

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 80/2

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most in the support industries of trade, services, and finance which are concentrated in the urban parts of the state. Private holdings of wealth increased modestly and tended to be concentrated among the higher-income groups. The availability of funds resulted in a small amount of capital investment for business purposes.

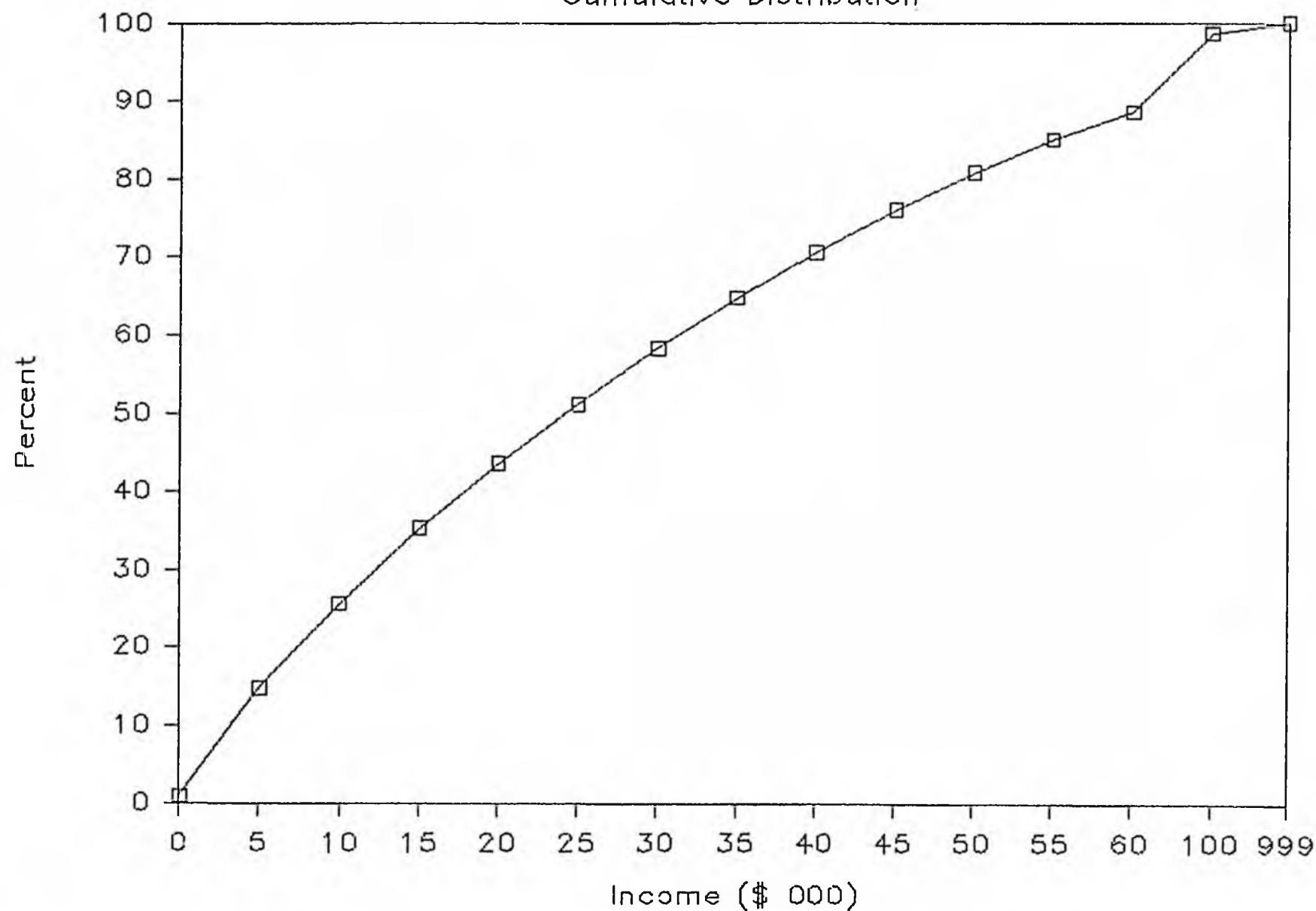
Compared to the expenditure of an equivalent amount of public funds for other purposes, including government operations, capital projects, subsidies, local transfers, or nonpetroleum tax reductions, the dividends produce the largest increase in before- and after-tax income, employment, and population. Employment growth from dividends is in the support sector while government expenditures produce more jobs in government or construction-related industries. Our results are generalized for each sector as a whole. Particular government programs may have characteristics considerably different from the average, particularly for subsidies.

Because nearly all state revenues come from the production of finite petroleum reserves, total public spending--whether in the form of dividends or alternatives--is nonsustainable at its current level. Several long-term policies involving (1) different mixes of public and private uses of Permanent Fund earnings and (2) different mixes of current and future spending of Permanent Fund earnings were examined using simulation analysis. No alternatives are able to arrest the decline in public revenues, and none significantly alter the projected structural shift in the economy away from growth dominated by the public sector.

Permanent Fund earnings spent as dividends produce more employment, personal income, and expand the private economy more than public expenditure of the same funds but, as with all other spending alternatives, contribute to the future decline in the level of government services. If current public spending patterns--including paying dividends--continue, significant and continuing reductions in government expenditures will become inevitable in about 1993, cutting per capita real public spending to half its current level by the turn of the century. Saving of Permanent Fund earnings has the least effect on the economy in the present but increases future opportunities for public or private spending by enlarging state fund balances in the future--augmenting future public revenues projected to be much smaller than those of today. Thus, the use of Permanent Fund earnings involves a choice between public versus private and current versus future spending.

## INCOME OF ALASKANS UNDER 65--1982

Cumulative Distribution



3/6/85

TABLE 1  
ALL RETURNS UNDER AGE 65

AGI RANGE	FREQUENCY	CUM FREQ	PERCENT
NO AGI	2599	2599	0.901
\$1 - \$5000	39813	42412	13.798
\$5001 - \$10000	31726	74138	10.995
\$10001 - \$15000	27711	101849	9.604
\$15001 - \$20000	23870	125719	8.272
\$20001 - \$25000	22012	147731	7.629
\$25001 - \$30000	20742	168473	7.188
\$30001 - \$35000	18499	186972	6.411
\$35001 - \$40000	16880	203852	5.850
\$40001 - \$45000	15576	219428	5.398
\$45001 - \$50000	13908	233336	4.820
\$50001 - \$55000	12236	245572	4.241
\$55001 - \$60000	10135	255707	3.512
\$60001 - \$100000	29119	284826	10.092
OVER \$100000	3722	288548	1.290

TABLE 2  
ALL RETURNS UNDER AGE 65

TXABL INCOME RANGE	FREQUENCY	CUM FREQ	PERCENT
NO TXABL INCOME	9575	9575	3.318
\$1 - \$5000	46315	55890	16.051
\$5001 - \$10000	35587	91477	12.333
\$10001 - \$15000	27490	118967	9.527
\$15001 - \$20000	25598	144565	8.871
\$20001 - \$25000	24301	168866	8.422
\$25001 - \$30000	21955	190821	7.609
\$30001 - \$35000	19930	210751	6.907
\$35001 - \$40000	17164	227915	5.948
\$40001 - \$45000	15124	243039	5.241
\$45001 - \$50000	12127	255166	4.203
\$50001 - \$55000	9523	264689	3.300
\$55001 - \$60000	6871	271560	2.381
\$60001 - \$100000	14880	286440	5.157
OVER \$100000	2108	288548	0.731

Briefing Materials  
on  
ELDERLY POPULATION PROJECTIONS

prepared for

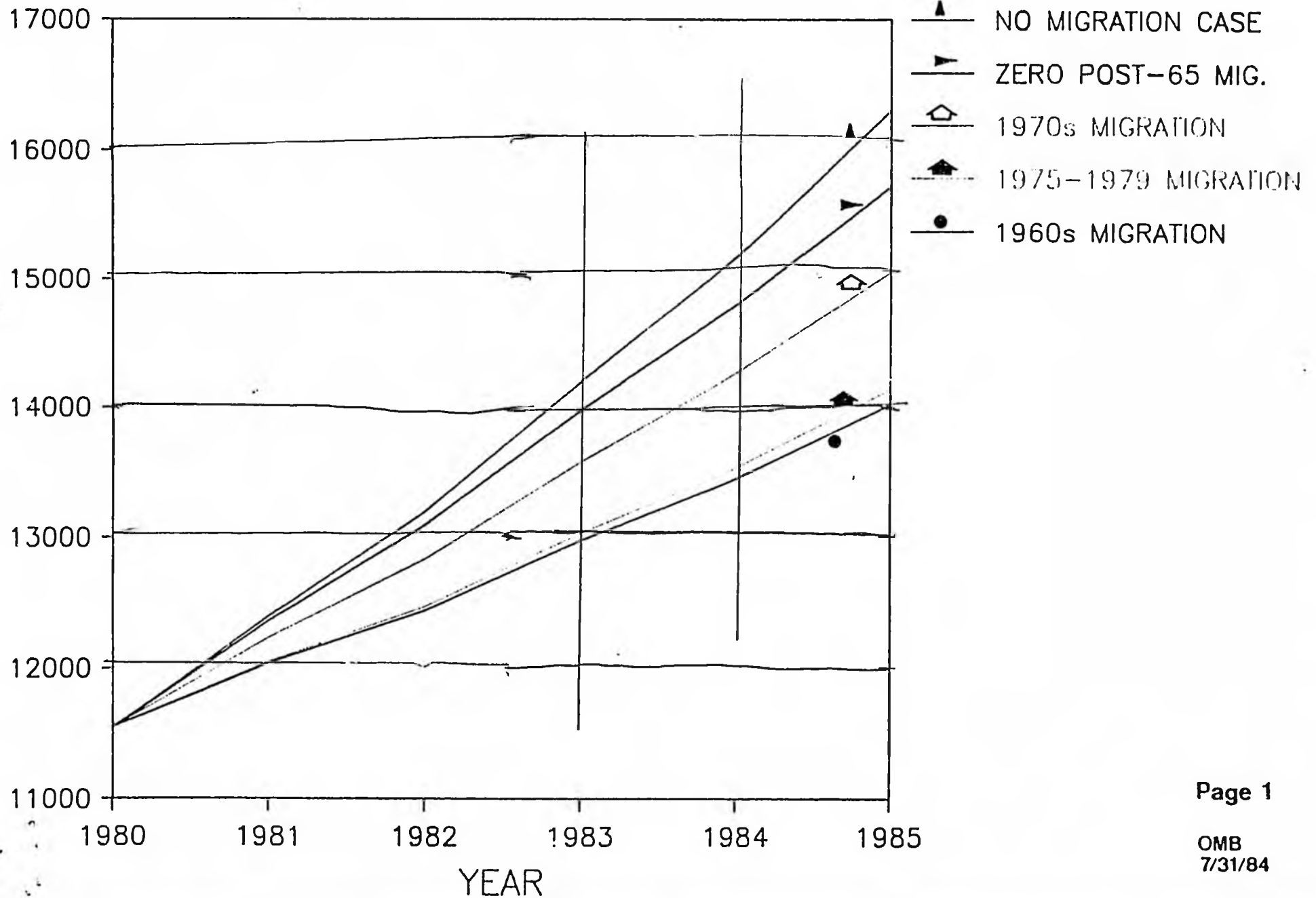
THE HOUSE STATE AFFAIRS COMMITTEE

by

Division of Strategic Planning  
Office of Management and Budget

6 March 1985

# ALASKA OVER-65 POPULATION PROJECTIONS 1980-1985



GROWTH OF INTERIM ALB PROGRAM

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

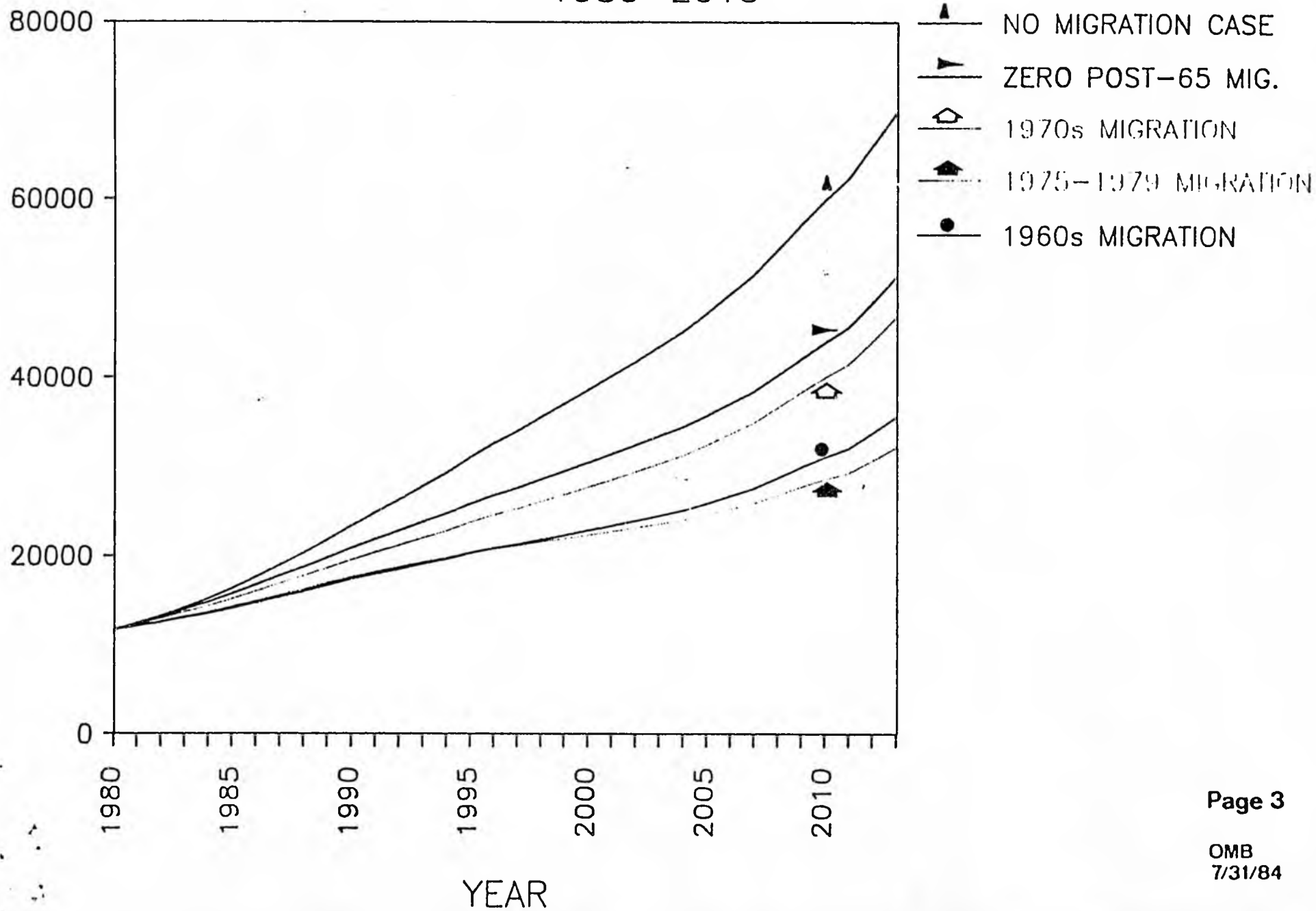
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DATA SOURCE: Division of Pioneer Benefits.

PREPARED BY: Division of Strategic Planning, OMB,

3/ 6/85

# ALASKA OVER-65 POPULATION PROJECTIONS 1980-2013



OLDER ALASKANS SURVEY  
OCTOBER 1984

3/5/85

		RANDOM *		MARCH 4, 1985 ** (Actually DATA ANALYSIS 1983)
1.	AGE	SAMPLE		
		MEAN = 71.915	1. 55-69	41.9
		MEDIAN = 70.565	2. 70-74	29.0
		MODE = 66	3. 75-79	15.7
		MINIMUM = 55	4. 80-85	8.7
		MAXIMUM = 102	5. 86+	3.7
				.9 Missing Value
2.	SEX			48.0
	1 MALE	51.6%		51.5
	2 FEMALE	48.4%		.4 Missing Value
3.	MARITAL STATUS (current)			
	1. Married	60.6%		—
	2. Divorced	8.7		—
	3. Separated	1.2		—
	4. Widowed	25.6		—
	5. Never Married	3.9		—
4.	Ethnic/racial background			
	1. White/Caucasian	73.4%		73.3
	2. Native Alaskan	21.4		20.4
	3. American Indian	1.4		1.6
	4. Black	.5		1.7
	5. Asian/Pacific Islander	2.3		1.7
	6. Other	.5		.9
				.5 Missing Value
5.	Hispanic Background			
	1. YES	1.3%		—
	2. NO	98.7%		—
6.	BORN IN ALASKA			
	1. YES	25.0%	✓	—
	2. NO	75.0		—
7.	YEAR CAME TO ALASKA (See data page 9)			
	CODE = YEAR			
	RANGE = 1908 TO 1983			
	MEAN = 1952			
	MODE = 1947			
	(PEAK PERIOD IS DURING WORLD WAR II AND PARTICULARLY THE POST WAR YEARS)			
	THE PERCENTAGE INCREASE HAS NOT EXCEEDED 2.2 SINCE 1960			
8.	HOUSING ARRANGEMENTS			
	1. HOUSE	78.6%		74.4 ✓
	2. APARTMENT	17.1		18.7 ✓
	3. GROUP QUARTERS (Nursing home, Pioneer home, etc.)	4.3		5.8 ✓
				1.0 Missing Value

\* RANDOM SAMPLE OF 1000 RESPONDENTS. APPLICATIONS OF THIS DATA SHOULD BE LIMITED IN SCOPE.

9. HOUSING SATISFACTION

1. EXCELLENT	34.5%	36.2
2. GOOD	43.5	42.1
3. FAIR	16.8	15.2
4. POOR	4.2	3.5
5. BAD	1.0	1.3
		1.7 Missing Value

10. MONTHLY HOUSING COST  
INCLUDING UTILITIES (see data page 15)

CODE = MONTHLY COST	1. \$ 0-50	5.0
MEAN = \$447.04	2. \$51-200	14.9
MEDIAN = 399.66	3. \$201-300	16.3
MODE = 500.00	4. \$301-450	18.6
	5. \$451-650	18.5
	6. \$651-2000	16.0
		10.7 Missing Value

11. LIVING WITH SPOUSE

1. YES	58.9%	✓
2. NO	7.9	
3. NO RESPONSE	33.2	

12. PEOPLE LIVING WITH RESPONDENT

1. PARENTS	
NONE	94.0%
ONE OR MORE	5.9
2. CHILDREN	
NONE	73.4%
ONE OR MORE	26.5
3. BROTHERS	
NONE	97.8%
ONE OR MORE	2.2
4. SISTERS	
NONE	96.5%
ONE OR MORE	3.6
5. GRANDCHILDREN	
NONE	84.8%
ONE OR MORE	15.3
6. OTHER RELATIVES	
NONE	92.1%
ONE OR MORE	7.9
7. OTHER PEOPLE	
NONE	89.3%
ONE OR MORE	10.6

13. TOTAL NUMBER OF PEOPLE LIVING WITH RESPONDENT (see data page 33)

CODE = Number	RANDOM SAMPLE
NONE	25.7%
ONE	46.9
TWO	10.8
THREE	6.2
FOUR OR MORE	10.3

14. NUMBER OF CHILDREN LIVING NEAR YOU

NONE	37.1%
ONE	29.2
TWO	17.4
THREE	8.3
FOUR	2.8
FIVE OR MORE	5.1

15. NUMBER OF SIBLINGS OR CLOSE RELATIVES LIVING NEAR YOU

NONE	72.9%
ONE	10.9
TWO	5.5
THREE	3.4
FOUR	1.6
FIVE OR MORE	5.8

16. NUMBER OF CLOSE RELATIVES THAT DO NOT LIVE NEAR YOU

SIBLINGs		
NONE		41.1%
ONE		17.3
TWO		15.4
THREE		9.4
FOUR		7.5
FIVE		3.5
SIX		2.4
SEVEN OR MORE		3.4

CHILDREN		
NONE		43.4%
ONE		20.7
TWO		14.4
THREE		9.8
FOUR		5.3
FIVE		2.4
SIX		2.0
SEVEN OR MORE		2.0

OTHER RELATIVES		
NONE		53.1%
ONE		7.6
TWO		5.5
THREE		3.5
FOUR		4.0
FIVE		3.6
SIX		2.2
SEVEN OR MORE		20.5

## 17. DISABILITY COMPARED TO COHORTS

1. Much more disabled	11.3%	9.4
2. Somewhat more	15.3	15.6
3. About the same	28.7	29.0
4. Less	21.4	19.4
5. Much Less	23.4	22.4
		4.2 Missing Value

18. DEGREE OF HELP NEEDED WITH  
NECESSARY TASKS

1. Much help	10.9%	—
2. More than a little	12.4	—
3. A little help	34.8	—
4. No help needed	41.9	—

## 19. DEPENDENCE UPON OTHERS FOR DAILY TASKS

1. Very dependent	10.9%	10.7
2. Somewhat	19.2	18.0
3. Slightly	26.1	25.9
4. Not dependent at all	43.7	43.0
		2.4 Missing Value

20. NUMBER OF DAYS SPENT IN A HOSPITAL  
IN THE PAST YEAR (see data page 43)

CODE = Number of days

MEAN = 3.840 days

NONE	74.7%	—
ONE	1.9	—
TWO	3.1	—
THREE	2.6	—
FOUR	1.7	—
FIVE	1.8	—
SIX	1.2	—
SEVEN DAYS AND MORE	13.0	—

21. NUMBER OF TIMES SEEN BY A PHYSICIAN  
OR OTHER HEALTH PRACTITIONER DUE TO  
ILLNESS OR INJURY IN THE PAST YEAR

CODE = NUMBER OF TIMES

MEAN = 5.146 TIMES

NONE	25.2%	—
ONE	14.1	—
TWO	13.8	—
THREE	6.9	—
FOUR	8.9	—
FIVE	5.5	—
SIX	5.7	—
SEVEN OR MORE	19.9	—

22. DAYS SICK IN BED AT HOME DURING THE PAST YEAR (see data page 47)

RANDOM SAMPLE

MARCH 4, 1985  
DATA ANALYSIS

CODE = NUMBER OF DAYS  
MEAN = 11.711 DAYS IN BED

NONE	55.6%
ONE	2.8
TWO	4.2
THREE	3.1
FOUR	3.3
FIVE	3.4
SIX	1.7
SEVEN OR MORE	28.9

—  
—  
—  
—  
—  
—  
—  
—

23. HEALTH RATING

1. PERFECT	4.1%
2. VERY GOOD	19.2
3. GOOD	41.0
4. FAIR	27.4
5. NOT GOOD AT ALL	8.3

4.1  
20.4  
39.8  
27.0  
7.5  
1.1 Missing Value

THE AVERAGE RESPONDENT RATED THEIR HEALTH AS GOOD

24. HEALTH COMPARED TO COHORTS

1. MUCH BETTER THAN MOST	14.5%
2. BETTER	18.6
3. ABOUT THE SAME	44.9
4. SOMEWHAT WORSE	16.5
5. DEFINITELY WORSE	5.5

—  
—  
—  
—  
—

THE AVERAGE RESPONDENT RATED THEIR HEALTH AS SLIGHTLY WORSE THAN OTHERS OF THEIR AGE AND SEX

25. LEVEL OF SCHOOLING COMPLETED

1. FOURTH GRADE OR LESS	14.3%
2. FIFTH TO EIGHT GRADE	19.3
3. SOME HIGH SCHOOL	14.4
4. HIGH SCHOOL GRADUATE	19.9
5. SOME COLLEGE	15.9
6. COLLEGE GRADUATE	7.6
7. GRADUATE OR PROFESSIONAL SCHOOL	8.7

—  
—  
—  
—  
—  
—  
—

26. SPOUSE ALSO RECEIVING ALB

1. YES	40.7
2. NO	26.7
3. NOT MARRIED	32.6

—  
—  
—

27. PERSONS RECEIVING INCOME FROM THE FOLLOWING SOURCES  
(see data)

RANDOM  
SAMPLE

MARCH 4, 1985  
DATA ANALYSIS

	<u>YES</u>	<u>NO</u>
1. SAVINGS, INVESTMENTS STOCKS, BONDS	62.0%	38.0%
2. SOCIAL SECURITY	93.3	6.7
3. SSI	26.7	73.3
4. ADULT PUBLIC ASSISTANCE	25.6	74.4
5. RETIREMENT BENEFITS	57.8	42.2
6. WORK/JOB	21.9	78.1
7. OTHER	25.9	74.1

—  
—  
—  
—  
—  
—  
—

28. TOTAL INCOME

1. LESS THAN \$5,000	19.2	17.3
2. \$5,000 - 9,999	31.5	31.8
3. \$10,000 - 14,999	20.5	18.7
4. \$15,000 - 19,999	13.0	11.6
5. \$20,000 and over	15.9	16.8

3.8 Missing Value

29. CURRENTLY EMPLOYED

YES -	10.8%
FULL TIME	4.8%
PART TIME	4.2
SEASONALLY	1.8
NO -	89.1%
RETIREED	69.1%
UNEMPLOYED AND LOOKING FOR WORK	1.4
NOT USUALLY EMPLOYED	18.6

—  
—  
—  
—  
—  
—  
—

30. JOB OR OCCUPATION (see data page 112)

31. PROBLEM IN PERFORMING THE FOLLOWING TASKS ✓

	NEED NO HELP	NEED SOME HELP	NEED A LOT OF HELP	TOTAL NEEDING HELP
Bathing	89.5%	7.7%	2.8%	10.5%
Toilet	96.6	2.0	1.4	3.4
Dressing	94.0	4.6	1.4	6.0
Moving in/out bed/chairs	93.5	5.1	1.4	6.5
Eating	96.2	2.9	.8	3.7
Buying or getting food	77.8	15.0	7.2	22.2
Telephone	86.3	9.5	4.2	13.7
Transportation	70.8	17.1	12.2	29.3
Cooking	81.4	12.8	5.7	18.5
Taking Medications	89.5	7.7	2.8	10.5
Housework	74.4	17.8	7.8	25.6
Managing money	86.0	9.9	4.1	14.0

32. HEALTH PROBLEM SEVERITY

	NO IMPAIRMENT	LITTLE PROBLEM NO LIMITATIONS	MODERATE PROBLEM SOME LIMITATIONS	SERIOUS PROBLEM
Hearing	45.1%	32.6%	17.1%	5.2%
Eyes	32.5	43.9	17.1	6.5
Back	49.2	26.1	17.0	7.7
Feet or legs	44.5	27.3	18.9	9.3
Lungs	65.6	16.9	9.7	7.8
Arthritis	41.2	31.3	18.7	8.8
Bladder or Bowel	76.6	15.1	5.9	2.3
Diabetes	89.0	5.1	3.4	2.6
Teeth/Dentures	61.6	26.0	8.6	3.8
Memory	64.7	24.3	7.5	3.4
Speech	87.5	9.1	2.3	1.1
Heart	65.3	18.4	11.0	5.3
Alzheimers	96.0	2.7	.6	.7

33. FREQUENCY OF USE OF SERVICES DURING  
THE PAST MONTH

	NONE	1-2 DAYS	3-10 DAYS	11-31 DAYS	
HOSPITAL	85.8%	5.9%	5.6%	2.7%	
NURSING HOME	*** (90.1)	98.6 (.1)	.1 (.2)	.3 (.3)	(1.3) 1.0 (8.4) Miss. V
PIONEER HOME	(88.1)	97.3 (.1)	0 (.1)	0	(3.4) 2.7 (8.4) Miss. V
ALASKA PSYCHIATRIC INSTITUTE	100.0	0	0	0	
MENTAL HEALTH CLINICS	99.6	.3	0	.1	
NUTRITION PROGRAM ✓	90.9	2.0	3.9	3.2	
HOME DELIVERED MEALS ✓	95.8	.4	2.0	1.8	
SENIOR CITIZEN CENTER ✓	81.3	7.4	7.1	4.2	
HOMEMAKER/CHORE ✓ (85.8)	95.5 (1.5)	1.5	(2.2) 1.4	(1.9) 1.5	(8.7) Miss. Va
HOME HEALTH AIDE/NURSE (85.7)	93.2 (2.8)	3.7	(1.5) 2.0	(1.3) 1.1	
SENIOR TRANSPORTATION ✓	98.8	4.0	4.1	3.1	
PUBLIC TRANSPORTATION ✓	86.9	6.4	4.5	2.2	
DENTAL CARE	89.3	7.2	3.0	.5	
ALCOHOL AND DRUG TREATMENT	99.3	.2	.2	.2	
SENIOR HOUSING (87.3)	96.2 (.3)	.2	(.1) .1	(3.8) 3.5	(8.5) Miss. Va
ALASKA LEGAL SERVICES CORP. ✓	97.1	2.1	.6	.2	
ADULT PROTECTIVE SERVICES	99.4	.4	0	.1	
ADULT DAY CARE ✓	99.3	.2	.2	.2	
PHYSICIAN	64.6	20.9	10.2	4.4	
VILLAGE CLINIC	90.1	6.5	2.5	.9	
PUBLIC HEALTH CENTER	93.0	5.7	.9	.4	
FOOT CARE	96.3	3.1	.2	.4	
SENIOR CITIZEN OMBUDSMAN ✓	98.5	.8	.6	.2	

\*\*\* Numbers shown on this page in parenthesis represent values from the March 4, 1985 data analysis. All others were obtained from the random sample.

CROSS TABULATION OF TINC TOTAL INCOME BY EBAC ETHNIC BACKGRD PAGE 1 OF 1

TINC	COUNT ROW PCT COL PCT TOT PCT	EBAC						ROW TOTAL	
		White/ Caucasian	Native Alaskan	American Indian	Black	Asian/ Pac. Isl.	Other		
		1.1	2.1	9.1	4.1	5.1	8.1	9.1	
Less than \$5,000	1.1	854	395	41	91	65	21	5	1612
		53.0	36.9	2.5	1.9	4.0	1.3	.3	17.3
		12.5	1.3	27.9	20.0	40.1	26.2	11.0	
		9.2	6.4	.4	.3	.7	.2	.1	
\$5,000-9,999	2.1	1908	851	55	56	84	25	13	2966
		64.3	28.7	1.9	1.9	1.8	1.0	.4	31.8
		27.9	44.8	37.4	36.1	33.3	36.2	31.2	
		20.5	9.1	.6	.6	.6	.3	.1	
\$10,000-14,999	3.1	1420	235	24	39	19	15	2	1747
		81.3	13.5	1.4	1.9	1.0	.9	.1	10.7
		20.8	12.4	16.3	21.3	11.1	18.8	4.7	
		15.2	2.5	.3	.4	.2	.2	.0	
\$15,000-19,999	4.1	959	81	10	14	6	6	1	1077
		89.0	7.5	.9	1.3	.6	.6	.1	11.6
		14.0	4.3	6.8	9.0	3.7	7.5	2.3	
		10.3	.9	.1	.2	.1	.1	.0	
\$20,000 and over	5.1	1465	53	10	15	11	5	5	1567
		93.7	3.4	.6	1.0	.7	.3	.3	16.8
		21.5	2.8	6.8	9.7	6.8	6.3	11.6	
		15.7	.6	.1	.2	.1	.1	.1	
		2.4	.0	.1	.1	.1	.0	.2	
		226	85	7	6	8	4	17	353
		84.0	24.1	2.0	1.7	2.3	1.1	4.8	3.8
		3.3	4.5	4.8	3.9	4.9	5.0	39.5	
		2.4	.0	.1	.1	.1	.0	.2	
COLUMN TOTAL		6835	1900	147	155	162	80	43	9322
		73.3	20.4	1.6	1.7	1.7	.9	.5	100.0

CROSS TABULATION OF TINC TOTAL INCOME BY SEX SEX PAGE 1 OF 1

TINC	SEX	COUNT	ROW PCT	COL PCT	TOT PCT
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FILE ALLAK2 (CREATION DATE 85/03/01)

CROSS TABULATION OF  
 TINC TOTAL INCOME BY SEX SEX  
 PAGE 1 OF 1

TINC	TOT	PCT	SEX		TOTAL
			Male	Female	
			1.1	2.1	3.1
	1.		476	1130	1612
Less than \$5,000			29.5	78.1	17.3
			10.6	23.5	15.0
			5.1	12.1	.1
	2.		1199	1755	2966
\$5,000 - 9,999			40.4	59.2	31.8
			26.8	36.5	30.0
			12.9	10.8	.1
	3.		962	781	1747
\$10,000 - 14,999			33.1	44.7	18.7
			21.5	16.3	10.0
			10.3	8.4	.0
	4.		669	404	1077
\$15,000 - 19,999			62.1	37.5	11.6
			14.9	8.4	10.0
			7.2	4.3	.0
	5.		1035	532	1567
\$20,000 and over			66.0	34.0	16.8
			23.1	11.1	.0
			11.1	5.7	.0
	6.		136	203	353
			30.5	57.5	4.0
			3.0	4.2	39.0
			1.5	2.2	.2
COLUMN			4477	4805	9322
TOTAL			48.0	51.0	100.0

CROSS TABULATION OF TOTAL INCOME BY DISABILITY

pg 5

DISAB = DISABILITY COMPARED TO COHORTS

COUNT ROW PCT COL PCT TOT PCT	I	Much More Disabled	1.I	Somewhat More	2.I	About the Same	3.I	Less	4.I	Much Less	5.I	9.I	ROW TOTAL	
														9.I
Total Income														
TINC														
1.	I	220	I	206	I	462	I	247	I	306	I	91	I	1612
Less than 6,000	I	13.6	I	17.7	I	28.7	I	15.3	I	19.0	I	5.6	I	17.3
	I	25.1	I	19.5	I	17.1	I	13.7	I	14.7	I	22.8	I	
	I	2.4	I	3.1	I	3.0	I	2.0	I	3.3	I	1.0	I	
2.	I	340	I	349	I	905	I	499	I	350	I	123	I	2966
6,000 - 9,999	I	11.5	I	18.5	I	30.5	I	16.0	I	18.5	I	4.1	I	31.8
	I	38.9	I	37.7	I	33.9	I	27.6	I	26.4	I	30.8	I	
	I	3.6	I	5.9	I	9.7	I	5.4	I	5.9	I	1.3	I	
3.	I	145	I	272	I	546	I	353	I	371	I	60	I	1747
10,000 - 14,999	I	8.3	I	15.6	I	31.3	I	20.2	I	21.2	I	3.4	I	18.7
	I	10.0	I	18.7	I	20.2	I	19.0	I	17.8	I	15.0	I	
	I	1.6	I	2.9	I	5.9	I	3.8	I	4.0	I	.6	I	
4.	I	50	I	144	I	325	I	257	I	279	I	22	I	1077
15,000 - 19,999	I	4.6	I	13.4	I	30.2	I	23.9	I	25.9	I	2.0	I	11.6
	I	5.7	I	9.9	I	12.0	I	14.2	I	13.4	I	5.5	I	
	I	.5	I	1.5	I	3.5	I	2.8	I	3.0	I	.2	I	
5.	I	60	I	153	I	390	I	402	I	525	I	37	I	1567
20,000 and over	I	3.8	I	9.8	I	24.9	I	25.7	I	33.5	I	2.4	I	16.8
	I	6.9	I	10.5	I	14.4	I	22.3	I	25.2	I	9.3	I	
	I	.6	I	1.6	I	4.2	I	4.3	I	5.6	I	.4	I	
9.	I	60	I	52	I	73	I	47	I	55	I	66	I	353
	I	17.0	I	14.7	I	20.7	I	13.3	I	15.6	I	18.7	I	3.8
	I	6.9	I	3.6	I	2.7	I	2.6	I	2.6	I	16.5	I	
	I	.6	I	.6	I	.8	I	.5	I	.6	I	.7	I	
COLUMN TOTAL		975		1456		2701		1605		2046		399		9322
		9.4		15.6		29.0		19.4		22.4		4.3		100.0

CROSS TABULATION OF DEPENDENT BY DEPENDENT

FILE ALLAK2 (CREATION DATE 95/03/01)

CROSS-TABULATION OF DEPENDENCE

DEPENDENCE UPON OTHERS FOR DAILY TASK

TOTAL INCOME TINC	COUNT ROW PCT COL PCT TOT PCT	DEPENDENCE				ROW TOTAL
		Very dependent	Somewhat dependent	Slightly dependent	Not dependent At All	
less than \$5,000	1	205	415	307	403	1612
		17.7	25.7	24.0	30.0	17.3
		25.0	24.7	16.0	12.0	18.9
		3.1	4.5	4.2	5.2	.5
\$5,000 - 9,999	2	380	673	851	1008	2966
		12.8	22.7	28.7	34.0	31.8
		39.2	40.0	35.2	25.1	24.3
		4.1	7.2	9.1	10.8	.6
\$10,000 - 14,999	3	137	264	493	626	1747
		7.8	15.2	28.2	47.3	18.7
		13.8	15.8	20.4	20.6	11.9
		1.5	2.9	5.3	8.9	.3
\$15,000 - 19,999	4	60	135	302	546	1077
		5.6	12.5	28.0	50.7	11.6
		6.0	8.0	12.5	13.6	15.3
		.6	1.4	3.2	5.9	.4
\$20,000 and over	5	61	134	310	1040	1567
		3.9	8.0	19.8	60.9	16.0
		6.1	8.0	12.9	26.1	6.3
		.7	1.4	3.3	11.2	.2
		.8	.6	.7	1.1	.6
COLUMN TOTAL		995	1661	2412	4012	9322
TOTAL		10.7	18.0	25.9	43.0	27.4

FILE ALLAK2 (CREATION DATE = 85/03/01)

CROSS-TABULATION OF COST BY AGE PAGE 1 OF 1

HOUSING COST	AG	AGE						TOTAL	
		55-64	70-74	75-79	80-85	86+			
9.	1	13	0	363	269	198	103	51	997
		1.3	0	36.4	27.0	19.9	10.3	5.1	10.7
		20.0	0	9.3	9.9	13.5	12.7	14.7	
		.1	0	3.9	2.9	2.1	1.1	.5	
30-50	1.	10	13	153	132	77	56	24	465
		2.2	2.9	32.9	28.4	16.6	12.0	5.2	7.0
		15.4	65.0	3.9	4.9	5.2	6.9	6.9	
		.1	.1	1.6	1.4	.8	.6	.3	
51-200	2.	10	1	510	405	279	129	54	1386
		.7	.1	36.7	29.2	20.1	9.3	3.9	14.9
		15.4	5.0	13.1	15.0	19.0	15.9	15.6	
		.1	.0	5.5	4.3	3.0	1.4	.4	
201-300	3.	7	1	577	495	237	158	41	1516
		.5	.1	38.1	32.7	15.6	10.4	2.7	16.3
		10.8	5.0	14.8	18.3	16.2	19.5	11.8	
		.1	.0	6.2	5.3	2.5	1.7	.4	
301-450	4.	8	2	686	479	301	178	82	1736
		.5	.1	39.5	27.6	17.3	10.3	4.7	10.6
		12.3	10.0	17.6	17.7	20.5	21.9	23.7	
		.1	.0	7.4	5.1	3.2	1.9	.9	
451-650	5.	14	1	769	516	227	124	75	1726
		.8	.1	44.6	24.9	13.2	7.2	4.3	10.5
		21.5	5.0	19.7	19.1	15.5	15.3	21.7	
		.2	.0	8.2	5.5	2.4	1.3	.8	
651-2000	6.	3	2	848	411	148	63	19	1494
		.2	.1	56.8	27.5	9.9	4.2	1.3	16.0
		4.6	10.0	21.7	15.2	10.1	7.8	5.5	
		.0	.0	9.1	4.4	1.6	.7	.2	
COLUMN TOTAL		65	20	3906	2707	1467	811	346	9322
		.7	.2	41.9	24.0	15.7	8.7	3.7	100.0



CROSS TABULATION OF

COST

BY EBAC

ETHNIC BACKGRD

ETHNIC BACKGROUND

ROW PCT | COL PCT | COST  
 White / Native | Alaska Indian | Black | As/Pac | Other | TOTAL

ETHNIC	AS/PAC	BLACK	INDIAN	NATIVE	ALASKA	OTHER	TOTAL
1.	205	214	11	8	7	6	14
2.	641	299	21	18	21	5	12
3.	1116	313	31	10	28	13	1516
4.	1330	303	27	31	27	14	1736
5.	1405	237	16	24	26	16	1726
6.	1249	134	20	48	27	10	1494
7.	1405	237	16	24	26	16	1726
8.	1249	134	20	48	27	10	1494
9.	1405	237	16	24	26	16	1726
10.	1249	134	20	48	27	10	1494
11.	1405	237	16	24	26	16	1726
12.	1249	134	20	48	27	10	1494
13.	1405	237	16	24	26	16	1726
14.	1249	134	20	48	27	10	1494
15.	1405	237	16	24	26	16	1726
16.	1249	134	20	48	27	10	1494
17.	1405	237	16	24	26	16	1726
18.	1249	134	20	48	27	10	1494
19.	1405	237	16	24	26	16	1726
20.	1249	134	20	48	27	10	1494
21.	1405	237	16	24	26	16	1726
22.	1249	134	20	48	27	10	1494
23.	1405	237	16	24	26	16	1726
24.	1249	134	20	48	27	10	1494
25.	1405	237	16	24	26	16	1726
26.	1249	134	20	48	27	10	1494
27.	1405	237	16	24	26	16	1726
28.	1249	134	20	48	27	10	1494
29.	1405	237	16	24	26	16	1726
30.	1249	134	20	48	27	10	1494
31.	1405	237	16	24	26	16	1726
32.	1249	134	20	48	27	10	1494
33.	1405	237	16	24	26	16	1726
34.	1249	134	20	48	27	10	1494
35.	1405	237	16	24	26	16	1726
36.	1249	134	20	48	27	10	1494
37.	1405	237	16	24	26	16	1726
38.	1249	134	20	48	27	10	1494
39.	1405	237	16	24	26	16	1726
40.	1249	134	20	48	27	10	1494
41.	1405	237	16	24	26	16	1726
42.	1249	134	20	48	27	10	1494
43.	1405	237	16	24	26	16	1726
44.	1249	134	20	48	27	10	1494
45.	1405	237	16	24	26	16	1726
46.	1249	134	20	48	27	10	1494
47.	1405	237	16	24	26	16	1726
48.	1249	134	20	48	27	10	1494
49.	1405	237	16	24	26	16	1726
50.	1249	134	20	48	27	10	1494
51.	1405	237	16	24	26	16	1726
52.	1249	134	20	48	27	10	1494
53.	1405	237	16	24	26	16	1726
54.	1249	134	20	48	27	10	1494
55.	1405	237	16	24	26	16	1726
56.	1249	134	20	48	27	10	1494
57.	1405	237	16	24	26	16	1726
58.	1249	134	20	48	27	10	1494
59.	1405	237	16	24	26	16	1726
60.	1249	134	20	48	27	10	1494
61.	1405	237	16	24	26	16	1726
62.	1249	134	20	48	27	10	1494
63.	1405	237	16	24	26	16	1726
64.	1249	134	20	48	27	10	1494
65.	1405	237	16	24	26	16	1726
66.	1249	134	20	48	27	10	1494
67.	1405	237	16	24	26	16	1726
68.	1249	134	20	48	27	10	1494
69.	1405	237	16	24	26	16	1726
70.	1249	134	20	48	27	10	1494
71.	1405	237	16	24	26	16	1726
72.	1249	134	20	48	27	10	1494
73.	1405	237	16	24	26	16	1726
74.	1249	134	20	48	27	10	1494
75.	1405	237	16	24	26	16	1726
76.	1249	134	20	48	27	10	1494
77.	1405	237	16	24	26	16	1726
78.	1249	134	20	48	27	10	1494
79.	1405	237	16	24	26	16	1726
80.	1249	134	20	48	27	10	1494
81.	1405	237	16	24	26	16	1726
82.	1249	134	20	48	27	10	1494
83.	1405	237	16	24	26	16	1726
84.	1249	134	20	48	27	10	1494
85.	1405	237	16	24	26	16	1726
86.	1249	134	20	48	27	10	1494
87.	1405	237	16	24	26	16	1726
88.	1249	134	20	48	27	10	1494
89.	1405	237	16	24	26	16	1726
90.	1249	134	20	48	27	10	1494
91.	1405	237	16	24	26	16	1726
92.	1249	134	20	48	27	10	1494
93.	1405	237	16	24	26	16	1726
94.	1249	134	20	48	27	10	1494
95.	1405	237	16	24	26	16	1726
96.	1249	134	20	48	27	10	1494
97.	1405	237	16	24	26	16	1726
98.	1249	134	20	48	27	10	1494
99.	1405	237	16	24	26	16	1726
100.	1249	134	20	48	27	10	1494

# MEMORANDUM

# State of Alaska

TO: The Honorable Katie Hurley  
Chair  
House State Affairs Committee

DATE: March 7, 1985

FILE NO: 85D-230

TELEPHONE NO: 465-3568

FROM: Gregg Erickson, Senior Economist  
and Principal Analyst  
Division of Strategic Planning  
Office of Management and Budget

SUBJECT: Historical Growth of  
Longevity Bonus

The attached chart provides the historical data on the number of participants in the Alaska Longevity Bonus (ALB) Program, which you requested at yesterday's hearing. Some additional historical notes are provided below.

The ALB program was adopted during the 1972 legislative session, and began operating in January 1973. The first month saw checks sent to 3,461 individuals. For the years 1973-78, the attached chart shows the average of the number of checks sent in January and July of the named year.

For 1979-85, the chart reports the number of "qualified recipients," again averaging January and July (except 1985, which is an average of January and March). Once "qualified" for the ALB, a person remains on the rolls for six months even if he or she is temporarily outside the State (payments, of course, stop if a person is absent for more than 30 days). The data for the 1973-78 and 1979-85 periods are thus not exactly comparable, although in this context the difference is not significant.

The increased growth indicated for 1984 and 1985 is a consequence of opening the program to all 65-and-over one year residents. In May 1984, just before the program was "universalized," there were 10,018 qualified recipients; at the beginning of March 1985, there were 14,651.

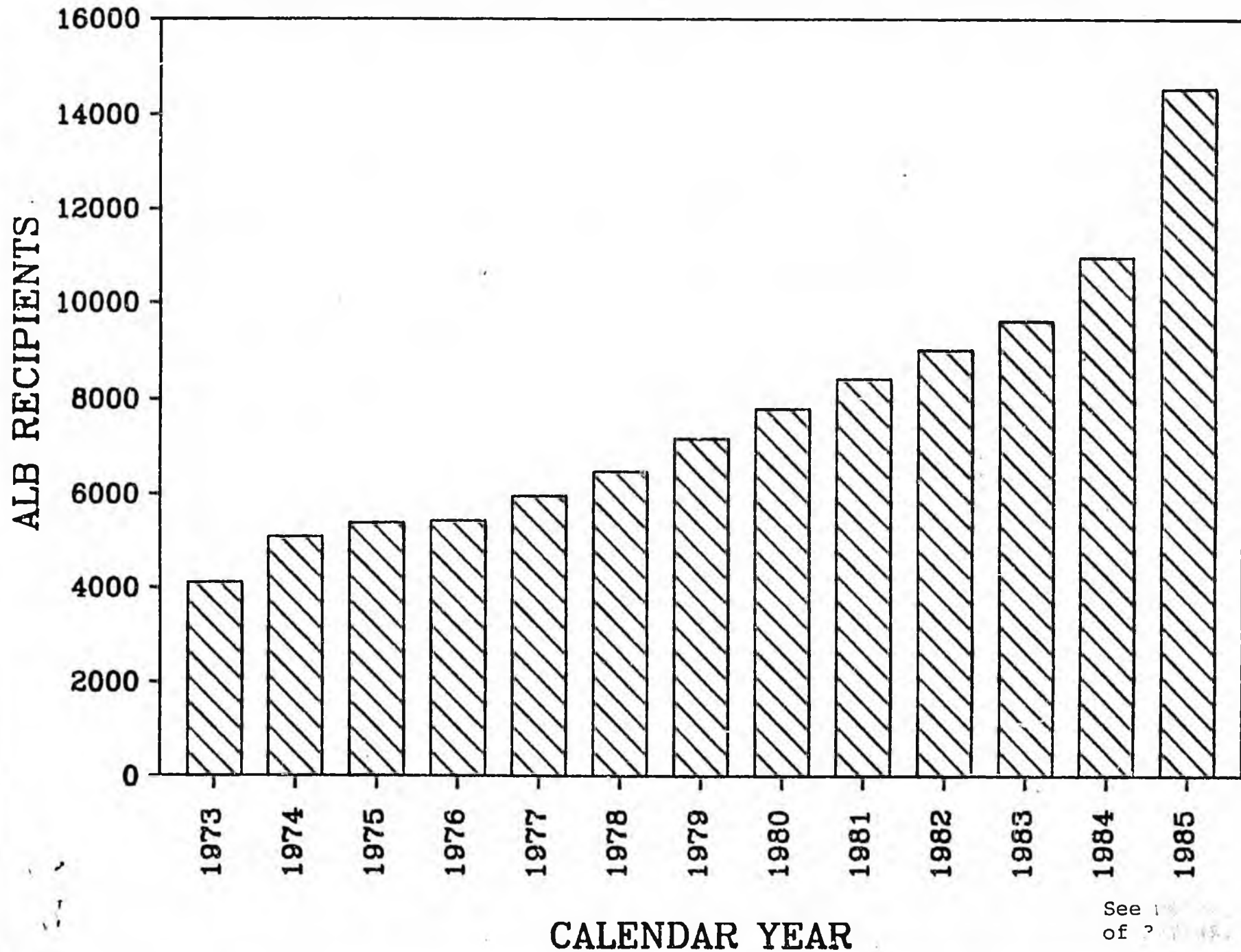
You may also be interested in the growth of the monthly benefit under the ALB:

January 1973 to June 1976	\$100
July 1976	increased to \$125
July 1978	increased to \$150
July 1980	increased to \$200
August 1981	increased to \$250

GE/dmc

Attachment

# GROWTH OF LONGEVITY BONUS



See Appendix  
of 2014 attached.



# Alaska State Legislature

## House of Representatives

### Committee on State Affairs

Official Business

Pouch V  
State Capitol  
Juneau, Alaska 99811

(907) 465-4963

#### Longevity Bonus Hearings

#### INCOME LEVELS AND PARTICIPATION IN A STATE ANNUITY PROGRAM

°Average Alaskan annual income is between \$25,000 - \$26,000

(Alaskans have less purchasing power than the national average after taxes).

°Rural residents tend to earn less than \$10,000 dollars a year

°Almost every rural community has an average annual income of less than \$10,000

°15% of Alaskans earn less than \$5000/year

°25% of Alaskans earn less than \$10,000/year

°30% of Alaskans earn less than \$15,000/year

Source: Department of Revenue - Presented by David Teal, Director of House Research

°Statistics indicate that 14% of the population invest in IRA's

Participation declines as income declines:  
\$100,000/year      80% participation  
\$10,000/year      2% participation

°State of Alaska deferred compensation plan for state employees - participation level

10% of state employees participate in the plan

State workers as a group tend to be higher paid than the average Alaskan population

The plan guarantees tax deferment on both the principal contribution and the interest earnings of an individual account in addition to allowing the withdrawal of funds before 65.

Source: Compiled by David Teal, Director of House Research

## PERMANENT DIVIDEND PROGRAM: ECONOMIC EFFECTS

°The Permanent Fund Dividend Program has a more significant impact on Alaska's Economy than any other category in the State. (With the possible exception of direct welfare expenditures). In some categories, the order magnitude is as high as 4 to 1.

°By 1991 the dividend program will be responsible for almost 10,000 jobs in Alaska, if the program is continued.

°If the state were to cut an amount of state funds from loan subsidies equivalent to the permanent fund dividend expenditure, 2500 jobs in the state would be lost.

°If loan subsidies were decreased by \$100 million dollars and increased state spending in the permanent fund dividend program by \$25 million dollars, there would be no loss of employment with a net budget savings of \$75 million dollars.

°7000 to 8000 jobs in the Alaskan economy are a consequence of the permanent fund dividend program.

°The annuity proposal will cause economic contractions to the extent that money is taken out of the economy.

Source:

Gregg Erickson, Co-Author of the study on the Alaska Permanent Fund Dividend Program: Economic Effects and Public Attitudes

COSTS OF ANNUITY BILL  
WITH THREE YEARS "FRONTLOADING"  
UNDER ALTERNATIVE PARTICIPATION RATE ASSUMPTIONS

FISCAL YEAR	-----PARTICIPATION RATES-----		
	10 PERCENT	30 PERCENT	60 PERCENT
	----- (millions) -----		
1986	\$58.4	\$75.2	\$100.4
1987	\$62.7	\$80.4	\$106.9
1988	\$66.5	\$85.0	\$112.7
1989	\$61.1	\$61.1	\$61.1
1990	\$64.8	\$64.8	\$64.8
1991	\$67.9	\$67.9	\$67.9
1992	\$70.4	\$70.4	\$70.4
1993	\$72.6	\$72.6	\$72.6
1994	\$73.9	\$73.9	\$73.9
1995	\$74.6	\$74.6	\$74.6
1996	\$73.9	\$73.9	\$73.9
1997	\$71.7	\$71.7	\$71.7
1998	\$68.1	\$68.1	\$68.1
1999	\$62.5	\$62.5	\$62.5
2000	\$54.9	\$54.9	\$54.9
2001	\$44.6	\$44.6	\$44.6
2002	\$31.5	\$31.5	\$31.5
2003	\$20.6	\$20.6	\$20.6
2004	\$18.7	\$18.7	\$18.7
2005	\$16.9	\$16.9	\$16.9
2006	\$15.1	\$15.1	\$15.1
2007	\$13.4	\$13.4	\$13.4
2008	\$11.8	\$11.8	\$11.8
2009	\$10.5	\$10.5	\$10.5
2010	\$8.8	\$8.8	\$8.8
2011	\$7.6	\$7.6	\$7.6
2012	\$6.5	\$6.5	\$6.5
2013	\$5.5	\$5.5	\$5.5
2014	\$4.5	\$4.5	\$4.5
2015	\$3.7	\$3.7	\$3.7
2016	\$2.9	\$2.9	\$2.9
2017	\$2.3	\$2.3	\$2.3
2018	\$1.8	\$1.8	\$1.8
2019	\$1.3	\$1.3	\$1.3
2020	\$.9	\$.9	\$.9
2021	\$.6	\$.6	\$.6
2022	\$.4	\$.4	\$.4
2023	\$.3	\$.3	\$.3
2024	\$.2	\$.2	\$.2
2025	\$.1	\$.1	\$.1
2026	\$.0	\$.0	\$.0
2027	\$.0	\$.0	\$.0
2028	\$.0	\$.0	\$.0
2029	\$.0	\$.0	\$.0
2030	\$.0	\$.0	\$.0
2031	\$.0	\$.0	\$.0
2032	\$.0	\$.0	\$.0
2033	\$.0	\$.0	\$.0
2034	\$.0	\$.0	\$.0
TOTAL	\$1,234.8	\$1,287.8	\$1,367.2
CURRENT	\$717.3	\$764.4	\$835.0
PRESENT VALUE	\$575.5	\$620.0	\$686.8

The cost to the state is due to frontloading and the residual bonus. The residual bonus = \$250 + 3% - the maximum annuity for a 65 yr. old. Participation only affects the cost of frontloading. The more people that participate, the higher the cost of frontloading. The cost of the residual bonus is affected by the amount of the maximum annuity. The variables that affect the amount of the max. annuity are: amount of frontloading, amount of PFD, investment rate of return. The number of residual bonuses and therefore the total cost of the bonus program is affected by the volume of elderly population.

POTENTIAL COSTS OF ANNUITY "FRONTLOADING"  
 UNDER ALTERNATIVE PARTICIPATION RATE ASSUMPTIONS

FISCAL YEAR	-----PARTICIPATION RATES-----		
	10 PERCENT	30 PERCENT	60 PERCENT
	----- (millions) -----		
1986	\$8.4	\$25.2	\$50.4
1987	\$8.8	\$26.5	\$53.0
1988	\$9.2	\$27.7	\$55.4
1989	\$9.6	\$28.8	\$57.6
1990	\$9.9	\$29.7	\$59.4
1991	\$10.2	\$30.5	\$61.0
1992	\$10.4	\$31.1	\$62.2
1993	\$10.5	\$31.5	\$63.2
1994	\$10.7	\$32.1	\$64.1
1995	\$10.8	\$32.5	\$65.1
1996	\$11.0	\$33.0	\$66.1
1997	\$11.2	\$33.5	\$67.0
1998	\$11.3	\$34.0	\$68.0
1999	\$11.5	\$34.5	\$69.1
2000	\$11.7	\$35.1	\$70.1
2001	\$11.9	\$35.6	\$71.2
2002	\$12.0	\$36.1	\$72.2
2003	\$12.2	\$36.7	\$73.3
2004	\$12.4	\$37.2	\$74.4
2005	\$12.6	\$37.8	\$75.5
2006	\$12.8	\$38.3	\$76.7
2007	\$13.0	\$38.9	\$77.8
2008	\$13.2	\$39.5	\$79.0
2009	\$13.4	\$40.1	\$80.2
2010	\$13.6	\$40.7	\$81.4
2011	\$13.8	\$41.3	\$82.6
2012	\$14.0	\$41.9	\$83.8
2013	\$14.2	\$42.5	\$85.1
2014	\$14.4	\$43.2	\$86.4
2015	\$14.6	\$43.8	\$87.6
2016	\$14.8	\$44.5	\$89.0
2017	\$15.0	\$45.1	\$90.3
2018	\$15.3	\$45.8	\$91.6
2019	\$15.5	\$46.5	\$93.0
2020	\$15.7	\$47.2	\$94.4
2021	\$16.0	\$47.9	\$95.8
2022	\$16.2	\$48.6	\$97.3
2023	\$16.5	\$49.4	\$98.7
2024	\$16.7	\$50.1	\$100.2
2025	\$17.0	\$50.9	\$101.7
2026	\$17.2	\$51.6	\$103.2
2027	\$17.5	\$52.4	\$104.8
2028	\$17.7	\$53.2	\$106.4
2029	\$18.0	\$54.0	\$108.0
2030	\$18.3	\$54.8	\$109.6
2031	\$18.5	\$55.6	\$111.2
2032	\$18.8	\$56.4	\$112.9
2033	\$19.1	\$57.3	\$114.6
2034	\$19.4	\$58.2	\$116.3
TOTAL COSTS, 1986-2034:	\$676.3	\$2,028.9	\$4,057.8
CONSTANT 1985 DOLLARS, 1986-2034:	\$183.0	\$549.1	\$1,098.2
PRESENT VALUE, 1986-2034:	\$120.2	\$360.5	\$721.1

NOTE: Estimates of "frontloading" costs are highly speculative; in addition to participation rates, actual costs will depend on the size of the eligible population and the distribution of participation by age within the population. Funding of "frontloading" is optional in the proposed legislation.

Prepared by the Division of Strategic Planning, OMB: 1/24/85.

FISCAL YEAR	-----ANNUITY BILL-----			-----CSSB-56-----			SPECIAL COMMITTEE ANNUITY BILL*	(millions)		
	AID TO PERSONS BEFORE 1986	MAXIMUM POSSIBLE ANNUITY	RESIDUAL AID	AID TO PERSONS BEFORE 1986	MAXIMUM POSSIBLE ANNUITY	RESIDUAL AID		CSSB-56*	STAIRSTEP BILL**	CURRENT LAW
1986	\$250.00	\$ .00	\$250.00	\$250.00	\$ .00	\$250.00	\$50.2	\$50.2	\$50.2	\$50.2
1987	\$257.50	\$11.92	\$245.58	\$257.50	\$11.92	\$245.58	\$79.6	\$79.6	\$53.3	\$53.3
1988	\$265.23	\$24.86	\$240.37	\$265.23	\$24.71	\$240.52	\$84.7	\$84.7	\$56.3	\$56.3
1989	\$273.18	\$39.05	\$234.13	\$273.18	\$38.38	\$234.80	\$89.5	\$89.5	\$59.5	\$59.5
1990	\$281.38	\$46.94	\$234.44	\$281.38	\$45.55	\$235.83	\$65.8	\$65.9	\$62.7	\$62.7
1991	\$289.82	\$56.27	\$233.55	\$289.82	\$53.97	\$235.85	\$69.2	\$69.5	\$65.7	\$65.7
1992	\$298.51	\$67.21	\$231.30	\$298.51	\$63.79	\$234.72	\$72.2	\$72.7	\$62.5	\$62.5
1993	\$307.47	\$79.93	\$227.54	\$307.47	\$75.21	\$232.26	\$75.0	\$75.8	\$59.7	\$71.6
1994	\$316.69	\$94.67	\$222.02	\$316.69	\$88.43	\$228.26	\$77.0	\$78.1	\$56.5	\$74.4
1995	\$326.19	\$111.73	\$214.46	\$326.19	\$103.72	\$222.47	\$78.6	\$80.3	\$53.8	\$77.7
1996	\$335.98	\$131.53	\$204.45	\$335.98	\$121.37	\$214.61	\$79.0	\$81.3	\$50.6	\$80.6
1997	\$346.06	\$154.20	\$191.86	\$346.06	\$141.44	\$204.62	\$77.9	\$81.0	\$47.5	\$83.1
1998	\$356.44	\$180.13	\$176.31	\$356.44	\$164.33	\$192.11	\$75.8	\$79.9	\$44.8	\$86.0
1999	\$367.13	\$209.76	\$157.37	\$367.13	\$190.39	\$176.74	\$71.9	\$77.3	\$41.9	\$88.7
2000	\$378.15	\$243.52	\$134.63	\$378.15	\$219.97	\$158.18	\$66.2	\$73.2	\$39.1	\$91.5
2001	\$389.49	\$281.92	\$107.57	\$389.49	\$253.43	\$136.06	\$58.3	\$67.3	\$36.3	\$94.4
2002	\$401.18	\$325.34	\$75.84	\$401.18	\$291.07	\$110.11	\$47.8	\$59.2	\$33.6	\$97.3
2003	\$413.21	\$374.26	\$38.95	\$413.21	\$333.31	\$79.90	\$34.3	\$48.7	\$30.9	\$100.3
2004	\$425.61	\$429.25	\$ .00	\$425.61	\$380.64	\$44.97	\$18.7	\$35.4	\$28.3	\$103.4
2005	\$438.38	\$490.97	\$ .00	\$438.38	\$433.53	\$4.85	\$16.9	\$18.8	\$25.9	\$107.2
2006	\$451.53	\$560.18	\$ .00	\$451.53	\$492.60	\$ .00	\$15.1	\$15.1	\$23.5	\$111.4
2007	\$465.07	\$637.63	\$ .00	\$465.07	\$550.43	\$ .00	\$13.4	\$13.4	\$21.1	\$115.5
2008	\$479.03	\$724.15	\$ .00	\$479.03	\$631.66	\$ .00	\$11.8	\$11.8	\$19.1	\$120.9
2009	\$493.40	\$820.68	\$ .00	\$493.40	\$713.40	\$ .00	\$10.5	\$10.5	\$16.9	\$126.6
2010	\$508.20	\$928.22	\$ .00	\$508.20	\$803.32	\$ .00	\$8.8	\$8.8	\$14.9	\$132.0
2011	\$523.44	\$1,047.88	\$ .00	\$523.44	\$903.38	\$ .00	\$7.6	\$7.6	\$12.7	\$135.0
2012	\$539.15		\$ .00	\$539.15		\$ .00	\$6.5	\$6.5	\$11.0	\$135.0
2013	\$555.32		\$ .00	\$555.32		\$ .00	\$5.5	\$5.5	\$9.5	\$135.0
2014	\$571.98		\$ .00	\$571.98		\$ .00	\$4.5	\$4.5	\$8.1	\$135.0
2015	\$589.14		\$ .00	\$589.14		\$ .00	\$3.7	\$3.7	\$7.0	\$135.0
2016	\$606.82		\$ .00	\$606.82		\$ .00	\$2.9	\$2.9	\$5.7	\$135.0
2017	\$625.02		\$ .00	\$625.02		\$ .00	\$2.3	\$2.3	\$4.8	\$135.0
2018	\$643.77		\$ .00	\$643.77		\$ .00	\$1.8	\$1.8	\$4.0	\$135.0
2019	\$663.08	continues	\$ .00	\$663.08	continues	\$ .00	\$1.3	\$1.3	\$3.2	\$135.0
2020	\$682.98	to	\$ .00	\$682.98	to	\$ .00	\$ .9	\$ .9	\$2.6	\$135.0
2021	\$703.47	increase	\$ .00	\$703.47	increase	\$ .00	\$ .6	\$ .6	\$2.1	\$135.0
2022	\$724.57		\$ .00	\$724.57		\$ .00	\$ .4	\$ .4	\$1.6	\$135.0
2023	\$746.31		\$ .00	\$746.31		\$ .00	\$ .3	\$ .3	\$1.2	\$135.0
2024	\$768.70		\$ .00	\$768.70		\$ .00	\$ .2	\$ .2	\$ .9	\$135.0
2025	\$791.76		\$ .00	\$791.76		\$ .00	\$ .1	\$ .1	\$ .7	\$135.0
2026	\$815.51		\$ .00	\$815.51		\$ .00	\$ .0	\$ .0	\$ .4	\$135.0
2027	\$839.97		\$ .00	\$839.97		\$ .00	\$ .0	\$ .0	\$ .3	\$135.0
2028	\$865.17		\$ .00	\$865.17		\$ .00	\$ .0	\$ .0	\$ .2	\$135.0
2029			\$ .00	\$891.13		\$ .00	\$ .0	\$ .0	\$ .1	\$135.0
2030			\$ .00	\$917.86		\$ .00	\$ .0	\$ .0	\$ .1	\$135.0
2031			\$ .00	\$945.40		\$ .00	\$ .0	\$ .0	\$ .0	\$135.0
2032			\$ .00	\$973.76		\$ .00	\$ .0	\$ .0	\$ .0	\$135.0
2033			\$ .00	\$1,002.97		\$ .00	\$ .0	\$ .0	\$ .0	\$135.0
2034			\$ .00	\$1,033.06		\$ .00	\$ .0	\$ .0	\$ .0	\$135.0
TOTAL COSTS, 1986-2034:							\$1,387.2	\$1,466.8	\$1,131.0	\$5,418.9
CONSTANT 1985 DOLLARS, 1986-2034:							\$805.32	\$836.9	\$625.01	\$1,391.12
PRESENT VALUE, 1986-2034:							\$645.82	\$666.3	\$496.88	\$879.78

## NOTES:

\* Persons 65 before 1986 grandfathered (i.e., stairstepping starts in 1986). Annual costs include three years of "front loading" (\$25.2 in '87, \$26.5 in '88, and \$27.7 in '89).

\*\* Persons 65 before 1992 grandfathered (i.e., stairstepping starts in FY 1992).

AID CASES WITH ZERO FRONT LOADING AND ZERO ESCALATOR

Gregg Erickson

FISCAL YEAR	---MONTHLY PAYMENTS---			-----POPULATIONS-----					---PROGRAM COSTS (MILLIONS)---		
	TARGET	MAXIMUM POSSIBLE ANNUITY	AID	65 & OVER	65 BEFORE 1986	65 AFTER 1985	65 BEFORE 1992	65 AFTER 1991	COMM. BILL stairstep in 1986	STAIRSTEP BILL*	CURRENT LAW
1906	\$250.00	\$ .00	\$250.00	16,744	15,039	1,705	16,744	-0-	\$50.2	\$50.2	\$50.2
1907	\$250.00	\$4.37	\$245.63	17,768	14,349	3,419	17,768	-0-	\$53.1	\$53.3	\$53.3
1908	\$250.00	\$9.70	\$240.30	18,769	13,660	5,109	18,769	-0-	\$55.7	\$56.3	\$56.3
1909	\$250.00	\$16.03	\$233.97	19,028	12,974	6,054	19,028	-0-	\$58.2	\$59.5	\$59.5
1990	\$250.00	\$23.55	\$226.45	20,913	12,293	8,620	20,913	-0-	\$60.3	\$62.7	\$62.7
1991	\$250.00	\$32.50	\$217.50	21,908	11,616	10,292	21,908	-0-	\$61.7	\$65.7	\$65.7
1992	\$250.00	\$43.06	\$206.94	22,849	10,943	11,906	20,039	2,010	\$62.4	\$62.5	\$68.5
1993	\$250.00	\$55.44	\$194.56	23,861	10,273	13,588	19,890	3,971	\$62.5	\$59.7	\$71.6
1994	\$250.00	\$69.89	\$180.11	24,799	9,606	15,193	18,823	5,976	\$61.7	\$56.5	\$74.4
1995	\$250.00	\$86.72	\$163.28	25,891	8,945	16,946	17,940	7,951	\$60.0	\$53.8	\$77.7
1996	\$250.00	\$106.27	\$143.73	26,863	8,291	18,572	16,873	9,990	\$56.9	\$50.6	\$80.6
1997	\$250.00	\$120.70	\$121.30	27,692	7,644	20,048	15,819	11,073	\$52.1	\$47.5	\$83.1
1998	\$250.00	\$154.42	\$95.58	20,657	7,012	21,645	14,934	13,723	\$45.9	\$44.8	\$86.0
1999	\$250.00	\$183.86	\$66.14	29,556	6,396	21,160	13,969	15,507	\$37.6	\$41.9	\$88.7
2000	\$250.00	\$217.46	\$32.54	30,511	5,799	21,712	13,031	17,480	\$27.0	\$39.1	\$91.5
2001	\$250.00	\$255.10	\$ .00	31,459	5,225	26,234	12,098	19,361	\$15.7	\$36.3	\$94.4
2002	\$250.00	\$278.96	\$ .00	32,440	4,676	27,764	11,193	21,247	\$14.0	\$33.6	\$97.3
2003	\$250.00	\$347.74	\$ .00	33,440	4,156	29,292	10,306	23,142	\$12.5	\$30.9	\$100.3
2004	\$250.00	\$402.63	\$ .00	34,403	3,666	30,017	9,438	25,045	\$11.0	\$28.3	\$103.4
2005	\$250.00	\$464.27	\$ .00	35,721	3,210	32,511	8,639	27,002	\$9.6	\$25.9	\$107.2
2006	\$250.00	\$533.39	\$ .00	37,130	2,780	34,342	7,850	29,200	\$8.4	\$23.5	\$111.4
2007	\$250.00	\$610.77	\$ .00	38,489	2,402	35,007	7,043	31,446	\$7.2	\$21.1	\$115.5
2008	\$250.00	\$697.21	\$ .00	40,309	2,050	30,259	6,359	33,950	\$6.2	\$19.1	\$120.9
2009	\$250.00	\$793.66	\$ .00	42,194	1,778	40,416	5,640	36,554	\$5.3	\$16.9	\$126.6
2010	\$250.00	\$901.13	\$ .00	44,012	1,449	42,563	4,950	39,062	\$4.3	\$14.9	\$132.0
2011	\$250.00	\$1,020.72	\$ .00	45,000	1,213	43,707	4,243	40,757	\$3.6	\$12.7	\$135.0
2012	\$250.00	\$ .00	\$ .00	45,000	1,003	43,997	3,669	41,331	\$3.0	\$11.0	\$135.0
2013	\$250.00	\$ .00	\$ .00	45,000	619	44,101	3,161	41,039	\$2.5	\$9.5	\$135.0
2014	\$250.00	\$ .00	\$ .00	45,000	650	44,342	2,690	42,302	\$2.0	\$8.1	\$135.0
2015	\$250.00	\$ .00	\$ .00	45,000	521	44,479	2,340	42,660	\$1.6	\$7.0	\$135.0
2016	\$250.00	\$ .00	\$ .00	45,000	405	44,595	1,907	43,093	\$1.2	\$5.7	\$135.0
2017	\$250.00	\$ .00	\$ .00	45,000	309	44,691	1,596	43,404	\$ .9	\$4.8	\$135.0
2018	\$250.00	\$ .00	\$ .00	45,000	231	44,769	1,320	43,680	\$ .7	\$4.0	\$135.0
2019	\$250.00	continued	\$ .00	45,000	169	44,831	1,070	43,922	\$ .5	\$3.2	\$135.0
2020	\$250.00	continued	\$ .00	45,000	114	44,806	066	44,134	\$ .3	\$2.6	\$135.0
2021	\$250.00	to	\$ .00	45,000	76	44,924	006	44,314	\$ .2	\$2.1	\$135.0
2022	\$250.00	increase	\$ .00	45,000	48	44,952	533	44,467	\$ .1	\$1.6	\$135.0
2023	\$250.00	\$ .00	\$ .00	45,000	31	44,969	407	44,593	\$ .1	\$1.2	\$135.0
2024	\$250.00	\$ .00	\$ .00	45,000	10	44,982	304	44,696	\$ .1	\$ .9	\$135.0
2025	\$250.00	\$ .00	\$ .00	45,000	10	44,990	222	44,778	\$ .0	\$ .7	\$135.0
2026	\$250.00	\$ .00	\$ .00	45,000	5	44,995	150	44,850	\$ .0	\$ .4	\$135.0
2027	\$250.00	\$ .00	\$ .00	45,000	3	44,997	100	44,900	\$ .0	\$ .3	\$135.0
2028	\$250.00	\$ .00	\$ .00	45,000	1	44,999	63	44,937	\$ .0	\$ .2	\$135.0
2029	\$250.00	\$ .00	\$ .00	45,000		45,000	41	44,959	\$ .0	\$ .1	\$135.0
2030	\$250.00	\$ .00	\$ .00	45,000		45,000	24	44,976	\$ .0	\$ .1	\$135.0
2031	\$250.00	\$ .00	\$ .00	45,000		45,000	13	44,987	\$ .0	\$ .0	\$135.0
2032	\$250.00	\$ .00	\$ .00	45,000		45,000	7	44,993	\$ .0	\$ .0	\$135.0
2033	\$250.00	\$ .00	\$ .00	45,000		45,000	4	44,996	\$ .0	\$ .0	\$135.0
2034	\$250.00	\$ .00	\$ .00	45,000		45,000	1	44,999	\$ .0	\$ .0	\$135.0

FRONT LOADING PAYMENTS	NOMINAL DOLLARS, 1987-1989	\$ .0	\$ .0	\$ .0
	CONSTANT 1985 DOLLARS, 1987-1989	\$ .0	\$ .0	\$ .0
	PRESENT VALUE IN 1985	\$ .0	\$ .0	\$ .0
TOTAL COSTS	NOMINAL DOLLARS	\$916.5	\$1,131.0	\$5,418.9
	CONSTANT 1985 DOLLARS	\$566.1	\$625.0	\$1,391.1
	PRESENT VALUE IN 1985	\$464.1	\$496.9	\$879.0

NOTES:

\* Persons 65 before 1992 are grandfathered.

EXHIBIT B

FISCAL YEAR	-----ANNUITY BILL-----			-----CSSB 56-----			SPECIAL COMMITTEE ANNUITY BILL*	(millions)		
	AID TO PERSONS 65 BEFORE 1986	MAXIMUM POSSIBLE ANNUITY	RESIDUAL AID	AID TO PERSONS 65 BEFORE 1986	MAXIMUM POSSIBLE ANNUITY	RESIDUAL AID		CSSB-56*	STAIRSTEP BILL**	CURRENT LAW
1986	\$250.00	\$ .00	\$250.00	\$250.00	\$ .00	\$250.00	\$50.2	\$50.2	\$50.2	\$50.2
1987	\$257.50	\$11.92	\$245.58	\$257.50	\$11.92	\$245.58	\$79.6	\$79.6	\$53.3	\$53.3
1988	\$265.23	\$24.86	\$240.37	\$265.23	\$24.71	\$240.52	\$84.7	\$84.7	\$56.3	\$56.3
1989	\$273.18	\$39.05	\$234.13	\$273.18	\$38.38	\$234.80	\$89.5	\$89.5	\$59.5	\$59.5
1990	\$281.30	\$46.94	\$234.44	\$281.38	\$45.55	\$235.83	\$65.0	\$65.9	\$62.7	\$62.7
1991	\$289.82	\$56.27	\$233.55	\$289.82	\$53.97	\$235.85	\$69.2	\$69.5	\$65.7	\$65.7
1992	\$298.51	\$67.21	\$231.30	\$298.51	\$63.79	\$234.72	\$72.2	\$72.7	\$62.5	\$62.5
1993	\$307.47	\$79.93	\$227.54	\$307.47	\$75.21	\$232.26	\$75.0	\$75.8	\$59.7	\$71.6
1994	\$316.69	\$94.67	\$222.02	\$316.69	\$88.43	\$228.26	\$77.0	\$78.1	\$56.5	\$74.4
1995	\$326.19	\$111.73	\$214.46	\$326.19	\$103.72	\$222.47	\$78.6	\$80.3	\$53.8	\$77.7
1996	\$335.98	\$131.53	\$204.45	\$335.98	\$121.37	\$214.61	\$79.0	\$81.3	\$50.6	\$80.6
1997	\$346.06	\$154.20	\$191.86	\$346.06	\$141.44	\$204.62	\$77.9	\$81.0	\$47.5	\$83.1
1998	\$356.44	\$180.13	\$176.31	\$356.44	\$164.33	\$192.11	\$75.8	\$79.9	\$44.8	\$86.0
1999	\$367.13	\$209.76	\$157.37	\$367.13	\$190.39	\$176.74	\$71.9	\$77.3	\$41.9	\$88.7
2000	\$378.15	\$243.52	\$134.63	\$378.15	\$219.97	\$158.18	\$66.2	\$73.2	\$39.1	\$91.5
2001	\$389.49	\$281.92	\$107.57	\$389.49	\$253.43	\$136.06	\$58.3	\$67.3	\$36.3	\$94.4
2002	\$401.19	\$325.34	\$75.84	\$401.18	\$291.07	\$110.11	\$47.8	\$59.2	\$33.6	\$97.3
2003	\$413.21	\$374.26	\$38.95	\$413.21	\$333.31	\$79.90	\$34.3	\$48.7	\$30.9	\$100.3
2004	\$425.61	\$429.25	\$ .00	\$425.61	\$380.64	\$44.97	\$18.7	\$35.4	\$28.3	\$103.4
2005	\$438.38	\$490.97	\$ .00	\$438.38	\$433.53	\$4.85	\$16.9	\$18.3	\$25.9	\$107.2
2006	\$451.53	\$560.18	\$ .00	\$451.53	\$492.60	\$ .00	\$15.1	\$15.1	\$23.5	\$111.4
2007	\$465.07	\$637.63	\$ .00	\$465.07	\$558.43	\$ .00	\$13.4	\$13.4	\$21.1	\$115.5
2008	\$479.03	\$724.15	\$ .00	\$479.03	\$631.66	\$ .00	\$11.8	\$11.8	\$19.1	\$120.9
2009	\$493.40	\$820.68	\$ .00	\$493.40	\$713.40	\$ .00	\$10.5	\$10.5	\$16.9	\$126.6
2010	\$508.20	\$928.22	\$ .00	\$508.20	\$803.32	\$ .00	\$8.8	\$8.8	\$14.9	\$132.0
2011	\$523.44	\$1,047.88	\$ .00	\$523.44	\$903.38	\$ .00	\$7.6	\$7.6	\$12.7	\$135.0
2012	\$539.15		\$ .00	\$539.15		\$ .00	\$6.5	\$6.5	\$11.0	\$135.0
2013	\$555.32		\$ .00	\$555.32		\$ .00	\$5.5	\$5.5	\$9.5	\$135.0
2014	\$571.98		\$ .00	\$571.98		\$ .00	\$4.5	\$4.5	\$8.1	\$135.0
2015	\$589.14		\$ .00	\$589.14		\$ .00	\$3.7	\$3.7	\$7.0	\$135.0
2016	\$606.82		\$ .00	\$606.82		\$ .00	\$2.9	\$2.9	\$5.7	\$135.0
2017	\$625.02		\$ .00	\$625.02		\$ .00	\$2.3	\$2.3	\$4.8	\$135.0
2018	\$643.77		\$ .00	\$643.77		\$ .00	\$1.8	\$1.8	\$4.0	\$135.0
2019	\$663.08	continues	\$ .00	\$663.08	continues	\$ .00	\$1.3	\$1.3	\$3.2	\$135.0
2020	\$682.98	to	\$ .00	\$682.98	to	\$ .00	\$ .9	\$ .9	\$2.6	\$135.0
2021	\$703.47	increase	\$ .00	\$703.47	increase	\$ .00	\$ .6	\$ .6	\$2.1	\$135.0
2022	\$724.57		\$ .00	\$724.57		\$ .00	\$ .4	\$ .4	\$1.6	\$135.0
2023	\$746.31		\$ .00	\$746.31		\$ .00	\$ .3	\$ .3	\$1.2	\$135.0
2024	\$768.70		\$ .00	\$768.70		\$ .00	\$ .2	\$ .2	\$ .9	\$135.0
2025	\$791.76		\$ .00	\$791.76		\$ .00	\$ .1	\$ .1	\$ .7	\$135.0
2026	\$815.51		\$ .00	\$815.51		\$ .00	\$ .0	\$ .0	\$ .4	\$135.0
2027	\$839.97		\$ .00	\$839.97		\$ .00	\$ .0	\$ .0	\$ .3	\$135.0
2028	\$865.17		\$ .00	\$865.17		\$ .00	\$ .0	\$ .0	\$ .2	\$135.0
2029			\$ .00	\$891.13		\$ .00	\$ .0	\$ .0	\$ .1	\$135.0
2030			\$ .00	\$917.86		\$ .00	\$ .0	\$ .0	\$ .1	\$135.0
2031			\$ .00	\$945.40		\$ .00	\$ .0	\$ .0	\$ .0	\$135.0
2032			\$ .00	\$973.76		\$ .00	\$ .0	\$ .0	\$ .0	\$135.0
2033			\$ .00	\$1,002.97		\$ .00	\$ .0	\$ .0	\$ .0	\$135.0
2034			\$ .00	\$1,033.06		\$ .00	\$ .0	\$ .0	\$ .0	\$135.0

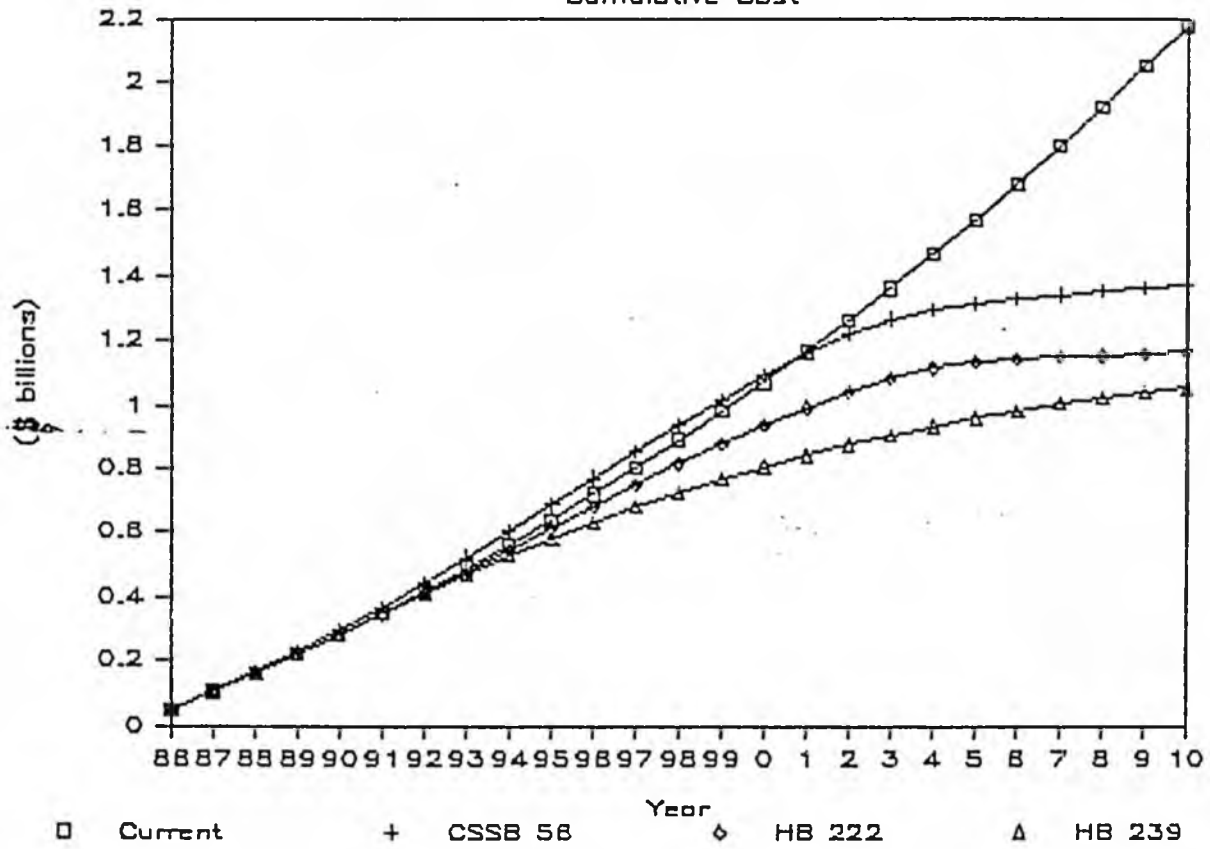
TOTAL COSTS, 1986-2034:	\$1,387.2	\$1,466.8	\$1,131.0	\$5,418.9
CONSTANT 1985 DOLLARS, 1986-2034:	\$805.32	\$836.9	\$625.01	\$1,391.12
PRESENT VALUE, 1986-2034:	\$645.82	\$666.3	\$496.88	\$879.70

NOTES:

- \* Persons 65 before 1986 grandfathered (i.e., stairstepping starts in 1986). Annual costs include three years of "front loading" (\$25.2 in '87, \$26.5 in '88, and \$27.7 in '89).
- \*\* Persons 65 before 1992 grandfathered (i.e., stairstepping starts in FY 1992).

# LONGEVITY BONUS COST ANALYSIS

Cumulative Cost



Draft House Research

LONGEVITY BONUS COST ANALYSIS

Current Program

Fiscal Year	Over 65 by 1986	ALB	Cost (millions)	Cut Age	Other Eligible Recipients	ALB	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1	65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	250	43.0	65	3,419	250	10.3	53.3	103.5
1988	13,660	250	41.0	65	5,109	250	15.3	56.3	159.8
1989	12,974	250	38.9	65	6,854	250	20.6	59.5	219.3
1990	12,293	250	36.9	65	8,620	250	25.9	62.7	282.1
1991	11,616	250	34.8	65	10,292	250	30.9	65.7	347.8
1992	10,943	250	32.8	65	11,906	250	35.7	68.5	416.3
1993	10,273	250	30.8	65	13,588	250	40.8	71.6	487.9
1994	9,606	250	28.8	65	15,193	250	45.6	74.4	562.3
1995	8,945	250	26.8	65	16,946	250	50.8	77.7	640.0
1996	8,291	250	24.9	65	18,572	250	55.7	80.6	720.6
1997	7,644	250	22.9	65	20,048	250	60.1	83.1	803.7
1998	7,012	250	21.0	65	21,645	250	64.9	86.0	889.6
1999	6,396	250	19.2	65	23,160	250	69.3	88.7	978.3
2000	5,799	250	17.4	65	24,712	250	74.1	91.5	1,069.8
2001	5,225	250	15.7	65	26,234	250	78.7	94.4	1,164.2
2002	4,676	250	14.0	65	27,764	250	83.3	97.3	1,261.5
2003	4,156	250	12.5	65	29,292	250	87.9	100.3	1,361.9
2004	3,666	250	11.0	65	30,817	250	92.5	103.4	1,465.3
2005	3,210	250	9.6	65	32,511	250	97.5	107.2	1,572.5
2006	2,788	250	8.4	65	34,342	250	103.0	111.4	1,683.9
2007	2,402	250	7.2	65	36,087	250	108.3	115.5	1,799.3
2008	2,050	250	6.2	65	38,259	250	114.8	120.9	1,920.3
2009	1,778	250	5.3	65	40,416	250	121.2	126.6	2,046.8
2010	1,449	250	4.3	65	42,563	250	127.7	132.0	2,178.9

LONGEVITY BONUS COST ANALYSIS

CSSB 56 and HB 210

Fiscal Year	Over 65 by 1986	ALB	Cost (millions)	Cut Age	Other Eligible Recipients	ALB	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1	65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	258	44.3	65	3,419	253	10.4	54.7	104.9
1988	13,660	265	43.5	65	5,109	255	15.6	59.1	164.0
1989	12,974	273	42.5	65	6,854	256	21.1	63.6	227.6
1990	12,293	281	41.5	65	8,620	256	26.5	68.0	295.6
1991	11,616	290	40.4	65	10,292	256	31.6	72.0	367.6
1992	10,943	299	39.2	65	11,906	254	36.2	75.4	443.0
1993	10,273	307	37.9	65	13,588	250	40.8	78.7	521.7
1994	9,606	317	36.5	65	15,193	245	44.6	81.1	602.8
1995	8,945	326	35.0	65	16,946	238	48.3	83.3	686.1
1996	8,291	336	33.4	65	18,572	228	50.9	84.3	770.4
1997	7,644	346	31.7	65	20,048	216	52.1	83.8	854.3
1998	7,012	356	30.0	65	21,645	202	52.5	82.5	936.7
1999	6,396	367	28.2	65	23,160	184	51.3	79.4	1,016.2
2000	5,799	378	26.3	65	24,712	163	48.5	74.8	1,091.0
2001	5,225	389	24.4	65	26,234	139	43.7	68.1	1,159.1
2002	4,676	401	22.5	65	27,764	110	36.6	59.1	1,218.2
2003	4,156	413	20.6	65	29,292	77	26.9	47.5	1,265.7
2004	3,666	426	18.7	65	30,817	38	14.1	32.9	1,298.6
2005	3,210	438	16.9	65	32,511	0	0.0	16.9	1,315.5
2006	2,788	452	15.1	65	34,342	0	0.0	15.1	1,330.6
2007	2,402	465	13.4	65	36,087	0	0.0	13.4	1,344.0
2008	2,050	479	11.8	65	38,259	0	0.0	11.8	1,355.8
2009	1,778	493	10.5	65	40,416	0	0.0	10.5	1,366.3
2010	1,449	508	8.8	65	42,563	0	0.0	8.8	1,375.1

LONGEVITY BONUS COST ANALYSIS

HB 222

Fiscal Year	Over 65 by 1986	ALB	Cost (millions)	Cut Age	Other Eligible Recipients	ALB (millions)	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1	65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	250	43.0	65	3,419	248	10.2	53.2	103.4
1988	13,660	250	41.0	65	5,109	245	15.0	56.0	159.4
1989	12,974	250	38.9	65	6,854	241	19.9	58.8	218.2
1990	12,293	250	36.9	65	8,620	237	24.6	61.4	279.6
1991	11,616	250	34.8	65	10,292	233	28.8	63.6	343.3
1992	10,943	250	32.8	65	11,906	228	32.5	65.3	408.6
1993	10,273	250	30.8	65	13,588	221	36.1	66.9	475.5
1994	9,606	250	28.8	65	15,193	214	39.0	67.8	543.3
1995	8,945	250	26.8	65	16,946	206	41.8	68.7	612.0
1996	8,291	250	24.9	65	18,572	196	43.7	68.6	680.6
1997	7,644	250	22.9	65	20,048	185	44.6	67.5	748.1
1998	7,012	250	21.0	65	21,645	173	44.9	65.9	814.0
1999	6,396	250	19.2	65	23,160	159	44.1	63.3	877.3
2000	5,799	250	17.4	65	24,712	143	42.3	59.7	937.0
2001	5,225	250	15.7	65	26,234	125	39.2	54.9	991.9
2002	4,676	250	14.0	65	27,764	104	34.8	48.8	1,040.7
2003	4,156	250	12.5	65	29,292	82	28.7	41.2	1,081.9
2004	3,666	250	11.0	65	30,817	56	20.8	31.8	1,113.7
2005	3,210	250	9.6	65	32,511	28	10.9	20.5	1,134.2
2006	2,788	250	6.4	65	34,342	0	0.0	8.4	1,142.6
2007	2,402	250	7.2	65	36,087	0	0.0	7.2	1,149.8
2008	2,050	250	6.2	65	38,259	0	0.0	6.2	1,155.9
2009	1,778	250	5.3	65	40,416	0	0.0	5.3	1,161.3
2010	1,449	250	4.3	65	42,563	0	0.0	4.3	1,165.6

LONGEVITY BONUS COST ANALYSIS

HB 239

Fiscal Year	Over 65 by 1986	ALB	Cost (millions)	Cut Age	Other Eligible Recipients	ALB	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1	65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	250	43.0	65	3,419	250	10.3	53.3	103.5
1988	13,660	250	41.0	65	5,109	250	15.3	56.3	159.8
1989	12,974	250	38.9	65	6,854	250	20.6	59.5	219.3
1990	12,293	250	36.9	65	8,620	250	25.9	62.7	282.1
1991	11,616	250	34.8	65	10,292	250	30.9	65.7	347.8
1992	10,943	250	32.8	66	9,896	250	29.7	62.5	410.3
1993	10,273	250	30.8	67	9,617	250	28.9	59.7	470.0
1994	9,606	250	28.8	68	9,217	250	27.7	56.5	526.4
1995	8,945	250	26.8	69	8,995	250	27.0	53.8	580.3
1996	8,291	250	24.9	70	8,582	250	25.7	50.6	630.9
1997	7,644	250	22.9	71	8,175	250	24.5	47.5	678.3
1998	7,012	250	21.0	72	7,922	250	23.8	44.8	723.1
1999	6,396	250	19.2	73	7,573	250	22.7	41.9	765.1
2000	5,799	250	17.4	74	7,232	250	21.7	39.1	804.1
2001	5,225	250	15.7	75	6,873	250	20.6	36.3	840.4
2002	4,676	250	14.0	76	6,517	250	19.6	33.6	874.0
2003	4,156	250	12.5	77	6,150	250	18.5	30.9	904.9
2004	3,666	250	11.0	78	5,772	250	17.3	28.3	933.2
2005	3,210	250	9.6	79	5,429	250	16.3	25.9	959.2
2006	2,788	250	8.4	80	5,062	250	15.2	23.6	982.7
2007	2,402	250	7.2	81	4,641	250	13.9	21.1	1,003.8
2008	2,050	250	6.2	82	4,309	250	12.9	19.1	1,022.9
2009	1,778	250	5.3	83	3,862	250	11.6	16.9	1,039.8
2010	1,449	250	4.3	84	3,501	250	10.5	14.9	1,054.7

SUMMARY OF CHAPTER 38 SLA 84

The act's highlights are as follows:

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

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

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



# LAWS OF ALASKA

1984

Source

HR 717 am

Chapter No.

30

## AN ACT

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

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

THE ACT FOLLOWS ON PAGE 1, LINE 11

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

Chapter 30

## AN ACT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 47.45.150. DEFINITIONS. In this chapter

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

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

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

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

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

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

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

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

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

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

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

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

purpose see pg 1



# LAWS OF ALASKA

1972

Source

Chapter No.

FCCS HCS CSSB 211

205

## AN ACT

Providing for an Alaska longevity bonus; and providing for an effective date.

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

Section 1. AS 47 is amended by adding a new chapter to read:

#### CHAPTER 45. ALASKA LONGEVITY BONUS.

Sec. 47.45.010. PERSONS WHO MAY QUALIFY FOR LONGEVITY BONUS. (a) A person who is 65 years of age or over, who was domiciled in the territory on or before January 3, 1959 and who has maintained a continuous domicile in the territory or state for 25 years may apply to the commissioner of administration for qualification to receive a monthly bonus of \$100.

(b) When the commissioner of administration determines that an applicant qualifies under this chapter he shall immediately begin payment of the bonus.

(c) A person who otherwise qualifies to receive a bonus provided for in this chapter may continue to do so only as long as he continuously retains a domicile in the state.

Sec. 47.45.020. CONTINUOUS ELIGIBILITY PROCEDURES. After qualification, monthly applications for bonuses may be made in person to any office of the Department of Administration. Mailed monthly applications shall also be considered by the Department of Administration. In-person or mailed applications shall be made on forms provided by the Department of Administration and shall conform to the conditions as provided by regulation. The commissioner may make exceptions to those residents who are

isolated in rural areas and cannot mail a monthly application; however, they shall mail an application at least once every six months.

Sec. 47.45.030. ABSENCE FROM THE STATE. A recipient shall notify the commissioner of administration when he expects to be absent from the state if the absence is for a continuous period that exceeds 30 days. After such notification, the recipient shall no longer receive bonuses from the Department of Administration after his last regularly approved monthly application. Upon his return to the state he may again make application for a bonus. Whenever the absence is for a continuous period that exceeds 180 days the recipient shall be disqualified from receiving bonuses for the next 12 calendar months after his return to the state. However, when the commissioner of administration determines a period of absence is beyond the control of the recipient, he may not be disqualified, if he still otherwise qualifies upon his return to the state. Continual absences from the state, even though reported, and failure to notify the commissioner of an expected absence may be grounds for disqualification.

Sec. 47.45.040. DISQUALIFICATION. Disqualification under this chapter shall rest solely with the commissioner of administration and shall be outlined in the regulations promulgated under sec. 100(1) of this chapter.

Sec. 47.45.050. DEPARTMENT HEARING. The Department of Administration may hold a departmental hearing upon the request of any applicant or recipient who has been disqualified. Previous to this hearing the department shall by certified mail notify an applicant or recipient in plain and comprehensive language the exact reason for his disqualification. Form letters using only referral to state statutes or department regulations, or otherwise vague in detail, shall not be considered compliance by the department with this section.

Sec. 47.45.060. LEGAL REMEDY. Legal remedy from disqualification may be sought by an applicant or recipient in any court of competent jurisdiction in the state. The burden of proof shall rest solely upon the applicant or recipient and any costs related to a disqualification verdict determined against the applicant or recipient may be recoverable by the attorney general from that person, or from any agency representing that person supported in whole, or in part, with state appropriations.

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

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

(2) meets the age and residence requirements of this chapter but is confined in a state or federal mental health institution or facility and is certified by the state as unable to manage his own affairs; however, if such a person was at the time of his commitment the principal support of a spouse, the commissioner of

administration may determine to pay the confined person's bonus to his spouse until the spouse is qualified for a bonus;

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

(4) leaves the state of his own volition and remains absent from the state for a continuous period of more than 180 days.

Sec. 47.45.080. ACCRUAL OF BONUSES. No recipient may, for any reason, receive an accrual of bonuses in excess of two monthly payments. No interest may be paid on accrued bonuses. Upon the death of a recipient the commissioner of administration shall pay to the beneficiary of the recipient any accrued bonuses not to exceed two monthly payments.

Sec. 47.45.090. ALASKA LONGEVITY BONUS FUND. (a) There is the Alaska longevity bonus fund created for the purpose of paying the monthly bonuses provided for in this chapter. The fund consists of all money made available by appropriations of the state legislature, and from other appropriated funds, all contributions from whatever source, and income and interest derived from the investment of money.

(b) The commissioner of administration is the administrator of the fund.

Sec. 47.45.100. POWERS AND DUTIES OF THE ADMINISTRATOR. The commissioner of administration shall

(1) promulgate regulations necessary to carry out the provisions of this chapter;

(2) make expenditures from the fund necessary to administer this chapter;

(3) establish and maintain an adequate system of accounts for the fund;

(4) publish annually a report showing the financial condition of the fund.

Sec. 47.45.110. CUSTODY OF FUNDS. The commissioner of revenue is the treasurer of the system and has powers and duties for this purpose including but not limited to the following:

(1) to act as official custodian of the cash and securities belonging to the fund;

(2) to receive all items of cash belonging to the fund.

Sec. 47.45.120. EXEMPTION FROM TAXATION AND PROCESS. Bonuses received under this chapter are exempt from all state and political subdivision taxes except sales and use taxes and are not subject to execution, attachment, garnishment or other process. No bonus received under this chapter may be exempt from a federal tax requirement.

Sec. 47.45.130. DEATH OR CESSATION OF RESIDENCY. The commissioner of administration shall establish procedures to stop a bonus when a recipient under this chapter no longer qualifies. When a recipient dies or discontinues his residency in the state his qualification for a bonus shall stop at the time of his last approved monthly application.

Sec. 47.45.140. PENALTY FOR FALSE STATEMENTS. A person who wilfully or knowingly makes a false statement, or falsifies or permits to be falsified any record required by this chapter, is guilty of a misdemeanor and, upon conviction, is punishable by a fine of not more than \$500, or by imprisonment for not more than six months, or by both, forfeits all rights under this chapter, and shall make adequate restitution for any bonuses illegally received.

Sec. 47.45.150. DEFINITIONS. In this chapter

(1) "bonus" means a monthly Alaska longevity bonus payment made to a person or his beneficiary who qualifies under this chapter;

(2) "domicile" means the place with which a person has a settled connection for determination of his civil status or other legal purposes because it is actually or legally his permanent and principal home.

Sec. 47.45.160. APPLICABILITY OF ADMINISTRATIVE PROCEDURE ACT. The Administrative Procedure Act (AS 44.62) does not apply to this chapter.

Sec. 47.45.170. PURPOSE. The sole purpose of this chapter is to offer and provide all law-abiding Alaskans capable of managing their own affairs who have maintained a domicile in the state for at least 25 years and have reached a retirement age of 65, an incentive to continue uninterrupted residency in the state. Under no circumstances shall this chapter be considered a form, type, or manner, of public relief. Bonuses made under this chapter are not predicated on need even though they may appear to provide supplemental income to some qualified persons who would otherwise be forced to become responsibilities of the state. The legislature further finds and states that this legislation recognizes the economic hardships suffered by many elderly Alaskans, Alaskans who through their tenacity and perseverance molded Alaska as we know it through skillful application of their talents. These pioneers are the same Alaskans, who in the prime of their life were in effect treated as second-class citizens by the federal government who paid much of their hard-earned income to a government in which they did not have the right to participate through the power of the ballot. The legislature also is aware of the fact that many of

these pioneers have been forced to live out their retirement years in areas far away from the land they loved and nurtured and thereby also suffering in many cases, the loss of familial relationship with their own kin, an experience that is sad and frustrating to them as well as depriving new generations of Alaskans the benefit of their wisdom and experience. This legislation hopefully will provide our pioneers with the economic means to remain in and continue to serve their state and to enjoy the opportunity of aiding the new Alaskan in making this state truly "The Great Land".

\* Sec. 2. AS 01.10.030 does not apply to this Act. If any provision of this Act, or the application of a provision of this Act to any person or circumstance is held invalid, this entire Act shall be considered invalid.

\* Sec. 3. This Act takes effect January 1, 1973.

## ANNUITY PROPOSAL

### Participation

Participation is the most important consideration surrounding about the annuity proposal. If people choose not to participate in significant numbers, then the plan will not be a success from a social policy perspective.

The following factors may deter participation:

\* Income level According to IRS statistics, only 2% of persons with incomes of less than \$10,000 purchase IRA's. People with minimal amounts of disposable income are certainly not going to choose to forego Permanent Fund Dividend cash-in-hand benefits for an investment for which they have to pay cash-out-of-hand payments (taxes).

\* Tax status of proposed annuity Without frontloading, the annuity will not be tax-deductible. Investment advisors in the private sector encourage individuals to invest first in an IRA before considering an annuity because an IRA contribution is tax deductible and an annuity contribution is not. (The interest earnings for both are tax deferred).

The amount the legislature frontloads must be a high enough percentage to warrant a favorable tax ruling from the IRS. Finally, there is always the possibility that the legislature will stop frontloading the fund at which time the contribution will be tax-deductible as well as the annual earnings.

\* Property right A person who invests in the program will not be able to withdraw his or her contribution. Other annuities allow early withdrawal. (IRA plans allow people to withdraw their money - A penalty tax is imposed for early withdrawal).

\* Negative Box check The annuity proposal requires a person to check a box selecting their full dividend payment. If this is not done, a person will automatically receive an annuity credit. Low-income, rural Alaskan Natives will be negatively impacted by this arrangement since it has been documented that they use their dividend check to pay for day to day expenses while higher income Alaskans use the money for taxes and savings. (A study by the Alaska Permanent Fund found that the contribution of dividends to family income was relatively greater in rural Alaska, and especially so for rural Alaska Natives.)

\* Lack of assurance that the program will exist in the future Why would an individual investor assume this risk?

Participation in Individual Retirement Accounts--1982

<u>Income Level</u>	<u>Participation Rate*</u>
under \$10,000	2.0%
\$10,000 - \$15,000	6.0
\$15,000 - \$20,000	10.9
\$20,000 - \$30,000	17.6
\$30,000 - \$40,000	28.9
\$40,000 - \$50,000	42.1
\$50,000 - \$100,000	63.7
\$100,000 - \$200,000	78.7
over \$200,000	<u>72.3</u>
all income levels	14.5%

\*Participation as a percent of federal tax returns that reported income from wages.

Source: Internal Revenue Service

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The State's deferred compensation plan offers another example of the participation rates one might expect for the annuity program. Under that plan, State employees can place a portion of their earnings in a special account. Tax liability on the deferred amount and on earnings on investments held by the account is deferred until the cash is received. Despite the following factors, only 1,600 to 1,700 (about ten percent) of State employees participate in the deferred compensation plan.

- The deferred compensation plan offers the same tax advantages as the annuity program.
- The amount that is deferred can be controlled by the employee.
- The employee knows how much he will get out of the plan and has several options for obtaining his funds.
- The wealth is not lost if the employee dies; all funds can be passed on to a beneficiary.
- Funds can be removed before the age of 65.
- The solvency of the plan is assured; each account is subject to separate accounting.

REPORT TO THE FOURTEENTH LEGISLATURE - FIRST SESSION  
AND TO GOVERNOR BILL SHEFFIELD FROM THE STATE SPECIAL  
COMMITTEE ON THE ALASKA LONGEVITY BONUS PROGRAM

together with

DISSENTING VIEWS AND ADDITIONAL COMMENTS

February 1, 1985

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### Introduction.

In June, 1984, the Alaska Longevity Bonus Program (AS 47.45) was declared unconstitutional because it required recipients to have resided in Alaska both prior to statehood and for 25 consecutive years. The Thirteenth Legislature, 2nd Sess., repealed these lengthy residency requirements, thus opening the program to new participants. Ch. 38, SLA 1984. However, the amended law, by its own terms, is to be repealed effective June 30, 1985. Id., Sec. 11.

The legislation also established the State Special Committee on the Alaska Longevity Bonus Program to "determine the feasibility of replacing the longevity bonus program, as amended by this Act, with an annuity program, a needs-based program, or other longevity program." Id., Sec. 7. This is the committee's report.

### Recommendation: Annuity Approach.

The committee has developed a proposal which would phase out the existing longevity bonus program and replace it with individual annuity accounts funded primarily by the permanent fund dividends of participants. 1/ The proposal has been

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1/ Three different annuity approaches were initially considered by the committee: (1) SB 465, introduced in the 1984 legislature by several senators; (2) an amended version of HB 700, also introduced in that legislature; and (3) a draft bill prepared by Senator Bill Ray (D., Juneau). The Ray bill became the vehicle for the Committee's proposal. All three proposals involved

introduced in this legislature as SB 56. Under the committee bill, Alaskans who choose to participate in the program will receive monthly benefits, after reaching age 65, of at least the \$250 which is currently provided by the bonus program, inflated by three percent annually.

The program is available to those who reach age 65 after 1985. Under the bill, Alaska's existing elderly will receive their current \$250 bonus, inflated by three percent annually, without having to forego their permanent fund dividends.

The committee bill provides that each year every Alaskan (except those who are 65 or older before 1986) will receive his or her permanent fund dividend in the form of a credit to an annuity account, unless the individual affirmatively elects to receive cash. 2/ Section 2 of the bill envisions that the

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foregoing a permanent fund dividend in return for some type of future annuity benefit.

SB 465 would have paid \$16.50 per month to each elderly Alaskan for every permanent fund dividend foregone -- to a limit of \$250 per month.

HB 700 would have given each Alaskan one annuity share for each foregone dividend. Each year, one third of the money available for permanent fund dividends would then be divided by the number of annuity shares held by those over the age of 65. Each elderly Alaskan would receive a portion of that annuity fund commensurate with the number of shares held.

The committee was advised by legal counsel that HB 700 and SB 465 created greater constitutional risks than did the Ray proposal; the committee therefore focused on the concept embodied in Senator Ray's bill.

2/ This aspect of the committee proposal reflects a change from

legislature may, at least in the early years, "front-load" the program by appropriating additional funds into the annuity account, which will be attributed to individual accounts on a prescribed formula. Under that formula, state contributions are greatest for those approaching retirement age, and decline for younger Alaskans. Beginning at age 65, a participant receives an annuity based on his contributions and any front-loading -- plus earnings accumulated on those amounts. 3/

Even with front-loading, it will be years before annuity payments are sufficient to replace the longevity bonus. The ALB program is thus retained at a level which, for those turning 65 after 1985, will be reduced annually. 4/ Under the bill, a "target amount" for the ALB is established (Section 8), which is \$250 per month (in FY 1986) inflated by 3% each year. That target amount is then reduced by the maximum possible annuity which would be available to a 65-year old who has participated in

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earlier annuity bills, which required an election to forego cash payment. Because, in the future, the annuity program will be the only state source of non-need-based retirement assistance, the committee believes that each Alaskan should be required to come to grips with the long-term consequences of a decision to take the dividend in cash.

3/ Under the committee bill a participant who dies before age 65 will forfeit his accumulated annuity credits (see the discussion of survivor options at 17, post); the amounts forfeited will be reallocated to surviving participants and thus will increase their annuities.

4/ The longevity bonus itself is, of course, available to all elderly Alaskans whether or not they have also established annuity accounts.

the program in each year since the program's inception. For example, if the inflated ALB "target" for a particular year is \$280, and a person turning 65 who received an annuity credit in each year of the program would be entitled to an annuity of \$100 per month, the ALB payment for all recipients would be \$180. That \$180 will not vary according to the actual participation histories of individual ALB recipients.

Over the years, individual annuity accounts will become greater, and each year the longevity bonus payable to new recipients becomes correspondingly smaller. By the year 2003, the committee projects that the maximum possible annuity will be sufficient to bring an end to the general-funded ALB program, except for those relatively few who were 65 or older before 1986, and are still receiving ALB payments in that year. This is best illustrated by the following chart:

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Maximum Possible Annuity 5/      ALB (for all new recipients)

1986	4.37	\$245.63
1990	32.50	248.88
1995	106.27	219.92
2000	255.70	122.45
2005	533.39	-0-

Other Options Considered

The committee invited its members, and others, to suggest alternatives other than an annuity program. Only one was advanced -- a "means test" program under which elderly Alaskans earning less than \$25,000 per year would receive a payment of \$250 per month. Those earning more than \$25,000 would receive a payment of \$100 per month. To qualify for the \$250 bonus, the applicant would be required to submit his or her tax return to the Department of Administration.

This program is intended as a permanent replacement for the ALB. However, the program envisions that the size of the payments, and the \$25,000 income limit, remain constant over the years. In terms of real income, the effect is as follows:

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5/ Annuity projections are without "front-loading."

	<u>Maximum Income Eligibility for Bonus (year)</u>	<u>Amount of Bonus</u>	<u>Size of Alternate Bonus</u>
1986	\$25,000	\$250	\$100
2000	\$10,569	\$104	\$41.60
2010	\$ 5,902 <u>6/</u>	\$ 59	\$23.60

It is estimated that, initially, 80% of Alaska's elderly will be eligible for the \$250 bonus. Because that maximum income requirement drops each year in terms of real income, so too does the percentage of eligible elderly. Thus, less than half of Alaska's elderly will be eligible for the bonus in the year 2000, and only 30% will be eligible in the year 2010.

The committee rejected this means test proposal for the following reasons:

1. Any welfare program is contrary to the intent of the ALB program and is vigorously opposed by Alaska's elderly. The Longevity Bonus Program now says to Alaska's elderly that they are a precious human resource, and that it is in the state's interest to provide them with the wherewithall to remain in Alaska after retirement. The means test payment, on the other hand, carries with it quite different, and less favorable connotations.

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6/ This is below Alaska's \$7032/year poverty level.

2. Of those who are potentially eligible for the \$250 means test payment, many may not apply because of its welfare connotations. This is strongly suggested by available statistics. Currently, nearly 6,700 ALB recipients -- or 40% of all recipients -- have incomes below the current eligibility limit for existing Old Age Assistance and Medicaid benefits. These benefits are substantial -- averaging \$2,640 per year for OAA and an additional \$2,500 per year for Medicaid. Yet, of the income-eligible, only 2,526 -- or roughly 38% -- have in fact applied for OAA and Medicaid. Certainly, some of the remaining income-eligible have not applied because they have more assets than current law allows. Nonetheless, these statistics manifest an aversion to need-based assistance which has deterred many of Alaska's apparently eligible elderly from applying for substantial benefits.

3. Thus, while 20% of Alaska's elderly will be ineligible for the \$250 bonus, an additional percentage of existing ALB recipients will lose their current benefits because of their unwillingness to participate in a welfare program. For these reasons, this means test proposal fails a threshold test which should be a cornerstone of any longevity bonus legislation. Any ALB alternative, the committee believes, should provide those who have received the ALB over the years with the same benefits as under current law.

4. The proposal hurts both existing and new ALB recipients in another way. Because the real value of both the benefits and

the income ceiling will decrease over the years, fewer elderly will find themselves eligible, and those who are eligible will receive smaller benefits. By the year 2000, for example, less than half of Alaska's elderly will be eligible for a benefit with a real value of \$104 per month, while the majority will receive a token payment with a real value of \$41.60.

5. The proposal is substantially more expensive than the committee bill. Even though: (1) the committee bill protects existing elderly, while this means test proposal does not; and (2) the committee bill inflates the ALB annually, while the means test proposal does not, enactment of this means test proposal would cost nearly \$2 billion more than the committee bill over the next 50 years. Moreover, that cost would be born when the state could least afford it -- after the turn of the century, when oil revenues are projected to rapidly decline. It is important to the committee to develop an ALB alternative which phases out general fund obligations after the year 2000. As part 12 of this report discusses, while post-1999 costs under the committee bill are projected to be \$285 million, 21st century costs under the means test proposal would be roughly \$2.28 billion.

6. The committee has several concerns regarding the \$100 payment for which all elderly would be eligible. First, the committee does not know what that payment is intended to accomplish. It is doubtful that \$100 per month is a sufficient sum to allow any elderly to remain in the state who would

otherwise be financially required to leave. The payment may thus at once be too small to accomplish any social goal, and yet large enough to constitute a substantial drain on the state treasury.

Additionally, many elderly may view the \$100 payment as tokenism. If that is not the case now, it will certainly become so in the future when the real value of that payment shrinks to \$41 (2000) and \$23 (2010).

Finally, since the \$100 and \$250 payments are fundamentally different in purpose, the committee believes that they should be administered under separate programs. The \$100 payment is apparently intended as a residual ALB. On the other hand, the \$250 payment is a form of welfare. This payment, the committee believes, should be administered by the Department of Health and Social Services under the state's welfare laws. Otherwise, the state will, in essence, be creating two welfare bureaucracies -- one for Old Age Assistance, and one for the mis-named "longevity bonus."

7. Fewer people will meet the \$25,000 eligibility requirement as the years go by. Thus, by the year 2010, only 30% of Alaska's elderly will be eligible for this means test payment. Why, it might fairly be asked, are 80% of today's elderly in "critical" need of the higher payment, while only 30% will require the payment in years hence? For one who is currently denied the larger payment, or who may be denied it in the future solely because of inflation, this precise question will invariably be asked, and may be asked in the courts.

8. Finally, in requiring one year's residency in order to receive the \$250 means test payment, the proposal raises a substantial constitutional issue. The current ALB's one-year durational residency requirement is constitutional because the bonus is not dependent upon "need." Under both the federal and Alaska constitutions, if a program provides "the basic necessities of life," a 30-day residency requirement is the maximum constitutionally permissible. Memorial Hospital v. Maricopa County, 415 U.S. 250, 259 (1974); Shapiro v. Thompson, 394 U.S. 618 (1969). Generally, benefits which are accorded on the basis of the recipient's income tend to be viewed by the courts as involving "basic necessities." For example, in Jeffrey v. Colorado State Department of Social Services, 599 P.2d 874 (Col. 1979), the Colorado Supreme Court struck down the lengthy durational residency requirement of that state's old age pension program, and held that the program provided basic necessities of life. The state argued, unsuccessfully, that its program was more akin to an income supplement, rather than a form of welfare. The court, however, ruled that because the size of the pension was a function of the applicant's other income, a 30-day residency requirement was required:

[The state] attempt[s] to avoid the strict scrutiny - compelling state interest test mandated by Shapiro by characterizing the old age pension program as an 'annuity.' However, unlike true annuity or pension programs which are unaffected by a recipient's other income, the old age pension benefit is directly and proportionately reduced by the amount of other income. Thus, the characterization of the old age pension program as an "annuity" puts form over substance and

disregards the nature of the program, which is to fulfill basic needs and not to supplement separate income.

599 P.2d at 879. Emphasis added.

The means test proposal has been defended because of its high income limits. This does make the program different from that involved in Jeffrey, and the committee agrees that this defense could be made in good faith. To the committee, however, that is not enough. Early in the committee's deliberations, the committee agreed to develop a proposal which would avoid serious new constitutional issues and the threat of continued litigation. While any legislation which treats some people differently than others may result in litigation, the means test proposal raises a serious and substantial residency discrimination issue, and therefore does not meet the committee's goal. 7/

For these reasons, the committee does not believe that the means test proposal is a viable alternative to the existing ALB program.

The committee was also aware of the "stair-stepping approach," under which the ALB program is slowly phased out through an annual increase in the eligibility age. Under legislation which passed the House of Representatives during the

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7/ Additionally, it should be noted that the issue will become more serious in future years. This is because while the income level is high at the outset, it shrinks dramatically, and in real value falls below the state's existing poverty level in the year 2008.

previous legislature, the eligibility age would begin to rise above 65 in 1991. Although no "stairstepping" proposal was ever advanced by anyone for formal committee review or action, the committee is aware of some continued interest in developing this concept outside of this committee's deliberations. The proposal thus warrants some comment.

First, the term "stairstepping" is a misnomer, since it connotes a gradual phasing out of the ALB program. In truth, the stairstepping approach causes the most abrupt program termination of any option considered, and also results in the most severe discrimination between groups of Alaskans. Under the stairstepping approach, if a person was born on or before June 30, 1925, the state would pay him or her \$250 per month for life. For persons born on July 1, 1925 and thereafter, the state would pay nothing. And, it is irrelevant whether that person is now an Alaskan. A current non-resident who is now 62 would receive \$250/month when he or she moved to Alaska, while a current 59-year old Alaskan would receive nothing. There is thus nothing gradual, or "stairstepped," about this process.

The stairstepping approach would be more expensive than the committee bill, 8/ and much of this added expense would be born after the turn of the century when the state can least afford it. See Section 12. Yet, despite its high cost, stairstepping would

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8/ Assuming, of course, that the two had similar provisions dealing with the erosion of the real value of the bonus.

benefit fewer Alaskans. For example, some have assumed that participation in the annuity program is necessary in order for future elderly to benefit from the committee bill. This is not true. Under stairstepping, a person turning 65 in 1991 would receive no ALB whatsoever, while that same person would receive a 1991 ALB of \$222.61 under the committee bill, even if that person had never participated in the annuity program. Thus, for similar total costs, and substantially lower 21st century costs, the committee bill extends the benefits of the ALB program to many more Alaskans.

Most fundamentally, the committee believes that there is a need for future state participation in the building of retirement security that is not recognized in the stairstepping approach standing alone. Apart from the ALB, the principal form of non-need based assistance is, of course, Social Security. Yet Alaska's elderly receive the same Social Security payments as those who reside where the cost of living is much lower. Moreover, Alaska has a uniquely high percentage of elderly who are ineligible for Social Security because of a lack of wage-earning history. Thus, in one area of the state -- Northwest Alaska -- 66% of the region's elderly reported the ALB as their principal source of income.

As oil revenues decline, and economic activity in the state becomes more uncertain, it is entirely possible that the state's future elderly will find themselves in a more precarious position

than today. And, at that point, the state -- for these same economic reasons -- may be unable to help.

One obvious impact of abolishing the ALB program through "stair-stepping" is an increased Old Age Assistance case load. Certainly, when those near the poverty line are denied \$250 per month, they will simply turn to the welfare system, and the state will realize no net saving. Moreover, and as discussed previously, many ALB recipients who are apparently eligible for OAA and Medicaid have in fact not applied for these benefits. Over the years, the ALB program has been defended on the ground that it has enabled many Alaskan elderly to remain off the welfare rolls. Statistics bear this out, indicating that many of those ALB recipients who are eligible for OAA and Medicaid have been able to remain off these programs because of the bonus.

For these reasons, stair-stepping by itself is also not being recommended to the legislature.

On the other hand, the principal advantage of "stair-stepping" is the protection which it affords those who are currently on the ALB program, and who have come to rely on both the Longevity Bonus and the permanent fund dividend to sustain themselves. The committee concluded that forcing Alaska's existing elderly to forego their Permanent Fund Dividend in order to assure continued receipt of the "target" Longevity Bonus might work a hardship on these older Alaskans. As a result, the committee decided to include in the bill a so-called "grandfathering" provision which allows those reaching age 65

before 1986 to take their Permanent Fund Dividend in cash and still receive a full Longevity Bonus for the remainder of their lives. The committee legislation, then, is intended to blend the most salutary aspects of both an annuity approach and "stair-stepping."

The virtue of an annuity approach is that it enables the state and each individual Alaskan to set aside funds now for those perhaps more difficult years ahead. It is a program designed to substitute private thrift for public largesse. The committee also believes that the permanent fund dividend is an appropriate source of funds for the annuity program. The purpose of the annuity program is much like the purpose of the permanent fund itself. Moreover, one purpose of the dividend program -- to give each Alaskan a stake in the management of the permanent fund -- will be enhanced if Alaskans' retirement security is at least in part dependent on wise stewardship of that fund.

#### Major Features.

1. Front-loading. The committee envisions that the legislature may add additional sums to individual annuity accounts. Under "front-loading," a person will receive an annuity account credit greater -- and perhaps substantially greater -- than the amount of cash he or she could have received. It is the committee's hope that the legislature will consider front-loading for each of the program's first three years.

The committee initially analyzed the annuity concept without front-loading. Even without front-loading, annuity payments eventually replace longevity bonus payments from the general fund. Nonetheless, the committee feared that because annuity payments were low in the early years, those Alaskans who are now near retirement age would not participate in the program. Moreover, general fund contributions did not begin to see significant reductions for about 10 years.

Front-loading provides a substantial incentive to individuals to forego immediate cash in favor of retirement security. While it costs more in the initial years, that cost is incurred in years in which oil revenues are expected to remain high. Moreover, general fund contributions to the ALB program taper off rapidly. In other words, because front-loading causes the maximum possible annuity payment to increase, residual longevity bonus payments decrease more rapidly. Thus, dollars invested in early years through front-loading result in a decrease in general fund obligations in later years.

Under the committee bill, substantial front-loading now would actually result in a net savings over the life of the ALB program -- at least in nominal dollars. Thus, if \$79 million were appropriated for front-loading over the next three years, that investment would result in a return of \$82 million in reduced ALB payments over the next 25 years. In constant 1986 dollars, the ultimate cost of investing \$79 million now is \$30 million.

Additionally, front-loading serves other important purposes which the committee believes warrant the cost in constant dollars:

(1) The committee bill will work only if Alaskans participate. If they do not, Alaska's future elderly may still place demands on the general fund; and

(2) A premium may fairly be placed on the current availability of funds. If \$1.00 of general funds front-loaded now returns 75¢ (in constant dollars) years hence, the fact that the general fund has that \$1.00 now, but may not have the 75¢ later, is of some relevance.

Whether front-loading extends beyond the three-year period envisioned by the committee depends on the availability of funds, actual participation rates, and the projected rate of return on subsequent front-loading investments. If front-loading has succeeded in creating substantial participation, continuation would seem unnecessary, since those Alaskans already in the annuity program would be unlikely to drop out. On the other hand, if participation is low, the legislature may wish to consider inducements other than front-loading.

The committee settled on a front-loading concept weighted in favor of older Alaskans. Several other options were also considered. The first was a per-capita contribution made to each Alaskan who chose an annuity credit. Under this option, the annuity accounts of those near retirement age did not increase enough to substantially increase the "maximum possible annuity."

Thus, it did not significantly reduce long-term general fund obligations. Nor did it satisfy the goal of providing the greatest incentives to those who may need them most.

To better accomplish this goal, the committee next considered a straight \$10 incremental increase in front-loading based on age: that is, participants would receive \$10 for each year that they were older than age 17 -- up to age 65. <sup>9/</sup> This option produced a better result in terms of reduced general fund obligations, but it still did not increase annuity payments fast enough to be a significant incentive -- to older Alaskans in particular -- to participate in the program.

Finally, projections were run on the option embodied in the bill: persons 18-34 years old would receive a base amount of front-loading in addition to the dividend -- for example, \$50. Those over 34 would receive a percentage increase (for example, 10%) for each year of age over 34, up to age 65. Under this option, front-loading increases on a curve rather than a straight line -- increasing dramatically as an individual approaches age 65. Thus, a \$50 base with 10% per year increases results in a 34 year old receiving \$50, a 50 year old \$211, and a 64 year old approximately \$800.

The incentive to join the program, then, increases dramatically as retirement age approaches. It is this aspect

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<sup>9/</sup> Thus, an 18 year old would receive \$10, a 38 year old \$210, and a 65 year old \$480.

which is most appealing to the committee, for the following reasons:

First, older Alaskans are most in need of incentives to participate. Because initial annuity payments are small, many may be tempted to take a cash payment which is larger than the annual annuity which it will yield. Then, years later, that person will suffer materially reduced benefits because of that short-sighted decision. On the other hand, younger Alaskans need not participate in the program every year in order to build a sizeable annuity. Based upon projections available to the committee, a 47 year old (in 1986) would be required to participate every year in order to achieve the target annuity when he reaches 65 in the year 2004 -- the year the ALB program disappears. Recognizing that financial circumstances may require a cash election in some years, and that some individuals may be ineligible for a dividend in some years, the committee concluded that additional incentives are appropriate beginning at age 35 in order to help ensure that the maximum possible number of Alaskans will achieve the target annuity.

Second, while older Alaskans will receive more at the outset, the front-loading given younger Alaskans will be invested for a longer period of time. To the extent that the percentage differential is commensurate with account earnings, the eventual return to both old and young will be quite similar.

Finally, this option actually costs less in front-loading dollars than the straight line approach -- even though the now-elderly receive larger amounts.

Two additional points regarding front-loading warrant note. First, and as discussed earlier, under the committee bill those who reach age 65 before 1986 do not participate in the annuity program because they are guaranteed a full longevity bonus for life. As a result, in 1985, there will be no front-loading for any individual over the age of 64. In future years, the incremental increase in front-loading will end at age 65, and those over age 65 will receive the same amount of front-loading as a 65-year-old.

Second, the committee bill envisions that the source of front-loading funds may be the earnings of the undistributed income account of the Alaska permanent fund. In past years, permanent fund earnings have exceeded the amount necessary to pay dividends and inflation-proof the fund itself. The resulting surplus comprises the undistributed income account, which has a current balance of \$557 million. That account itself yields annual earnings which are greater than that necessary to provide front-loading, and which are available for appropriation.

The committee concluded that these earnings are an appropriate source of funds for front-loading for one obvious reason: as with the basic structure of the annuity program itself, this aspect of the bill will devote current permanent fund earnings in a manner which will substantially decrease

general fund obligations in later and perhaps leaner years. Once again, however, only earnings are involved. It must be stressed that nothing in the committee bill in any way impairs the integrity of the permanent fund itself.

2. The 3% Escalator.

Since the beginning of the ALB program in 1972, the original \$100 payment has been periodically increased to its current \$250 limit. While that increase seems large, it has, in fact, roughly kept pace with inflation. If the ALB is retained, the committee believes that it is unreasonable to assume that no increase in the ALB will ever be made. The persistent erosion in the real value of the ALB would at some point become so severe that relief would be necessary. For example, assuming a 6% inflation rate, a \$250 ALB now will be worth only \$104 in 15 years.

There are two ways of dealing with the gradual erosion of the value of the ALB. The first is to leave the problem to future legislatures. The second is the approach taken in the committee bill, which provides a modest 3% annual adjustment intended not to precisely keep pace with inflation, but rather to provide certainty in the amount of the payment.

3. Administrative Costs of the Program. The committee bill provides that the legislature may appropriate funds from the annuity account to pay the administrative costs of the annuity

program. 10/ Thus, the costs of the program will be borne by the annuity participants, whether the funds are privately placed or not.

The bill states that administrative costs will be "equitably allocated" among annuity accounts; it is the committee's intent that an equitable allocation will take into account such factors as numbers of participants, age, and relative account balances.

4. Choice of Benefits. Most annuity programs offer participants a choice of options, such as joint and survivor benefits. The primary reason for survivor benefits in employment annuity programs is that among married couples there is often only one wage earner. Survivor benefits are thus available to insure that the dependent spouse is not left without income. Since the annuity program is available to both spouses, just as is the present longevity bonus program, the committee opted for simplicity and did not include a choice of benefits. 11/

5. Setting the Amount of the Longevity Bonus Payment. Section 8 of the bill provides that the longevity bonus payment -- for those who have not reached 65 before 1986 -- is determined by deducting from that payment the maximum possible annuity

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10/ If the states chooses to place the funds with private carriers, any costs shifted to the carrier under the contract would also be paid from the annuity accounts.

11/ A death benefit for those who die prior to reaching age 65 has been included in the Senate State Affairs Committee substitute for SB 56.

available to a person who turns 65 in the year in question. The bill uses the annuity available to a 65-year-old because that annuity is the smallest available (among those who have received the maximum possible credits). A 75-year-old with the identical contribution of a 65-year-old will receive a larger annuity because his life expectancy is shorter, and his capital will be returned faster. Thus, some Alaskans will receive more than the target amount during the early years of the program, and no elderly Alaskans (with full participation) will receive less.

6. Residency Questions. The bill has no residency requirements for receipt of annuity payments. Permanent fund dividends are, of course, only available to Alaska residents -- so that an individual must be an Alaskan to contribute to an annuity account. 12/

7. Federal Income Tax Considerations. Currently, both the permanent fund dividend, and the ALB, are taxable as ordinary income under the Internal Revenue Code. The committee engaged tax counsel to determine whether the result would be any different under the committee bill. Specifically, the committee asked whether a person will be taxable on the cash he could have received as a dividend even though, under the new program, he is only credited with the right to receive a future annuity from the state. Counsel advised the committee that, because the annuity

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12/ The longevity bonus program will still require that an individual be a one-year resident to receive a bonus.

program is unique, there is no legal precedent which provides a definite answer.

Based on analogous federal tax authorities, tax counsel believes that a crucial factor in determining whether or not an Alaskan receiving an annuity credit will avoid current federal income taxation is the amount with which the legislature "front-loads" the annuity credit in the year the credit is granted. If the legislature provides a substantial front-load to the annuity credit for a particular year, an Alaskan receiving a credit that year should not be subject to tax until annuity payments are actually made on retirement. However, if the legislature provides little or no front-loading in a particular year, there would be a substantial risk that those receiving annuity credits would be taxable immediately on the amount of cash they could have elected in lieu of the credit.

Tax counsel also advised the committee that available precedent does not provide firm guidance on the minimum front-load necessary to support deferred tax treatment of annuity credits. There is an example in the IRS regulations which suggest that a front-load of 25% or more of the annuity credit would be sufficient; however, tax counsel believes that a lesser amount may suffice. Because of this uncertainty, tax counsel suggests that if the committee proposal is enacted, it would be in the state's best interest to obtain an advance ruling from the Internal Revenue Service on the question.

The uncertainty surrounding the tax status of annuity credits, and the substantial risk of taxability when front-loading ends, did not weigh heavily in the committee's recommendation. This is because, at worst, Alaskans would be required to pay taxes on the amount of the dividend just as they do now. Moreover, the committee saw its job as finding an alternative to the ALB program which met the basic goals expressed in this report. It was not charged with simply finding a tax shelter.

Finally, apart from the potential taxability of a permanent fund dividend credited to an annuity account, two favorable tax aspects of the committee proposal should be mentioned:

1. All interest income credited to individual annuity accounts would, under current IRS regulations, be taxable only as it is paid out after reaching age 65; and

2. Front-loading credits would not be currently taxable.

8. Annuity Credits Are Not a Vested Right. The committee bill provides that an individual does not receive a vested or property right to an annuity payment until that payment is made. Funds must be appropriated annually by the legislature from the annuity account to make annuity payments. Although the clear legislative intent of the bill is to provide annuity payments to those who have participated in the program, the committee bill neither binds future legislatures nor creates a dedicated fund. Thus, the legislature may legally appropriate annuity funds for any public purpose. An individual's right to an annuity payment

prior to dispersal is an unfunded, unsecured promise of the state. Thus, a future annuitant is in no better legal position than any unsecured creditor of the state.

As a result, the bill is silent with regard to the garnishment of annuity credits. Prior to annuity payments, there is nothing to garnish or attach, nor anything that can properly be regarded as "income" or an "asset."

9. Protection of Alaska's Existing Elderly. As noted previously, persons who reach the age of 65 before 1986 will not be required to forego their permanent fund dividend in order to receive a \$250 per month Longevity Bonus, inflated 3% annually. The committee decided to integrate this aspect of "stair-stepping" because it concluded that many retired Alaskans have come to rely upon both the ALB and the permanent fund dividend, and -- since they are now retired -- would be unable to make adequate arrangements to mitigate the impact of an abrupt denial (or reduction) in either payment.

Under last session's House bill, those who had reached the age of 60 before 1986 would have received a full ALB for life, although the amount of that bonus would not be increased in future years. The committee considered and rejected the option of extending this protection to 60-year-olds for three reasons:

1. Assuming a retirement age of 65, those under that age will have 1-5 years to make necessary arrangements to accommodate either the loss of a cash dividend, or incremental reductions in the ALB payment. Current retirees, on the other hand, have

little or no ability to alter their financial condition. Thus, while any age group might be said to have some "expectancy" to both an ALB and a cash dividend, that "expectancy" is more immediate, and more critical, for existing retirees;

2. Exempting 60-year-olds from the ALB reduction of the committee bill would not simply postpone the inevitable financial disparity between two groups of Alaskans -- it would aggravate it. Under the House bill, the first reduction in payments would occur in 1991. Because of the growth in the "maximum possible annuity" by that time, the initial difference in monthly ALB payments between an exempt recipient, and a non-exempt recipient who did not forego his dividend, would be \$67.21 per month. Conversely, under the committee bill, differential payments will begin in 1986, and will initially be \$11.92 per month. The committee felt that if some smaller differential were felt immediately, the need to begin participation in the program now would be more apparent to non-exempt recipients. In other words, immediate "stair-stepping" may well encourage higher annuity participation, which in turn will reduce the actual differential treatment between exempt and non-exempt recipients; and

3 The ALB program cannot go on forever. Indeed, it has been a goal of the committee to develop a proposal which phases out general fund obligations near the turn of the century -- when oil revenues are predicted to dramatically decline. If the bill were to protect existing 60-year-olds, the committee projects that the state would still be making general fund ALB payments of

\$74.9 million in the year 2000, and general fund obligations would not end until the year 2029. Moreover, extending the bill's protection to 60-year-olds would cost an additional \$330 million over the life of the program. In drawing the necessary dividing line between those who can continue to receive the full benefits of existing law, and those who cannot, economic feasibility plays an appropriate role. For the reasons above-stated, the committee believes that the line is best drawn at age 65.

10. Possible Participation Rates. The committee attempted to estimate likely participation rates for the legislation's annuity program. Currently, participation rates in certain voluntary employee retirement plans exceed 50%. There are, however, differences between those plans, and the annuity program established by the committee's bill. Under most employee plans, contributed funds can be withdrawn upon termination, or in case of substantial hardship. Under the committee bill, however, no benefits can accrue until retirement. Additionally, high participation rates in employee plans are, in large part, a function of intensive educational efforts which cannot be duplicated on a statewide basis -- particularly in Alaska. Finally, participation rates for employee plans may be irrelevant in predicting participation by the jobless and very poor.

On the other hand, with front loading, matching contributions which participants receive may be, at least for older Alaskans, substantially more than typical matching payments

by employers. Additionally, under any employee plan, an employee must dedicate a portion of his or her regular monthly salary -- each dollar of which may already have been budgeted for regular family needs. The permanent fund dividend, on the other hand, is an irregular source of income which (for some Alaskans) is not a component of the regular family budget, and hence more readily disposable.

Given these differences, and the unique nature of the annuity program established by this bill, the committee does not believe that any meaningful projection, or even range of projections, can be provided.

If participation rates are very high, by the year 2003 state Old Age Assistance payments may be substantially decreased. Indeed, it is conceivable that a successful annuity program could virtually eliminate the need for old age welfare payments. For example, by the year 2010, every elderly Alaskan who has fully participated in the program will be receiving a monthly annuity of \$1,047.88.

On the other hand, if participation is very low, the state may experience increased old age assistance obligations as the residual longevity bonus phases out.

The only way to guard against future increases in OAA clientele is either to maintain the existing ALB program -- an option which the committee believes is cost-prohibitive -- or convert the ALB itself into a form of welfare. Other options studied (including stairstepping) would not simply threaten, but

inevitably lead to higher OAA obligations. The committee bill, on the other hand, offers Alaska's future elderly at least the opportunity to ultimately avoid the need for OAA assistance -- an opportunity which at least some Alaskans will accept. In other words, even with modest levels of participation, the result would be better than under "stair-stepping."

11. Impact Upon Eligibility For Old Age Assistance and Medicaid.

If an elderly Alaskan earns \$586 or less per month, he or she is eligible to receive federal Supplemental Security Income and/or state Old Age Assistance. There are currently some 2,450 elderly receiving this assistance, and the average benefit is \$240 per month.

Elderly who are eligible for OAA are also eligible for Medicaid. Medicaid benefits are accessed by almost half of the OAA recipients, and the average non-nursing home benefit is \$2,500 per year.

If an elderly Alaskan earns less than \$900 per month, he or she is eligible for nursing home benefits under Medicaid. These benefits are substantial -- averaging \$135 per day, or \$50,000 per year for each individual.

Until 1984, and by virtue of a specific exclusion in federal law, ALB payments did not count as "income" in determining eligibility for SSI or Medicaid. See 42 U.S.C. §1982a(b)(2)(B). However, when the ALB program was changed in

1984, Congress also amended the exclusion to protect only those who:

1. are 65 years of age on or before September 30, 1985; and
2. have 25 years of continuous residency in Alaska by that date.

This change in federal law has had the following effect on the SSI, OAA and Medicaid eligibility in Alaska:

1. Some 750 current recipients of OAA will experience a loss or reduction in benefits because they are now eligible to receive the ALB, but fall outside the amended federal exclusion. These individuals have not, however, suffered a net loss in cash benefits, since ALB payments have merely replaced previous OAA/SSI payments. While these individuals are the subject of discrimination, since they cannot retain both their ALB and their previous OAA/SSI benefits (as can long-time Alaskans), that discrimination is solely the product of federal law. If the state undertook to cure this discrimination by replacing lost federal SSI benefits, \$1.4 million would be required for FY 1986.

2. Some 314 of the 750 affected OAA/SSI recipients will also lose non-nursing home Medicaid coverage -- a benefit which averages \$2,500 per year. This is a substantial loss which is not compensated for by the ALB program. The amount of lost federal Medicaid benefits to these 314 individuals is only \$413,847 for FY 1986. The state could therefore compensate for these lost federal benefits at relatively small cost.

3. The most substantial impact of the recent federal law change is upon nursing home patients. 36 elderly Alaskans who are currently in nursing homes may lose their Medicaid nursing home coverage as a result of this change. To pay these individuals' nursing home costs entirely through state funds would require a \$720,000 additional appropriation in FY 1986.

The committee bill neither alleviates nor aggravates the problems associated with OAA/SSI benefit reductions, or reductions in non-nursing home Medicaid payments. Unless the legislature were to adopt a needs-based ALB program, virtually any option which the legislature might chose would leave the affected elderly in the same position as under current law. 13/

The committee proposal would, however, probably benefit existing nursing home residents. Under the bill, persons residing in a nursing home are ineligible to receive the ALB. This exclusion, the committee believes, is consistent with and furthers the intent of the ALB program. Its effect is to benefit existing nursing home residents who will lose access to the \$250 a month ALB, but at the same time will retain their eligibility for \$50,000 per year nursing home payments.

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13/ Under current federal law, payments which are predicated on need are not counted as "income" for federal assistance purposes. Thus, the means test proposal discussed earlier may avoid the problems discussed in this section -- assuming that federal officials were willing to treat a \$25,000 income limit as truly differentiating the "needy" from the "non-needy."

12. Costs of Various ALB Alternatives. The committee has estimated the costs of various alternatives. Although population figures (and hence program costs) in future years are difficult to predict, several of the alternatives studied -- including the stair-stepping approach and the means test proposal -- envision general fund expenditures well into the next century. The committee felt that it was particularly important to at least estimate costs beyond the year 2000 for two reasons.

First, it has been a goal of the committee to develop a program which phases out general obligations after the turn of the century -- when oil revenues are projected to dramatically decline. Estimating post-2000 expenditures is thus particularly important.

Second, some options envision higher immediate investment in return for lower long term obligations. Others involve smaller near-term expenditures -- an attribute which is paid for in the years to come. A fair comparison, then, can only be made by looking at total expenditures over the life of each alternative.

Chart 1 indicates the costs of making continued ALB payments under four alternatives. This chart assumes that -- whatever program is chosen -- an escalation in the ALB payment will be made as the years go by. As the chart indicates, the cost of continuing the current, expanded ALB program is prohibitive. The second option, the "Annuity Program," reflects the committee bill without grandfathering Alaska's existing elderly. Under this

option, in order to receive the target amount, existing elderly would be required to forego their permanent fund dividends.

The third option -- the "Annuity Program w/1986 Stairstep" -- reflects the ALB costs of the committee bill itself. The "Stairstep" approach refers to last session's legislation, which would begin stair-stepping in FY 1991. Finally, projections on the means test proposal which assume escalation have not been run.

Assuming that the legislature provides a 3% per annum increase in the ALB payment, the ALB costs of the options considered are as follows:

Chart 1

ALB COSTS THROUGH 2034  
WITH 3% ESCALATOR (in millions)

	<u>Nominal \$</u>	<u>Constant \$</u>	<u>Present Value</u> <sup>14/</sup>
Current Law	13,087	2,501	1,393
Annuity Program	964	605	496
Annuity Program w/1986 Stairstep	1,290	735	584
Stairstep	1,455	745	577
Means Test	N/A	N/A	N/A

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<sup>14/</sup> The term "Nominal \$" is self-explanatory. The term "Constant \$" refers to costs expressed in 1986 dollars -- assuming 6% annual inflation. The term "Present Value" refers to the amount of money which, if invested now, would endow the various options through the duration of each.