	63,000	324,150
J. NEAL	(862,935)	(862,935)	0	1,305,870	(535,935)	120,000	1,431,870
KAKE	(82,130)	84,815	130,200	200,970	146,295	183,000	256,410
KASHUNAMUT	(48,185)	(48,185)	0	92,370	47,415	98,000	193,170
KENAI	(1,383,170)	(1,383,170)	0	2,766,340	(190,080)	1,172,400	3,897,380
KETCHIKAN	(343,995)	(343,995)	0	687,990	(228,995)	120,000	813,990
KLAWOCK	(38,080)	109,725	143,400	222,750	184,455	228,200	309,680
KODIAK	(371,700)	(371,700)	0	743,400	(244,170)	130,800	880,740
KUSPUK	(129,810)	(129,810)	0	259,620	(48,495)	83,400	347,190
LAKE AND PENN.	(157,665)	(157,665)	0	315,330	(157,665)	0	315,330

DOE COMM'S OFFICE

TEL: 465-4156

Apr 30, 91

10:59 No. 006 P. 04

C. (4)

ALASKA DEPARTMENT OF EDUCATION  
FY92 FOUNDATION ENTITLEMENTS AT VARIOUS FUNDING LEVELS

EXHIBIT C - PAGE 2

ALL COMPARISONS ARE MADE TO EXISTING FORMULA AT \$60,000.

PREPARED 4/20/91

	COLUMN B LESS COLUMN A	COLUMN C LESS COLUMN A	COLUMN D LESS COLUMN A	COLUMN E LESS COLUMN A	COLUMN F LESS COLUMN A	COLUMN G LESS COLUMN A	COLUMN H LESS COLUMN A
LOWER KUSKOKWIM	(833,340)	(833,340)	0	1,866,880	(742,665)	93,000	1,764,330
LOWER YUKON	(348,260)	(348,260)	0	892,520	36,330	362,400	1,104,540
MATSU	(1,250,810)	(1,250,810)	0	2,501,220	(668,635)	597,000	3,128,070
NENANA	(99,225)	112,280	155,400	241,820	182,490	227,400	317,220
NOME	(137,370)	(137,370)	0	274,740	19,410	160,800	443,580
NORTH SLOPE	(328,815)	(328,815)	0	857,830	(4,725)	332,400	1,008,860
NORTHWEST ARCTIC	(411,600)	(411,600)	0	828,200	(113,250)	306,000	1,144,500
PELICAN	(15,980)	41,355	58,200	91,890	41,355	58,200	81,890
PETERSBURG	(83,480)	(83,480)	0	186,980	23,520	120,000	312,960
PREILOF	(46,935)	(46,935)	0	93,870	(46,350)	600	94,500
RAILBELT	(78,350)	(78,350)	0	152,700	20,175	99,000	256,660
SITKA	(207,180)	(207,180)	0	414,360	(90,180)	120,000	540,360
SKAGWAY	(26,505)	81,720	111,000	188,560	91,865	121,200	180,270
SOUTHEAST	(147,360)	(147,360)	0	294,720	(82,425)	66,600	364,650
SOUTHWEST	(159,030)	(159,030)	0	318,060	(113,400)	46,800	367,200
ST MARYS	(94,245)	90,380	127,800	202,680	90,380	127,800	202,680
TANANA	(81,985)	87,375	122,400	192,450	87,375	122,400	192,450
UNALASKA	(57,225)	96,830	157,800	280,140	285,110	330,800	481,580
VALDEZ	(104,175)	(104,175)	0	208,350	25,685	133,200	348,210
WRANGELL	(76,110)	(76,110)	0	152,220	40,880	120,000	278,220
YAKUTAT	(81,770)	90,495	125,400	196,210	125,019	180,800	232,380
YUKON PLATS	(133,170)	(133,170)	0	266,340	(84,580)	39,800	307,920
YUKON-KOYUKUK	(186,985)	(186,985)	0	338,930	(108,485)	60,000	396,930
YUPIIT	(111,510)	(111,510)	0	223,020	(82,280)	30,000	254,820
OTHER	(188,757)	(188,757)	0	225,010	(188,757)	0	225,010
<b>TOTALS</b>	<b>(\$16,798,177)</b>	<b>(\$14,720,842)</b>	<b>\$2,130,800</b>	<b>\$35,720,980</b>	<b>(\$7,120,522)</b>	<b>\$9,925,800</b>	<b>\$43,905,940</b>

D.(1)  
See NOTE  
AT BOTTOM

DOE COMM'S OFFICE  
TEL: 465-4156  
Apr 30, 91 11:01 No. 006 P. 06

ALASKA DEPARTMENT OF EDUCATION  
FY92 FOUNDATION ENTITLEMENTS AT VARIOUS FUNDING LEVELS

EXHIBIT D - PAGE 1

ALL COMPARISONS ARE MADE TO EXISTING FORMULA AT \$90,000.

PREPARED 4/30/91	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H
	EXISTING FORMULA	EXISTING FORMULA	SINGLE SITE SUPPLEMENTAL < 500 ADM ADDED TO EXISTING FORMULA			SECTIONS 1 AND 2 WITH SINGLE SITE SUPPLEMENTAL < 500 ADM ADDED TO EXISTING FORMULA		
	AT \$90,000	AT \$90,000	AT \$58,500	AT \$90,000	AT \$93,000	AT \$57,850	AT \$90,000	AT \$93,000
			SEE NOTE					
ADAK	\$2,173,342	\$2,062,102	\$2,048,012	\$2,173,342	\$2,395,822	\$2,145,497	\$2,325,742	\$2,555,842
ALASKA GATEWAY	4,348,718	4,225,278	4,209,898	4,348,718	4,589,598	4,308,082	4,504,518	4,755,288
ALEUTIAN REGION	890,468	861,319	859,887	890,468	718,778	850,459	880,468	718,778
ALEUTIANS EAST	2,916,874	2,820,494	2,808,311	2,916,874	3,109,034	2,823,066	2,978,074	3,171,404
ANCHORAGE	162,149,942	157,117,562	158,480,127	162,149,942	172,214,702	154,510,318	162,404,342	172,481,822
ANNETTE ISLANDS	1,905,462	1,241,892	1,233,840	1,905,462	1,432,802	1,373,054	1,479,462	1,815,302
BERING STRAIT	12,719,470	12,299,845	12,246,893	12,719,470	13,558,720	12,278,245	12,944,470	13,784,870
BRISTOL BAY	1,863,201	1,602,048	1,594,300	1,863,201	1,785,511	1,714,399	1,816,201	1,948,161
CHATHAM	2,566,923	2,469,593	2,459,531	2,566,923	2,731,593	2,488,133	2,627,723	2,805,923
CHIGLACH	1,421,778	1,361,759	1,378,897	1,421,778	1,501,818	1,359,078	1,421,776	1,501,818
COPPER RIVER	5,087,398	4,954,361	4,937,518	5,087,398	5,359,298	5,030,052	5,244,538	5,518,348
CORDOVA	2,285,566	2,195,351	2,368,967	2,453,368	2,603,186	2,524,529	2,649,566	2,809,196
CRAIG	2,199,924	2,080,189	2,239,662	2,304,524	2,490,314	2,374,827	2,478,724	2,614,274
DELTA/GREELY	4,244,749	4,114,249	4,097,719	4,244,749	4,505,749	4,174,047	4,383,949	4,651,909
DILLINGHAM	2,915,918	2,823,473	3,039,172	3,149,918	3,348,508	3,228,252	3,391,718	3,600,598
FAIRBANKS	80,237,847	58,415,387	58,184,567	80,237,847	83,882,167	57,742,507	60,612,047	64,275,287
GALINA	1,202,673	1,165,283	1,306,333	1,362,673	1,434,933	1,325,719	1,391,873	1,475,883
HAINES	2,258,312	2,190,332	2,181,721	2,258,312	2,394,272	2,321,178	2,436,312	2,580,122
HOOHAH	1,405,719	1,385,884	1,621,649	1,571,319	1,659,889	1,818,535	1,690,719	1,785,039
HYDABURG	981,799	956,294	1,048,348	1,077,799	1,133,829	1,024,086	1,077,799	1,133,829
IDITAROD	4,386,121	4,257,121	4,240,781	4,386,121	4,844,121	4,744,554	4,448,121	4,710,271
JUNEAU	20,626,989	19,874,064	19,891,349	20,626,989	21,932,989	19,719,358	20,746,989	22,058,869
KAKE	1,036,056	1,003,926	1,128,369	1,168,256	1,237,026	1,161,552	1,219,056	1,282,466
KASHUNAMUT	1,390,586	1,344,411	1,338,561	1,390,586	1,482,986	1,410,480	1,488,586	1,583,786
KENAI	39,335,955	38,002,785	37,833,917	39,335,955	42,002,235	38,373,803	40,508,355	43,233,315
KETCHIKAN	10,378,089	10,034,084	9,990,521	10,378,089	11,066,079	9,954,464	10,498,089	11,192,079
KLAWOCK	1,290,491	1,254,401	1,388,181	1,433,891	1,513,241	1,451,291	1,516,891	1,600,181
KODIAK	11,987,600	11,596,900	11,548,818	11,987,600	12,711,000	11,510,947	12,098,400	12,848,340
KUDLUK	4,684,283	4,554,473	4,538,030	4,634,283	4,943,903	4,581,048	4,787,883	5,081,473
LAKE AND PENN.	5,474,080	5,316,415	5,296,444	5,474,080	5,789,410	5,227,072	5,474,080	5,789,410

NOTE: Columns C & F are prorated to reflect the same appropriation level as the existing formula at \$58,500.

D. (2)  
See note  
at bottom

ALASKA DEPARTMENT OF EDUCATION  
FY82 FOUNDATION ENTITLEMENTS AT VARIOUS FUNDING LEVELS

EXHIBIT D - PAGE 1

ALL COMPARISONS ARE MADE TO EXISTING FORMULA AT \$60,000.

PREPARED 4/30/91	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H
	EXISTING FORMULA	EXISTING FORMULA	SINGLE SITE SUPPLEMENTAL < 500 ADM ADDED TO EXISTING FORMULA			SECTIONS 1 AND 2 WITH SINGLE SITE SUPPLEMENTAL < 500 ADM ADDED TO EXISTING FORMULA		
	AT \$60,000	AT \$68,500	AT \$57,310	AT \$60,000	AT \$63,000	AT \$57,850	AT \$60,000	AT \$63,000
			SEE NOTE			SEE NOTE		
LOWER KUSKOKWIM	27,783,780	28,930,420	28,824,864	27,783,780	29,430,440	28,547,552	27,856,780	29,628,000
LOWER YUKON	9,908,488	9,582,228	9,510,368	9,908,488	10,601,008	9,743,048	10,300,868	11,619,028
MATBU	42,994,358	41,748,748	41,586,936	42,994,358	45,496,578	41,808,688	43,591,358	48,122,428
NEENANA	1,503,988	1,484,741	1,610,796	1,869,988	1,745,588	1,861,007	1,731,388	1,821,188
NOME	4,913,430	4,778,080	4,758,880	4,913,430	5,183,170	4,852,719	5,074,230	5,357,010
NORTH SLOPE	8,057,882	7,729,087	7,887,417	8,057,882	8,716,512	7,882,120	8,390,282	9,084,532
NORTHWEST ARCTIC	11,464,568	11,082,958	11,000,820	11,464,568	12,287,768	11,113,731	11,770,558	12,809,088
PELICAN	561,341	545,951	600,582	619,541	658,231	583,151	619,541	653,231
PETERSBURG	3,051,475	2,957,996	2,946,154	3,051,475	3,238,435	3,020,323	3,171,475	3,364,435
PRIDLOF	1,415,889	1,388,754	1,362,809	1,415,889	1,503,559	1,342,734	1,416,288	1,510,189
RAIBELT	3,013,707	2,937,357	2,927,686	3,013,707	3,186,407	2,986,215	3,112,707	3,270,357
SITKA	8,306,158	8,097,978	8,071,795	8,306,158	8,719,518	8,085,876	8,426,158	8,845,518
SKAGWAY	822,752	786,247	800,783	933,752	892,312	897,891	943,952	1,003,022
SOUTHEAST	5,086,142	4,948,782	4,930,118	5,086,142	5,360,882	4,929,270	5,182,742	5,480,782
SOUTHWEST	5,029,342	4,870,312	4,850,188	5,029,342	5,347,402	4,825,162	5,078,142	5,396,542
ST MARYS	1,304,147	1,269,902	1,289,785	1,431,947	1,508,827	1,373,291	1,431,947	1,508,827
TANANA	1,188,893	1,188,728	1,251,832	1,291,093	1,361,143	1,238,221	1,291,093	1,361,143
UNALASKA	1,868,878	1,811,453	1,757,560	1,826,478	1,948,818	1,886,577	1,989,278	2,130,258
VALDEZ	2,889,117	2,694,942	2,581,747	2,889,117	2,907,467	2,863,893	2,832,317	3,047,327
WRANGELL	2,803,887	2,527,777	2,518,138	2,803,887	2,786,107	2,599,918	2,723,887	2,862,107
YAGUTAT	1,157,318	1,125,548	1,243,382	1,282,718	1,262,528	1,282,047	1,318,118	1,388,888
YUKON FLATS	4,788,884	4,685,714	4,638,848	4,788,884	5,055,224	4,818,300	4,828,484	5,096,804
YUKONKODYUK	5,421,498	5,254,531	5,233,362	5,421,498	5,785,426	5,217,588	5,491,498	5,818,426
YUPIIT	3,503,802	3,382,292	3,378,167	3,503,802	3,728,822	3,357,928	3,583,802	3,758,322
OTHER	10,285,221	10,116,464	10,152,289	10,285,221	10,510,231	10,002,749	10,285,221	10,510,231
<b>TOTALS</b>	<b>\$641,741,188</b>	<b>\$624,947,989</b>	<b>\$624,947,989</b>	<b>\$643,878,786</b>	<b>\$677,487,146</b>	<b>\$624,947,989</b>	<b>\$651,871,986</b>	<b>\$685,652,106</b>

NOTE: COLUMNS C & F ARE PRORATED TO REFLECT THE SAME APPROPRIATION LEVEL AS THE EXISTING FORMULA AT \$68,500.

DOE COMM'S OFFICE  
TEL: 465-4156  
Apr 30, 91 11:01 No. 006 P. 07

D. (3)

ALASKA DEPARTMENT OF EDUCATION  
 FY92 FOUNDATION ENTITLEMENTS AT VARIOUS FUNDING LEVELS

EXHIBIT D - PAGE 2

ALL COMPARISONS ARE MADE TO EXISTING FORMULA AT \$60,000.

PREPARED 4/30/91	COLUMN B LESS COLUMN A	COLUMN C LESS COLUMN A	COLUMN D LESS COLUMN A	COLUMN E LESS COLUMN A	COLUMN F LESS COLUMN A	COLUMN G LESS COLUMN A	COLUMN H LESS COLUMN A
ADAK	(\$111,240)	(\$125,330)	\$0	\$222,480	(\$27,845)	\$152,400	\$362,500
ALASKA GATEWAY	(121,440)	(136,822)	0	242,880	(36,636)	157,800	408,570
ALEUTIAN REGION	(19,155)	(21,581)	0	38,310	(30,009)	0	38,310
ALEUTIANS EAST	(88,180)	(108,383)	0	192,360	(93,808)	59,400	254,730
ANCHORAGE	(5,032,390)	(5,869,815)	0	10,064,780	(7,699,828)	254,400	10,331,880
ANNETTE ISLANDS	(83,570)	(71,822)	0	127,140	87,592	174,000	309,840
BERING STRAIT	(419,825)	(472,777)	0	839,250	(441,225)	225,000	1,075,500
BRISTOL BAY	(81,155)	(88,901)	0	122,310	51,198	163,000	282,960
CHATHAM	(87,330)	(96,382)	0	174,660	(68,790)	70,800	249,000
CHUGACH	(40,020)	(45,089)	0	80,040	(62,896)	0	80,040
COPPER RIVER	(182,975)	(149,818)	0	285,950	(57,284)	157,200	431,010
CORDOVA	(70,215)	103,401	187,800	837,820	258,957	384,000	543,630
CRAIG	(58,755)	94,738	185,800	291,390	235,403	340,800	475,260
DELTA/GRIELY	(130,500)	(147,030)	0	261,000	(70,702)	139,200	407,160
DILLINGHAM	(92,445)	123,254	234,000	430,580	312,334	475,800	684,480
FAIRBANKS	(1,822,290)	(2,053,080)	0	3,644,520	(2,495,136)	374,400	4,037,840
GALENA	(87,380)	103,880	150,000	292,280	123,036	188,000	273,210
HAINES	(87,980)	(78,581)	0	135,960	83,586	177,000	321,810
HOONAH	(40,035)	115,830	185,800	263,960	211,118	285,000	379,320
HYDABURG	(25,515)	84,549	98,000	151,830	82,287	98,000	151,830
IDITAROD	(128,000)	(145,340)	0	256,000	(141,567)	63,000	324,150
JUNEAU	(852,838)	(735,840)	0	1,305,870	(907,891)	120,000	1,431,870
KAKE	(32,130)	90,333	130,200	200,970	125,468	188,000	258,410
KASINAMILUT	(48,185)	(52,035)	0	92,370	19,894	98,000	198,170
KINAI	(1,333,170)	(1,502,038)	0	2,666,340	(982,152)	1,172,400	3,897,360
KETCHIKAN	(343,995)	(387,588)	0	687,990	(423,625)	120,000	619,990
KLAWOCK	(36,090)	98,700	143,400	222,750	180,800	228,200	308,890
KODIAK	(371,700)	(418,782)	0	743,400	(456,653)	130,800	880,740
KUSPUK	(129,810)	(148,263)	0	259,620	(123,235)	83,400	347,190
LAKE AND PENN.	(157,985)	(177,636)	0	315,330	(247,008)	0	315,330

DOE COMM'S OFFICE TEL: 465-4156 Apr 30, 91 11:01 No. 006 P. 08

D. (4)

ALASKA DEPARTMENT OF EDUCATION  
FY92 FOUNDATION ENTITLEMENTS AT VARIOUS FUNDING LEVELS

EXHIBIT D - PAGE 2

ALL COMPARISONS ARE MADE TO EXISTING FORMULA AT \$90,000.

PREPARED 4/30/91	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H
	LESS COLUMN A	LESS COLUMN A	LESS COLUMN A	LESS COLUMN A	LESS COLUMN A	LESS COLUMN A	LESS COLUMN A
LOWER KUSKOKWIM	(893,340)	(938,898)	0	1,666,680	(1,216,208)	88,000	1,784,330
LOWER YUKON	(346,280)	(390,120)	0	682,520	(165,443)	382,400	1,104,540
MATBU	(1,250,610)	(1,409,021)	0	2,501,220	(1,385,671)	587,000	3,128,070
NENANA	(36,225)	106,829	155,400	241,620	157,041	227,400	317,220
NOME	(197,970)	(154,770)	0	274,740	(60,711)	180,800	443,580
NORTH SLOPE	(328,815)	(370,485)	0	667,890	(195,762)	332,400	1,006,850
NORTHWEST ARCTIC	(411,800)	(469,738)	0	823,200	(360,825)	308,000	1,144,500
PELICAN	(15,390)	39,221	68,200	91,890	31,810	58,200	91,890
PETERSBURG	(93,490)	(105,321)	0	168,960	(31,162)	120,000	312,960
PRINCELOP	(48,835)	(52,880)	0	98,670	(72,955)	600	94,500
RAILBELT	(78,350)	(89,021)	0	152,700	(24,482)	99,000	258,900
SIKA	(207,180)	(233,423)	0	414,360	(209,282)	120,000	540,360
SIKAGWAY	(26,505)	78,011	111,000	169,560	74,928	121,200	180,270
SOUTHEAST	(147,380)	(166,026)	0	294,720	(186,872)	68,800	384,650
SOUTHWEST	(159,030)	(179,174)	0	318,060	(204,180)	48,800	387,200
ST MARY'S	(34,245)	85,618	127,800	202,680	69,144	127,800	202,680
TANANA	(31,985)	82,939	122,400	192,450	67,528	122,400	192,450
UNALASKA	(57,225)	88,882	157,900	280,140	227,998	330,800	461,580
VALDEZ	(104,175)	(117,370)	0	208,350	(35,224)	133,200	348,210
WRANGELL	(78,110)	(85,751)	0	152,220	(3,939)	120,000	278,220
YAKUTAT	(81,774)	88,074	125,400	195,210	104,728	180,800	232,380
YUKON FLATS	(133,170)	(150,038)	0	286,340	(170,584)	39,800	307,920
YUKONKOYUKUK	(168,985)	(188,114)	0	339,930	(209,928)	60,000	308,930
YUPIIT	(111,510)	(125,635)	0	223,020	(145,874)	30,000	254,520
OTHER	(188,757)	(132,852)	0	225,010	(282,472)	0	225,010
<b>TOTALS</b>	<b>(\$18,798,177)</b>	<b>(\$18,798,177)</b>	<b>\$2,130,600</b>	<b>\$35,720,980</b>	<b>(\$18,798,177)</b>	<b>\$9,925,800</b>	<b>\$43,905,940</b>

4/4/91  
mcp/retire

# Supporting Narrative for School Funding Legislation

In the last six years, state funding for education throughout Alaska has experienced a dramatic decline. Like other programs dependent upon state funds, the foundation program was not immune to the adverse effects of declining oil revenues.

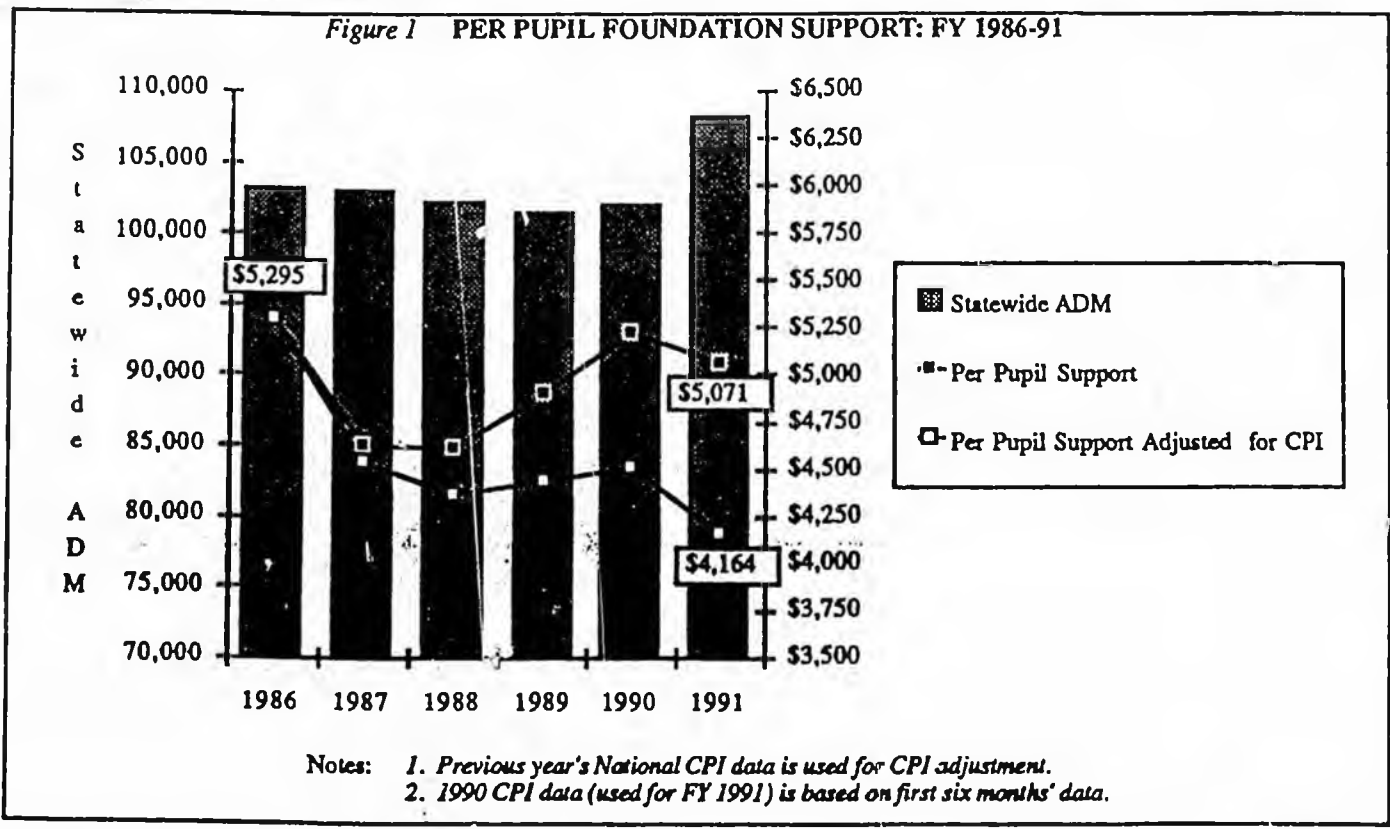
Table 1 shows the levels of foundation support and numbers of pupils for the 1986-91 period.

**Table 1 FOUNDATION SUPPORT: 1986-91**

	1986	1987	1988	1989	1990	1991
Foundation Support	\$546,202,604	\$477,265,453	\$471,411,214	\$496,872,246	\$533,272,100	\$548,425,100
Statewide ADM	103,159	103,036	102,118	101,442	101,997	108,151

Notes: 1. Foundation Support includes P.L. 874 and tuition payments.  
 2. 1988-91 foundation data adjusted for TRS change.  
 3. 1986-89 data is audited, with 1990 based upon incomplete preliminary 1990 audits.  
 4. 1991 data is estimated.

Figure 1 shows statewide ADM and per pupil foundation support for the 1986-91 period.



The chart shows that the amount of funds per pupil has decreased by \$224, or 4.3% in unadjusted dollars. When adjusted for inflation in the 6 year period, per pupil funding has decreased by \$1,131, or 21.4%.

The value of the instructional unit has not increased since the inception of the current Foundation Formula. The cost of operating schools, however, has continued to increase each year. While the state appropriation for education remains about what it was in 1986, it does not take into account both inflation and an increase in students. At the same time, local contributions in those municipal districts with an ability to raise funds have increased by 33%. Local school districts cannot continue to increase local effort. For many, the cap placed upon such efforts by federal requirements has been reached. Other school districts do not have the option of raising local funds. These districts, including both REAA's and relatively property poor municipal school districts, have therefore not had an increase in overall funding and in fact have had to bear the full brunt of inflation with no relief from the state. One result has been a growing disparity in programs being offered by relatively wealthy and relatively poor school districts.

As a result, a number of adverse impacts have been felt in school districts throughout the state. Class sizes have increased. Staffs are being reduced and programs have been eliminated. At the same time, more demands are being placed upon our schools. Various reports and studies have identified critical needs in a number of areas: At Risk Students, Suicide Prevention, Early Childhood Education, Alcohol and Substance Abuse, Child Abuse Prevention, AIDS Education, and Pupil Teacher Ratios/Class Size.

We believe that an increase in the foundation appropriation is needed in order to:

1. Prevent further deterioration of educational opportunities throughout Alaska.
2. Provide equity in funding among school districts so that a child's opportunity for a quality education does not depend upon whether the child lives in a certain size of community or upon the relative wealth of that community.

Corporate America has ranked primary and secondary education as the issue needing most attention- sweeping aside the traditional focus of local economic development. The business community believes the solution to many community problems- whether poor housing or substance abuse- is intimately linked to the presence of meaningful jobs. Corporations have concluded that the route to a meaningful job- and to an improvement in the economic climate of the nation- clearly results from a meaningful education, and that, conversely, poor schooling will have major adverse economic impacts. The consequence of the failure to act- to prevent a generation of poorly educated children- will be, on a national level, billions of dollars in lost productivity, unemployment benefits, and other expenses of social and economic dependency.

It is not difficult to apply this national concern to Alaska. If economic development and the creation of meaningful employment is a priority of government as well as the private sector, then support for education must be an integral part of any plan.

### Sectional Analysis of Proposed Legislation

Section 1. AS 14.17.025- HOLD HARMLESS: Due to rising property values, large urban districts will experience a decrease in state dollars. At the same time, local contributions have been increased in the 1986-91 period by an overall amount of 33%, and in many districts are capped. In several of the large urban districts, there appears to be a great reluctance to further raise local contributions to make up for state funds which might otherwise decrease through application of the current provisions of the foundation formula statute.

Sections 2 and 3. AS 14.17.041- SMALL FUNDING SITE FORMULA: The proposed change in the formula provides relief to those districts which have multiple sites, relatively low state support per ADM, and have one or more small schools which are relatively expensive to operate. Such districts must divert funds received for other sites to help defray the cost of operating such small schools.

Section 4. AS 14.17.041- SINGLE/DUAL SITE: The proposed change in the formula adds a new section to existing statute to provide a permanent solution to the problem of small districts of one or two funding communities not generating enough revenues to provide for basic fixed costs.

Section 5. AS 14.17.056- INSTRUCTIONAL UNIT VALUE: The proposed change is for an increase in the instructional unit value from \$60,000 to \$63,000. This will help meet the rising costs of materials, fuel and other utilities, and school programs, including those resulting from new state regulations and reporting requirements.

The Alaska Association of School Administrators believes that the proposed legislation addresses the above concerns by providing both a modest increase in the foundation unit value as well as making changes in the current formula to eliminate sections which have adverse impacts upon certain types of school districts or schools.

The AASA believes that this legislation will help address educational needs of children throughout the state of Alaska, and is therefore deserving of consideration and support.

DOCUMENTS WHICH HAVE NOT BEEN  
FILMED BUT ARE AVAILABLE IN THE  
ORIGINAL FILE INCLUDE:

## *Letters of Support*

*Hoonah Pub. Schools*

*Annette Island School Dist.*

*Railbelt School Dist.*

*PTSA, Nikiski*

*Inlet View School, Anch.*

*Bering Strait School Dist.*

*Nome PTA*

**SB**

**8**

HOUSE COMMITTEE REPORT

(11)

Date Referred: April 1, 1992

FURTHER REFERRALS:

Date of Committee Action: 5/10/92

The FINANCE Committee considered:

CSSB 8(STA) am

CS FOR SENATE BILL NO. 8 (STA) am

ANNUITY PROGRAM AMENDMENTS

"An Act amending and making effective an annuity program and amendments to the longevity bonus program and the permanent fund dividend program provided for in secs. 2 - 18, ch. 99, SLA 1985; and providing for an effective date."

RECOMMENDATIONS:

be replaced with HCS CSSB 8 Fin  the same title  a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: Admin. 2/21/92 (76.0)  
Senate Admin 2/21/92 (182.2)

fiscal impact <sup>(3)</sup> Revenue; DHSS, DOA

fiscal note(s)

zero fiscal note

zero fiscal note(s)

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Mike Stavare</i> NAVARRE	<input checked="" type="checkbox"/>	<i>E P Mehean</i> Maclean		<input checked="" type="checkbox"/>	
<i>Tom Brown</i> BROWN	<input checked="" type="checkbox"/>	<i>CEC Phillips</i> Phillips		<input checked="" type="checkbox"/>	
<i>Ronald J. Zanson</i> ZANSON	<input checked="" type="checkbox"/>				
<i>Jim Ullman</i> ULLMAN	<input checked="" type="checkbox"/>				
<i>Greg Koppen</i> KOPPEN	<input checked="" type="checkbox"/>				
<i>Mark Boyer</i> BOYER	<input checked="" type="checkbox"/>				

*Mike Stavare E P Mehean*  
CHAIRMAN'S SIGNATURE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

FILE NO. CS-568 (STA) am

Revision Date: March 2, 1992 Department Affected: Revenue  
 Title: Annuity Program Amendments BRU: Administration and Support  
 Component: Administrative Services  
 Sponsor: Kerttula, Halford  
 Requestor: House State Affairs COMPONENT SERIAL NO. 

0	1	2	5
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	-0-	8.0	8.0	8.0	8.0	8.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	8.0	8.0	8.0	8.0	8.0
CAPITAL						
REVENUE						
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	-0-	8.0	8.0	8.0	8.0	8.0
FUND SOURCE:						
TOTAL	-0-	8.0	8.0	8.0	8.0	8.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

This fiscal note reflects the basic costs of monitoring and balancing the accounting functions as required. It also includes interface with the longevity bonus program to coordinate accounting transactions.

Prepared By: Tracy L. McGill *Tracy L. McGill* Phone: 465-2313  
 Division: Administrative Services Date: March 24, 1992  
 Approved by Commissioner: Darrel J. Rexwinkel  
 Agency: Department of Revenue Date: \_\_\_\_\_

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc. & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. CS for SB 8 (STA) am

Revision Date: March 2, 1992

Department Affected: Revenue

Title: An Act amending and making effective an annuity

BRU: Operations

Program and amendments to the longevity bonus and P.F.D..

Component: Treasury Management

Sponsor: Kerttula, Halford

Requestor: House State Affairs

Component Serial No.

0	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	5.0	5.0	5.0	5.0	5.0
TRAVEL						
CONTRACTUAL	0	20.0	20.0	20.0	20.0	20.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	25.0	25.0	25.0	25.0	25.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND/Unrestricted						
FEDERAL FUNDS						
OTHER	0	25.0	25.0	25.0	25.0	25.0
TOTAL	0	25.0	25.0	25.0	25.0	25.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: The 25.0 expenditure in total operating costs is the basic personal services and contractual costs for a trust managed by the Treasury Division. Contractual costs would consist of external investment management, accounting, auditing, and custodial services. Future cost increases are dependent on the asset growth of the trust fund from contributions and market gains.

Prepared by: Brian C. Andrews

Phone: 465-2300

Division: Treasury

Date: March 2, 1992

Approved by Commissioner: [Signature]

Agency: Revenue

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

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. CSSB 8 (STA) am

Revision Date: March 2, 1992  
Title: Annuity Program Amendments  
Sponsor: Kerttula, Halford  
Requestor: House State Affairs

Agency Affected: Revenue  
BRU: Permanent Fund Dividend Division  
Components: Permanent Fund Dividend  
Division  
COMPONENT SERIAL NO. 9 8 1

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
OPERATING						
PERSONAL SERVICES		26.7	13.1	13.1	13.1	13.1
TRAVEL						
CONTRACTUAL		15.0	15.0	15.0	15.0	15.0
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	41.7	28.1	28.1	28.1	28.1
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (RSA)		41.7	28.1	28.1	28.1	28.1
TOTAL	-0-	41.7	28.1	28.1	28.1	28.1

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None.

ANALYSIS: See attached. *Thomas C. Williams*

Prepared By: Thomas C. Williams Phone: 465-2323  
Division: Permanent Fund Dividend Division Date: March 2, 1992

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: Revenue

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

ALASKA DEPARTMENT OF REVENUE  
PERMANENT FUND DIVIDEND DIVISION  
CSSB 8 (STA) am ANALYSIS  
As of March 2, 1992

Assumptions:

1. This bill is the only Permanent Fund Dividend checkoff bill that will become law. This fiscal note could change if other PFD checkoff bills are introduced and become law.
2. The Department of Administration will charge the Department of Revenue for the required additional computer time.
3. The cost of programming changes will be a one-time cost. Ongoing maintenance of new programs would be accomplished by existing staff. The computer system will need to be changed to account for the change in the program, to establish new accounting controls and to provide for the transfer of funds to the trust account. The following tasks will require the following programming hours.

	<u>Hours</u>
a. <u>Wang Data Entry Processing Updates</u>	75.0
(1) Data entry	
(2) Batch lists	
(3) Corrections	
(4) Wang to IBM transfer	
b. <u>IBM File Processing Updates</u>	30.0
(1) Edits	
(2) Batch listings	
(3) Worksheets	
c. <u>CICS Online Programs for Lookup and Changes</u>	37.5
d. <u>Nightly Update of Changes</u>	22.5
e. <u>Warrant Jobs</u>	90.0
(1) Printing warrants with different amounts. Include check stub messages.	
(2) Modify warrant registers as needed for balancing.	
(3) Create new program for transferring accumulated decisions to trust account and to account for the reserve necessary due to returned and cancelled PFD warrants.	
f. <u>Miscellaneous</u>	45.0
(1) Setting up test files on IBM	
(2) Systems testing	
 <u>Total Hours</u>	 <u>300.0</u>

ALASKA DEPARTMENT OF REVENUE  
 PERMANENT FUND DIVIDEND DIVISION  
CSSB 8 (STA) am ANALYSIS  
 As of March 2, 1992

4. The cost of document review, data capture and the data processing chargeback will be continuing. One Document Processor I position would be required for three months to assist in the manual review and coding of 535,000 applications. One Data Processing Clerk I position would be required for two months to assist in data capture.
5. There will be an additional cost associated with an extra page in the PFD booklet necessary to describe the annuity options.
6. Garnishments and assignments will take precedence over contributions to the annuities in the order established by statute. The PFD Division will only honor contributions to the extent that an individual's permanent fund dividend has not otherwise been assigned or garnished.
7. The PFD Division will be responsible for electronically transferring contributions to the annuity account.
8. The Treasury Division will be responsible for the accounting and management of the annuity account.

Cost Summary:

1. Personal Services

	<u>FY 94</u>	<u>FY 95</u>
1 PPT Analyst/Programmer V, R21 @ \$6,770.74/Mo including salary and benefits for 2 months. PCN 04-6011 would be funded for an additional 2 months.	\$ 13.6	\$ -0-
1 PPT Document Processor I, R7 @ \$2,573.60/Mo including salary and benefits for 3 months. This position represents the equivalent of the additional time and effort.	7.7	7.7
1 PPT Data Processing Clerk I, R8 @ \$2,699.03/Mo including salary and benefits for 2 months. This position represents the equivalent of the additional time and effort.	<u>5.4</u>	<u>5.4</u>
Total Personal Services	<u>26.7</u>	<u>13.1</u>

2. Contractual Services

a. Data Processing Chargeback	5.0	5.0
b. Printing charge for extra page	<u>10.0</u>	<u>10.0</u>
Total Contractual Services	<u>15.0</u>	<u>15.0</u>
TOTAL COST	<u>\$ 41.7</u>	<u>\$ 28.1</u>

FISCAL NOTE

BILL NO. HCSCSSB 8 (FIN)

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: May 11, 1992 Department Affected: Administration  
 Title: "An annuity program and amendments to the Longevity Bonus Program..." BRU: Pioneers' Benefits  
 Sponsor: Senator Kerttula Component: Longevity Bonus  
 Requestor: \_\_\_\_\_ COMPONENT 

0	0	2	7
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	70.3	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	810.0	1,940.0	1,060.0	(1,400.0)	(3,180.0)
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>70.3</b>	<b>810.0</b>	<b>1,940.0</b>	<b>1,060.0</b>	<b>(1,400.0)</b>	<b>(3,180.0)</b>

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

GENERAL FUND	70.3	810.0	1,940.0	1,060.0	(1,400.0)	(3,180.0)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
<b>TOTAL</b>	<b>70.3</b>	<b>810.0</b>	<b>1,940.0</b>	<b>1,060.0</b>	<b>(1,400.0)</b>	<b>(3,180.0)</b>

POSITIONS:

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

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)  
See attached.

Prepared by: Dennis L. DeWitt, Director *Dennis DeWitt* Phone: 465-4400  
 Division: Pioneers' Benefits Date: May 11, 1992

Approved by Commissioner: Nancy Bear Usura *Nancy Bear Usura*  
 Agency: Administration Date: 5/11/92

Distribution (by preparer): Legislative Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

FISCAL NOTE  
HCSCSSB 8 (FIN)  
MAY 11, 1992  
PAGE 2 OF 2

Administration

The division would prepare a comprehensive booklet for all applicants and recipients explaining the bill and the Longevity Bonus program generally. Also, the computer software would be modified by a private contractor to provide the correct payment amounts to the recipients.

Contractual Expenses (in \$1,000s)

Postage	\$35.3
Printing	30.0
Software	5.0
Total	\$70.3

GRANTS

The savings in the grant line are based on the May 10, 1992 estimate by the Legislative Research Agency and House Finance Committee, entitled "Ulmer Option".

Note

The costs for Sections 8 and 9 are unknown at this time. No information exists that describes the number of residents who travel for extended periods of time.



Division of Public Assistance  
Assistance Payments BRU

Alaska Longevity Bonus Hold Harmless (OAA-ALB HH)

1. CSSB No. 8 (STATE AFFAIRS)am continues the Hold Harmless program, but includes no Hold Harmless provision for annuity payments.
2. We assume the first annuity payments will be made in fiscal year 1994, and that no Old Age Assistance applicants or recipients will elect to participate.
3. We assume that the bonus payments will decrease for new OAA recipients who become eligible for the bonus on January 1, 1994, and that OAA clients whose bonus payments will be impacted will be as follows:

	<u>Bonus</u>	<u>Annuity</u>	<u>OAA Clients Impacted</u>
FY93	\$250	0	0
FY94	\$242	\$ 8	155
FY95	\$232	\$18	458
FY96	\$221	\$29	789
FY97	\$210	\$40	1153
FY98	\$197	\$53	1165

4. Only those who become 65 after January 1, 1994 will receive a declining ALB.
5. Longevity bonus and annuity amounts are based on Legislative Research Report 92.124.
6. Approximately 35 percent of all OAA recipients receive SSI. The change in the bonus amount affects the Hold Harmless benefits paid to replace SSI benefits.
7. There is no effect in FY 93 on Old Age Assistance clients.
8. We assume that the bonus decrease will only affect 2 months in FY 94, since the bonus decrease will not occur for the impacted OAA recipients until March 1, 1994 because of ALB retrospective payment methodology. SSI benefits will be affected beginning May 1, 1994.
9. Costs assume average age of new applicants for Old Age Assistance will be 65.

CSSB No. 8 (STATE AFFAIRS)am provides for a redesign of the Longevity Bonus program to include an annuity and assumes continuation of a Hold Harmless for the bonus.

The impact of this proposed change is two-fold:

- (1) As the ALB payments decrease then the amount of ALB Hold harmless for federal Supplemental Security Income (SSI) replacements also decreases. The drop in ALBHH for SSI replacement is a net savings to the State.
- (2) As the bonus payment decreases, the amount of ALB Hold Harmless for OAA replacement decreases and shifts back to Old Age Assistance. The amount of this decrease is a dollar-for-dollar shift back to Old Age Assistance in the Adult Public Assistance (APA) component.

	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>
Total number of new OAA recipients receiving the decreased bonus	0	155	458	789	1153	1565
Estimated number of impacted aged recipients receiving ALB Hold Harmless that replaces SSI income (35% of OAA clients impacted)	0	54	160	276	404	548
Reduction in monthly bonus \$	0	(8)	(18)	(29)	(40)	(53)
Fiscal year State Savings for ALB Hold Harmless Program benefits to replace SSI payments (35% of OAA clients impacted x bonus reduction x 12 months)	0	(.9)	(34.6)	(96.0)	(193.9)	(348.5)
=====						
Net Savings to State resulting from the CSSB 8 (STATE AFFAIRS) am	0	(.9)	(34.6)	(96.0)	(193.9)	(348.5)

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. CSSB 8 (SA) am

Revision Date: February 28, 1992  
Title: An Act amending and making effective an annuity program and amendments to the longevity bonus program  
Sponsor: Senator Kerttula  
Requestor: (H) STA

Department Affected: Administration  
BRU: Division of Pioneers' Benefits  
Component: Longevity Bonus Program  
Grants and Administration

COMPONENT

0	0	2	6
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
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)	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)

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

GENERAL FUND	0	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	0	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)

POSITIONS:

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

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)  
Impact for FY 93 is zero.

Prepared by: Dennis L. DeWitt, Director *Dennis L. DeWitt* Phone: 465-4400  
Division: Pioneers' Benefits Date: February 28, 1992

Approved by Commissioner: Nancy Bear Usera *Nancy Bear Usera*  
Agency: Administration Date: 2/28/92

FISCAL NOTE  
CSSB 8 (SA) am  
February 28, 1992

Projected annual savings under this proposal are tenuous because they depend upon a number of variables that cannot be predicted accurately. These projections were prepared as a joint project of the Legislative Research Agency and the Alaska Longevity Bonus program in April 1991 and updated by the Longevity Bonus program in December 1991. A brief discussion of some of the more important assumptions and variables follows.

The Bonus amount for those turning 65 after January 1, 1994, is \$250 less than the annuity payment for those who turn 65 in the current year. The annuity payment depends upon:

- . Permanent Fund Dividends-we use projections provided by the Permanent Fund Corporation;
- . the interest rate at which earnings accrue and the interest rate used to determine an annuity-we used 8.5 percent as a reasonable estimate in both cases provided by Legislative Research;
- . the life expectancy of a 65 year-old we used figures provided by the Alaska Department of Labor; and
- . the frequency of bonus adjustments-we assumed that bonuses would be adjusted at the beginning of each fiscal year and remain fixed throughout the year.

The number of recipients who receive \$250 per month was determined by applying mortality and migration figures-supplied by the Alaska Department of Labor-to the projected number of recipients who will be on the program prior to 1992.

The number of recipients who receive reduced bonuses was determined by applying population, mortality and migration figures to the current number of recipients in order to determine the number of new applicants in each year. Migration and mortality figures were then applied to new applicants in order to determine the number of recipients who will receive reduced bonuses in each year. See additional assumptions on the spreadsheet.

#### Caveats

Projections exclude the cost of administering an annuity program. The assumption is that this agency's involvement with the annuity portion of the program would be limited to being informed of the amount by which bonus warrants should be reduced. Expected costs of modifying the program in order to pay amounts other than a fixed \$250 are included in the FY 93 contractual line.

Projections exclude the savings that would occur under the "hold harmless" provisions of AS 47.45.122. Those costs would be reflected in this fiscal note only if the legislature appropriates hold harmless funds to this agency for subsequent transfer to the Department of Health and Social Services.

Projections exclude savings that might occur if the number of recipients declines as the program becomes less financially attractive to participants and potential participants.

leg\cssb826.fn

**Longevity Bonus Program  
as Redefined by S18**

Revised 12/10/91

Current Program			Total S18 Plus		PFD Dividend Received	Annual Payments Annully	Monthly Payments Annully	(000 million)	(000 million)	(000 million)	(000 million)	(000 million)
State Fiscal Year	Qualified Recipients	Cost	Grand- Fathered Recipients	S18 Recipients				GF Cost Of Grand- Fathered Recipients	Non-GF Cost of Post 93 Recipients	GF Cost Cost of Post 93 Recipients	Total GF Cost	Total GF Savings
1992	21,190	63,570.0										
1993	22,385	67,155.0	22,385		\$910.47							
1994	23,624	70,872.0	22,798	832	959.13	\$111.26	\$9.27	68,392.6	92.6	2,403.4	70,796.0	76.0
1995	24,841	74,523.0	21,527	3,327	1,012.63	237.93	19.83	64,580.0	791.6	9,189.4	73,769.4	753.6
1996	25,952	77,856.0	20,179	5,804	1,059.15	381.89	31.82	60,536.1	2,216.5	15,195.5	75,731.6	2,124.4
1997	26,805	80,415.0	18,911	8,000	1,120.64	543.79	45.32	56,732.2	4,350.3	19,649.7	76,381.9	4,033.1
1998	28,034	84,102.0	18,532	10,192	1,176.43	726.95	60.58	55,594.5	7,409.1	23,166.9	78,761.5	5,340.5
1999	29,070	87,210.0	16,753	12,332	1,231.81	932.51	77.71	50,258.5	11,499.7	25,496.3	75,754.8	11,455.2
2000	30,166	90,498.0	15,804	14,322	1,284.27	1,162.30	96.86	47,410.6	16,646.5	26,319.5	73,730.1	16,767.9
2001	31,173	93,519.0	14,890	16,175	1,341.82	1,418.03	118.17	44,671.2	22,936.6	25,588.4	70,259.6	23,259.4
2002	32,231	96,693.0	14,051	17,992	1,398.32	1,702.54	141.88	42,151.8	30,632.1	23,343.9	65,495.7	31,197.3
2003	33,332	99,996.0	13,261	17,983	1,458.23	2,018.13	168.18	39,781.7	36,292.0	17,657.0	57,438.7	42,557.3
2004	34,461	103,383.0	12,512	21,553	1,516.90	2,367.87	197.32	37,537.4	51,034.7	13,624.3	51,161.7	52,221.3
2005	35,684	107,052.0	11,827	23,303	1,578.62	2,754.51	229.54	35,480.3	64,188.3	5,720.7	41,200.9	65,851.1
2006	37,146	111,438.0	11,239	0	1,578.00	3,181.55	265.13	33,717.0	0.0	0.0	33,717.0	77,721.0
2007	38,830	116,490.0	10,724	0	1,578.00	3,644.82	303.74	32,172.0	0.0	0.0	32,172.0	84,318.0
2008	40,888	122,664.0	10,315	0	1,578.00	4,147.47	345.62	30,943.8	0.0	0.0	30,943.8	91,720.2
2009	42,797	128,391.0	9,860	0	1,578.00	4,692.84	391.07	29,580.1	0.0	0.0	29,580.1	98,810.9
2010	44,542	133,626.0	9,374	0	1,578.00	5,284.56	440.38	28,120.8	0.0	0.0	28,120.8	105,505.2

**Notes:** Grandfathered Recipients = All persons paid via current program, declines in accordance with mortality tables maintained by AK Dept of Labor using 1990 census results.  
 Assume each recipient deposits PFD \$200 of each year.  
 8.50% Annual Interest Rate earned on Investment  
 Current Program - assumes no changes to the law.  
 Total GF Cost = GF cost of grandfathered recipients plus GF cost of post 93 recipients.  
 Total GF Savings = Difference between total GF cost of current program if not modified and the cost of the program if S18 becomes law.

S18 Recipients = All persons entering the program after S18 becomes law, and assumes the normal proportion of eligible people do actually apply for the smaller bonus.  
 PFD Dividend Received = based on Dept. of Revenue projections.  
 Annully - based on model previously developed and maintained by Legislative Research.  
 GF cost of Grandfathered Recipients = Number of Grandfathered recipients times \$3,000.  
 Non-GF Cost of Post 93 Recipients = Portion of \$3,000 paid by annuities.  
 GF Cost of Post 93 Recipients = Balance needed in GF as long as annuities are less than \$3,000

Definition: "Recipients" are defined as the Average Number of Warrants Issued in a month. This means one "recipient" would receive \$3,000 per year. It does not equate exactly to the number of people.

FISCAL NOTE

BILL NO. CSSB 8 (SA) am

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: An Act amending and making effective an Annuity Program  
Sponsor: Kertulla  
Requestor: Senate Rules Committee

Department Affected: Administration  
BRU: Retirement and Benefits  
Component: Retirement and Benefits  
COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	414.3	426.7	439.5	452.7	466.3	480.3
TRAVEL	50.0	25.0	25.0	25.0	25.0	25.0
CONTRACTUAL	1,201.3	1,132.7	1,132.7	1,132.7	1,132.7	1,132.7
SUPPLIES	52.5	60.5	70.5	80.5	90.5	100.5
EQUIPMENT	144.1	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	1,862.2	1,644.9	1,667.7	1,690.9	1,714.5	1,738.5

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	1862.2	1644.9	1667.7	1690.9	1714.5	1738.5
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	1862.2	1644.9	1667.7	1690.9	1714.5	1738.5

POSITIONS

FULL-TIME:	8	8	8	8	8	8
PART-TIME:	0	0	0	0	0	0
TEMPORARY:	0	0	0	0	0	0

Estimate of current year impact: zero

ANALYSIS: (attach a separate page if necessary.)

See attached for a detailed analysis

Prepared By: Garv Bader *Nancy M. Bader*  
Division: Retirement and Benefits

Phone: 465-4470  
Date: 2/26/92

Approved by Commissioner: Nancy Bear Usera *Nancy Bear Usera*  
Agency: Department of Administration

Date: 2/28/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).  
Rev 11/91 Page 1 of 4

Committee Substitute for Senate Bill 8 (SA) am  
Fiscal note Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration  
February 26, 1992

Analysis: The cost of the annuity program is anticipated to be borne entirely by general fund (GF) appropriations. This fiscal note assumes that approximately 5% of the permanent fund dividend recipients (25,000) will participate in the annuity program.

Eight full-time positions will be needed to administer this program on a continuing basis. Even though we are proposing to contract with a private record keeper, eliminating the need for a large staff, this bill requires extensive manual effort to interface with the contractor. Personnel will handle counseling, address and beneficiary changes, account maintenance, and cash contributions.

Travel in FY 93 is needed to explain the program and answer questions at several locations throughout the state. In subsequent years, there will continue to be the need for rural education and counseling.

There are annual contractual needs for the operation of the annuity program as well as contract with the annuity record keeper. These ongoing contractual needs are explained below. The system will be highly automated to reduce the need for a larger staff. An analyst/programmer V will coordinate D.P. activities.

On-going office supply needs will include microfilming supplies, computer paper stock, annual statements of account and 1099's. In FY 93, there will also be a one time need for office equipment and the purchase of a microfilmer and reader for file maintenance.

The total estimated administrative cost to the division by fiscal year is as follows:

FY 93

FY 94

PERSONAL SERVICES

1 Retirement System Manager	\$ 81.1	
1 Retirement Specialist I/II	52.0	
1 Retirement Technician I/II	42.1	
1 Accountant II	52.0	
1 Accounting Technician I	42.1	
1 Clerk-Typist III	35.0	
1 Accounting Clerk III	37.9	
1 Analyst/Programmer V	<u>72.1</u>	
Total Personal Services Cost . . . . .		\$414.3
FY 93 Personal Services w/3% increase		\$426.7

TRAVEL

FY 93 - 35 trips to various locations throughout the state for public meetings to explain the program.

FY 94 and after - trips to various locations throughout the state for annual enrollment counselling.

Total Travel cost . . . . .	50.0	25.0
-----------------------------	------	------

CONTRACTUAL

	<u>FY 93</u>	<u>FY 94</u>
CPU costs	20.0	
Computer tapes	10.0	
Disk space costs	<u>20.0</u>	
Total DP resource	\$50.0	\$50.0
Record Keeping Contractor		
25,000 accts. @ \$35.00	875.0	875.0
Information Blitz,		
TV, and Radio	85.0	35.0
RSA to PFD division	41.7	28.1
Postage: Information and		
warrants	50.0	50.0
Audits	15.0	15.0
Actuarial Consulting	15.0	10.0
Centrex charges (8 lines), long		
distance WATS line	30.8	30.8
Floor space (1,000 square feet at		
2.25/mo)	<u>38.8</u>	<u>38.8</u>
Total Contractual cost . . . . .	1,201.3	1,132.7

		<u>FY 93</u>	<u>FY 94</u>
<b>SUPPLIES</b>			
		<u>FY 93</u>	<u>FY 94</u>
	Office supplies, calculators	\$ 4.0	\$ 2.0
	Microfilming supplies	3.5	3.5
	Paper stock	40.0	50.0
	Statement of Account	<u>5.0</u>	<u>5.0</u>
	Total Supplies cost . . . . .	52.5	60.5
 <b>EQUIPMENT</b>			
	8 Work stations	36.8	
	8 Chairs	2.4	
	8 PCs and other office equipment	40.0	
	Other office equipment (Dictaphone, calculators, etc.)	10.0	
	1 Printer	4.5	
	1 Microfilmer and reader	45.0	
	2 File cabinets	.6	
	8 Phones (600/instrument)	4.8	
	Total Equipment cost . . . . .	<u>144.1</u>	<u>-0-</u>
	 <b>TOTAL Operations Cost</b>	 <u>\$1862.2</u>	 <u>\$1,644.9</u>

The continuing personal services costs is estimated to increase at 3% per year. The costs of administration of this system is anticipated as general funds realized from the offsetting savings realized from declining Longevity Bonus payments. Funding is anticipated from general fund appropriations.

## HOUSE CS FOR CS FOR SENATE BILL NO. 8 (FINANCE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATORS KERTTULA, Halford, Jones, Sturgulewski, Collins, Rodey, Menard, Uehling, Pearce, Frank, Craft, Eliason

REPRESENTATIVES ZAWACKI, Sharp, M.A. Miller

## A BILL

## FOR AN ACT ENTITLED

1 "An Act amending and making effective an annuity program and amendments to the  
2 longevity bonus program and the permanent fund dividend program provided for in  
3 secs. 2 - 18, ch. 99, SLA 1985; relating to the longevity bonus program; and providing  
4 for an effective date."

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

6 \* Section 1. AS 43.23.005(d), as enacted by sec. 3, ch. 99, SLA 1985, is amended to read:

7 (d) A person who is eligible to receive a permanent fund dividend under this section, or  
8 who is authorized to claim a dividend on behalf of another under (c) of this section, may elect  
9 to receive the dividend either in cash or as an annuity credit. Notwithstanding (a) of this  
10 section [ALTERNATIVELY], a person who receives a longevity bonus payment under  
11 AS 47.45.015(a) during the previous year is not eligible to receive a permanent fund  
12 dividend for the current year. For the purpose of calculating the amount of a dividend  
13 under AS 43.23.025, an individual who is ineligible to receive a dividend under this  
14 subsection is counted as an eligible individual whether or not the individual has applied for

1 the dividend. Each year the legislature may appropriate from the dividend fund to the  
2 annuity investment fund under AS 43.23.110(a) an amount equal to the money that would  
3 otherwise be paid as dividends to individuals determined to be ineligible under this  
4 subsection [MAY ELECT TO RECEIVE 25 PERCENT, 50 PERCENT, OR 75 PERCENT OF  
5 THE DIVIDEND IN CASH AND THE REMAINDER AS AN ANNUITY CREDIT. A  
6 PERSON WHO IS 65 YEARS OF AGE ON OR BEFORE JANUARY 1, 1988 MAY ONLY  
7 RECEIVE THE PERMANENT FUND DIVIDEND IN CASH AND MAY NOT ELECT TO  
8 RECEIVE AN ANNUITY CREDIT].

9 \* Sec. 2. AS 43.23.110(a), as enacted by sec. 16, ch. 99, SLA 1985, is amended to read:

10 (a) The annuity investment fund is established as a separate fund in the state treasury.  
11 The annuity investment fund consists of money transferred from the dividend fund, cash  
12 contributions under AS 43.23.125, appropriations to the fund under AS 43.23.005(d) and  
13 income earned by the annuity investment fund. Notwithstanding AS 37.13.145, an amount equal  
14 to the permanent fund dividends taken as annuity credits under this chapter shall be annually  
15 transferred from the dividend fund to the annuity investment fund. Amounts appropriated to  
16 the annuity investment fund during a year shall be credited on a per capita basis to the  
17 annuity accounts of individuals that have elected an annuity credit under AS 43.23.005(d)  
18 for that year.

19 \* Sec. 3. AS 43.23.110(b), as enacted by sec. 16, ch. 99, SLA 1985, is amended to read:

20 (b) Money in the annuity investment fund shall be invested under AS 37.10.071 by the  
21 commissioner of revenue [IN INVESTMENTS AUTHORIZED UNDER AS 39.35.110]. The  
22 commissioner of administration shall credit the net income of the annuity investment fund to the  
23 individual annuity accounts and the annuity reserve account.

24 \* Sec. 4. AS 43.23 is amended by adding a new section to read:

25 Sec. 43.23.125. CASH CONTRIBUTIONS. An individual who is eligible to receive the  
26 permanent fund dividend as an annuity credit under AS 43.23.005(d) but does not elect to do so  
27 or who elects to receive only a portion of the permanent fund dividend as an annuity credit may  
28 make a cash contribution to that individual's annuity account. The cash contribution for a  
29 dividend year must be received by the Department of Administration before September 30 of the  
30 year following that dividend year. The total amount of the annuity credit and the cash  
31 contributions to an annuity account for a year may not exceed the amount of the permanent fund

1 dividend for that year.

2 \* Sec. 5. AS 43.23.130(a), as enacted by sec. 16, ch. 99, SLA 1985, is amended to read:

3 (a) An individual with one or more annuity credits or cash contributions under  
4 AS 43.23.125 may receive an annuity upon reaching the age of 65.

5 \* Sec. 6. AS 43.23.130(b), as enacted by sec. 16, ch. 99, SLA 1985, is amended to read:

6 (b) An annuity under this section is a monthly payment based upon the principal and  
7 accrued interest in the person's annuity account. Upon appointment to receive an annuity, the  
8 account balance shall be transferred to the annuity reserve account. The [AN] annuity shall  
9 be paid from the annuity reserve account as a straight life annuity or other payment plan  
10 authorized by the commissioner of administration [THE DEPARTMENT OF  
11 ADMINISTRATION]. The size of the annuity may not vary on account of the individual's sex.

12 \* Sec. 7. AS 43.23.130(e), as enacted by sec. 16, ch. 99, SLA 1985, is repealed and reenacted to  
13 read:

14 (e) If a person elects to credit a permanent fund dividend or make a cash contribution  
15 to an annuity account and dies before age 65, a lump sum payment shall be made to that person's  
16 designated beneficiary or beneficiaries. The lump sum payment includes all dividends or cash  
17 contributions credited to the person's annuity account and interest earned on the account. A  
18 person may change or revoke a designation without notice to the beneficiary or beneficiaries at  
19 any time. If a person designates more than one beneficiary, each shares equally unless the person  
20 specifies a different allocation or preference. The designation, change, or revocation of  
21 beneficiary shall be made on a form provided by the commissioner of administration and is not  
22 effective until it is filed with the commissioner. If there is no beneficiary designated or  
23 surviving, the lump sum payment shall be paid to the

24 (1) surviving spouse;

25 (2) if there is no surviving spouse, in equal parts to the surviving children  
26 including adopted children;

27 (3) if there is no surviving spouse or child, in equal parts to the surviving parents;

28 or

29 (4) if there is no surviving spouse, child, or parent, to the estate of the deceased.

30 \* Sec. 8. AS 43.23 is amended by adding a new section to read:

31 Sec. 43.23.135. EMERGENCY WITHDRAWALS. An individual may make a

1 withdraw from that individual's annuity account before reaching the age of 65 if the individual  
2 establishes to the satisfaction of the commissioner of administration that the withdrawal is  
3 necessary to meet an unforeseeable emergency. The amount withdrawn may not exceed the total  
4 amount in the individual's annuity account or the amount actually necessary to meet the  
5 emergency, whichever is less. The commissioner shall define the term "unforeseeable  
6 emergency" by regulation. An individual may only make one withdrawal under this section and  
7 may pay it back with interest under terms established by the commissioner. An individual who  
8 has made a withdrawal under this section may not elect to credit a dividend or make a cash  
9 contribution to an annuity account for two years after the withdrawal.

10 \* Sec. 9. AS 47.45.015, as enacted by sec. 18, ch. 99, SLA 1985, is repealed and reenacted to read:

11 Sec. 47.45.015. AMOUNT OF BONUS. (a) The amount of the monthly longevity bonus  
12 for a person who reaches 65 years of age on or before December 31, 1992, is \$250.

13 (b) The amount of the monthly longevity bonus for a person who reaches 65 years of age  
14 on or after January 1, 1993, is

15 (1) \$250 during fiscal year 1993;

16 (2) \$225 during fiscal year 1994;

17 (3) \$200 during fiscal year 1995;

18 (4) \$175 during fiscal year 1996;

19 (5) \$150 during fiscal year 1997;

20 (6) \$125 during fiscal year 1998;

21 (7) \$100 during fiscal year 1999;

22 (8) \$75 during fiscal year 2000;

23 (9) \$50 during fiscal year 2001;

24 (10) \$25 during fiscal year 2002; and

25 (11) \$0 after fiscal year 2002.

26 \* Sec. 10. AS 47.45.030 is amended to read:

27 Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification, a recipient shall  
28 notify the commissioner of administration when the recipient expects to be absent from the state  
29 if the absence is for a continuous period that exceeds 30 days. After that notification, the  
30 recipient may no longer receive bonuses from the Department of Administration after the last  
31 regularly approved monthly application. Upon returning to the state, the recipient may again

1 make application for a bonus. Whenever the absence is for a continuous period that exceeds 180  
2 [90] days the recipient shall be disqualified from receiving bonuses for the next 12 calendar  
3 months after returning to the state. However, when the commissioner determines a period of  
4 absence is beyond the control of the recipient, the recipient may not be disqualified if the  
5 recipient still otherwise qualifies upon returning to the state. Continual absences from the state,  
6 even though reported, and failure to notify the commissioner of an expected absence may be  
7 grounds for disqualification.

8 \* Sec. 11. AS 47.45.070(a) is amended to read

9 (a) An unqualified person is one who

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

12 (2) meets the age and residence requirements of this chapter but either is confined  
13 in a state or federal mental health institution or facility and is certified by the state as unable to  
14 manage personal affairs, or resides in a nursing home as that term is defined in AS 08.70.180;  
15 however, if that person, at the time of commitment or commencement of residence, provided the  
16 principal support of a spouse, the commissioner of administration may determine to pay the  
17 confined person's bonus to the person's spouse until the spouse is qualified for a bonus;

18 (3) is otherwise qualified but confined in a penal or correctional institution or  
19 facility; upon completion of sentence or upon the conferral of a pardon, parole or probation, the  
20 person may make application; confinement outside the state shall be considered as residence in  
21 the state if a person was convicted and sentenced from a court in Alaska; revocation of parole  
22 or probation shall be cause for immediate disqualification until release from confinement is again  
23 effected;

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

26 \* Sec. 12. AS 43.23.110(c) and sec. 1, ch. 99, SLA 1985, are repealed.

27 \* Sec. 13. Chapter 99, SLA 1985, and secs. 1 - 11 of this Act apply only to permanent fund divi-  
28 dends for years beginning after December 31, 1993. Notwithstanding the amendments to AS 43.23 made  
29 by ch. 99, SLA 1985, and this Act, permanent fund dividends for 1993 and prior years shall be made  
30 under the law as it existed before the effective date of this Act.

31 \* Sec. 14. This Act takes effect immediately under AS 01.10.070(c).

# Alaska State Legislature



Sen. Jay Kerttula, Co-Chairman  
Sen. Pat Pourchot, Co-Chairman

Sen. Al Adams  
Sen. Jim Duncan  
Sen. Lyman F. Hoffmann  
Sen. Dick Shultz  
Sen. Rick Uehling

## Senate Finance Committee

State Capitol  
Juneau, AK 99801-1182  
(907) 465-1200  
(907) 463-3066 Fax

Box 1009  
Palmer, AK 99645  
(907) 376-2675  
(907) 376-0315 Fax

### SPONSOR STATEMENT CS SENATE BILL 8 (STATE AFFAIRS) am Relating to an ANNUITY PROGRAM

The House Finance Committee has before it the House Judiciary version of Senate Bill 8. The Judiciary version differs radically from the version which the Senate passed this year and which passed the House State Affairs committee.

The House Judiciary version of Senate Bill 8 eliminates the annuity program from Senate Bill 8 and phases out the longevity bonus over a 15 year period for those persons who turn 65 after January 1, 1994. By 2008, the amount of the bonus would be 0 for these persons; for those who are 65 on or before January 1, 1994, the longevity bonus amount would be \$250 per month.

When the House Judiciary Committee considered Senate Bill 8, they indicated that it was their intent that both the Judiciary version and the Senate version of Senate Bill 8 be considered by the House Finance Committee.

#### CS SENATE BILL 8 (STATE AFFAIRS) am

Senate Bill 8 is an updated version of the legislation which the Senate passed in 1988. This legislation represents years of work by many Alaskans. Its enactment will reduce call on the state treasury and is necessary to save the program. However, more critical than even the economics of the proposal is the fact that the annuity proposal ensures that the state will continue to provide a program for pioneer Alaskans.

Since 1984, there have been several actuaries who have worked on the annuity proposal to ensure the actuarial soundness of the legislation and its tax status: Aetna Life, Kidder Peabody Corporation, Benefits Concepts, Morrison and Forrester (Tax attorneys), New York Life Insurance Company, Metropolitan Life Insurance Company, to name a few.

The projections for Senate Bill 8 are based on information from the Department of Labor, the Department of Administration, and the Permanent Fund Corporation. On the advice of the Department of Administration, we have assumed an interest rate of 7% for the annuity program which is conservative.

Under the provisions of Senate Bill 8, Alaska's seniors who are currently receiving the longevity bonus and those who turn 65 between now and January 1, 1994 will qualify for the current longevity bonus program and they will also receive the full permanent fund dividend. These individuals would not participate in the annuity program.

Individuals who turn 65 after January 1, 1994 would participate in a program consisting of a declining longevity bonus payment, and an option to participate in the annuity program; the combination would equal \$250 per month.

The Senate version of Senate Bill 8 has been designed to provide maximum flexibility for Alaska's seniors. For example:

1) To participate in the annuity program, an individual must contribute all or a portion of their permanent fund dividend into an annuity account. Those who choose to contribute 100 percent of their permanent fund dividends (or the cash equivalent) into the annuity program, will receive a combined longevity bonus payment and annuity payment totalling at least \$250 per month;

Individuals who are 50 or younger at the time of the legislation's effective date may receive over \$250 per month.

However, if an individual never contributes his permanent fund dividend into the annuity program, the amount of his bonus will keep decreasing until he will receive a \$3 bonus in 2007 plus his permanent fund dividend; In 2008, his longevity bonus would be zero (based on certain assumptions)

2) Section 4 provides for an eligible individual to make cash contributions to his annuity account but the total amount of any annuity credit plus a cash contribution may not exceed the permanent fund dividend for that year. The individual must also make the contribution within a certain time frame;

3) Section 7 provides for the designation of beneficiaries to an annuity account should an individual die before reaching age 65.

4) Section 8 provides for a one-time only emergency withdrawal from an individual's annuity account to meet an "unforeseeable emergency." The Commissioner of Administration will define this term in regulation. The language in this section of the bill is similar to the state's deferred compensation statutes. For the deferred compensation program, the IRS has provided a skeletal statement as to what is allowable as an unforeseen catastrophic emergency.

An individual may pay back the money into the annuity with interest.

## HOUSE CS FOR CS FOR SENATE BILL 8 (JUDICIARY)

The House Judiciary version of Senate Bill 8 completely eliminates the annuity program. It creates several major problems for the senior population:

- 1) The House Judiciary version ignores what the seniors have consistently said that they want as a solution to the longevity bonus program;
- 2) Seniors no longer have options and choices as they would in the Senate version;
- 3) The rationale that a private annuity would be a better investment is erroneous; the yield is likely to be less for a privately-run annuity due to the administrative costs;
- 4) The general fund cost to the state of the House Judiciary version is greater than the cost of the Senate version;
- 5) Potential tax benefits under the Senate version of SB 8 would be lost under the House Judiciary version. The accumulated funds within a state-run annuity would almost certainly be tax deferred; whereas they most probably would not be deferred in most privately run annuities.

Finally, if the intent is to use the permanent fund earnings reserve as the funding source for the longevity bonus program, the legislature will be creating an untenable situation. Utilizing the permanent fund earnings reserve will ultimately result in a decrease in the amount of the permanent fund dividend; this would "pit" the seniors against the rest of Alaska's citizens.

I believe that the version of Senate Bill 8 which passed the Senate is in the best interests of Alaska's seniors, reflects the will of Alaska's citizens and is good public policy. In order to understand the provisions of the annuity program which is created in Senate Bill 8, as passed by the Senaté, some historical background is necessary.

## BACKGROUND AND CHRONOLOGY

In 1972, the Alaska Legislature instituted the Alaska Longevity Bonus Program. The primary purpose of the program was to provide for residents who helped build Alaska, and to enable them to remain in Alaska when they retire. All Alaskans who were age 65 or older and had been a resident of the state prior to January 1, 1959, and had 25 years of continuous residency were eligible to receive the bonus.

This program was initiated before the pipeline construction. The availability of large amounts of money was not the motivating factor in initiating the Longevity

Bonus; rather, it was based on an enlightened approach toward our elders and the realization that our future and our children's future remains more secure with the support our elders give by remaining in Alaska where basic necessities are available to them.

In 1982, Rodney Vest filed suit against the state on the issue of the Longevity Bonus program, challenging the state's residency requirement. The case went before the Alaska Supreme Court.

In 1984, the Supreme Court issued the decision which changed the eligibility requirements for the longevity bonus program.

The Legislature subsequently amended the longevity bonus statutes so that individuals who have resided in the state for one year would be eligible for the \$250 bonus. It was apparent to everyone that this decision would lead to an increase in the number of eligible Alaskans 65 and older with a resulting increase in costs to the state.

The statistics since 1984 clearly show the increase in participants and cost. In 1973, there were 3,641 participants in the longevity bonus program, at a cost of \$4 million. In 1989, there were 18,000 seniors participating in the program at a cost of \$54 million. To fully fund the longevity bonus program in FY 93 would require \$67 million with an estimated participation of 22,865 individuals. At this rate, the longevity bonus program will cost the state \$100 million by the year 2006.

Because of these increased costs, the Administration and the legislature felt the need to examine options which would protect the longevity bonus and which would enable seniors to continue to receive the bonus while simultaneously phasing out the amount of general fund dollars which would be required for the program.

As early as 1983, the Legislature began to look at alternatives to the Longevity Bonus program. The Hammond Commission was formed in 1984 and I was a member of this Commission.

In 1985, the legislature passed Conference Committee Substitute for SB 56 which authorized an annuity program and placed a ballot proposition before the voters asking them whether or not the legislature should adopt an annuity program; on November 4, 1986, this ballot proposition passed by a vote of 99,222 to 65,789 (garnering more votes than any candidate has received in the last two gubernatorial elections).

In 1986, Senate Bill 5, which I sponsored, was introduced. This legislation would put an annuity program in place. Although SB 5 passed the legislature, it was vetoed by the Governor who failed to understand the issues.

Once again, the pioneers are supporting the enactment of the annuity program which the voters overwhelmingly approved in 1986.

### SUMMARY

While I would prefer to continue the present longevity bonus program, it is unrealistic to assume that we can do so, given the escalating program costs.

Alaska's seniors have been waiting since 1982 for a resolution to the dilemma created by the Supreme Court decision. The seniors want the stability of a definitive decision. Continuing the present program simply adds to their feelings of uncertainty and apprehension; it is not fair that they should have to wonder every year what the legislature will do to the longevity bonus program.

Alaska's seniors have accepted the need for a change to the present longevity bonus program; they support the enactment of the annuity program which the voters overwhelmingly approved in 1986.

However, they have spoken overwhelmingly in opposition to any needs-based prop. It is unacceptable to force our senior citizens to live in poverty after they have given their energy, their youth, and their good will to build our state; their efforts have made our own lives better. The Alaskan senior is justifiably a proud individual and should not be put through the degradation of a welfare program in their later years when their presence is so necessary to the well-being of future generations.

I believe that enacting the annuity program is the best way to ensure that Alaska seniors can continue to rely on a monthly check of at least \$250. The annuity will enable us to legally secure the Alaska longevity bonus program at a relatively low cost to the state. By the year 2010, it is estimated that the State will save \$533.7 million if CS Senate Bill 8 (State Affairs) am passes.

In conclusion, I urge the House Finance Committee to adopt CS Senate Bill 8 (State Affairs) am.

# Alaska State Legislature

Sen. Jay Kerttula, Co-Chairman  
Sen. Pat Pourchot, Co-Chairman

State Capitol  
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Sen. Al Adams  
Sen. Jim Duncan  
Sen. Lyman F. Hoffman  
Sen. Dick Shultz  
Sen. Rick Uehling

## Senate Finance Committee

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### SECTIONAL ANALYSIS

#### CS SENATE BILL 8 (State Affairs) am

Sec. 1 Amends Ch. 99 SLA 85 which has never taken effect to provide that a person 65 years of age on or before January 1, 1994 will receive a longevity bonus of \$250 per month. Ch. 99 SLA 85 set this date at January 1, 1988.

Sec. 2 Amends Ch. 99 SLA 85 to include cash contributions permitted under section 4 of this bill.

Sec. 3. Provides for the investment of funds in the annuity investment fund and adds a reference to the annuity reserve account established in section 6 of this bill.

Sec. 4. Adds a new provision allowing certain individuals to make cash contributions to annuity accounts if they do not elect to receive permanent fund dividends as annuity credits. Sets up the annual window of time during which such a cash contribution may be made.

Sec. 5 Amends Ch. 99 SLA 85. Conforming language to allow for cash contributions.

Sec.6. Amends Ch. 99 SLA 85 to require that annuities be paid from the annuity reserve account.

Sec. 7 Amends Ch. 99 SLA 85 65. Sets up beneficiary succession for death benefits.

Sec. 8. Permits a one-time emergency withdrawal to meet an unforeseeable emergency, as defined in regulation.

Sec. 9. Amends Ch. 99 SLA 85 by adding a description of "maximum possible straight life annuity" to to be used for determining the amount of the monthly longevity bonus. A person who is 65 on or before January 1, 1994 is entitled to the full longevity bonus payment without reduction.

Sec. 10. Repeals the stairstepping provision in Ch. 99 SLA 85.

Sec. 11. The annuity credit selection applies only to permanent fund dividends beginning after December 31, 1992

Sec. 12. The bill has an immediate effective date.

# Alaska State Legislature

Legislative Research Agency



130 Seward Street, Suite 218  
Juneau, Alaska 99801-2196

Phone: (907) 465-3991  
Fax: (907) 463-3351

JAN 30 1992

January 30, 1992

## MEMORANDUM

TO: Senator Jay Kerttula

FROM: Paul Engelman and Paula d. Scavera *PE PS*  
Legislative Analysts

RE: Cost Comparison of Existing Longevity Bonus Program and Senate Bill 8  
Research Request 92.124

You requested an update of previous Legislative Research Agency memorandums which compared the general fund cost of the current longevity bonus program with the cost of the program as modified by the proposed Senate Bill 8.

The attached table and graphs incorporate some changes in assumptions from previous memorandums. The annual annuity interest rate has been lowered to 7 percent, on the advice of the director of Retirement and Benefits, Alaska Department of Administration, to reflect current interest rate expectations. The starting date for the annuity program has also been moved forward one year, as Senate Bill 8 was not enacted last year. These changes reveal a decrease in cumulative savings compared to earlier analyses.

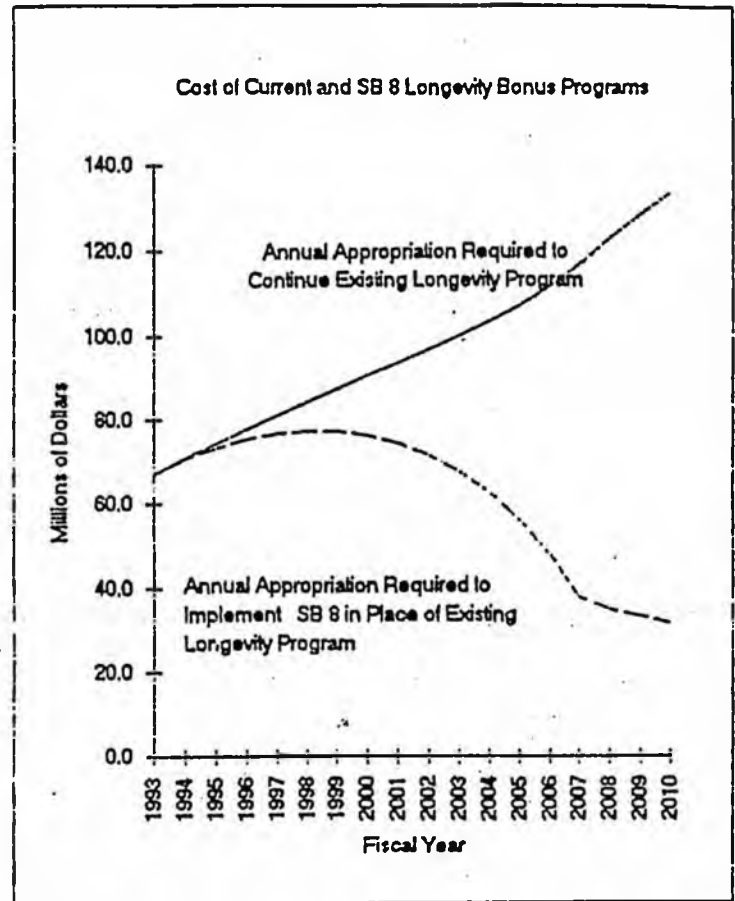
We hope this information is helpful to you. If you need further assistance please do not hesitate to contact this office.

Attachments

# Alaska Longevity Bonus Program and Senate Bill 8

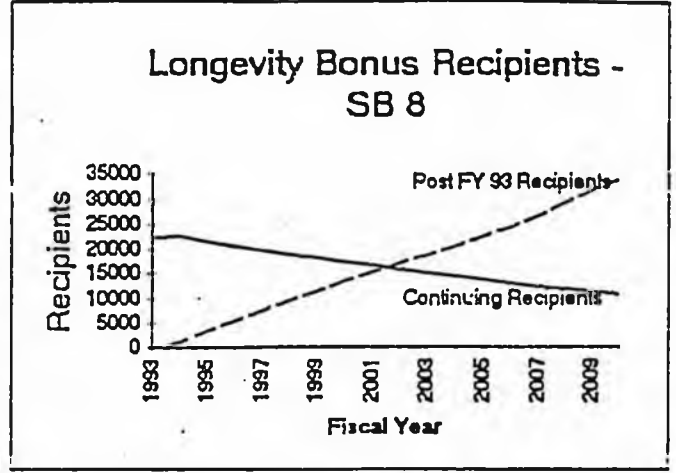
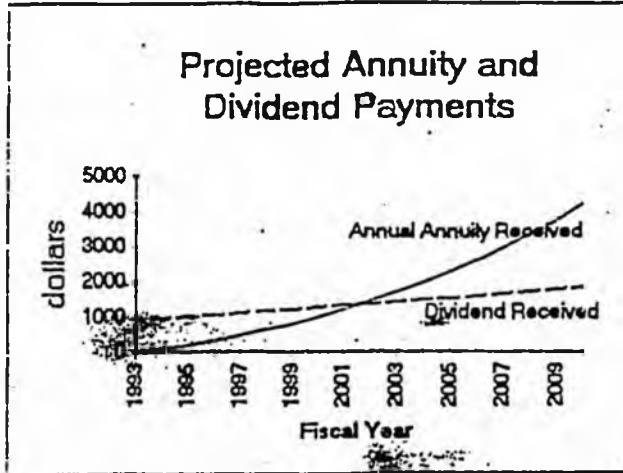
Fiscal Year	General Fund Costs/Savings			
	Cost of Current Program	Cost of SB 8 Program	Annual Savings SB 8	Cumulative Savings SB 8
1993	67.2	67.2	0.0	0.0
1994	70.9	70.8	0.1	0.1
1995	74.5	73.5	1.1	1.2
1996	77.9	75.5	2.4	3.6
1997	80.9	76.7	4.2	7.8
1998	84.1	77.3	6.8	14.6
1999	87.2	77.2	10.0	24.6
2000	90.5	76.3	14.1	38.7
2001	93.5	74.4	19.1	57.8
2002	96.7	71.6	25.1	82.9
2003	100.0	67.6	32.4	115.3
2004	103.4	62.4	40.9	156.2
2005	107.0	55.9	51.2	207.4
2006	111.4	47.8	63.6	271.0
2007	116.5	37.8	78.7	349.7
2008	122.7	35.0	87.7	437.4
2009	128.4	33.4	95.0	532.4
2010	133.6	31.9	101.7	634.1

Note:  
 \*All Dollar Amounts are in Millions of Nominal Dollars.  
 \*Implied migration and mortality rates are from Alaska Department of Labor.  
 \*Annuity Interest Rate 7%  
 \*No Annual Annuity Service Charge



Revised 3/5/92

# Alaska Longevity Bonus Program and Senate Bill 8



Fiscal Year	Qualified Recipients	Post FY 93 Recipients	Total Recipients	Dividend Received	Annual Annuity	Monthly Annuity	Post FY 93 Bonus	Total Monthly Annuity+Dividend
1993	22385	0	22385	924.00	0.00	0.00	250.00	250.00
1994	22488	1137	23625	970.00	101.55	8.46	241.54	250.00
1995	21469	3373	24842	1022.00	215.26	17.94	232.06	250.00
1996	20512	5441	25953	1066.00	342.65	28.55	221.45	250.00
1997	19587	7383	26970	1111.00	483.80	40.32	209.68	250.00
1998	18687	9345	28032	1171.00	639.76	53.31	196.69	250.00
1999	17843	11224	29067	1221.00	813.24	67.77	182.23	250.00
2000	17018	13144	30162	1271.00	1004.36	83.70	166.30	250.00
2001	16237	14932	31169	1321.00	1214.36	101.20	146.80	250.00
2002	15484	16743	32227	1374.00	1444.54	120.38	129.62	250.00
2003	14773	18555	33328	1426.00	1696.67	141.39	108.61	250.00
2004	14086	20372	34458	1479.00	1972.15	164.35	85.65	250.00
2005	13431	22250	35681	1533.00	2272.75	189.40	60.60	250.00
2006	12807	24338	37145	1589.00	2600.33	216.69	33.31	250.00
2007	12220	26607	38827	1647.00	2956.98	246.42	3.58	250.00
2008	11657	29228	40885	1706.00	3344.98	278.75	0.00	278.75
2009	11136	31659	42795	1766.00	3766.63	313.89	0.00	313.89
2010	10641	33899	44540	1830.00	4224.38	352.03	0.00	352.03

# Alaska State Legislature

130 Seward Street, Suite 218  
Juneau, Alaska 99801-2196

Legislative Research Agency



Phone: (907) 465-3991  
Fax: (907) 463-3351

March 30, 1992

## MEMORANDUM

TO: Senator Jalmar Keritula *JK*

FROM: Paula d. Scavera and Paul Engelman *PE*  
Legislative Analysts

RE: Interest Rates and Private Annuities

As you requested, we contacted private insurance companies for current interest rates on annuities. The current rate is 6.0 percent to 6.5 percent depending on the amount of money initially placed in the account and the company providing the annuity. All of the companies contacted required an initial minimum amount to establish an annuity. Minimums range from \$1,000 to \$10,000.

Daniel Carpenter of Benefits Concepts, Inc., indicated that the current amount charged by insurance companies to administer annuities is approximately 2.25 percent. This includes both operating expenses and a profit margin. Some companies also charge an additional annual annuity fee.

If we can be of any additional assistance, please contact us.

# Alaska State Legislature

PT  
4/3

Legislative Research Agency



130 Seward Street, Suite 218  
Juneau, Alaska 99801-2196

Phone: (907) 465-3991  
Fax: (907) 463-3351

April 1, 1992

APR 03 1992

## MEMORANDUM

TO:

*PS*      *PE*

FROM: Paula d. Scavera and Paul Engelman  
Legislative Analysts

RE: Costs of Alaska Longevity Bonus Programs  
Research Request 92.217 (Supplemental Information)

You requested information concerning the total costs of the existing Alaska Longevity Bonus Program and three alternatives. Those alternatives are Senate Bill 8, House Judiciary Committee Substitute for Senate Bill 8 and a program that would pay only those persons who are aged 65 prior to January 1, 1994.

We have assumed that the maximum age for a recipient is 98. This means that the program costs for both versions of SB 8 and the other alternative would end in 2026. Costs for the current program go beyond this date, and continue to grow.

If you have questions or need further assistance, please contact this office.

Attachment

# Alaska State Legislature

Sen. Jay Kerttula, Co-Chairman  
Sen. Pat Pourchot, Co-Chairman

Sen. Al Adams  
Sen. Jim Duncan  
Sen. Lyman F. Hoffman  
Sen. Dick Shultz  
Sen. Rick Uehling

## Senate Finance Committee

State Capitol  
Juneau, AK 99801-1182  
(907) 465-1200  
(907) 463-3066 Fax

Box 1009  
Palmer, AK 99645  
(907) 376-2675  
(907) 376-0315 Fax

### MEMORANDUM

TO: Representative Mike Navarre  
Co-Chair, House Finance Committee

FROM: Senator Jay Kerttula *Jay*

SUBJECT: Senate Bill 8 - Annuity Legislation

DATE: April 1, 1992

I would appreciate it if you would schedule Senate Bill 8, relating to the annuity/longevity bonus program.

Under CS Senate Bill 8 (State Affairs)am, Alaska seniors who are currently receiving the longevity bonus and those who turn 65 prior to January 1, 1994, will receive the \$250 longevity bonus and will continue to receive the permanent fund dividend.

Those individuals who turn 65 after January 1, 1994 would participate in a program consisting of a declining longevity bonus payment and an option to participate in the annuity program.

I believe that the annuity is the best way to ensure that Alaska seniors can continue to rely on a monthly check of at least \$250. The annuity will enable us to legally secure the Alaska longevity bonus program at a relatively low cost to the state. By the year 2010, Senate Bill 8 will have cost the state \$577.3 million less than the longevity bonus program in its current form. The annuity approach was overwhelmingly approved by Alaskan voters in 1986.

I urge favorable consideration of this request. The longevity bonus program was started in 1972, before the big oil years. In an era of declining oil revenues, it is appropriate to put the program into a form that provides stability and reassurance to Alaskans.

JK:pt

Longevity Bonus Costs  
(Millions)

Fiscal Year	Cost of Current Program	Cost of Recipients Age 65 Prior to 1/1/1994	Cost of SB 8	Cost of H. JUD. Substitute for SB 8
1993	67.2	67.2	67.2	67.2
1994	70.9	67.5	70.8	70.8
1995	74.5	64.4	73.5	73.5
1996	77.9	61.5	75.5	75.5
1997	80.9	58.8	76.7	76.8
1998	84.1	56.1	77.3	77.6
1999	87.2	53.5	77.2	77.6
2000	90.5	51.1	76.3	77.0
2001	93.5	48.7	74.4	75.3
2002	96.7	46.5	71.6	72.8
2003	100.0	44.3	67.6	69.4
2004	103.4	42.3	62.4	64.7
2005	107.0	40.3	55.9	58.9
2006	111.4	38.4	47.8	51.7
2007	116.5	36.7	37.8	42.8
2008	122.7	35.0	35.0	35.0
2009	128.4	33.4	33.4	33.4
2010	133.6	31.9	31.9	31.9
2011-2026	3032.9	152.0	152.0	152.0
Total*	4779.3	1029.6	1264.3	1283.9

\*Total for current program is just through 2026.  
The program continues.  
Other program costs terminate in 2026.

Implied age distribution and mortality rates from the Alaska Department of Labor and the Alaska Department of Administration.

Maximum age for recipients is 98

THIS WAS THE BALLOT QUESTION NOVEMBER, 1986.

THE VOTE WAS: 99,222 FOR; 65,789 AGAINST.

**Ballot Language For  
Advisory Vote on Longevity  
Bonus Annuity Program**

The Fourteenth Alaska State Legislature considered two alternatives to the present longevity bonus program. Both were adopted into law, but neither will take effect unless the legislature chooses one of them. The legislature has asked for an advisory vote of the public on the annuity option which is described below.

The annuity option provides that every individual who reaches age 65 by January 1, 1988, including those already receiving the bonus, would receive a longevity bonus payment of \$250 per month. In addition, a person under age 65 on January 1, 1988, could participate in an optional annuity program by depositing all or part of his or her permanent fund dividends in an account held by the state. Upon reaching age 65, a person would receive a monthly payment in an amount determined by how much was contributed to the account. The annuity payments would be supplemented with declining longevity bonus payments paid for with general funds until the annuity accounts were large enough to provide monthly payments of \$250 a month.

The second option provides that every individual who is 65 years old by January 1, 1988, including those already receiving the bonus, will receive a longevity bonus payment of \$250 per month, but that anybody younger than age 65 by January 1, 1988, would not be eligible for benefits.

Should the legislature adopt the annuity option?

YES ( )      NO ( )

DOCUMENTS WHICH HAVE NOT BEEN  
FILMED BUT ARE AVAILABLE IN THE  
ORIGINAL FILE INCLUDE:

*Letters in Opposition*

*Mike Miller, Juneau*

*AARP, 4/2/92, Alter  
4/9/92 Campbell*

**SB**

**8**

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/19/91

FURTHER:

DATE TURNED  
INTO OFFICE:

5-15-91

The Finance Committee considered SENATE BILL NO. 8

"An Act amending and making effective an annuity program and amendments to the longevity bonus program and the permanent fund dividend program provided for in secs. 2 - 18, ch. 99, SLA 1985; and providing for an effective date."

and recommended:

- replace with \_\_\_\_\_ CS
- or adopt \_\_\_\_\_ CS SA 8 (STA)
- attached amendment(s)
- \_\_\_\_\_ letter of intent adopted

- same title
- new title
- technical title change (HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

- fiscal note(s) \_\_\_\_\_  
DDA-Ret + Bene 5/13/91 \$1,851.2
- DOR-PFD 4/22/91 41.7 (62)
- DHSSRA 5/13/91 6 (92) 12-4 (93)
- zero fiscal note(s) \_\_\_\_\_

APPROVES PREVIOUS:

Dept/Date:

- fiscal note(s) \_\_\_\_\_  
DDA-Pioneers 4/3/91 106.0
- zero fiscal note(s) \_\_\_\_\_

appropriation-no fiscal note

SIGNING DO PASS:

[Signature]

[Signature]

1. [Signature] 2. [Signature]

OTHER RECOMMENDATIONS:

All Adams - No Rec

[Signature] - No Rec

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. SB 8

Revision Date: April 16, 1991  
Title: Annuity Program Amendments

Agency Affected: Revenue  
BRU: Permanent Fund Dividend Division  
Components: Permanent Fund Dividend  
Division

Sponsor: Kerttula  
Requestor: \_\_\_\_\_

COMPONENT SERIAL NO. 9 8 1

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
<b>OPERATING</b>						
PERSONAL SERVICES	26.7	13.1	13.1	13.1	13.1	13.1
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	15.0	15.0	15.0	15.0	15.0	15.0
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL OPERATING</b>	<b>41.7</b>	<b>28.1</b>	<b>28.1</b>	<b>28.1</b>	<b>28.1</b>	<b>28.1</b>
<b>CAPITAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>REVENUE</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (RSA)	41.7	28.1	28.1	28.1	28.1	28.1
<b>TOTAL</b>	<b>41.7</b>	<b>28.1</b>	<b>28.1</b>	<b>28.1</b>	<b>28.1</b>	<b>28.1</b>

POSITIONS:

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

Estimate of current year impact: None.

ANALYSIS: See attached.

Prepared By: Thomas C. Williams Phone: 465-2323  
Division: Permanent Fund Dividend Division Date: April 16, 1991

Approved by Commissioner: Lee E. Fisher Date: April 22, 1991  
Agency: Revenue

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

ALASKA DEPARTMENT OF REVENUE  
PERMANENT FUND DIVIDEND DIVISION  
SB 8 ANALYSIS  
As of April 16, 1991

Assumptions:

1. This bill is the only Permanent Fund Dividend checkoff bill that will become law. This fiscal note would change if other PFD checkoff bills are introduced and become law.
2. The Department of Administration will charge the Department of Revenue for the required additional computer time.
3. The cost of programming changes will be a one-time cost. Ongoing maintenance of new programs would be accomplished by existing staff. The computer system will need to be changed to account for the change in the program, to establish new accounting controls and to provide for the transfer of funds to the trust account. The following tasks will require the following programming hours.

	<u>Hours</u>
a. <u>Wang Data Entry Processing Updates</u>	75.0
(1) Data entry	
(2) Batch lists	
(3) Corrections	
(4) Wang to IBM transfer	
b. <u>IBM File Processing Updates</u>	30.0
(1) Edits	
(2) Batch listings	
(3) Worksheets	
c. <u>CICS Online Programs for Lookup and Changes</u>	37.5
d. <u>Nightly Update of Changes</u>	22.5
e. <u>Warrant Jobs</u>	90.0
(1) Printing warrants with different amounts. Include check stub messages.	
(2) Modify warrant registers as needed for balancing.	
(3) Create new program for transferring accumulated decisions to trust account and to account for the reserve necessary due to returned and cancelled PFD warrants.	
f. <u>Miscellaneous</u>	45.0
(1) Setting up test files on IBM	
(2) Systems testing	
 <u>Total Hours</u>	 <u>300.0</u>

ALASKA DEPARTMENT OF REVENUE  
 PERMANENT FUND DIVIDEND DIVISION  
SB 8 ANALYSIS  
 As of April 16, 1991

4. The cost of document review, data capture and the data processing chargeback will be continuing. One Document Processor I position would be required for three months to assist in the manual review and coding of 525,000 applications. One Data Processing Clerk I position would be required for two months to assist in data capture.
5. There will be an additional cost associated with an extra page in the PFD booklet necessary to describe the annuity options.
6. Garnishments and assignments will take precedence over contributions to the annuities in the order established by statute. The PFD Division will only honor contributions to the extent that an individual's permanent fund dividend has not otherwise been assigned or garnished.
7. The PFD Division will be responsible for electronically transferring contributions to the annuity account.
8. The Treasury Division will be responsible for the accounting and management of the annuity account.

Cost Summary:

1. Personal Services

	<u>FY 92</u>	<u>FY 93</u>
1 PPT Analyst/Programmer V, R21 @ \$6,770.74/Mo including salary and benefits for 2 months. PCN 04-6011 would be funded for an additional 2 months.	\$ 13.6	\$ -0-
1 PPT Document Processor I, R7 @ \$2,573.60/Mo including salary and benefits for 3 months. This position represents the equivalent of the additional time and effort.	7.7	7.7
1 PPT Data Processing Clerk I, R8 @ \$2,699.03/Mo including salary and benefits for 2 months. This position represents the equivalent of the additional time and effort.	<u>5.4</u>	<u>5.4</u>
Total Personal Services	<u>26.7</u>	<u>13.1</u>

2. Contractual Services

a. Data Processing Chargeback	5.0	5.0
b. Printing charge for extra page	<u>10.0</u>	<u>10.0</u>
Total Contractual Services	<u>15.0</u>	<u>15.0</u>
TOTAL COST	<u>\$ 41.7</u>	<u>\$ 28.1</u>

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. CSSB 8

Revision Date: \_\_\_\_\_ Department Affected: Health & Social Services  
 Title: "An Act relating to the Alaska Longevity Bonus Program" BRU: Assistance Payment BRU  
 Component: Adult Public Assistance - OAA & OAA ALB Hold Harmless  
 Sponsor: Kerttula  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 

03	06	01	06
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	(6.7)	(68.6)	(142.2)	(259.6)	(416.5)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(6.7)	(68.6)	(142.2)	(259.6)	(416.5)

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	(6.7)	(68.6)	(142.2)	(259.6)	(416.5)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	(6.7)	(68.6)	(142.2)	(259.6)	(416.5)

POSITIONS:

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

Estimate of current year impact: No fiscal impact FY92.

ANALYSIS: (Attach a separate page if necessary.) CSSB 8 continues the ALB Hold Harmless program, but includes no hold harmless provision for annuity payments. See the attached addendum for an analysis of the impact of this proposed change.

Prepared By: Jan L. Hansen, Director Phone: 465-3347  
 Division: Division of Public Assistance Date: 5/13/91  
 Approved by Commissioner: Theodore A. Mala, MD, MPH  
 Agency: Department of Health & Social Services Date: 5/14/91

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

Division of Public Assistance  
Assistance Payments BRU

Old Age Assistance (OAA) & Alaska Longevity Bonus Hold Harmless (OAA-ALB HH)

1. CSSB No. 8 continues the Hold Harmless program, but includes no Hold Harmless provision for annuity payments.
2. We assume the first annuity payments will be made in fiscal year 1993, but that few Old Age Assistance applicants or recipients will elect to participate.
3. Only those who become 65 after January 1, 1993 will receive a declining ALB.
4. Longevity bonus and annuity amounts are based on Legislative Research Report 91.151.
5. There is no effect in FY 92 on Old Age Assistance clients impacted by this bill because annuity payments will not begin until FY 93.
6. Costs assume average age of new applicants for Old Age Assistance will be 65.
7. Approximately 35 percent of all OAA recipients also receive SSI.
8. We assume that the bonus payments will decrease March 1, 1993, and that OAA clients whose bonus payments will be impacted will be as follows:

	<u>Bonus</u>	<u>Annuity</u>	<u>OAA Clients Impacted</u>
FY92	\$250	0	160
FY93	\$241	\$ 9	530
FY94	\$231	\$19	859
FY95	\$220	\$30	1130
FY96	\$207	\$43	1437
FY97	\$193	\$57	1741

CSSB No. 8 provides for a redesign of the Longevity Bonus program to include an annuity and assumes continuation of a full Hold Harmless for the bonus. The impact of this proposed change is two-fold: 1) As the ALB payments decrease then the amount of ALB Hold harmless for SSI replacements also decreases. The drop in ALBHH for federal Supplemental Security Income (SSI) replacement is a net savings to the State. 2) As the bonus payment decreases, the amount of ALB Hold Harmless for OAA replacement decreases and shifts back to Old Age Assistance. The amount of this decrease is a dollar for dollar shift back to Old Age Assistance in the Adult Public Assistance (APA) component.

	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>
Estimated number of impacted aged recipients receiving ALB Hold Harmless that replaces SSI income (35% of OAA clients impacted)	56	185	301	395	503	609
Estimated number of impacted aged recipients receiving ALB Hold Harmless that does not replace SSI income (65% of OAA clients impacted)	104	345	558	735	934	1132
Total number of new OAA recipients receiving ALB Hold Harmless (100% of OAA clients impacted)	160	530	859	1130	1437	1741
Reduction in monthly bonus \$	0	(9)	(19)	(30)	(43)	(57)
Fiscal year State Savings for ALB Hold Harmless Program benefits to replace OAA payments (65% of OAA clients impacted x bonus reduction x 12 months)	0	(12.4)	(127.2)	(264.6)	(481.9)	(774.3)
Fiscal year State Savings for ALB Hold Harmless Program benefits to replace SSI payments (35% of OAA clients impacted x bonus reduction x 12 months)	0	(6.7)	(68.6)	(142.2)	(259.6)	(416.5)
Fiscal year State Cost for non-SSI OAA recipients (non-SSI clients x bonus reduction x 12 months)	0	12.4	127.2	264.6	481.9	774.3
=====						
Net Savings to State resulting from CSSB 8	0	(6.7)	(68.6)	(142.2)	(259.6)	(416.5)

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. CS SB 8

Revision Date: 5/13/91 Department Affected: Health & Social Services  
 Title: An Act amending and making effective an annuity program ..... BRU: Medicaid  
 Sponsor: Kerttula Component: ALB Hold Harmless and Medicaid Non Facility  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 0231 10230

Expenditures/Revenues: Thousands of Dollars

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

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

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)  
 CS SB 8 would result in net savings to the state. See attached analysis

Prepared By: [Signature] Phone: 465-3355

Division: Division of Medical Assistance Date: 5/13/91

Approved by Commissioner: [Signature]

Agency: Department of Health & Social Services Date: 5/14/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, GMB, & Impact Agency(ies).

FISCAL NOTE ANALYSIS  
CS SB 8

FY92

There is no fiscal effect on Medicaid (0230) or the Alaska Longevity Bonus-Hold Harmless ("ALB-HH") medical component (0231) for FY92.

FY93

In FY93, CS SB 8 would decrease the bonus payment by \$9.16, which would result in 33 recipients of ALB-HH coverage becoming eligible for regular Medicaid coverage. Each eligible person is expected to use \$423.36 per month in medical services which are covered by either program. The program will be effective 1/1/93, but the bonus is on a two-month retrospective system, so there will only be a four-month effect in FY93.  $33 \text{ recipients/month} \times \$423.36/\text{month} \times 4 \text{ months} = 55.9$  savings to ALB-HH (100% state general funds). New cost to Medicaid = 55.9 (50% federal, 50% state general funds). Net savings to the state = 28.0, the amount of the new federal funds which replace general funds.

FY 94 and following

(a) Medical costs will increase by 16.4% per year (11.8% for increases in the rate at which eligible persons utilize medical services, and 4.6% per year for annual increases in the costs of the services.

(b) As the amount of the bonus decreases incrementally to \$192.85 by FY97, we assume the recipients who move from the ALB-HH program to the Medicaid program will be affected proportionately, that the caseload (exclusive of bonus effects) will continue to increase at 6% per year, and that no assistance recipients will opt for annuity payments.

FY94:

$(33 \times 2.06) \times 106\% = 72$  recipients  
 $\$423.36 \times 116.4\% = \$492.79$   
 $72 \times \$492.70 \times .2 = 425.7$

FY95:

$(33 \times 3.28) \times 106\% = 115$   
 $\$492.79 \times 116.4\% = \$573.61$   
 $115 \times \$573.61 \times 12 = 791.6$

FY96:

$(33 \times 4.66) \times 106\% = 163$   
 $\$573.61 \times 116.4\% = \$667.78$   
 $163 \times \$667.68 \times 12 = 1,306$

FY97:

$(33 \times 6.24) \times 106\% = 218$   
 $\$667.68 \times 116.4\% = \$777.18$   
 $218 \times \$777.18 \times 12 = 2,033.1$

NOTE: The average monthly cost of services is compiled from the bills paid on behalf of all elderly recipients of ALB-HH and Medicaid. When the number of recipients is reduced to the small numbers estimated here, the average costs can be radically affected upward by a single recipient who suffers a long hospitalization. Cost savings showing here could therefore be substantially underestimated.

Summary:	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>
ALB-HH					
G F	(55.9)	(425.7)	(791.6)	(1,306.0)	(2,033.1)
Medicaid					
GFM	27.9	212.8	395.8	653.0	1,016.5
Fed	28.0	212.9	395.8	653.0	1,016.6
<hr/>					
Net Savings					
G F	28.0	212.9	395.8	653.0	1,016.6

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

FISCAL NOTE

No. 3  
Version: SR 8  
(S) Publish Date: 4/19/91

Revision Date: \_\_\_\_\_  
Title: An Act amending and making effective an annuity program and amendments to the longevity bonus program  
Sponsor: Senator Kerttula  
Requestor: Senator Kerttula

Department Affected: Administration  
BRU: Division of Pioneers' Benefits  
Component: Longevity Bonus Program

COMPONENT SERIAL NO. 

2	6		
2	7		

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	106.0	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)	(91.5)	(754.6)	(2,091.5)	(4,100.2)	(6,989.7)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	106.0	(91.5)	(754.6)	(2,091.5)	(4,100.2)	(6,989.7)

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	106.0	(91.5)	(754.6)	(2,091.5)	(4,100.2)	(6,989.7)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	106.0	(91.5)	(754.6)	(2,091.5)	(4,100.2)	(6,989.7)

POSITIONS:

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

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)

Impact for FY 91 is zero. This fiscal note assumes there would be an amendment to the computer program contract (to modify the longevity bonus system to print and account for multiple checks) and computer services support. Estimated cost is \$89.0. Estimated cost for mailing and printing is \$17.0.

Prepared by: Barbara Bathony *B. Bathony*  
Division: Pioneers' Benefits

Phone: 465-4400  
Date: April 1, 1991

Approved by Commissioner: Millett Keller *Millett Keller*  
Agency: Administration

Date: 4/18/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OA

Changes in 155B8 (STA) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.  
4/18/91 *Millett Keller*  
date/ Come Aide (initial)

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FISCAL NOTE - DOA (L. BONUS)

Fiscal Note  
SB 8  
April 1, 1991

Projected annual savings under this proposal are tenuous because they depend upon a number of variables that cannot be predicted accurately. These projections were prepared as a joint project of the Legislative Research Agency and the Alaska Longevity Bonus program. A brief discussion of some of the more important assumptions and variables follows.

The Bonus amount for those turning 65 after January 1, 1993, is \$250 less than the annuity payment for those who turn 65 in the current year. The annuity payment depends upon:

- Permanent Fund Dividends—we use projections provided by the Permanent Fund Corporation;
- the interest rate at which earnings accrue and the interest rate used to determine an annuity—we used 9 percent as a reasonable estimate in both cases provided by Legislative Research;
- the life expectancy of a 65 year-old—we used figures provided by the Alaska Department of Labor; and
- the frequency of bonus adjustments—we assumed that bonuses would be adjusted at the beginning of each fiscal year and remain fixed throughout the year.

The number of recipients who receive \$250 per month was determined by applying mortality and migration figures—supplied by the Alaska Department of Labor—to the projected number of recipients who will be on the program prior to 1992.

The number of recipients who receive reduced bonuses was determined by applying population, mortality and migration figures to the current number of recipients in order to determine the number of new applicants in each year. Migration and mortality figures were then applied to new applicants in order to determine the number of recipients who will receive reduced bonuses in each year.

#### Caveats

Projections exclude the cost of administering an annuity program. The assumption is that this agency's involvement with the annuity portion of the program would be limited to being informed of the amount by which bonus warrants should be reduced. Expected costs of modifying the program in order to pay amounts other than a fixed \$250 are included in the FY 92 contractual line.

Projections exclude the savings that would occur under the "hold harmless" provisions of AS 47.45.122. Those costs would be reflected in this fiscal note only if the legislature appropriates hold harmless funds to this agency for subsequent transfer to the Department of Health and Social Services.

Projections exclude savings that might occur if the number of recipients declines as the program becomes less financially attractive to participants and potential participants.

Contractual costs are: Explaining program to 22,000 recipients, 2 mailings plus printing of information.

2 mailings	\$ 12,000
printing	5,000
software program revision	<u>89,000</u>
TOTAL	\$106,000

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# Longevity Bonus Program

SB 8

April 1, 1991

1	2	3	4	5	6	7	8	9	10	11
Fiscal Year	Qualified Recipients	Continuation Of Present Program	Grandfathered Recipients	New Recipients	Annulty	Longevity Bonus Payments	New Recipients	Grandfathered Recipients	SB 6 Cost	Annual Savings
1992	22,628	\$67,884,000	22,628	0	\$0.00	\$250.00	\$0	\$67,884,000	\$67,884,000	\$0
1993	23,782	\$71,346,000	22,950	832	\$9.16	\$240.84	\$2,404,547	\$68,850,000	\$71,254,547	\$91,457
1994	24,936	\$74,808,000	21,609	3,327	\$18.90	\$231.10	\$9,226,436	\$64,827,000	\$74,053,436	\$754,564
1995	26,090	\$78,270,000	20,286	5,804	\$30.03	\$219.97	\$15,320,471	\$60,858,000	\$76,178,471	\$2,091,529
1996	27,164	\$81,492,000	19,164	8,000	\$42.71	\$207.29	\$19,899,840	\$57,492,000	\$77,391,840	\$4,100,160
1997	28,118	\$84,354,000	17,926	10,192	\$57.15	\$192.85	\$23,586,326	\$53,778,000	\$77,364,326	\$6,989,674

Division of Pioneers' Benefits  
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FISCAL NOTE

BILL NO. CSSB 8

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: An Act amending and making effective an Annuity Program.

Department Affected: Administration  
BRU: Retirement and Benefits

Sponsor: Kertulla  
Requestor: \_\_\_\_\_

Component: Retirement and Benefits

COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	403.3	415.4	427.9	440.7	453.9	467.5
TRAVEL	50.0	25.0	25.0	25.0	25.0	25.0
CONTRACTUAL	1,201.3	1,132.7	1,132.7	1,132.7	1,132.7	1,132.7
SUPPLIES	52.5	60.5	70.5	80.5	90.5	100.5
EQUIPMENT	144.1	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	1,851.2	1,633.6	1,656.1	1,678.9	1,702.1	1,725.7

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	1,851.2	1,633.6	1,656.1	1,678.9	1,702.1	1,725.7
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	1,851.2	1,633.6	1,656.1	1,678.9	1,702.1	1,725.7

POSITIONS

FULL-TIME:	8	8	8	8	8	8
PART-TIME:	0	0	0	0	0	0
TEMPORARY:	0	0	0	0	0	0

Estimate of current year impact: Zero

ANALYSIS: (attach a separate page if necessary.)

See attached for a detailed analysis

Prepared By: Garv Bader *Garv M. Bader* Phone: 465-4460  
Division: Retirement and Benefits Date: 5/6/91

Approved by Commissioner: Millett Keller *Millett Keller* Date: 5/13/91  
Agency: Department of Administration

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

Committee Substitute for Senate Bill 8  
Fiscal note Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration  
May 3, 1991

Analysis: The cost of the annuity program is anticipated to be borne entirely by general fund (GF) appropriations. This fiscal note assumes that approximately 5% of the permanent fund dividend recipients (25,000) will participate in the annuity program.

Eight full-time positions will be needed to administer this program on a continuing basis. Even though we are proposing to contract with a private record keeper, eliminating the need for a large staff, this bill requires extensive manual effort to interface with the contractor. Personnel will handle counseling, address and beneficiary changes, account maintenance, and cash contributions.

Travel in FY 92 is needed to explain the program and answer questions at several locations throughout the state. In subsequent years, there will continue to be the need for rural education and counseling.

There are annual contractual needs for the operation of the annuity program as well as contract with the annuity record keeper. These ongoing contractual needs are explained below. The system will be highly automated to reduce the need for a larger staff. An analyst/programmer V will coordinate D.P. activities.

On-going office supply needs will include microfilming supplies, computer paper stock, annual statements of account and 1099's. In FY 92, there will also be a one time need for office equipment and the purchase of a microfilmer and reader for file maintenance.

The total estimated administrative cost to the division by fiscal year is as follows:

PERSONAL SERVICES

FY 92

FY 93

1 Retirement System Manager	\$ 78.7	
1 Retirement Specialist I/II	50.5	
1 Retirement Technician I/II	40.9	
1 Accountant II	50.5	
1 Accounting Technician I	40.9	
1 Clerk-Typist III	34.0	
1 Accounting Clerk III	36.8	
1 Analyst/Programmer V	<u>70.0</u>	
Total Personal Services Cost.....		\$403.3
FY 93 Personal Services w/3% increase		

\$415.4

TRAVEL

FY 92 - 20 trips to various locations throughout the state for public meetings to explain the program.

FY 93 and after - trips to various locations throughout the state for annual enrollment counselling.

Total Travel cost..... 50.0

25.0

CONTRACTUAL

FY 92

FY 93

CPU costs	20.0	
Computer tapes	10.0	
Disk space costs	<u>20.0</u>	
Total DP resource	\$50.0	\$50.0
Record Keeping Contractor		
25,000 accts. @ \$35.00	875.0	875.0
Information Blitz,		
TV, and Radio	85.0	35.0
RSA to PFD division	41.7	28.1
Postage: Information and		
warrants	50.0	50.0
Audits	15.0	15.0
Actuarial Consulting	15.0	10.0
Centrex charges (8 lines), long		
distance WATS line	30.8	30.8
Floor space (1,000 square feet at		
2.25/mo)	<u>38.8</u>	<u>38.8</u>
Total Contractual cost.....		1,201.3

1,132.7

		<u>FY 92</u>	<u>FY 93</u>
<b>SUPPLIES</b>			
	<u>FY 92</u>	<u>FY 93</u>	
Office supplies, calculators	\$ 4.0	\$ 2.0	
Microfilming supplies	3.5	3.5	
Paper stock	40.0	50.0	
Statement of Account	<u>5.0</u>	<u>5.0</u>	
Total Supplies cost.....		52.5	60.5
 <b>EQUIPMENT</b>			
8 Work stations	36.8		
8 Chairs	2.4		
8 PCs and other office equipment	40.0		
Other office equipment (Dictaphone, calculators, etc.)	10.0		
1 Printer	4.5		
1 Microfilmer and reader	45.0		
2 File cabinets	.6		
8 Phones (600/instrument)	4.8		
Total Equipment cost.....		<u>144.1</u>	<u>-0-</u>
 <b>TOTAL Operations Cost</b>		 <u>\$1851.2</u>	 <u>\$1,633.6</u>

The continuing personal services costs is estimated to increase at 3% per year. The costs of administration of this system is anticipated as general funds realized from the offsetting savings realized from declining Longevity Bonus payments. Funding is anticipated from general fund appropriations.

CS FOR SENATE BILL NO. 8 (STATE AFFAIRS)  
 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered: 4/19/91  
 Referred: Finance

Sponsor(s): SENATORS KERTTULA, Halford

A BILL

FOR AN ACT ENTITLED

1 "An Act amending and making effective an annuity program and amendments to the  
 2 longevity bonus program and the permanent fund dividend program provided for in  
 3 secs. 2 - 18, ch. 99, SLA 1985; and providing for an effective date."

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

5 \* Section 1. AS 43.23.005(d), as enacted by sec. 3, ch. 99, SLA 1985, is amended to read:

6 (d) A person who is eligible to receive a permanent fund dividend under this section, or  
 7 who is authorized to claim a dividend on behalf of another under (c) of this section, may elect  
 8 to receive the dividend either in cash or as an annuity credit. Alternatively, a person may elect  
 9 to receive 25 percent, 50 percent, or 75 percent of the dividend in cash and the remainder as an  
 10 annuity credit. A person who is 65 years of age on or before January 1, 1993 [1988] may only  
 11 receive the permanent fund dividend in cash and may not elect to receive an annuity credit.

12 \* Sec. 2. AS 43.23.110(a), as enacted by sec. 16, ch. 99, SLA 1985, is amended to read:

13 (a) The annuity investment fund is established as a separate fund in the state treasury.  
 14 The annuity investment fund consists of money transferred from the dividend fund, cash

1 contributions under AS 43.23.125, and income earned by the annuity investment fund.  
2 Notwithstanding AS 37.13.145, an amount equal to the permanent fund dividends taken as  
3 annuity credits under this chapter shall be annually transferred from the dividend fund to the  
4 annuity investment fund.

5 \* Sec. 3. AS 43.23.110(b), as enacted by sec. 16, ch. 99, SLA 1985, is amended to read:

6 (b) Money in the annuity investment fund shall be invested under AS 37.10.071 by the  
7 commissioner of revenue [IN INVESTMENTS AUTHORIZED UNDER AS 39.35.110]. The  
8 commissioner of administration shall credit the net income of the annuity investment fund to the  
9 individual annuity accounts and the annuity reserve account.

10 \* Sec. 4. AS 43.23 is amended by adding a new section to read:

11 Sec. 43.23.125. CASH CONTRIBUTIONS. An individual who is eligible to receive the  
12 permanent fund dividend as an annuity credit under AS 43.23.005(d) but does not elect to do so  
13 or who elects to receive only a portion of the permanent fund dividend as an annuity credit may  
14 make a cash contribution to that individual's annuity account. The cash contribution for a  
15 dividend year must be received by the Department of Administration before September 30 of the  
16 year following that dividend year. The total amount of the annuity credit and the cash  
17 contributions to an annuity account for a year may not exceed the amount of the permanent fund  
18 dividend for that year.

19 \* Sec. 5. AS 43.23.130(a), as enacted by sec. 16, ch. 99, SLA 1985, is amended to read:

20 (a) An individual with one or more annuity credits or cash contributions under  
21 AS 43.23.125 may receive an annuity upon reaching the age of 65.

22 \* Sec. 6. AS 43.23.130(b), as enacted by sec. 16, ch. 99, SLA 1985, is amended to read:

23 (b) An annuity under this section is a monthly payment based upon the principal and  
24 accrued interest in the person's annuity account. Upon appointment to receive an annuity, the  
25 account balance shall be transferred to the annuity reserve account. The [AN] annuity shall  
26 be paid from the annuity reserve account as a straight life annuity or other payment plan  
27 authorized by the commissioner of administration [THE DEPARTMENT OF  
28 ADMINISTRATION]. The size of the annuity may not vary on account of the individual's sex.

29 \* Sec. 7. AS 43.23.130(e), as enacted by sec. 16, ch. 99, SLA 1985, is repealed and reenacted to  
30 read:

31 (e) If a person elects to credit a permanent fund dividend or make a cash contribution