ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 8672
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JAN 1 2 1985

IN THE ______ BY ____________________

______ BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: ""An Act amending the longevity bonus program and the permanent fund dividend program in order to establish an annuity program; and providing for an effective date."

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

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

(1) it is in the public interest to continue the longevity bonus program. However, as oil reserves decline over the years, it will become increasingly difficult to provide the benefits of the longevity bonus program through the general fund. As a result, that program must be phased out over the years;

(2) it is appropriate that individuals save for their own retirement, and it is also appropriate that the state establish both means and incentives for Alaska residents to set aside retirement funds. Accordingly, it is a purpose of this legislation to create an annuity program, and to encourage Alaskans to participate in that program by authorizing general fund supplements which would result in annuity payments which are larger than an individual could earn through private investment of the permanent fund dividend;

(3) many retired Alaskans have made their retirement plans in reliance on the availability of both the existing longevity bonus and the permanent fund dividend. Accordingly, the legislature finds that it is appropriate to continue both those programs for these individuals;

(4) the most suitable source of funds for the annuity program created by this Act are those permanent fund earnings currently distributed as dividends. This Act applies the annual permanent fund dividend of younger Alaskans to annuity accounts unless the individual alternatively elects to receive cash. In so doing, this Act will promote wise stewardship of the permanent fund by giving each participant a direct financial stake in its long-term profitability; and

(5) neither the longevity bonus program, nor the annuity program, should be viewed as a form of welfare. Other state and federal programs are available to meet the basic necessities of life, and amounts received by any individual under this Act are not calculated on the basis of need.

* Sec. 2. AS 43.23.005 is amended to read:

(c) A parent, guardian, or other authorized representative may claim a permanent fund dividend on behalf of an unemancipated minor or on behalf of an incompetent individual who is eligible to receive a dividend [PAYMENT] under this section.

* Sec. 3. AS 43.23.005 is amended by adding a new subsection to read:

(d) A person who is eligible to receive a permanent fund dividend under this section, or who is authorized to claim a dividend on behalf of another under (c) of this section, may elect to receive cash in lieu of an annuity share. Alternatively, a person may elect to receive not less than 25 percent of his dividend in cash and the remainder as an annuity credit. A person exempt under AS 47.45.015(b) will automatically receive cash without the necessity of election.

* Sec. 4. AS 43.23.015 is amended to read:

Sec. 43.23.015. APPLICATION AND PROOF OF ELIGIBILITY. (a) The commissioner shall adopt regulations under the Administrative Procedure Act (AS 44.62) establishing the process for determining the eligibility of individuals for permanent fund dividends. The commissioner may require an individual to provide proof of eligibility, and the commissioner may use other information available from other state departments or agencies to determine the eligibility of an individual.

(b) The department shall prescribe and furnish an application form for claiming a permanent fund dividend. The application must contain a statement of eligibility and a certification of residency in substantially the following form:

I certify that

( ) I am a state resident on the date of this application and I have been a state resident for at least six months immediately preceding the date of this application; or

( ) (name), the individual on whose behalf I am applying, is a state resident and has been a state resident for at least six months immediately preceding the date of this application.

I understand that a false claim of residency to obtain a permanent fund dividend for myself or for another is a criminal offense and that if convicted I will forfeit future permanent fund dividends and that I <u>will lose or</u> must repay all permanent fund dividends that have been <u>credited or</u> paid to me<u>, including any accrued interest in my annuity account</u>. I understand that this penalty is in addition to any criminal penalties imposed.

____
(signature of individual,
parent, guardian, or other
authorized representative)

(c) Except as provided in (d) of this section or as may be provided by regulations adopted by the department, an individual must personally sign the application for permanent fund dividends, including the certification of residency required under (b) of this section.

(d) The application and certification of residency of an unemancipated individual under 18 years of age or of an incompetent individual must be signed by the individual's parent, legal guardian, or other authorized representative.

(e) If a public agency claims a cash [PERMANENT FUND] dividend on behalf of an individual under (i) of this section, the public agency shall hold the divic . 'n trust for the individual. Money held in trust under this sut ion shall be invested by the commissioner in accordance with . 37.10.070.

(f) A minor or an incompetent individual may not maintain a claim against the state or any officer or employee of the state based either on the manner in which the parent, guardian, or authorized representative other than a public agency of the state managed or disposed of permanent fund dividends received on behalf of the minor or incompetent, or any election made or not made on that individual's behalf under AS 43.23.005(d).

(g) If an individual is aggrieved by a decision of the department determining the individual's eligibility for a permanent fund dividend or the individual's authority to claim a permanent fund dividend on behalf of another, the individual may appeal that decision to the superior court in accordance with AS 44.62.560. An appeal under this section does not entitle the aggrieved individual to a trial de novo. The appeal shall be based on the record of the administrative proceeding from which appeal is taken and the scope of the appeal is limited to matters contained in the record of the administrative proceeding.

(h) The penalty and enforcement provisions of AS 43.23.035 apply to an individual who claims a permanent fund dividend on behalf of another.

(i) The permanent fund dividend application form shall be prepared to allow an applicant, other than a person exempt under AS 47.45.015(b), to elect to receive cash in lieu of a permanent fund dividend.

* Sec. 5. AS 43.23.035 is amended to read:

Sec. 43.23.035. PENALTIES AND ENFORCEMENT. (a) In addition to any criminal penalties imposed by state law, if an individual is convicted of a crime in connection with a false statement made in a certification required under AS 43.23.015, and the conviction is not reversed, that individual forfeits all permanent fund dividends credited or paid, together with any additional credits to his annuity account and is not eligible for a future permanent fund dividend.

(b) If the commissioner determines that a cash [PERMANENT FUND] dividend should not have been claimed by or paid to an individual, the commissioner may use all collection procedures or remedies available for collection of taxes under this title to recover the payment of a permanent fund dividend that was improperly made. A notice of an improperly paid dividend must be sent to the individual within 10 years after the improper payment. If notice is not sent within the 10-year period, proceedings may not be commenced in court for recovery of the improper payment.

(c) If the commissioner determines that a permanent fund dividend should not have been credited to an individual's annuity account, the commissioner may after notice and opportunity for hearing, direct the commissioner of administration to debit the individual's annuity account for the amount wrongly credited. If the credit is the fault of the individual, the debit must be made within 10 years. If the credit is the fault of the state, the debit must be made within three years.

* Sec. 6. AS 43.23.055 is amended to read:

Sec. 43.23.055. DUTIES OF THE DEPARTMENT. The department shall

(1) annually [PAY PERMANENT FUND DIVIDENDS FROM THE DIVIDEND FUND] make payments to exempt individuals under AS 47.45.015(b) and those who elect cash under AS 43.23.005(d);

(2) adopt regulations under the Administrative Procedure Act (AS 44.62) that establish procedures and time limits for claiming a permanent fund dividend or for making election under AS 43.23.005(d); the department shall set the time limit for applications for permanent fund dividends so that the number of eligible applicants is determined by October 1 of the year for which the dividend is declared and permanent fund dividends for a year are paid before April 30 of the year following the year;

(3) adopt regulations under the Administrative Procedure Act (AS 44.62) that establish procedures and time limits for an individual upon emancipation or upon reaching majority to apply for permanent fund dividends not credited or received during minority because the parent, guardian, or other authorized representative did not apply on behalf of the individual; [AND]

(4) assist residents of the state, particularly in rural areas, who because of language, disability, or inaccessibility to public transportation need assistance to establish eligibility and to apply for permanent fund dividends; and

(5) provide the commissioner of administration with information necessary to maintain individual annuity account records and administer the annuity program.

* Sec. 7. AS 43.23.065 is amended to read:

Sec. 43.23.065. EXEMPTION OF PERMANENT FUND DIVIDENDS. (a) Fifty percent of a cash payment received under AS 43.23.005(d) [THE ANNUAL PERMANENT FUND DIVIDEND PAYABLE TO AN INDIVIDUAL] is exempt from levy, execution, garnishment, attachment, or any other remedy for the collection of debt. This exemption applies to an eligible individual's permanent fund dividend both before and after payment is made to the individual. An exemption is not available under this section for cash payments [PERMANENT FUND DIVIDENDS] taken to satisfy (1) child support obligations required by court order or decision of the child support enforcement agency under AS 47.23.140 -- 47.23.220; (2) a debt owed by an eligible individual to an agency of the state, unless the debt is contested and an appeal is pending, or the time limit for filing an appeal has not expired, or (3) court ordered restitution under AS 12.55.045 -- 12.55.051 or AS 12.55.100. A child support obligation under (1) of this section has priority over a debt owed to an agency of the state, and a permanent fund dividend may not be taken to satisfy a debt under (2) of this section until any portion of the dividend necessary to satisfy a child support obligation has been taken.

(b) When an individual owes a past due debt described in (a)(1) of this section, the department shall require that the individual take his or her permanent fund dividend in cash.

(c) The courts of this state may, as a condition of any civil judgment or restitution order under AS 12.55.045 -- 12.55.051 or AS 12.55.100, require the defendant to take his or her permanent fund dividend in cash.

* Sec. 8. AS 43.23.075 is amended to read:

Sec. 43.23.075. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) In determining the eligibility of an individual under a public assistance program administered by the Department of Health and Social Services in which eligibility for assistance is based on financial need, the Department of Health and Social Services may not consider a permanent fund dividend as income or resources received by the recipient of public assistance or by a member of the recipient's household unless required to do so by federal law or regulation. The Department of Health and Social Services shall notify all recipients of public assistance of the effects of [RECEIVING] a permanent fund dividend <u>credit or cash payment</u>.

(b) An individual who is denied medical assistance under 42 U.S.C. 1396 -- 1396p (Social Security Act, Title XIX) solely because of the <u>credit or</u> receipt of a permanent fund dividend by the individual or by a member of the individual's household is eligible for state-funded medical assistance under the general relief assistance program (AS 47.25.120 -- 47.25.300). The individual is entitled to receive, for a period not to exceed four months, the same level of medical assistance as the individual would have received under 42 U.S.C. 1396 -- 1396p (Social Security Act, Title XIX) had there been no permanent fund dividend program.

(c) An individual who is denied assistance solely because permanent fund dividends <u>credited to or</u> received by the individual or by a member of the individual's household are counted as income or resources under federal law or regulation is eligible for cash assistance under the general relief assistance program (AS 47.25.120 -- 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual is entitled to receive, for a period not to exceed four months, the same amount as the individual would have received under other public assistance programs had there been no permanent fund dividend program.

* Sec. 9. AS 37 is amended by adding a new chapter to read:

CHAPTER 16: ANNUITY PROGRAM

Sec. 37.16.010. ANNUITY INVESTMENT FUND. (a) The annuity investment fund is established as a separate fund in the state treasury. Notwithstanding the provisions of AS 37.13.145, an amount equal to the permanent fund dividends taken as annuity credits under AS 43.23 shall be annually transferred from the dividend fund to the annuity investment fund.

(b) The legislature may appropriate either general funds, or earnings upon the undistributed income account in the Alaska permanent fund, to the annuity investment fund. Any funds appropriated under this subsection shall be allocated to the individual annuity accounts of those who are eligible to receive a dividend for that year and do not elect cash under AS 43.23.005(d). The allocation shall be made in the following manner:

(1) A credit will be made to the account of each individual who is at least 18 years old;

(2) The credit for each person from the age of 18 through age 35 is the base amount. The size of the base amount is determined according to the amount of the appropriation;

(3) The credit for persons over the age of 35 is the base amount, increased for each year of age over 35 up to and including the age of 65. The incremental increase for each year of age is a percentage over the credit for the prior year of age. That percentage shall be established with due regard for historical and projected permanent fund returns on investment;

(4) If a person elects to receive a portion of his dividend in cash under AS 43.23.005(d), the allocation to which he is otherwise entitled will be proportionately reduced.

(c) Money in the annuity investment fund shall be invested by the commissioner of revenue in investments authorized under AS 39.35.110. The commissioner of administration shall credit individual annuity accounts with earnings at a rate equal to the rate of interest earned by the annuity investment fund.

(d) The legislature may annually appropriate to the Department of Administration an amount sufficient to pay monthly annuity payments for the subsequent fiscal year under AS 37.16.030 from the annuity investment fund. Funds appropriated under this subsection shall be transferred from the annuity investment fund to the Department of Administration in order to meet the current demands of the annuity program.

(e) The legislature may annually appropriate from the annuity investment fund an amount sufficient to administer the annuity program. Any costs of administration funded under this subsection shall be equitably allocated among all individual annuity accounts.

(f) Notwithstanding AS 39.35.110 or (c) of this section, the commissioner of revenue may invest all or part of the annuity investment fund in commercial insurance contracts.

Sec. 37.16.020. ANNUITY PROGRAM. (a) The annuity program is administered by the commissioner of administration. The commissioner of administration shall adopt regulations necessary to implement the annuity program.

(b) The commissioner of administration shall maintain records of individual annuity accounts and make annuity payments under AS 37.16.030.

Sec. 37.16.030. PAYMENT OF ANNUITIES. (a) An individual with one or more annuity credits may receive an annuity upon reaching the age of 65.

(b) An annuity under this section is a monthly payment during the life of the annuitant. The amount of the monthly payment shall be based upon the principal and accrued interest in the person's annuity account and shall be paid in the form of a straight life annuity. The size of the annuity may not vary on account of sex.

(c) An individual need not be a resident of the state to be eligible to receive an annuity payment from his or her account.

(d) An annuity share may not be assigned, sold, or otherwise transferred from one individual to another. The right to receive an annuity under this section terminates upon the death of the person who is eligible for the annuity and does not pass to that person's estate.

(e) If a person dies prior to age 65, his account shall be equitably distributed among the annuity accounts of all individuals of the same age.

(f) An individual does not receive a vested property right in an annuity payment until that payment is made. Notwithstanding the provisions of this section, the state is not obligated to provide annuity payments for annuity credits granted under AS 43.23.005.

* Sec. 10. AS 43.23.095(6) is repealed and re-enacted to read:

<u>(6) "permanent fund dividend" means a credit to an annuity account under AS 37.16, unless the individual is either exempt under AS 47.45.015(b) or elects cash under AS 47.23.005(d);</u>

* Sec. 11. AS 47.45.010(a) is amended to read:

(a) A person who is 65 years of age or over, who resides in the state for at least one year immediately preceding application for a longevity bonus under this chapter may apply to the commissioner of administration for qualification to receive a monthly bonus [OF $250].

* Sec. 12. AS 47.45 is amended by adding a new section to read:

Sec. 47.45.015. AMOUNT OF BONUS. (a) Subject to (b) of this section, the monthly longevity bonus is equal to $250, increased by three percent each year beginning in fiscal year 1987, minus the maximum possible annuity for a person 65 years of age under the annuity program (AS 43.23.110 -- 43.23.120), as determined by the commissioner of administration.

(b) A person who is 65 years of age or over prior to January 1, 1986 is exempt from the annuity program reduction established in (a) of this section.

* Sec. 13. AS 47.45.070 is amended to read:

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 either is confined in a state or federal mental health institution or facility and is certified by the state as unable to manage personal affairs, or resides in a nursing home as that term is defined in AS 08.70.180(5); however, if that person, at the time of commitment or commencement of residence, provided the principal support of a spouse, the commissioner of administration may determine to pay the confined person's bonus to the person's 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) voluntarily leaves the state and remains absent from the state for a continuous period of more than 180 days.

* Sec. 14. Section 11, ch. 38, SLA 1984 is amended to read:

Sec. 11. <u>Sections 7 and 9 of this</u> [THIS] Act [AND AS 47.45] are repealed June 30, 1985.

* Sec. 15. AS 43.23.045(c) is repealed.

* Sec. 16. This Act applies only to permanent fund dividends for years beginning after December 31, 1985.

* Sec. 17. This Act takes effect January 1, 1986.

REPORT OF THE MINORITY MEMBERS OF THE GOVERNOR'S LONGEVITY BONUS TASK FORCE TO THE FOURTEENTH ALASKA STATE LEGISLATURE AND GOVERNOR BILL SHEFFIELD

February 1, 1985

TABLE OF CONTENTS

I. INTRODUCTION

The purpose of this report is to provide a broad view of the issues involved in resolving the future of the longevity bonus program. Each of the options discussed before the committee has both its merits and drawbacks. The minority members of the task force believe a more complete discussion of the various proposals is necessary so that policy makers can decide which of the options is the best one for the State.

The options covered in this report are the annuity proposal, the means test proposal, the stairstepping proposal, and maintaining the current program.

II. PHILOSOPHICAL DIFFERENCES

Each of the options considered represents a significantly different philosophy about the future of the program.

The philosophy underlying the annuity proposal is that the current bonus program should be replaced with a retirement program for all of the state's citizens. The majority report states, "[t]he Committee believes that there is a need for future State participation in the building of retirement security ..." The annuity proposal presumes that individuals need encouragement from the State to prepare for their final years, even though a majority of Alaskans save for their retirement through private sector investments and employer retirement programs.

The annuity proposal also assumes that there is still a need to provide cash assistance to elders regardless of their length of residency. And finally, this proposal would require Alaskans to choose between the alleged short term benefits of the permanent fund dividend program and the supposed long term benefits of the annuity program.

In contrast, stairstepping emphasizes three facts: (1) the original program was always intended to end if the courts ever declared it to be unconstitutional; (2) there are a large number of older Alaskans who have counted the bonus into their retirement plans, despite its constitutional status; and (3) the State faces a declining revenue picture.

Stairstepping takes care of the needs of Alaska's elders at the expense of the needs of younger Alaskans. The proposal also assumes that younger individuals will provide for their own retirement security through the private sector or will be eligible for public assistance. Further, fiscal reality is faced by phasing out the program (and the general fund cost) entirely, not shifting the general fund cost to another funding source. And finally, stairstepping does not take need into account because many Alaskan elders reject need as a criteria for receipt of a bonus.

The philosophy behind the means test proposal can be contrasted with both the annuity and stairstepping proposals. It assumes the longevity bonus program should continue, but provides a larger benefit to those who need it the most. In other words, even though we cannot afford to continue the current program at its present cost forever, poorer individuals need a larger bonus payment. Also, the means test proposal is crafted to mesh with federal entitlement programs so the State can provide more benefits for the poor overall with less State cash.

The last option, maintaining the current program, assumes that the bonus should continue in its present form because all Alaskans rely on it, regardless of whom it was originally intended to benefit. Also, it emphasizes the importance of the bonus and its priority for State funding in spite of declining revenues and competition with other statewide needs.

III. ANNUITY PROPOSAL

Although the committee majority favors the annuity, there are certain aspects of the proposal that the majority report does not discuss.

A. Summary

The annuity proposal has three basic features: (1) Continuing the bonus program for all persons age 65 by 1986, and paying these persons a benefit level of $250 per month, plus 3 percent cost of living increase, for life. (2) Phasing out the bonus program for every one under 65 in 1986, and paying these persons an ever reducing benefit level until sometime in the early part of the next Century. (3) Creating a State supplemental retirement program for those under 65 by 1986 who choose to invest their permanent fund dividends in it.

B. Front-loading

The annuity bill allows the Legislature to increase the monthly annuity amount by subsidizing or "front-loading" the account with annual appropriations.

The purpose of front-loading is to increase the amount of the monthly annuity check and to provide a tax shelter for those who invest their dividends in the program. Both of these aspects are considered necessary inducements to increase participation in the program.

Though the cost of front-loading depends on the number of people who participate in the program, the task force majority estimates that at least $79 million will be required in the first three years, in addition to the funding necessary to continue the phase out bonus program. Since the revenue picture is a clear obstacle to getting this funding from the general fund, the majority proposes that front-loading dollars come from the permanent fund reserve account. We do not support use of the reserve account to pay for the annuity program, since the appropriate uses of the account are already spelled out in statute.

It is also likely that front-loading will be necessary far beyond 1989. Tax counsel has advised the committee that tax shelters will only be available in the years in which the program is front-loaded.

It also seems likely that once the subsidizing begins, it will be difficult to end. This appears especially true if short term front-loading increases the annuity checks of elder Alaskans more than those of younger Alaskans, as the majority report indicates.

It is also possible that the Legislature could decide not to front-load the program at all.

The amount of the bonus each year is tied to the maximum annuity of a 65 year old. Since the maximum annuity will be smaller if it is not subsidized, the general fund cost of the phase out bonus program would be more than the majority report indicates.

C. <u>3% Escalator</u>

The bonus and the cost of the program itself are increased dramatically by a 3% annual escalator. If this is really intended to be an automatic cost of living increase, it should be tied to some acknowledged COLA indicator. In the past, the bonus amount has been increased for valid economic reasons, not automatically.

D. <u>Participation</u>

The more Alaskans that participate in the annuity program, the more likely it is to succeed. We are skeptical, however, about the ability of the program to achieve a high and continuous rate of participation.

According to the Governor's Office of Management and Budget, 40% of current bonus recipients have annual incomes of less than $10,000. According to the IRS, only 2% of taxpayers within this income category buy

IRAs even though it is to their advantage to do so. The statistics on deferred compensation plans are similar. Generally, people without spare cash do not put off receiving income because they cannot afford to. Under this proposal, bonus checks will be reduced each year, yet individuals will have to give up their permanent fund dividends in order to make up the difference.

By grandfathering in current ALB recipients, the bill does protect the current income of today's elders who are at least 65. But what about everyone else? According to the Permanent Fund Corporation's recent report on the dividend program, about 18% of adult recipients making less than $26,000 annually used their 1982 dividend to reduce debt and another 22% used it to help with regular expenses. Clearly, these individuals are using their dividends to meet basic needs.

The annuity proposal asks the Alaskans who can least afford it to make a very difficult choice -- either they take the cash now to meet basic needs or they skimp on basic needs and defer their dividend for a promise of a future payment. And they have to trust that the program will still be in existence, and that they will live to 65.

Even those Alaskans who can afford the program may be reluctant to participate. Consider the following facts:

1. The tax deferrable status is uncertain even with front-loading because the IRS has not yet ruled on it. If this program is not considered a shelter by the IRS, there are many other tax shelters available in the private sector.

2. There are no survivor benefits. No matter how long you defer your dividend, if you die, your account is split up amongst all the other accounts in your age category. None of your heirs, nor your estate, have a right to any part of the balance in the account.

3. An individual can never liquidate or transfer his annuity account if he decides to change investment strategy. In other words, the money goes in, you cannot take it out.

4. Even if you live to 65, there is still no assurance that you will get any or all of your annuity. Because there is no vested property right, the State could either end the program

at any time without owing you any money or could pay you less than you originally invested.

E. Legality of the Proposal

In general, this proposal appears to be constitutionally sound. It should be noted, however, that the grandfathering of current bonus recipients would create a protected class of persons. Any law that establishes such a classification is subject to an equal protection challenge. However, it seems unlikely that such a challenge would succeed, since the classification is a rational one that furthers a legitimate public purpose. Please refer to the discussion in section IV - E for further information.

F. Conclusion

The question for policy makers is whether this particular annuity proposal makes good economic sense on both a State and a personal level.

IV. STAIRSTEPPING PROPOSAL

A. Summary

The stairstepping proposal continues the current program for five years and then begins to phase out the program by increasing the age of eligibility by one year, each year beginning in July, 1991. In effect, any one who is 60 or older by July of 1985 would qualify for a $250 monthly bonus from age 65 until death.

B. Impact on Younger Alaskans

The proponents of stairstepping do not dispute the fact that the proposal protects today's elders, but does not protect those who wll turn 60 after July of 1985. In fact, its purpose is to ensure that those who have counted on the bonus for their retirement years receive it throughout the rest of their lives. Since we do face a gloomy revenue picture, backers of this proposal believe the only affordable method of protecting the bonus for current elders is to discontinue the program for everyone else.

This should not be interpreted as a lack of concern for the retirement years of individuals under age 60. Instead, it reflects a philosophy of truly "substituting private thrift for public largesse", the alleged theme of the annuity proposal. It reflects a belief that there are plenty of savings options available in the private sector for those individuals who are in a position to defer cash until some future time. Further, it reflects the belief that the annual permanent fund dividend can be used for this purpose now and that establishing a State annuity program to encourage saving the dividend for retirement is unnecessary.

Finally, it is important to reiterate that the original bonus program was intended to self-destruct if it was ever declared unconstitutional. The stairstepping proposal accomplishes this task while minimizing the harm which would otherwise occur.

C. Why Protection for 60 Year Olds Instead of 65 Year Olds

The group of Alaskans who do count on the bonus extends beyond those who are currently eligible to those who are about to become eligible. In general, it is accurate to state that the older and poorer an individual is, the more that individual needs both the bonus and the dividend.

It is true that any age cut off is arbitrary. The reason that age 60 has been chosen, however, is that those who are within five years of retirement are most in need of the bonus. Also, five years appears to be adequate to allow Alaskans in their 50s to prepare for a retirement without the bonus. At the very least, it gives these Alaskans plenty of notice that they can no longer expect to receive a bonus.

It should be noted that if the method of stairstepping is changed, the bonus of more Alaskans will be protected. For example, instead of waiting five years and then stairstepping one year each year, stair-stepping could begin immediately but occur every other year. This would allow a much larger group of Alaskans to receive a bonus, but receipt would begin at a more advanced age.

D. Legality of the Proposal

Stairstepping creates two classes of people: those who receive bonuses and those who do not. Any law that establishes classifications is subject to an equal protection challenge under both the Federal and State constitutions. A challenge will not succeed, however, if the classifications embodied in the law are rational, and further legitimate governmental purposes. They do not need to meet the test of furthering a compelling State interest, as other laws do.

The stairstepping approach would not affect any constitutional right beyond general equal protection. It would provide benefits to newcomers who met the one year age requirement, and thus would not thwart the right to travel.

Stairstepping embodies a balance between recognition that our elders need the bonus on the one hand, and a perception that the State cannot continue to fund an ever expanding program indefinitely. In a recent case, the Alaska Supreme Court reaffirmed that the recognition of "grandfather right" and "hardship" are legitimate goals of the limited entry law under equal protection analysis. Kalmakoff v. State, Op. No. 2900 (January 11, 1985). It appears that court would find it legitimate for the Legislature to "grandfather" those who are presently receiving the bonus or expecting to receive it in the near future, since those individuals would suffer the most hardship if the program were suddenly ended. Individuals younger than 60 at the date of enactment would have considerable notice that the program would not be available to them at retirement, and would have some wage-earning years to adjust their expectations. Also, the State's revenue expectations are certainly a legitimate element in deciding what program should be enacted.

In sum, it appears that stairstepping is constitutional and would withstand any legal challenge.

E. Conclusion

Stairstepping continues to be a valid method of dealing with the current longevity bonus crisis. Though not all Alaskans would benefit from it, it is a fair, rational approach to a problem that does not have any easy solutions.

V. MEANS TEST PROPOSAL

A. Summary

Under the means test proposal, an individual age 65 or over may apply for a bonus of $250 a month if his or her adjusted gross income was less than $25,000 for the year prior to application. An individual who does not meet the income requirement, or who chooses not to apply for $250, is eligible for a bonus of $100 per month.

The $25,000 income cap will allow 80% of Alaskan elders to continue to receive the $250 monthly bonus. At the same time, the proposal would reduce payments to those elderly Alaskans for whom a monthly bonus is not a financial incentive to remain in the State. These wealthier individuals will continue to be honored with a smaller monthly bonus that can be viewed as a psychological incentive to remain in Alaska.

B. Reasons for a Means Test Program

Many elder Alaskans have vehemently opposed creation of a "welfare" bonus program. These individuals feel that the bonus was originally intended to reward them for their contributions to Alaska and that it never was intended to be a form of public assistance. Indeed, some of these elders appear to prefer no future for the bonus program at all if that future is based on need.

Why then should the Legislature seriously consider a means test proposal? One important reason is the federal government's position on the impact of future bonus income on public assistance. Since federal officials insist that the $250 bonus be counted when determining public assistance eligibility for some Alaskan elders, this proposal represents a direct method of cancelling the affect of the federal action. It would eliminate the loss of Federal Supplemental Security Income and Old Age Assistance for 750 Alaskans and non-nursing home medicaid benefits for 314 Alaskans.

Also, federal officials have indicated that they will be flexible in determining whether a program meets their definition of need. Though this proposal still allows 80% of current recipients to continue to get $250 a month, federal officials believe it will fall within their definition.

The proponents of this proposal are not insensitive to the wishes of those elders who are opposed to any needs based program. Rather, they have attempted to craft a proposal that does alleviate the federal concern as well as the concern of these elders. Actually, this proposal would not implement a "welfare" program. It is only a needs based one in the sense that it does draw distinctions among elders based on income. But it is not a "welfare" program because it is not only for the very poor. All elders get a bonus and most elders get the same bonus; only the wealthiest 20% get less than the others.

Moreover, there are many elders who do not share the strong feelings about a potential "welfare" stigma. These individuals are not always the most vocal, but they are still important. This proposal emphasizes their importance and points out another method of dealing with the state's fiscal reality by giving a larger bonus to those who need it the most.

C. Legality of the Proposal

The largest legal question posed by this proposal is whether the one year residency requirement would be valid for the $250 bonus since its receipt would be based on a person's income. The United States Supreme Court has held that a one year residency requirement infringes on the federally protected right to travel when used in a program which provides the "basic necessities of life." Thus, in Shapiro v. Thompson, 394 U.S.618 (1969), the court struck down a one year residency requirement for welfare assistance.

But every government program does not provide for "basic necessities of life." For example, in Hawaii Boating Association v. Water Transportation Facilities, 651 F.2d 661 (9th Cir. 1981), the court found that a one year residency requirement for reduced rates for boat moorage did not impair the right to travel, since the benefit involved was not significant.

While the courts have ruled that some programs clearly fall within the "basic necessities" definition (such as welfare, hospitalization, and federal low rent housing) and some programs are clearly outside of that definition (such as moorage fees, practicing law without taking a bar exam, running for city council and COLAs in workers compensation benefits), there is no precise dividing line. A strong argument could be made that this proposal does not provide a "basic necessity" and that the one year requirement is valid.

First, the State has other programs such as old age assistance and medicaid which are available to new Alaskans to provide basic necessities.

Second, the income cap requirement is not typical of a test for welfare eligibility. A welfare program test looks at a person's total assets (i.e., value of their home, boats, cars, etc.), but this proposal only looks at a person's adjusted gross income. The income cap provisions are more properly viewed as a retirement supplement to all but the most wealthy, rather than as a program to fulfill basic needs.

Finally, the purpose of the one year requirement would be to determine, without too much administrative burden, which elders are bona-fide Alaskans as opposed to mere visitors. Like students, older Alaskans tend to travel for extended periods. So long as seniors are not denied basic necessities such as medical care and funds for food and shelter if they are destitute, we believe the one year requirement would withstand a challenge. The two year residency requirement for student loans was recently upheld for similar reasons.

D. Conclusion

This proposal is valid because it addresses the federal support of the public assistance question and because it favors those Alaskans who need the bonus the most. As such, it should be the subject of serious legislative consideration, even though some seniors have reservations about it.

VI. STATUS QUO PROPOSAL

A. Summary

This proposal would continue the present program -- $250 monthly bonus to all one year residents at least 65 years old -- indefinitely.

B. The Bonus as a Priority for State Funding

This proposal asserts that the bonus in its present form is a major priority and should be continued for all Alaskans despite the high cost. If our revenues were not dwindling at an everincreasing pace, we would look more favorably on this proposal. We fear, however, that other statewide needs such as roads, water and sewer, education, and health care will suffer if the bonus program continues in its present form. There are simply not enough oil dollars to meet all our needs. Many other State programs reward and assist elder Alaskans. We hope to continue funding these programs as well as a less expensive bonus program.

C. Continuing the Status Quo in FY 86

Although we are uncomfortable with the notion of continuing the program in its present form forever, we feel strongly that if the Legislature and the Governor cannot reach agreement on any other proposals during this session, the current bonus program should be extended for another year. We do not prefer this approach, but we do not want to end the program altogether if 120 days is not enough time to reach consensus on this important issue.

VII. The Immediate Impact on Public Assistance Eligibility

A. How to Protect the Bonus Income of Public Assistance Recipients

Federal and State law treat the longevity bonus payment in a manner that results in a devastating form of "legal" discrimination for many senior citizens on public assistance. These laws require the senior citizen to apply for the longevity bonus. Then, these same laws reduce or eliminate the amount of public assistance payments, dollar for dollar. The senior citizens on public assistance, unlike the middle and high income seniors who receive the longevity bonus on top of all other income, realize no material gain in their income from receipt of the longevity bonus. Additionally, many of the seniors also lose their entitlement to public assistance medical benefits that the longevity bonus payment does not replace. The poorest of our seniors -- those who need the bonus the most -- are actually <u>harmed</u> by the Alaska longevity bonus.

This "catch 22" affects all seniors who fall into either of two categories:

1. Seniors who reached the age of 65 during 1984 through September 30, 1985, and who did not meet the unconstitutional residency requirements.

2. Seniors who reach the age of 65 after September 30, 1985, irrespective of their residency. This category would include all seniors who would have met the unconstitutional residency requirements.

The effect of this "catch 22" is that the federal government saves federal funds and Alaska's longevity bonus program becomes a cash benefit program for the middle and upper classes of seniors who need the money far less than the poor.

There are only two ways to extend the benefits of the longevity bonus program to our low income senior citizens:

1. create a means test longevity bonus program, or

2. create a "hold-harmless" provision in State public assistance statutes to ensure that the State makes up the difference in federal benefits lost and continues to pay State public assistance to individuals effected by the "catch 22."

The cost to the State would be:

HOLD-HARMLESS COSTS - FY86

	Already Budgeted	Required Fiscal Note
Federal (SSI) Payment	0	1,400,000
State (OAA) Payment	760,000	0
Non-nursing Home Medical	0	413,847
	760,000	1,813,847

If the Nursing Home Exclusion Amendment (see "B", page 13) is not adopted, then the hold-harmless fiscal note should be increased by $514,982 for FY86.

STATUTE CHANGES

One Statute change would be needed to hold recipients harmless under all currently proposed longevity bonus programs:

Amend Article 4, AS 47.25.430f, to provide that

(1) The Department must increase the amount of an individual's Adult Public Assistance payment by the amount of any reduction in assistance provided under Title XVI of the Social Security Act which occurs solely because of considering payments made under AS 47.45 as available income; and

(2) Notwithstanding AS 47.25.435, in determining eligibility for Adult Public Assistance and the amount of Adult Public Assistance payment, the Department will not consider any payment made under AS 47.45 as income available to the applicant or recipient.

Note: Regardless of which longevity bonus proposal is enacted, the hold-harmless provisions above must have an effective date of July 1, 1985. If the means test proposal is enacted, these hold-harmless provisions should sunset on the effective date of the new act to protect funding level of adult public assistance programs.

B. Exclusion of Individuals in Nursing Homes from Eligibility for the Bonus

The bonus can preclude a poor elder from receiving Medicaid assistance while in a nursing home even though it does not offset the cost of care in the nursing home (approximately $4000/month). Also, the federal government requires that the individual apply for the bonus to get Medicaid. While the State could hold these individuals harmless at a cost of $514,982 (General Fund), the Legislature could make nursing home residents ineligible for a bonus.

It should be emphasized that this suggestion is not intended to harm nursing home residents or to judge their worthiness for receipt of a bonus. Rather, it is intended to protect such elders from the exorbitant cost of nursing home care. Irrespective of personal income before entering a nursing home, 97% of Alaskans in nursing homes in the state eventually turn to Medicaid to pay their bills.

VIII. COST INFORMATION

A. Long Term Costs

The following chart compares the cost of the four proposals in nominal dollars through fiscal year 2034. The chart shows that the general fund costs of both the annuity and stairstepping proposals eventually disappear whereas the means test and status quo proposals continue to need general funds. For the next 50 years, the total costs are as follows:

Annuity proposal	$1.29 billion
Stairstepping proposal	$1.13 billion
Means test proposal	$3.20 billion
Status Quo	$5.42 billion

The present value (the amount of funding necessary to endow the program today) of the cost of these proposals is:

Annuity proposal	$620.02 million
Stairstepping proposal	$496.88 million
Means test proposal	$634.9 million
Status Quo proposal	$879.78 million

B. Population Forecast

The cost chart is based on a forecast of Alaska's elderly population. This forecast may overstate the number of people who will actually participate in any of the proposed programs, at least in the near term. For example, the population forecast predicts 16,744 eligibles for FY 86, yet only 14,547 elders are currently receiving a bonus. Also, after 2010, the forecast assumes that the elder population remains constant, which does not account for death, migration, etc.

If the population projections do turn out to be too high, then the cost estimates are also too high.

COMPARISON OF ALB ALTERNATIVES

	MONTHLY PAYMENTS					POPULATIONS				ANNUAL COSTS (millions)			
	MEANS TEST BILL		ANNUITY BILL										
FISCAL YEAR	MEANS TEST ALB	UNIVERSAL ALB	ALB TO PERSONS 65 BEFORE 1986	MAXIMUM POSSIBLE ANNUITY	RESIDUAL ALB	65 & OVER	65 BEFORE 1986	65 AFTER 1985	65 BEFORE 1992	ANNUITY BILL*	STAIRSTEP BILL**	CURRENT LAW	MEANS TEST BILL
1986	$250.00	$100.00	$250.00	$11.92	$238.08	16,744	15,039	1,705	16,744	$75.2	$50.2	$50.2	$50.2
1987	$250.00	$100.00	$257.50	$24.86	$232.64	17,768	14,349	3,419	17,768	$80.4	$53.3	$53.3	$46.7
1988	$250.00	$100.00	$265.23	$39.05	$226.18	18,769	13,660	5,109	18,769	$85.0	$56.3	$56.3	$48.6
1989	$250.00	$100.00	$273.18	$46.94	$226.24	19,828	12,974	6,854	19,828	$61.1	$59.5	$59.5	$50.6
1990	$250.00	$100.00	$281.38	$56.27	$225.11	20,913	12,293	8,620	20,913	$64.8	$62.7	$62.7	$52.4
1991	$250.00	$100.00	$289.82	$67.21	$222.61	21,908	11,616	10,292	21,908	$67.9	$65.7	$65.7	$54.0
1992	$250.00	$100.00	$298.51	$79.93	$218.58	22,849	10,943	11,906	20,839	$70.4	$62.5	$68.5	$55.3
1993	$250.00	$100.00	$307.47	$94.67	$212.80	23,861	10,273	13,588	19,890	$72.6	$59.7	$71.6	$56.6
1994	$250.00	$100.00	$316.69	$111.73	$204.96	24,799	9,606	15,193	18,823	$73.9	$56.5	$74.4	$57.7
1995	$250.00	$100.00	$326.19	$131.53	$194.66	25,891	8,945	16,946	17,940	$74.6	$53.8	$77.7	$59.0
1996	$250.00	$100.00	$335.98	$154.20	$181.78	26,863	8,291	18,572	16,873	$73.9	$50.6	$80.6	$59.9
1997	$250.00	$100.00	$346.06	$180.13	$165.93	27,692	7,644	20,048	15,819	$71.7	$47.5	$83.1	$60.5
1998	$250.00	$100.00	$356.44	$209.76	$146.68	28,657	7,012	21,645	14,934	$68.1	$44.8	$86.0	$61.3
1999	$250.00	$100.00	$367.13	$243.52	$123.61	29,556	6,396	23,160	13,969	$62.5	$41.9	$88.7	$61.8
2000	$250.00	$100.00	$378.15	$281.92	$96.23	30,511	5,799	24,712	13,031	$54.9	$39.1	$91.5	$62.5
2001	$250.00	$100.00	$389.49	$325.34	$64.15	31,459	5,225	26,234	12,098	$44.6	$36.3	$94.4	$63.2
2002	$250.00	$100.00	$401.18	$374.26	$26.92	32,440	4,676	27,764	11,193	$31.5	$33.6	$97.3	$64.0
2003	$250.00	$100.00	$413.21	$429.25	-0-	33,448	4,156		10,306	$20.6	$30.9	$100.3	$64.7
2004	$250.00	$100.00	$425.61	$490.97	-0-	34,483	3,666		9,438	$18.7	$28.3	$103.4	$65.4
2005	$250.00	$100.00	$438.38	$560.18	-0-	35,721	3,210		8,639	$16.9	$25.9	$107.2	$66.7
2006	$250.00	$100.00	$451.53	$637.63	-0-	37,130	2,708		7,850	$15.1	$23.5	$111.4	$68.3
2007	$250.00	$100.00	$465.07	$721.15	-0-	38,489	2,402		7,043	$13.4	$21.1	$115.5	$69.7
2008	$250.00	$100.00	$479.03	$820.68	-0-	40,309	2,050		6,359	$11.8	$19.1	$120.9	$71.9
2009	$250.00	$100.00	$493.40	$928.22	-0-	42,194	1,778		5,640	$10.5	$16.9	$126.6	$74.0
2010	$250.00	$100.00	$508.20	$1,047.88	-0-	44,012	1,449		4,950	$8.8	$14.9	$132.0	$76.1
2011	$250.00	$100.00	$523.44		-0-	45,000	1,213		4,243	$7.6	$12.7	$135.0	$76.7
2012	$250.00	$100.00	$539.15		-0-	45,000	1,003		3,669	$6.5	$11.0	$135.0	$75.6
2013	$250.00	$100.00	$555.32		-0-	45,000	819		3,161	$5.5	$9.5	$135.0	$74.5
2014	$250.00	$100.00	$571.98		-0-	45,000	658		2,698	$4.5	$8.1	$135.0	$73.5
2015	$250.00	$100.00	$589.14		-0-	45,000	521		2,340	$3.7	$7.0	$135.0	$72.4
2016	$250.00	$100.00	$606.82		-0-	45,000	405		1,907	$2.9	$5.7	$135.0	$71.3
2017	$250.00	$100.00	$625.02		-0-	45,000	309		1,596	$2.3	$4.8	$135.0	$71.0
2018	$250.00	$100.00	$643.77		-0-	45,000	231		1,320	$1.8	$4.0	$135.0	$70.7
2019	$250.00	$100.00	$663.08	continues	-0-	45,000	169		1,078	$1.3	$3.2	$135.0	$70.4
2020	$250.00	$100.00	$682.98	to	-0-	45,000	114		866	$.9	$2.6	$135.0	$70.1
2021	$250.00	$100.00	$703.47	increase	-0-	45,000	76		686	$.6	$2.1	$135.0	$69.9
2022	$250.00	$100.00	$724.57		-0-	45,000	48		533	$.4	$1.6	$135.0	$69.6
2023	$250.00	$100.00	$746.31		-0-	45,000	31		497	$.3	$1.2	$135.0	$69.3
2024	$250.00	$100.00	$768.70		-0-	45,000	18		304	$.2	$.9	$135.0	$69.0
2025	$250.00	$100.00	$791.76		-0-	45,000	10		222	$.1	$.7	$135.0	$68.7
2026	$250.00	$100.00	$815.51		-0-	45,000	5		150	$.0	$.4	$135.0	$68.[illegible]
2027	$250.00	$100.00	$839.97		-0-	45,000	3		100	$.0	$.3	$135.0	$68.1
2028	$250.00	$100.00	$865.17		-0-	45,000	1		63	$.0	$.2	$135.0	$67.8
2029	$250.00	$100.00			-0-	45,000			41	$.0	$.1	$135.0	$67.5
2030	$250.00	$100.00			-0-	45,000			24	$.0	$.1	$135.0	$67.2
2031	$250.00	$100.00			-0-	45,000			13	$.0	$.0	$135.0	$67.0
2032	$250.00	$100.00			-0-	45,000			7	$.0	$.0	$135.0	$66.7
2033	$250.00	$100.00			-0-	45,000			4	$.0	$.0	$135.0	$66.4
2034	$250.00	$100.00			-0-	45,000			1	$.0	$.0	$135.0	$66.1

NOTES:

	ANNUITY BILL*	STAIRSTEP BILL**	CURRENT LAW	MEANS TEST BILL
TOTAL COSTS, 1986-2034:	$1,287.0	$1,131.0	$5,418.9	$3,199.2
CONSTANT 1985 DOLLARS, 1986-2034:	$764.38	$625.01	$1,391.12	$945.9
PRESENT VALUE, 1986-2034:	$620.[illegible]	$496.88	$879.78	$634.9

* Persons 65 before 1986 grandfathered (i.e., stairstepping starts in 1986). Annual costs include three years of "front loading" ($25.2 in '86, $26.5 in '87, and $27.7 in '88).

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

Prepared by the Division of Strategic Planning, OMB: 1/23/85

Although we think it is important to point out this data limitation to policy makers, we do not suggest that another set of data be used. Rather, we wish to only point out the conservative nature of the projections.

C. Cost of the Annuity Proposal

This particular chart shows the cost of the annuity program if an average participation rate of 30% is achieved, if 100% of each PFD check is deferred if the Legislature chooses to subsidize the program for the first three years, and if the annuity investment achieves a 3% real rate of return. The actual cost of the annuity program depends on several variables not easily predicted, in addition to population. The value of the dividend each year, the amount of subsidy provided each year, the cost of administering the program, and the real rate of return on the money invested all affect the overall cost of the program.

For example, if front-loading is provided every year and all other assumptions remain the same, the additional 50 year cost would be $1.95 billion. Every time a variable is changed, the cost estimate also changes.

D. Cost of the Stairstepping Proposal

The stairstepping cost is based on the Adams proposal. If stairstepping began immediately, but the age of eligibility was only increased every other year, the cost of the program would be $1,641.6 billion.

E. Cost of the Means Test Proposal

It is important to point out that under this proposal, more elders get the higher bonus until FY 2000. At that time, the percentage switches, since the value of money erodes over time.

F. Cost of the St tus Quo Proposal

The cost of extending the current program for one year only would be $50.2 million.

CONCLUSION

We realize that the majority of the Governor's Task Force favors the annuity proposal, and the majority report reflects that. However, we believe that the report does not adequately address some of the problems with that proposal, nor does it refute what we see as the advantages of the stairstepping and means test proposals. This report is intended to provide additional information on all the proposals being considered. As the Legislature and the Governor begin the process of deciding the future of the longevity bonus, we hope the pros and cons of each proposal will be seriously examined.

Representative Al Adams
Member of the Committee

Commissioner Lisa Rudd
Member of the Committee

Marsha A. Hubbard
Member of the Committee

file SB128

Introduced: 3/4/85
Referred: Rules

BY HURLEY, ADAMS, GRUSSENDORF, CLOCKSIN, KOPONEN, LARSON, SUND, TAYLOR AND BOUCHER

IN THE HOUSE

HOUSE CONCURRENT RESOLUTION NO. 16

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

Relating to the longevity bonus program.

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

WHEREAS the state of Alaska has always been committed to the elderly; and

WHEREAS that commitment has been evidenced by the Alaska longevity bonus program since 1972; and

WHEREAS the ruling of the Alaska Supreme Court in Schafer v. Vest compels the legislature to replace the original longevity bonus program; and

WHEREAS the discussion of what form the longevity bonus program should take in the future has caused uncertainty among recipients;

BE IT RESOLVED that the Alaska State Legislature is committed to the principle that those currently receiving the longevity bonus will continue to receive it regardless of what form the program may take in the future.

HB 212

Senator Halford has asked that the Committee consider this bill in lieu of the original.

Levy
2/15/85

BY HALFORD, RODEY, KERTTULA AND RAY

IN THE SENATE

~~SPONSOR~~ COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 128 (HESS)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the use of longevity bonus payments in determining adult public assistance; and providing for an effective date."

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

* Section 1. AS 47.45 is amended by adding new sections to read:

Sec. 47.45.122. ELIGIBILITY FOR PUBLIC ASSISTANCE. An individual for whom public assistance is denied or reduced solely because of the receipt of a bonus by the individual or by a member of the individual's household is eligible for assistance under the general relief assistance program under AS 47.25.120 - 47.25.300. Notwithstanding the limit in AS 47.25.130, the individual is entitled to receive the same amount as the individual would have received under other public assistance programs had there been no longevity bonus program.

Sec. 47.45.124. ELIGIBILITY FOR STATE PROGRAMS. A program administered by the state or any of its instrumentalities or municipalities, the eligibility for which is based on financial need, may not consider a bonus as income or resources unless required to do so by federal law or regulation.

* Sec. 2. This Act takes effect July 1, 1985.

FYI

Revised Draft Recommended
by Rod Betit

TO: Representative Koponen

FROM: Deborah Niedermeyer, Aide to House HESS Committee

RE: Longevity Bonus Hold Harmless

DATE: 10 February, 1985

Current public assistance programs for those over 65

If an elderly person has not worked enough to be entitled to at least $325 per month in social security, then the federal government will supplement the social security payments up to $325 per month through the Supplemental Security Income (SSI) program. Social Security plus SSI always adds up to $325 per month.

The State of Alaska does not feel that $325 per month is enough to live on, so the state further supplements the elderly person's income up to $586 per month. Thus, most elderly Alaskan recipients of SSI also receive $261 per month under the state's Adult Public Assistance program (see AS 47.25.430). Eligibility for Adult Public Assistance also entitles an individual to Medicaid. This is important because losing Adult Public Assistance means losing Medicaid as well.

Some people over 65 are entitled to Medicare in order to help pay for their health care costs. Medicare is 100% federally funded, but only pays about 65% of a person's health care costs. For those receiving Adult Public Assistance, Medicaid pays for the other [illegible]%. Medicaid is about 50% state funded. For those not on Medicare, Medicaid pays 100% of their medical costs.

The Alaska Adult Public Assistance law is written to conform to the federal SSI law. IF the SSI program counts money from a certain source as income, federal law requires that Alaska's Adult Public Assistance Program count that income too.

The problem

When a low income senior who is a recipient of SSI and Adult Public Assistance receives the $250 per month Longevity Bonus, the SSI laws count that as income. By law, Alaska's Adult Public Assistance must also count it.

The first effect of the Longevity Bonus is that the federal government cuts the SSI grant dollar for dollar, thus the income of the recipient does not go up. In addition, if the bonus puts the recipient's income over $586 a month, the recipient loses eligibility for Medicaid.

The net result is that an Alaskan over 65 who makes $586 per month or less will not be helped by the Longevity Bonus and may be seriously hurt because they lose Medicaid benefits. There are 333 such Alaskans estimated in FY86.

Emergency regulation

For now, the Department of Health and Social Services has put an emergency regulation into effect insuring that Alaskan seniors who otherwise qualify for Medicaid and Old Age Assistance will not be denied those benefits. The Department has been granted authority to do this by federal officials until July 1. There has been no relief granted for Alaskans who are having their SSI cut and therefore they receive no advantage from the Longevity Bonus.

SB 128

SB 128 (by Halford) requires the state to make up the difference when the federal government cuts an SSI or Adult Public Assistance grant due to the Longevity Bonus. However, the bill does not hold-harmless a person's lost Medicaid benefits.

The problem with SB 128 is two fold. First, approximately 333 Old Age Assistance recipients will lose Medicaid benefits because of the Longevity Bonus in FY86 and SB 128 does not prevent this from happening. Second, by placing the APA/SSI hold-harmless in the APA statute the State may be vulnerable to federal officials declaring the State APA program out of compliance with federal law. This would jeopardize Medicaid benefits for APA clients. A safer approach to the hold-harmless would be to place it completely outside of the State APA program, for example place it in the State General Relief Program.

Koponen proposal

The bill you have asked drafted is based on the hold-harmless provisions of the Permanent Fund Dividend Program. Like SB 128, your bill requires the state to make up for SSI and APA lost because of the Longevity Bonus, but it goes a step further. It requires the state to also hold-harmless the lost Medicaid benefits for the 333 persons mentioned above. Your bill puts those 333 people under the 100% state funded General Relief Medical program. Thus, the low-income recipient of the longevity bonus gets the full benefit of the bonus without losing crucial medical coverage. The Bonus thus brings the income from $586 per month to $836 per month for low income Alaskans WITHOUT LOSS OF THEIR MEDICAL COVERAGE.

FY86 Cost = $1,813,847 assuming nursing home clients will be excluded from receiving the Bonus.

file SB 56

Governor, committee debate annuity

Editor's note: Last month Senior Voice ran an editorial calling for a complete airing of SB 56, the annuity proposal which would replace the Longevity Bonus program for seniors. The editorial sought to stir debate over the merits of the annuity plan, which would set up an optional retirement plan for all Alaskans.

The bonus program that now gives $250 a month to all one-year residents 65 and over is an interim plan that expires in July.

The original bonus law, passed in 1972, was declared unconstitutional last year because of its 25-year residency requirement.

Following are excerpts from letters by two members of the Special Committee on the Alaska Longevity Bonus program, which recommended the annuity program, as well as excerpts from Gov. Bill Sheffield's response to our editorial.

file long-bonus

Sheffield not choosing sides

by Gov. Bill Sheffield

Right now, there's only one sure thing about the Alaska Longevity Bonus program: The courts have changed the original intent, and we have to change our program.

The debate about what form that program will take is far from over. It may be an annuity program, a "stair-stepping" approach, a program with a special emphasis on helping low- and middle-income senior citizens – or any combination of the three.

I'm not choosing sides yet; as long as the final proposal is sound, I'll sign the bill.

The important thing is to debate the proposals, choose the best one, and get it done *this year.*

The "stair-stepping" approach, proposed last year by Rep. Al Adams (D-Kotzebue), comes close to meeting the intent of the original Longevity Bonus program.

Simply put, the bill limits the number of recipients by setting a cut-off date (to be eligible, you must turn 65 by 1992) and raising the age of eligibility each year (65 in 1992, 66 in 1993, 67 in 1994).

The annuity program, introduced as a bill with 17 cosponsors in the Alaska State Senate, combines the "stair-stepping" approach with a retirement insurance program. Like the "stair-stepping" program, the current group of older Alaskans would continue to receive a Longevity Bonus, but the amount would get smaller every year, and eventually disappear.

Payments from the annuity fund would take the place of the bonus – but only if you bought into the annuity program. The price is your annual Permanent Fund dividend.

Senior Voice raised a number of those questions in a recent editorial. Among them were these:

- Will enough younger Alaskans give up their dividends, join the plan and make the annuity financially sound?
- Will the plan provide any benefit to the poor and near-poor who can't afford to give up their dividends?
- Will the program offer a secure investment for younger Alaskans? And,
- What will happen to the approximately 800 needy senior citizens who will lose federal benefits because the Alaska program isn't based on need?

I have similar concerns.

First of all, there's no guarantee people will contribute their Permanent Fund dividends to the annuity program. The incentive to join the program is a tax break: If you put your check in now, you won't have to pay federal income tax on it until you retire.

However, according to the federal tax code, the annuity would not be a tax-exempt investment without the state's $79 million "front-loading."

Without the "front-loading," there's no tax break; without the tax break, many people would probably choose to invest their Permanent Fund dividends differently.

I'm concerned that tying the annuity to Permanent Fund dividends could make it difficult for many Alaskans to invest in the program. Low-income families, working mothers and rural Alaskans might have a hard time giving up needed cash now for a long-term investment.

Then there's a question the Voice didn't ask: What about the $79 million in state money needed to build up the annuity fund over the first three years?

Considering the recent downturn in our revenue forecasts, that three-year, $79 million commitment could reduce our financial flexibility, along with our ability to meet other needs.

All these questions need to be answered before we create a new longevity program. But whatever we choose, it must be fair, it must be cost-effective, and it must be created this year.

The Longevity Bonus is a way to help keep older Alaskans in the state. That's not welfare; it's an investment in Alaska's future. Because without the wisdom and experience of the past, we would not have much of a future.

Annuity solves 'complex' problem

Dear editor,

The annuity bill is the special committee's solution to a very complex and complicated problem. We should also consider the other solutions.

Seniors not yet 65 and the seniors of tomorrow will receive whatever the bonus may be at any given year. The amount of the bonus will decrease as the amount that the annuity increases, and together will meet the $250/month target amount.

Individuals may elect to receive all or part of the Permanent Fund dividend distribution in cash. The decision of annuity fund or cash is made each year when applying for the Permanent Fund dividend.

The annuity fund will be managed in the same way as the teacher's retirement fund and the permanent employee's fund.

The annuity plan is designed to provide a supplemental income at age 65. It is not designed to build an estate.

However, SB 56 as amended, provides that the contributions of a person dying before 65 will become a part of his estate.

There is a lot of public support for the annuity concept. This support should indicate wide participation in the annuity plan.

Appropriations to the annuity fund are not necessary, either now or in the future. Money appropriated now shortens the time and amount of general fund money required for the bonus program.

Any non-needs based program will impact recipients of medical and/or cash public assistance.

The governor requested the committee to consider making the residents of nursing homes ineligible for the bonus and the committee bill does that.

The needs based bill requires constant funding from the general fund for the duration of the program if it is truly needs based, and it has no impact on those receiving medical and/or cash public assistance. It is also the most costly solution.

The stair-stepping approach causes the most abrupt termination of any option considered. If a person was born on or before June 30, 1925, the state would pay him or her $250 per month when he or she moved to Alaska; a current 59-year-old Alaskan would receive nothing.

The stair-stepping approach would be more expensive than the committee bill, and much of this cost would be born after the turn of the century.

The committee has looked at the problem from every conceivable direction, and has forwarded draft legislation and a report to the Governor and the Legislature. The committee considers the annuity concept to be in the best interests of all the people in Alaska.

Bob Kallenberg
Special Longevity Bonus
Committee member

Seniors nix needs based idea

Dear editor,

I am a member of the Special Committee on the Alaska Longevity Bonus program. The Administration has been proposing a needs based bill as an alternative to the annuity approach.

Recently a hearing was held by the Senate State Affairs Committee regarding the longevity bonus annuity plan. Seniors from Hoonah to Nome spoke overwhelmingly against a "needs based" program. I have received many letters and phone calls from seniors in my district with the same convictions.

When we originally conceived the idea of a longevity program the purpose was to keep oldtimers in Alaska so they might share their experience and knowledge with other Alaskans, as well as to reward them for their efforts in settling and developing our state.

Old timers have for some time looked forward to their retirement with the extra income the bonus provides. The realities are that with the rising cost of living in Alaska many of our seniors will be forced to leave the state.

The elders of Alaska are valuable. To lose their knowledge and experience would be detrimental to our state.

Sen. Jay Kerttula
Anchorage

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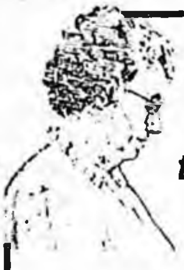

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The Secretary announced receipt of:

ALASKA POWER AUTHORITY ANNUAL PROJECT STATUS REPORT, January 1985, received from Larry Crawford, Executive Director, January 29, in accordance with AS 44.83.210(b)

REFORESTATION ANNUAL REPORT TO THE LEGISLATURE, dated January 25 from Esther Wunnicke, Commissioner of Natural Resources in accordance with AS 41.17.320

THE ALASKA STATE PROFESSIONAL TEACHING PRACTICES COMMISSION ANNUAL REPORT for Fiscal Year 1984 received January 30 in accordance with AS 14.20.450-460

The reports are on file in the Office of the Secretary of the Senate.

STANDING COMMITTEE REPORTS

SB 56

The State Affairs Committee considered SENATE BILL NO. 56 (amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; efd) and recommended it be replaced with

CS FOR SENATE BILL NO. 56 (SA)

and do pass. The report was signed by Senator Abood, Chairman and concurred in by Senators Kelly, Ray, Vic Fischer and DeVries.

Six fiscal notes appear in Supplement No. 10.

"Letter of Intent

The legislature is aware that changes in the federal statutory scheme for determining eligibility for assistance programs have created problems for individuals newly eligible to receive the Alaska Longevity Bonus. Specifically, eligibility for the Bonus is resulting in some needy individuals losing the benefits for which they were previously eligible. The Department of Health and Social Services has informed the legislature that they can rectify the most serious aspects of the problem if sufficient funds are appropriated, and if the legislature expresses its intent that the Department do so. The funds needed are estimated to be $413,847.00. This letter is evidence of that legislative intent.

SB 56 cont'd

Prior to the last Congress, federal law provided that income from the Alaska Longevity Bonus program would not be counted as income for the purpose of determining eligibility for Supplemental Social Security (SSI). 42 U.S.C. 1382(b)(2)(B). Last year, the Alaska Longevity Bonus program was amended to open the program up to any individual over age 65 who had resided in the state for one year. Congress amended the above-cited statute to provide that income from the bonus would not be counted only if an individual became eligible prior to September 30, 1985 and if that individual met the 25 year residency requirement of the former law. Thus, individuals who either do not meet the 25 year requirement or who become eligible for the bonus after September 30, 1985 will have the bonus counted as income for SSI and, as a result, for medicaid. Further, even if an individual does not apply for the bonus, the bonus is treated as a 'prior resource' which must be exhausted before assistance can be claimed.

For those individuals without medical problems, these changes in the law mean that what they receive from the bonus is deducted from what they would have received from assistance programs. They are not worse off, but they do not receive the benefit of the bonus. However, if receipt of the bonus makes them ineligible for assistance, they also lose eligibility for medicaid, and receipt of the bonus does not offset lost medical benefits. SB 56 provides that a resident of a nursing home is not eligible for the bonus, thus nursing home residents are protected from losing medical benefits because of the bonus. It is the individual who is not in a nursing home, but who receives medical assistance through medicaid, who may be harmed by receipt of the bonus.

It is the intent of the legislature that the Department of Health and Social Services take steps to insure that eligibility for the Alaska Longevity Bonus not deprive needy individuals of necessary medical care.

/s/ Senator Mitch Abood
Senator Mitch Abood, Chairman
Senate State Affairs Committee"

SENATE BILL NO. 56 was referred to the Finance Committee.

The presence of Senator Josephson was noted.

POSITION PAPER/Department of Health & Social Services

Dept. is preparing a revised fiscal note/position paper on the proposed committee substitute.

POSITION PAPER
SENATE BILL NO. 128

For "An Act relating to the use of longevity bonus payments in determining adult public assistance; and providing for an effective date."

Prior to the passage of the federal Deficit Reduction Act of 1984 (P.L. 98-369), the federal Supplemental Security Income (SSI) Program disregarded all Alaska Longevity Bonus (ALB) payments made to its applicants and recipients. The $250 Longevity Bonus payments did not count as income in determining SSI eligibility or payment amounts. The Deficit Reduction Act reduced this blanket disregard to apply only to those ALB recipients who have been continuously resident in Alaska for 25 years and, for SSI prior to October 1, 1985. For all other Longevity Bonus recipients, SSI now counts the Bonus payment as income, which reduces or terminates monthly assistance.

Approximately 1200 elderly Alaskans receive SSI assistance; almost all of them also receive Old Age Assistance. In addition, Old Age Assistance is provided to another 1250 persons whose countable income is over the SSI limits but under the much higher Old Age Assistance limits. With the granting of Old Age Assistance comes automatic eligibility for Medicaid coverage. Under the current Adult Public Assistance statute, (AS 47.25.435), Old Age Assistance must follow the income rules of the SSI Program, including disregarding or counting the Longevity Bonus payments.

1200
1250
2450

Without the changes proposed by Senate Bill No. 128, approximately 750 Old Age Assistance recipients will experience a $230 to $250 reduction in their total spendable monthly income as SSI and/or Old Age Assistance begins counting their non-exempt Longevity Bonus as income. This raises serious questions of equity, since approximately 1700 elderly recipients will retain their Longevity Bonus exemption and will, thereby, have $230-$250 per month more spendable income than their less-fortunate peers.

750
1700
2450

The situation of approximately 330 of these 750 recipients is of even greater concern. These 330 have other income that places them over the SSI income standards, and beginning to count their non-exempt Longevity Bonus payments will place them over the Old Age Assistance limits. By losing Old Age Assistance, they will lose their Medicaid coverage. Since Alaska's medical costs are so high, and the aged frequently need substantial medical services, loss of Medicaid coverage is often of more importance to them than loss of assistance income.

Senate Bill No. 128 would correct the cash assistance inequities introduced by the Deficit Reduction Act by mandating that all Old Age Assistance recipients have their Longevity Bonus payments disregarded.

Senate Bill No. 128 would also guarantee continued Medicaid coverage to those who would lose coverage if their non-exempt Bonus payments were counted as income.

POSITION PAPER/Department of Health & Social Services

However, federal Medicaid officials have recently reiterated regulatory objections to disregarding income by source rather than solely by amount. The Department has argued this issue extensively, but Medicaid officials remain adamant. Currently, it appears very likely that they would, at the least, disallow federal Medicaid matching funds to anyone who qualifies for Old Age Assistance only because the Department is disregarding the otherwise countable Bonus payment. In the worst case, the issue could result in a federal finding that the Adult Public Assistance program does not comply with Medicaid requirements, and all federal matching Medicaid funds would be withheld.

Although these issues might be successfully litigated, the need for stable, continuing medical coverage is too important to elderly recipients to address in the lengthy and uncertain legal arena.

RECOMMENDATIONS

While the Department supports Senate Bill No. 128 as written, there is an alternative approach that presents no risk to federal funding. We propose that Senate Bill No. 128 be amended to provide for an "Alaska Longevity Bonus Hold-Harmless Program" that would be statutorily and fiscally distinct from the Adult Public Assistance program, and that this new program provide for a full medical hold-harmless that would be distinct from the Medicaid program. We suggest that the Department's General Relief statutes be amended (perhaps by adding a subsection to AS ~~47.23.250~~) 47.25.250 to establish this cash and medical hold-harmless with General Relief and General Relief Medical funding sources.

Under our existing mandate in AS 47.05.010(7) and (8) to maximize federal matching funds, which could be strengthened by a specific statement of legislative intent, the Department would then be free to take every step possible to requalify hold-harmless recipients for Medicaid federal matching funds, without exposing the Medicaid program to risk of federal fiscal penalties.

Recommended by: [signature]
John R. Taber, Director
Division of Public Assistance

Date: 2-12-85

Approved by: [signature]
John R. Pugh, Commissioner
Department of Health & Social Services

Date: 2/13/85

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: ____________

REQUEST
Bill/Resolution No.: SB No. 128
Title: An Act relating to the use of Longevity Bonus payments
Sponsor: Halford, Rodey, Kerttula, Ray
Requestor: ____________
Date of Request: 2/5/85

FISCAL DETAIL
Agency Affected: Health & Social Service
Program Category Affected: Soc. and Econ. assistance for general population
BRU, Program or Subprogram(s) Affected: Old Age Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		1,400.0	1,530.5			
800 MISCELLANEOUS						
TOTAL OPERATING		1,400.0	1,530.5			
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		1,400.0	1,530.5			
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Costs reflect only replacing loss of Supplemental Security Income monthly payments to 750 individuals in FY'86 and 794 individuals in FY'87. Current operations of Old Age Assistance already provide for full disregard of ALB payments, so OAA costs are already budgeted. Were SB No. 128 not enacted, and OAA began counting non-exempt ALB payments for all affected recipients effective July 1, 1985, OAA expenditures would be reduced by 760.0 for FY'86 and 830.7 for FY'87. (continued on attachment)

Prepared By: John R. Taber [signature] Phone: 465-3347
Division: Public Assistance Date: Feb. 8, 1985

Approved by Commissioner: [signature] Date: 2/13/85 JCC
Agency: ____________

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

7/1/84

No costs for related Medicaid hold-harmless are included; see Position Paper. The Medicaid coverage for non-exempt ALB recipients (Approximately 314 in independent living situations and 36 in nursing homes) for FY'86 is already budgeted.

SB 128

SB 128, Relating to the use of longevity bonus payments in determining adult public assistance.

The federal Supplemental Security Income (SSI) program requires that Alaska senior citizens apply for the longevity bonus. The Federal Deficit Reduction Act of 1984 (PL 98-369) requires those bonus recipients who have not been Alaska residents for 25 years prior to September 9, 1985 to count the bonus as income in determining SSI eligibility. Further, under the state's Adult Public Assistance (APA) statute, Old Age Assistance (a facet of APA) must follow the income rules of SSI.

Both the federal SSI program and the state's Old Age Assistance (OAA) program are needs-based programs available to citizens over the age of 65. SSI supplements a citizen's prior resources to ensure income of $325/month. OAA further supplements to ensure income of $586/month. When a recipient of SSI receives the $250/month longevity bonus payment, the federal government cuts the SSI grant dollar for dollar, which effectively negates the advantage of receiving the longevity bonus. The Department of Health and Social Services has identified approximately 750 elderly recipients so effected by this provision.

In addition, 314 of these recipients have enough income to also lose eligibility for state Old Age Assistance, and therefore for Medicaid coverage.

CS SB 128, which has been prepared at the request of the bill sponsor, would require the state to make up for SSI payments lost due to receipt of the longevity bonus. It would also place those recipients who have lost Medicaid eligibility under the General Relief Medical program, which provides state funded medical coverage.

Early fiscal information on the proposal is attached. The Department of Health and social Services will present more complete fiscal information at the committee hearing, and will discuss revising the bill to

1) limit the public assistance programs covered to Supplemental Security Income (SSI), Medicaid, Adult Public Assistance (APA), and Aid to Families with Dependent Children (AFDC), and
2) exempt nursing home Medicaid recipients from eligibility for the longevity bonus.

SCR 10, Requesting the State Board of Education to require the study of Alaska history and government in the schools of the state.

SCR 10 requests that the State Board of Education adopt regulations requiring at least one unit of credit in the study of Alaska history and government for graduation from high school.

Current Board regulations (4 AAC 06.075) require a minimum of 21 units of credit before graduation, as follows:

#3

Should the bill cover all Public Assistance programs? (i.e. move all ~~Adult~~ Public Assistance from Medicaid to General Relief)

According to Gordon Landes of Adult Public Assistance:

1. AFDC.

The Department moves elderly from AFDC into Adult Public Assistance when they reach age 65 because it is to their advantage to be there.

2. Aid to Blind and Disabled.

The Department automatically converts them to Old Age Assistance at age 65.

3. Food Stamps.

Elderly people don't use the Food Stamp program very much, nationally as well as state-wide, according to Landes. They avoid appearance of welfare. In additon, it isn't worth it for them, because they frequently live alone and the deduction for one person is small.

4. General Relief Medical.

Some drugs are covered.

5. General Relief Assistance

Almost no elderly apply for this help.

In general, Landes feels that holding harmless these assistance programs would cost the Department more in paperwork than it would benefit the elderly recipients.

6. Energy assistance

rec 3-11-85

REVISED
POSITION PAPER
SENATE BILL NO. 128

For "An Act relating to the use of longevity bonus payments in determining adult public assistance; and providing for an effective date."

Prior to the passage of the federal Deficit Reduction Act of 1984 (P.L. 98-369), the federal Supplemental Security Income (SSI) Program disregarded all Alaska Longevity Bonus (ALB) payments made to its applicants and recipients. The $250 Longevity Bonus payments did not count as income in determining SSI eligibility or payment amounts. The Deficit Reduction Act reduced this blanket disregard to apply only to those ALB recipients who have been continuously resident in Alaska or 25 years and may apply for SSI prior to October 1, 1985. For all other Longevity Bonus recipients, SSI now counts the Bonus payment as income, which reduces or terminates monthly assistance.

Approximately 1200 elderly Alaskans receive SSI assistance; almost all of them also receive Old Age Assistance. In addition, Old Age Assistance is provided to another 1250 persons whose countable income is over the SSI limits but under the much higher Old Age Assistance limits. With the granting of Old Age Assistance comes automatic eligibility for Medicaid coverage. Under a current Adult Public Assistance statute, (AS 47.25.435), Old Age Assistance must follow the income rules of the SSI Program, including disregarding or counting the Longevity Bonus payments.

Without the changes proposed by Senate Bill No. 128, approximately 750 Old Age Assistance recipients will experience a $230 to $250 reduction in their total spendable monthly income as SSI and/or Old Age Assistance begins counting their non-exempt Longevity Bonus as income. This raises serious questions of equity, since approximately 1700 elderly recipients will retain their Longevity Bonus exemption and will, thereby, have $230-$250 per month more spendable income than their less-fortunate peers.

The situation of approximately 333 of these 750 recipients is of even greater concern. These 333 have other income that places them over the SSI income standards, and beginning to count their non-exempt Longevity Bonus payments will place them over the Old Age Assistance limits. By losing Old Age Assistance, they will lose their Medicaid coverage. Since Alaska's medical costs are so high, and the aged frequently need substantial medical services, loss of Medicaid coverage is often of more importance to them than loss of assistance income. The sponsor of SB 128 assumes that this problem will be remedied by provisions of CSSB 56, however, the Department cannot assume that a measure containing this medical hold harmless will be enacted prior to July 1, 1985. Therefore, we have priced the impact of SB 128 as if no medical hold harmless would exist for nursing home and non-nursing home recipients in FY86.

POSITION PAPER/Department of Health & Social Services

RECOMMENDATIONS

While the Department supports SB 128 as written, there is a "safer" approach that presents no risk to federal funding. We propose that Senate Bill No. 128 be amended to provide for an "Alaska Longevity Bonus Hold-Harmless Program" that would be statutorily and fiscally distinct from the Adult Public Assistance program, and that this new program provide for a full medical hold-harmless that would be distinct from the Medicaid program. We suggest that the Department's General Relief statutes (AS 47.25.120 - AS 47.25.300) be amended to establish this cash assistance hold-harmless under General Relief. We also recommend that the medical assistance hold harmless provisions be added to this bill to insure that medical benefits continue to be available to these persons if CSSB 56 does not pass this session.

CSSB 128

Under our existing mandate in AS 47.05.010(7) and (8) to maximize federal matching funds, which could be strengthened by a specific statement of legislative intent, the Department would then be free to take every step possible to requalify hold-harmless recipients for Medicaid federal matching funds, without exposing the Medicaid program to risk of federal fiscal penalties.

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

Date: 3-6-85

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

Date: 3/6/85

Approved by: Jon R. P.
John R. Pugh, Commissioner
Department of Health & Social Services

Date: 3/8/85

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 3/5/85

REQUEST
Bill/Resolution No. SB No. 128
Title: An Act relating to the use of Longevity Bonus payments
Sponsor: Halford, Rodey, Kerttula, Ray
Requestor:
Date of Request: 2/5/85

FISCAL DETAIL
Agency Affected: Health & Social Service
Program Category Affected: Soc. and Econ. assistance for general population
BRU, Program or Subprogram(s) Affected: Old Age Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		2160.0	2361.2	2576.1	2810.4	3005.3
800 MISCELLANEOUS						
TOTAL OPERATING		2160.0	2361.2	2576.1	2810.4	3005.3
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		2160.0	2361.2	2576.1	2810.4	3005.3
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

See analysis attached.

Prepared By: John R. Taber — Phone: 465-3347
Division: Public Assistance — Date: March 5, 1985

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

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

1. Costs reflect replacing lost Supplemental Security Income federal payments with increased Old Age Assistance:

	FY Cost
FY86: 750 persons/month =	1,400.0
FY87: 794 persons/month =	1,530.5
FY88: 838 persons/month =	1,669.8
FY89: 884 persons/month =	1,821.6
FY90: 933 persons/month =	1,987.4

2. Old Age Assistance formula need for the Adult Public Assistance component for FY86 to fund the 760.0 or the estimated FY86 cost of preventing bonus-related Old Age Assistance grant reductions:

	FY Cost
FY86: 750 persons/month =	760.0
FY87: 794 persons/month =	830.7
FY88: 838 persons/month =	906.3
FY89: 884 persons/month =	988.8
FY90: 933 persons/month =	1,017.9

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: ______

REQUEST
Bill/Resolution No.: SB 128
Title: "An Act relating to use of Longevity Bonus in determining APA
Sponsor: Halford, Rodney, Kerttula
Requestor: ______
Date of Request: ______

FISCAL DETAIL
Agency Affected: Health & Social Services
Program Category Affected: Soc. & Econ. Assistance for General Pop.
BRU, Program or Subprogram(s) Affected: Medical Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		(2,183.2)	(2,480.2)	(2,842.8)	(3,237.4)	(3,702.6)
800 MISCELLANEOUS						
TOTAL OPERATING		(2,183.2)	(2,480.2)	(2,842.8)	(3,237.4)	(3,702.6)
CAPITAL						
REVENUE		(934.9)	(1,062.3)	(1,217.1)	(1,386.0)	(1,584.9)

FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND		(1,284.3)	(1,417.9)	91,625.7)	(1,851.4)	(2,117.7)
FEDERAL FUNDS		(934.9)	(1,062.3)	(1,217.1)	(1,386.0)	(1,584.9)
OTHER						
TOTAL		(2,183.2)	(2,480.2)	(2,842.8)	(3,237.4)	(3,702.6)

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME		-0-	-0-	-0-	-0-	-0-
PART-TIME		-0-	-0-	-0-	-0-	-0-
TEMPORARY		-0-	-0-	-0-	-0-	-0-

ANALYSIS: Attach a separate page if necessary
SB 128 eliminates Medicaid coverage for OAA recipients who because of receipt of ALB/Annuity become ineligible for Medicaid. The attached table projects the reductions in the number of recipients (line f and h) and FFP (line g and i). Table I shows the State General Fund and FFP reductions.
federal financial participation

Prepared By: Rod Betit, Director K Betit
Phone: 465-3355
Division: Medical Assistance
Date: 3/6/85

Approved by Commissioner: [illegible]
Date: 3/8/85
Agency: Health + Social Services
JCC

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

FFP

Table I

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

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

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

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

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

Table II

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

MEDICAL ASSISTANCE COST ANALYSIS

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

Assumptions:

1. FY84 was used as the base year for calculating recipients and expenditures.

2. In FY84 the average non-nursing home OAA recipient cost was $2,434 per year.

3. The average cost per year was inflated yearly by a 4.5% inflation factor as indicated by the Anchorage Medical Services CPI. and a 3% intensity of service factor. The intensity factor includes such items as increases in technology, construction of new hosptial beds, increases in morbidity and mortality and changes in method of treatment. The division feels the intensity factor is necessary to reflect the high medical risk in the elderly population.

4. The projected number of recipients will increase at 6% per year in line with the general population growth projected in the aged population.

5. In FY86 the number of non-nursing home OAA eligibles who will lose Medicaid coverage will be 333. Of these 94% will utilize medical services.

6. Since Medicaid non-long term care expenditures are composed of 47% federal and 53% state money, the state will need to provide state general funds to replace the 47% federal financial participation. The FFP rate for nursing homes is 40% federal 60% state.

7. The above table represents the cost associated with providing a medical hold harmless program for those OAA recipients who would lose medicaid eligibiliy. Line "i" represents the FFP replacement cost for all nursing home hold harmless recipients. Line G is the FFP replacement for non-nursing home recipients.

Introduced: 3/6/85
Referred: Health, Education &
Social Services and Finance

BY KOPONEN, CLOCKSIN, DUNCAN, GRUENBERG, HURLEY, M.M.MILLER, SUND, TAYLOR, PIGNALBERI, UEHLING AND GOLL

IN THE HOUSE

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 212

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the use of longevity bonus payments in determining adult public assistance; and providing for an effective date."

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

* Section 1. AS 47.45 is amended by adding new sections to read:

Sec. 47.45.122. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) An individual for whom public assistance is denied or reduced solely because of the receipt of a bonus by the individual or by a member of the individual's household is eligible for assistance under the general relief assistance program under AS 47.25.120 - 47.25.300. Notwithstanding the limit in AS 47.25.130, the individual is entitled to receive the same amount as the individual would have received under other public assistance programs had there been no longevity bonus program.

(b) In this section "public assistance" means

(1) Supplemental Security Income (42 U.S.C. 1381 - 1385);

(2) Medical Assistance (42 U.S.C. 1396 - 1396p);

(3) Adult Public Assistance (AS 47.25.430 - 47.25.615); and

(4) Aid To Families With Dependent Children (AS 47.25.310 - 47.25.420).

Sec. 47.45.124. ELIGIBILITY FOR STATE PROGRAMS. (a) A program administered by the state or any of its instrumentalities or municipalities, the eligibility for which is based on financial need, may not consider a bonus as income or resources unless required to do so by federal law or regulation.

(b) A person who is ineligible for participation in the National Older American Volunteer Programs (42 U.S.C. 5001 - 5023) or the Older American Community Service Employment Program (42 U.S.C. 3056 - 3056f) because a bonus received by the person was considered as income or resources is eligible to participate in similar programs funded by the state.

* Sec. 2. This Act takes effect July 1, 1985.

TO: BETTYE FROM: SANDRA
MARCH 6, 1985

FACT SHEET - CSSB 128

FEDERAL SUPPLEMENTAL SECURITY INCOME $325/mo.

Feds. look at your prior resources, which for certain Alaska seniors includes the $250/mo. longevity bonus, and provide the difference between current monthly income and $325.

STATE ADULT PUBLIC ASSISTANCE $586/mo.

State looks at your prior resources, which includes SSI (above), and provides the difference between current monthly income and $586.

NOTE: THE STATE ADULT PUBLIC ASSISTANCE LAW CONFORMS TO THE FEDERAL SSI PROGRAM. BOTH ARE NEEDS BASED, WITH AN AGE 65 ELIGIBILITY.

MEDICAID COVERAGE

Eligibility for Adult Public Assistance automatically qualifies the recipient for Medicaid coverage. Medicaid costs are shared with the federal government on roughly a 50/50 basis.

MEDICAID NURSING HOME COVERAGE

Whereas standard Medicaid eligibility conforms to the $586/mo. threshhold of the Adult Public Assistance Program, long term care is treated differently under the Medicaid program. Long term care income threshhold is $975/mo.

ELDERLY PERSONS AFFECTED (NUMBERS ARE APPROXIMATE)

Federal SSI and Adult Public Assistance Recipients	2,450
Number of these who must "count" longevity bonus	750
Number of these who who also lose Medicaid	330
Number of these who will lose nursing home benefits	36

COSTS (APPROXIMATE)

To make up difference on SSI payments	$1,400,000
To provide General Relief Medical coverage in place of Medicaid	880,500*
To provide General Relief Medical in place of Medicaid nursing home coverage	1,302,700*

(NOTE: $466,700 and $781,600 of these amounts respectively are contained in the Governor's FY 86 budget for the State share of this coverage under the existing Medicaid program.)

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ARLISS STURGULEWSKI, Vice Chairman
JOE JOSEPHSON
PAUL FISCHER
EDNA ARMSTRONG-DE VRIES

POU
STATE CAP
JUNEAU, ALASKA 9
(907) 465-3
(907) 465-38

THE SEAL OF THE STATE OF ALASKA

Senate
Committee on
Health, Education and Social Services

M E M O R A N D U M

TO: Members, Senate Committee on Health, Education and Social Services

FROM: Committee Staff

RE: Committee Meeting, March 14, 1985

DATE: March 13, 1985

On Thursday, March 14, at 1:30 pm in the Beltz Room, the Senate Committee on Health, Education and Social Services will hear the following bills:

SSSB 117, Alzheimer's disease and related disorders.

SSSB 117, which would authorize grants for the operation of adult day care centers, establish an Alzheimer's disease task force, and authorize operation of a diagnostic center, received a preliminary hearing by the Senate HESS Committee on March 7, 1985. While testimony provided was generally supportive, there was recognition that funding for all aspects of the proposal may not be available. A letter to the Senate Finance Committee prioritizing the proposed services has been prepared.

SB 128, Relating to the use of longevity bonus payments in determining adult public assistance.

The federal Supplemental Security Income (SSI) program requires that Alaska senior citizens apply for the longevity bonus. The Federal Deficit Reduction Act of 1984 (PL 98-369) requires that bonus recipients who have not been Alaska residents for 25 years prior to September 9, 1985 count the bonus as income in determining SSI eligibility. Further, under the state's Adult Public Assistance (APA) statute, Old Age Assistance (a facet of APA) must follow the income rules of SSI.

Both the federal SSI program and the state's Old Age Assistance (OAA) program are needs-based programs available to citizens over the age of 65. SSI supplements a citizen's prior resources to ensure income of $325/month. OAA further supplements to ensure income of $586/month. When a recipient of SSI receives the $250/month longevity bonus payment, the federal government cuts the SSI grant dollar for dollar, which effectively negates the advantage of receiving the longevity bonus. The Department of Health and Social Services has identified approximately 750 elderly recipients so effected by this provision.

In addition, 314 of these recipients have enough income to also lose eligibility for state Old Age Assistance, and therefore for Medicaid coverage.

CS SB 128, which has been prepared at the request of the bill sponsor, would require the state to make up for SSI payments lost due to receipt of the longevity bonus. It would also place those recipients who have lost Medicaid eligibility under the General Relief Medical program, which provides state funded medical coverage.

Fiscal information on the proposal is attached. The Department of Health and Social Services will discuss revising the bill to

1) limit the public assistance programs covered to Supplemental Security Income (SSI), Medicaid, and Adult Public Assistance (APA), and
2) exempt nursing home Medicaid recipients from eligibility for the longevity bonus.

SB 140, Rights of the terminally ill.

SB 140, which would allow for signing of a declaration that life-sustaining procedures be withheld or withdrawn, received a preliminary hearing in the Senate HESS Committee on March 5, 1985. A committee substitute, which addresses concerns raised at that time, has been prepared. Specifically, the committee substitute:

1) defines an adult as a person 18 years or older,

2) clarifies that health care professionals and health care facilities are not liable for actions taken under this chapter, and

3) provides for an immediate effective date.

SCR 10, Requesting the State Board of Education to require the study of Alaska history and government in the schools of the state.

SCR 10 requests that the State Board of Education adopt regulations requiring at least one unit of credit in the study of Alaska history and government for graduation from high school.

PROPOSED AMENDMENTS TO SB 128, RELATING TO USE OF LONGEVITY BONUS PAYMENTS IN DETERMINING ADULT PUBLIC ASSISTANCE.

TO BE DISCUSSED BY DEPARTMENT OF HEALTH AND SOCIAL SERVICES.

#1 Add a new section to amend AS 47.45.070(2):

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

...

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

RATIONALE: By excluding nursing home patients from receiving the Alaska Longevity Bonus, state expenditure would be reduced by $521,100. This exclusion is provided for in SB 56, the Senate's annuity proposal.

#2 Add a definition of "public assistance" under AS 47.45.122:

(b) In this section "public assistance" means

(1) Supplemental Security Income (42 USC 1381-1385);

(2) Medical Assistance (42 USC 1396-1396p); and

(3) Adult Public Assistance (AS 47.25.430-47.25.615).

RATIONALE: These are the public assistance programs most often accessed by elderly recipients, and the Department's fiscal information is based on the hold-harmless provision being applied only to these programs. Other public assistance programs include Food Stamps, Aid to Blind and Disabled, Energy Assistance, Aid to Families With Dependent Children, General Relief Medical.

Prepared by DH&SS. Effect of increasing eligibility threshhold for Medicaid and Old Age Assistance by $250/month.

YEAR	OAA EXEMPT	OAA NON-EXEMPT	OAA TOTAL	(1) RAISE ALL OAA BY $250/MO COST	(2) HOLD HARMLESS NON-EXEMPTS MEDICAL	OAA	SSI	TOTAL	(1) MINUS (2) COMPARISON	YEAR
1	1,750	750	2,500.0	7,500.0	413.7	760.0	1,400.0	2,573.7	4,926.3	1
2	1,610	990	2,600.0	7,800.0	546.1	1,003.2	1,848.0	3,397.3	4,402.7	2
3	1,470	1,230	2,700.0	8,100.0	678.5	1,246.4	2,296.0	4,220.9	3,879.1	3
4	1,330	1,470	2,800.0	8,400.0	810.9	1,489.6	2,744.0	5,044.5	3,355.5	4
5	1,190	1,710	2,900.0	8,700.0	943.2	1,732.8	3,192.0	5,868.0	2,832.0	5
6	1,050	1,950	3,000.0	9,000.0	1,075.6	1,976.0	3,640.0	6,691.6	2,308.4	6
7	910	2,190	3,100.0	9,300.0	1,208.0	2,219.2	4,088.0	7,515.2	1,784.8	7
8	770	2,430	3,200.0	9,600.0	1,340.4	2,462.4	4,536.0	8,338.8	1,261.2	8
9	630	2,670	3,300.0	9,900.0	1,472.8	2,705.6	4,984.0	9,162.4	737.6	9
10	490	2,910	3,400.0	10,200.0	1,605.2	2,948.8	5,432.0	9,986.0	214.0	10
11	350	3,150	3,500.0	10,500.0	1,737.5	3,192.0	5,880.0	10,809.5	(309.5)	11
12	210	3,390	3,600.0	10,800.0	1,869.9	3,435.2	6,328.0	11,633.1	(833.1)	12
13	70	3,630	3,700.0	11,100.0	2,002.3	3,678.4	6,776.0	12,456.7	(1,356.7)	13
14	0	3,800	3,800.0	11,400.0	2,096.1	3,850.7	7,093.3	13,040.1	(1,640.1)	14
15	0	3,900	3,900.0	11,700.0	2,151.2	3,952.0	7,280.0	13,383.2	(1,683.2)	15
16	0	4,000	4,000.0	12,000.0	2,206.4	4,053.3	7,466.7	13,726.4	(1,726.4)	16
17	0	4,100	4,100.0	12,300.0	2,261.6	4,154.7	7,653.3	14,069.6	(1,769.6)	17

ASSUMPTIONS:
1) OAA Exempt declines by 140 cases per year - 8% Death Rate
2) OAA total cases increases by 100 cases per year
3) Raising qualifying limit by $250 for OAA would not cause higher caseload growth
4) All costs projected in current dollars
5) If all OAA cases were raised by $250; APD and ABL cases will not receive same increase

CONCLUSION:
Hold Harmless is most cost effective solution until year 10

ROD BETIT, DIRECTOR
DIVISION OF MEDICAL ASSISTANCE
March 8, 1985
EXEMPTS.WKS

FROM: Report to 14th Legislature from State Special Committee on AK Longevity Bonus Program (Minority Report)

believe the one year requirement would withstand a challenge. The two year residency requirement for student loans was recently upheld for similar reasons.

D. Conclusion

This proposal is valid because it addresses the federal support of the public assistance question and because it favors those Alaskans who need the bonus the most. As such, it should be the subject of serious legislative consideration, even though some seniors have reservations about it.

VI. STATUS QUO PROPOSAL

A. Summary

This proposal would continue the present program -- $250 monthly bonus to all one year residents at least 65 years old -- indefinitely.

B. The Bonus as a Priority for State Funding

This proposal asserts that the bonus in its present form is a major priority and should be continued for all Alaskans despite the high cost. If our revenues were not dwindling at an everincreasing pace, we would look more favorably on this proposal. We fear, however, that other statewide needs such as roads, water and sewer, education, and health care will suffer if the bonus program continues in its present form. There are simply not enough oil dollars to meet all our needs. Many other State programs reward and assist elder Alaskans. We hope to continue funding these programs as well as a less expensive bonus program.

C. Continuing the Status Quo in FY 86

Although we are uncomfortable with the notion of continuing the program in its present form forever, we feel strongly that if the Legislature and the Governor cannot reach agreement on any other proposals during this session, the current bonus program should be extended for another year. We do not prefer this approach, but we do not want to end the program altogether if 120 days is not enough time to reach consensus on this important issue.

VII. The Immediate Impact on Public Assistance Eligibility

A. How to Protect the Bonus Income of Public Assistance Recipients

Federal and State law treat the longevity bonus payment in a manner that results in a devastating form of "legal" discrimination for many senior citizens on public assistance. These laws require the senior citizen to apply for the longevity bonus. Then, these same laws reduce or eliminate the amount of public assistance payments, dollar for dollar. The senior citizens on public assistance, unlike the middle and high income seniors who receive the longevity bonus on top of all other income, realize no material gain in their income from receipt of the longevity bonus. Additionally, many of the seniors also lose their entitlement to public assistance medical benefits that the longevity bonus payment does not replace. The poorest of our seniors -- those who need the bonus the most -- are actually <u>harmed</u> by the Alaska longevity bonus.

This "catch 22" affects all seniors who fall into either of two categories:

1. Seniors who reached the age of 65 during 1984 through September 30, 1985, and who did not meet the unconstitutional residency requirements.

2. Seniors who reach the age of 65 after September 30, 1985, irrespective of their residency. This category would include all seniors who would have met the unconstitutional residency requirements.

The effect of this "catch 22" is that the federal government saves federal funds and Alaska's longevity bonus program becomes a cash benefit program for the middle and upper classes of seniors who need the money far less than the poor.

There are only two ways to extend the benefits of the longevity bonus program to our low income senior citizens:

1. create a means test longevity bonus program, or

2. create a "hold-harmless" provision in State public assistance statutes to ensure that the State makes up the difference in federal benefits lost and continues to pay State public assistance to individuals effected by the "catch 22."

The cost to the State would be:

HOLD-HARMLESS COSTS - FY86

	Already Budgeted	Required Fiscal Note
Federal (SSI) Payment	0	1,400,000
State (OAA) Payment	760,000	0
Non-nursing Home Medical	0	413,847
	760,000	1,813,847

If the Nursing Home Exclusion Amendment (see "B", page 13) is not adopted, then the hold-harmless fiscal note should be increased by $514,982 for FY86.

STATUTE CHANGES

One Statute change would be needed to hold recipients harmless under all currently proposed longevity bonus programs:

Amend Article 4, AS 47.25.430f, to provide that

(1) The Department must increase the amount of an individual's Adult Public Assistance payment by the amount of any reduction in assistance provided under Title XVI of the Social Security Act which occurs solely because of considering payments made under AS 47.45 as available income; and

(2) Notwithstanding AS 47.25.435, in determining eligibility for Adult Public Assistance and the amount of Adult Public Assistance payment, the Department will not consider any payment made under AS 47.45 as income available to the applicant or recipient.

Note: Regardless of which longevity bonus proposal is enacted, the hold-harmless provisions above must have an effective date of July 1, 1985. If the means test proposal is enacted, these hold-harmless provisions should sunset on the effective date of the new act to protect funding level of adult public assistance programs.

B. Exclusion of Individuals in Nursing Homes from Eligibility for the Bonus

The bonus can preclude a poor elder from receiving Medicaid assistance while in a nursing home even though it does not offset the cost of care in the nursing home (approximately $4000/month). Also, the federal government requires that the individual apply for the bonus to get Medicaid. While the State could hold these individuals harmless at a cost of $514,982 (General Fund), the Legislature could make nursing home residents ineligible for a bonus.

It should be emphasized that this suggestion is not intended to harm nursing home residents or to judge their worthiness for receipt of a bonus. Rather, it is intended to protect such elders from the exorbitant cost of nursing home care. Irrespective of personal income before entering a nursing home, 97% of Alaskans in nursing homes in the state eventually turn to Medicaid to pay their bills.

VIII. COST INFORMATION

A. Long Term Costs

The following chart compares the cost of the four proposals in nominal dollars through fiscal year 2034. The chart shows that the general fund costs of both the annuity and stairstepping proposals eventually disappear whereas the means test and status quo proposals continue to need general funds. For the next 50 years, the total costs are as follows:

Annuity proposal	$1.29 billion
Stairstepping proposal	$1.13 billion
Means test proposal	$3.20 billion
Status Quo	$5.42 billion

The present value (the amount of funding necessary to endow the program today) of the cost of these proposals is:

Annuity proposal	$620.02 million
Stairstepping proposal	$496.88 million
Means test proposal	$634.9 million
Status Quo proposal	$879.78 million

B. Population Forecast

The cost chart is based on a forecast of Alaska's elderly population. This forecast may overstate the number of people who will actually participate in any of the proposed programs, at least in the near term. For example, the population forecast predicts 16,744 eligibles for FY 86, yet only 14,547 elders are currently receiving a bonus. Also, after 2010, the forecast assumes that the elder population remains constant, which does not account for death, migration, etc.

If the population projections do turn out to be too high, then the cost estimates are also too high.

prepared by Sen. Halford

Sponsor Substitute for SB - 128

The purpose of the bill.

This bill would eliminate discrimination for some senior citizens who are on public assistance.

The discrimination.

The discrimination results from the federal government's Deficit Reduction Act of 1984. This act requires any low-income Longevity Bonus recipient who has NOT been a resident of Alaska for 25 years to apply for the Longevity Bonus and then "count" it as income when determining the amount of public assistance benefits.

As a result:

(1) When the Longevity Bonus is distributed, low-income Alaskans who have lived in the state continuously for 25 years increase their income by $250 -- the amount of the Bonus. (They are not required to "count" the Bonus as income when determining their public assistance benefits.)

There are about 1700 of these Alaskans.

(2) However, low-income Alaskans who have NOT lived in the state 25 years lose $250 -- the equivalent of their Bonus -- when collecting benefits. The amount of their Bonus is subtracted from their federal Supplemental Security Income. (The law first requires them to "count" the Bonus and then cuts their Supplemental Security Income by that amount.)

There are about 750 of these Alaskans.

(3) Of these 750 less-than-25-year-residents, 333 have enough other income to put them in a worse position: they lose their Medicaid benefits when they receive the Longevity Bonus.

This happens because their other income pushes them over the limit ($586) for the state's Adult Public Assistance program. Medicaid eligibility is tied by law to Adult Public Assistance. When low-income seniors lose their assistance, they also lose Medicaid.

The bill.

Sponsor Substitute for SB 128 "holds harmless" the Longevity Bonus. It allows the state to make up for public assistance payments which are lost due to federal law. The bill also places the "hold harmless" program under the General Relief Medical program, removing the threat to Medicaid by making this program statutorily and fiscally distinct from the Adult Public Assistance program.

(2) the following new

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so much of the supplemental security income benefits, whether or not paid retroactively, as would not have been paid or would not be paid with respect to such individual or spouse if he had received such benefits under title II in the month or months in which they were regularly due.

"(b) For purposes of this section, the term 'supplemental security income benefits' means benefits paid or payable by the Secretary under title XVI, including State supplementary payments under an agreement pursuant to section 1616(a) or an administration agreement under section 212(b) of Public Law 93-66.

"(c) From the amount of the reduction made under subsection (a), the Secretary shall reimburse the State on behalf of which supplementary payments were made for the amount (if any) by which such State's expenditures on account of such supplementary payments for the month or months involved exceeded the expenditures which the State would have made (for such month or months) if the individual had received the benefits under title II at the times they were regularly due. An amount equal to the portion of such reduction remaining after reimbursement of the State under the preceding sentence shall be covered into the general fund of the Treasury.".

(b) The amendment made by this section shall apply for purposes of reducing retroactive benefits under title II of the Social Security Act or retroactive supplemental security income benefits payable beginning with the seventh month following the month in which this Act is enacted; except that in the case of retroactive title II benefits other than those which result from a determination of entitlement following an application for benefits under title II or from a reinstatement of benefits under title II following a period of suspension or termination of such benefits, it shall apply when the Secretary of Health and Human Services determines that it is administratively feasible.

EXCLUSION FROM INCOME OF CERTAIN ALASKA BONUS PAYMENTS

SEC. 2616. (a) Section 1612(b)(2)(B) of the Social Security Act is amended to read as follows:

"(B) monthly (or other periodic) payments received by any individual, under a program established prior to July 1, 1973 (or any program established prior to such date but subsequently amended so as to conform to State or Federal constitutional standards), if (i) such payments are made by the State of which the individual receiving such payments is a resident, (ii) eligibility of any individual for such payments is not based on need and is based solely on attainment of age 65 or any other age set by the State and residency in such State by such individual, and (iii) on or before September 30, 1985, such individual (I) first becomes an eligible individual or an eligible spouse under this title, and (II) satisfies the twenty-five-year residency requirement of such program as such program was in effect prior to January 1, 1983.".

(b) The amendment made by subsection (a) shall become effective on the date of the enactment of this Act.

Perm Fund

longevity bonus language (CSSB128) is patterned after this

permanent fund dividend may not be taken to satisfy a debt under (2) of this section until any portion of the dividend necessary to satisfy a child support obligation has been taken.

* Sec. 13. AS 43.23.065 is amended by adding new subsections to read:

(b) When an individual owes a past-due debt described in (a)(1) of this section, the department shall require that the individual take the individual's permanent fund dividend in cash.

(c) The courts of this state may, as a condition of any civil judgment or restitution order under AS 12.55.045 - 12.55.051 or 12.55.100, require the defendant to take the defendant's permanent fund dividend in cash.

* Sec. 14. AS 43.23.075 is amended to read:

Sec. 43.23.075. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) In determining the eligibility of an individual under a public assistance program administered by the Department of Health and Social Services in which eligibility for assistance is based on financial need, the Department of Health and Social Services may not consider a permanent fund dividend as income or resources received by the recipient of public assistance or by a member of the recipient's household unless required to do so by federal law or regulation. The Department of Health and Social Services shall notify all recipients of public assistance of the effects of [RECEIVING] a permanent fund dividend credit or cash payment.

(b) An individual who is denied medical assistance under 42 U.S.C. 1396 - 1396p (Social Security Act, Title XIX) solely because of the credit or receipt of a permanent fund dividend by the individual or by a member of the individual's household is eligible for state-funded medical assistance under the general relief assistance program (AS 47.25.120 - 47.25.300). The individual is entitled to receive, for a period not to exceed four months, the same level of medical assistance as the individual would have received under 42 U.S.C. 1396 - 1396p (Social Security Act, Title XIX) had there been no permanent fund dividend program.

(c) An individual who is denied assistance solely because permanent fund dividends credited to or received by the individual or by a member of the individual's household are counted as income or resources under federal law or regulation is eligible for cash assistance under the general relief assistance program (AS 47.25.120 - 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual is entitled to receive, for a period not to exceed four months, the same amount as the individual would have received under other public assistance programs had there been no permanent fund dividend program.

* Sec. 15. AS 43.23.095(6) is repealed and reenacted to read:

(6) "permanent fund dividend" means a credit to an annuity account under this chapter except that, as applied to an individual who may receive only cash under AS 43.23.005(d) or 43.23.065, it means a cash payment under this chapter;

* Sec. 16. AS 43.23 is amended by adding new sections to read:

ARTICLE 2. ANNUITY PROGRAM.

Sec. 43.23.110. ANNUITY INVESTMENT FUND. (a) The annuity investment fund is established as a separate fund in the state treasury. Notwithstanding AS 37.13.145, an amount equal to the permanent fund dividends taken as annuity credits under this chapter shall be annually transferred from the dividend fund to the annuity investment fund.

(b) The legislature may appropriate either general funds, or earnings of the undistributed income account in the Alaska permanent fund, to the annuity investment fund. Funds appropriated under this

CONTACT: ROD BETIT 465-3355

DATE: MARCH 6, 1985

SUMMARY OF LONGEVITY BONUS HOLD HARMLESS
DIVISION OF MEDICAL ASSISTANCE

BILL NO.	HOLD HARMLESS COVERAGE				FY86 HOLD HARMLESS COSTS (SAVINGS) IN STATE DOLLARS				
	MEDICAL	NURSING HOME	OAA	SSI	MEDICAL	NURSING HOME	OAA	SSI	TOTAL
CSSB56	YES	YES	NO	NO	$413.8	-0-	-0-	-0-	413.8
CSSB128	YES	YES	YES	YES	413.8	521.1*	760.0	1400.0	3094.9
HB210	NO	YES	NO	NO	(466.7)	-0-	-0-	-0-	(466.7)
HB212	YES	YES	YES	YES	413.8	521.1*	760.0	1400.0	3094.9
HB222	NO	YES	NO	NO	(466.7)	-0-	-0-	-0-	(466.7)**
HB239	NO	NO	NO	NO	(466.7)	(781.6)	-0-	-0-	(1248.3)

* Note: This $521.1 could be avoided if a nursing home exclusion is added to HB212, or the exclusion passes the Legislature in a separate piece of legislation (ie SB56, HB210, HB222)

** Note: In FY87 an additional savings of $496.1 would occur in the Department's Permanent Fund (PFD) Hold Harmless budget. This is due to HB222's mandatory PFD contribution to the annuity which will reduce the Department's PFD Hold Harmless costs for AFDC (240.8), Aid to the Disabled (100.0), and Medicaid (155.3).

R. Betit
10/23/84

		CASE TYPE I	CASE TYPE II	CASE TYPE III
		Client with exempt ALB and no other income	Client with countable ALB and no other income	Client with countable ALB and $400 other income (INC)
		SSI + OAA + ALB = TOTAL	SSI + OAA + ALB = TOTAL	SSI + OAA + ALB + INC = TOTAL
	BEFORE LATEST ACTION TAKEN BY CONGRESS	314 252 250 = $816	314 252 -0- = $566	-0- 186 -0- 400 = $586
	1) APPLY RULE PASSED BY CONGRESS (EMER REG)	314 252 250 = $816	84 252 250 = $586	-0- -0- 250 400 = $650
O P	2) HOLD HARMLESS OAA BENEFITS ONLY	314 252 250 = $816	84 252 250 = $586	-0- 186 250 400 = $836
T I	3) HOLD HARMLESS SSI AND OAA BENEFITS	314 252 250 = $816	84 482 250 = $816	-0- 186 250 400 = $836

TO: BETTYE FROM: SANDRA MARCH 7, 1985

SB 128 - USE OF LONGEVITY BONUS IN DETERMINING ADULT PUBLIC ASSISTANCE

HALFORD HAS ASKED THAT WE CONSIDER A PROPOSED C.S.

ALTHOUGH THE ACTUAL DETAILS AND THE DOLLAR THRESHHOLDS CAN GET COMPLICATED, WHAT THIS BILL REALLY DOES IS REQUIRE THE STATE TO PAY LONGEVITY BONUS RECIPIENTS THE AMOUNT OF FEDERAL SUPPLEMENTAL SECURITY INCOME (SSI) THEY LOSE BY ACCEPTING THE LONGEVITY BONUS.

COMPLICATORS:

1. ONLY RECIPIENTS WHO HAVE NOT LIVED IN THE STATE 25 YEARS MUST COUNT THE BONUS AS INCOME. (PER FEDERAL LAW)
2. THE FEDERAL SSI PROGRAM REQUIRES THAT YOU ACCEPT THE BONUS.

SO RIGHT NOW WE HAVE 2 CLASSES OF OVER-65 YEAR OLDS -- THOSE WHO'VE LIVED IN THE STATE 25 YEARS AND THOSE WHO HAVEN'T. THE POLICY QUESTION IS, DO WE WANT TO MAINTAIN THIS CLASS DISTINCTION (WHICH SOME WILL POINT OUT WAS ESTABLISHED ON THE FEDERAL LEVEL), OR DO WE WANT TO ENSURE THAT ALL SENIORS ARE RECEIVING THE SAME AMOUNT OF SPENDABLE INCOME MONTHLY?

QUESTIONS:

1. HOW ARE PERMANENT FUND CHECKS TREATED?

   (There is a "hold harmless" provision in the Permanent Fund law. The feds. count the dividend toward SSI eligibility, and the state makes up the difference, just as we're proposing for longevity bonus.)

2. WILL THE COSTS OF THIS PROPOSAL CONTINUE TO GROW AS MORE ALASKANS TURN 65? (Yes.)

3. ARE PEOPLE BEING AFFECTED NOW?

   (Yes. Dept. has adopted regulations to allow them to continue paying the maximum $261 public assistance, but federal SSI benefits are being lost.)

4. WHAT IS EFFECT OF MOVING MEDICAID PATIENTS INTO GENERAL RELIEF MEDICAL?

   (State pays full share of this medical coverage, whereas Medicaid is shared roughly 50% with the feds. We face federal sanctions if we tamper with the Medicaid program, say by trying to exclude longevity bonus recipients from the financial eligibility criteria.)

5. HOW DOES THIS PROPOSAL COMPARE WITH WHAT'S BEING PROPOSED IN SB 56, THE SENATE'S LONGEVITY BONUS BILL?

SB 56 would not require the state to make up what a senior would lose from the federal government.

It would disqualify nursing home residents from receiving the longevity bonus, thus enabling them to continue receiving Medicaid coverage (otherwise the state would have to pick up the full tab for their nursing home care under the General Relief Medical program).

Letter of Intent accompanying SB 56 encourages funds be appropriated to provide medical coverage for those not living in nursing homes who would lose Medicaid eligibility by counting the longevity bonus.

SB 56 is currently in Senate Judiciary, and will undoubtedly continue to see revisions.

SEE ATTACHED FACT SHEET WITH APPROXIMATE NUMBERS AND COSTS.

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

2/20/85

Date 3-11-85

Mr. President

The Committee on HESS considered SB 128

relating to the use of longevity bonus payments in determining adult public assistance; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

[ ] do pass

[ ] do pass with attached amendment(s)

[/] replace with/or adopt CS for SB 128
[ ] new title
[/] same title and recommends

[ ] and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE

[ ] reports it back without recommendation

[ ] recommends referral to __________ Committee

MEMBERS SIGNING DO PASS	MEMBERS HAVING OTHER RECOMMENDATIONS
Edn DeVries	
[signature]	

Bettye Fahrenkamp
Chairman

DO PASS
Chairman recommendation

TO: Bettye

FROM: Sandra

RE: SB 128, Use of Longevity Bonus in Determining Adult Public Assistance

DATE: March 14, 1985

HALFORD HAS ASKED THAT WE CONSIDER A PROPOSED C.S.

ALTHOUGH THE ACTUAL DETAILS AND THE DOLLAR THRESHOLDS CAN GET COMPLICATED, WHAT THIS BELL REALLY DOES IS REQUIRE THE STATE TO PAY LONGEVITY BONUS RECIPIENTS THE AMOUNT OF FEDERAL SUPPLEMENTAL SECURITY INCOME (SSI) AND ANY SUBSEQUENT STATE ASSISTANCE THEY LOSE BY ACCEPTING THE LONGEVITY BONUS.

COMPLICATORS

1) ONLY RECIPIENTS WHO HAVE NOT LIVED IN THE STATE 25 YEARS MUST COUNT THE BONUS AS INCOME. (PER FEDERAL LAW)

2) THE FEDERAL SSI PROGRAM REQUIRES THAT YOU ACCEPT THE BONUS.

SO RIGHT NOW WE HAVE 2 CLASSES OF OVER - 65 YEAR OLDS -- THOSE WHO'VE LIVED IN THE STATE 25 YEARS AND THOSE WHO HAVEN'T. THE POLICY QUESTION IS, DO WE WANT TO MAINTAIN THIS CLASS DISTINCTION (WHICH SOME WILL POINT OUT WAS ESTABLISHED ON THE FEDERAL LEVEL).

OR DO WE WANT TO ENSURE THAT ALL SENIORS ARE RECEIVING THE SAME AMOUNT OF SPENDABLE INCOME MONTHLY?

QUESTIONS:

1) HOW ARE PERMANENT FUND CHECKS TREATED?

There is a "hold harmless" provision in the Permanent Fund law. The fed., count the dividend toward SSI eligibility, and the state makes up the difference, just as we're proposing for longevity bonus.

2) WILL THE COSTS OF THIS PROPOSAL CONTINUE TO GROW AS MORE ALASKANS TURN 65?
Yes.

3) ARE PEOPLE BEING AFFECTED NOW?

Yes. The Department has adopted regulations to allow them to continue paying the maximum $261 public assistance, but federal SSI benefits are being lost. These state regulations have placed Alaska technically out of compliance with the federal SSI statute, but the feds have agreed not to dispute in light of the state's commitment to resolving the longevity bonus problem by July 1985.

4) HOW DOES CS SB 128 COMPARE WITH WHAT'S BEING PROPOSED IN SB 56, THE SENATE'S LONGEVITY BONUS BILL?

SB 56 would <u>not</u> require the state to make up what a senior would lose from the federal government.

It would disqualify nursing home residents form receiving the longevity bonus, thus enabling them to continue receiving Medicaid coverage (otherwise the state WOULD have to pick up the full tab for their nursing home care under the General Relief Medical program).

Letter of Intent accompanying SB 56 encourages funds be appropriated to provide medical coverage for those not living in nursing homes who would lose Medicaid eligibility by counting the longevity bonus.

SB 56 has passed through Senate State Affairs, Judiciary and is now in Senate Finance.

5) WHAT EFFECT OF MOVING MEDICAID PATIENTS INTO GENERAL RELIEF MEDICAL?

The state pays full share of this medical coverage, whereas Medicaid is shared roughly 50% with the feds. We face federal sanctions if we tamper with the Medicaid program, say by trying to exclude longevity bonus recipients from the financial eligibility criteria.

6) IF WHAT WE'RE REALLY TRYING TO PROTECT ARE MEDICAL BENEFITS, IS THERE A LESS COSTLY WAY OF DOING THIS?

We could hold just the Medicaid recipients harmless, by moving them from the Medicaid program to general relief, and not worrying about the federal SSI. The Department's budget already contains the state share of these Medicaid costs; the federal share we'd need to make up would be $413,847.

If we exclude nursing home patients from receiving the bonus, there would be an additional state savings of $521,070.

7) INSTEAD OF MOVING THESE PEOPLE OUT OF THE MEDICAID PROGRAM INTO GENERAL RELIEF, WOULD IT BE CHEAPER TO ADJUST THE ELIGIBILITY THRESHOLD FOR STATE ADULT PUBLIC ASSISTANCE AND MEDICAID SO YOU'D BE ELIGIBLE EVEN WITH RECEIPT OF THE BONUS?

For the next 10 years, raising the threshold would cost the state more (figures are in your book-- approximately $30 million more over the next 10 years). As our number of senior citizens in the bonus program who haven't lived here 25 years increases, it would be cheaper (approximately $10 million cheaper in years 11-17).

Note that raising the threshold does not solve the equity problem, as we'll still have some seniors who receive federal SSI , and some who don't. The state cannot adjust the federal SSI threshold.

8) ONE SUGGESTION HAS BEEN TO PUT A 5 OR 10 YEAR SUNSET PROVISION ON THE HOLD HARMLESS OF SB 128, THEN ONCE WE'VE INCREASED OUR POPULATION OF NEWLY - RESIDENT SENIORS, RAISE THE ELIGIBILITY THRESHOLD AND GO BACK TO MEDICAID AND THE FEDERAL DOLLARS ATTACHED TO IT. WOULD THIS ABILITY BE HAMPERED IF WE'RE LIMITED, THROUGH A CAP, IN THE AMOUNT OF FEDERAL MEDICAID DOLLARS WE CAN RECEIVE?

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date:

REQUEST
Bill/Resolution No.: CSSB 128 (HESS)
Title: Eligibility and Use of Longevity Bonus in Determining Adult Public Assist.
Sponsor: Halford
Requestor:
Date of Request:

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:	0	0	0	0	0	0
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Joyce Munson, Director Joyce Munson
Division: Pioneers' Benefits
Phone: 465-4400
Date: March 21, 1985

Approved by Commissioner: Lisa Rudd LR
Agency: Department of Administration
Date: 3/27/85

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

Rev. 7/1/84

1/7D1/0321-08

CSSB 128 (HESS)
Fiscal Note Analysis
Prepared by the Division of Pioneers' Benefits
Department of Administration
March 21, 1985

This bill would make persons who reside in nursing homes and government operated mental health facilities ineligible for the Longevity Bonus. This would have the effect of holding harmless those who would lose governmental benefits such as SSI, Adult Public Assistance and Medicare by receipt of the Longevity Bonus in other than Pioneers' Homes.

ASSUMPTIONS

1. The number of persons who would be affected in mental health facilities, Pioneers' Homes and nursing homes was approximately 608 as of February 1985. For the purpose of this fiscal note, it is assumed this number would remain unchanged. (608 x 12 x $250 = $1,824,000 saving)

2. There are approximately 133 nursing care residents of the Pioneers' Homes who need the Longevity Bonus in order to pay their monthly charges for care. Loss of the Longevity Bonus to these people would result in loss of revenue as program receipts for the Pioneers' Homes. (133 x 12 x $250 = $399,000 est. loss of program receipts)

3. Of the approximately 133 residents in Pioneers' Homes who would be affected, approximately 93 would have incomes reduced to the point they would become eligible for the monthly stipend payable under AS 47.25.020 (b) and (c). (93 x 12 x $100 = $111,600)

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

CSSB 128 (FIN) ELIGIBILITY FOR LONGEVITY BONUS PAYMENTS AND EXTENDING THE LONGEVITY BONUS PROGRAM FOR 1 YEAR.

IN 1984 A FEDERAL LAW WAS PASSED REQUIRING THAT RECIPIENTS OF THE LONGEVITY BONUS (WHO HAVE NOT BEEN ALASKA RESIDENTS FOR 25 YEARS) COUNT THE BONUS AS INCOME, WHICH RENDERS MANY OF THEM INELIGIBLE FOR MEDICAID BECAUSE IT PUSHES THEM OVER THE QUALIFYING THRESHHOLD. SB 128 "HOLDS HARMLESS" THESE PEOPLE BY SAYING THAT IF THEY'RE DENIED MEDICAID (WHICH IS A SHARED STATE AND FEDERAL PROGRAM) THEIR MEDICAL COSTS WILL BE COVERED THROUGH THE GENERAL RELIEF ASSISTANCE PROGRAM (WHICH IS ALL STATE FUNDS). FISCAL IMPACT IS THAT THE STATE PAYS 100% OF THE COST OF THEIR MEDICAL CARE RATHER THAN 50%.

TO ADDRESS NURSING HOME RESIDENTS, WHOSE MEDICAL COSTS ARE FAR GREATER THAN THE MONTHLY BONUS, SB 128 DISQUALIFIES THEM FROM RECEIVING THE LONGEVITY BONUS. THIS WAY THEY REMAIN ELIGIBLE FOR MEDICAID AND THEIR MEDICAL COSTS ARE SHARED BETWEEN THE STATE AND THE FEDERAL GOVERNMENT.

THE SENATE FINANCE COMMITTEE SUBSTITUTE ADDS A NEW SECTION 3 WHICH EXTENDS THE EXISTING LONGEVITY BONUS PROGRAM ($250/MONTH FOR EVERY RESIDENT OVER THE AGE OF 65) FOR AN ADDITIONAL YEAR -- WHICH SUGGESTS WE WON'T SEE A "SOLUTION" THIS YEAR!

Offered: 5/7/85
Referred: Rules

Original sponsors: Halford, Rodey, Kerttula, et al

IN THE SENATE BY THE FINANCE COMMITTEE

CS FOR SENATE BILL NO. 128 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to eligibility for longevity bonus payments and the use of longevity bonus payments in determining program eligibility, extending the longevity bonus program for one year; and providing for an effective date."

Added in Finance C.S.

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

* Section 1. AS 47.45.070 is amended to read:

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

Revised in Finance. HESS CS addressed public assistance

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) voluntarily leaves the state and remains absent from the state for a continuous period of more than 180 days.

* Sec. 2. AS 47.45 is amended by adding a new section to read:

Sec. 47.45.122. ELIGIBILITY FOR MEDICAID. An individual for whom medicaid (42 U.S.C. 1396 - 1396p) is denied or reduced solely because of the receipt of a bonus by the individual or by a member of the individual's household is eligible for assistance under the general relief assistance program under AS 47.25.120 - 47.25.300. Notwithstanding the limit in AS 47.25.130, the individual is entitled to receive the same amount as the individual would have received through medicaid had there been no longevity bonus program.

* Sec. 3. Section 11, ch. 38, SLA 1984 is amended to read:

Sec. 11. This Act and AS 47.45 are repealed June 30, <u>1986</u> [1985].

* Sec. 4. This Act takes effect immediately in accordance with AS 01.-10.070(c).

Added in Finance. Extends longevity bonus program one year.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 3/5/85

REQUEST
Bill/Resolution No. SB No. 128
Title: An Act relating to the use of Longevity Bonus payments
Sponsor: Halford, Rodey, Kerttula, Ray
Requestor:
Date of Request: 2/5/85

FISCAL DETAIL
Agency Affected: Health & Social Service
Program Category Affected: Soc. and Econ. assistance for general population
BRU, Program or Subprogram(s) Affected: Old Age Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		2160.0	2361.2	2576.1	2810.4	3005.3
800 MISCELLANEOUS						
TOTAL OPERATING		2160.0	2361.2	2576.1	2810.4	3005.3
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND		2160.0	2361.2	2576.1	2810.4	3005.3
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME		0	0	0	0	0
PART-TIME		0	0	0	0	0
TEMPORARY		0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

See analysis attached.

Prepared By: John R. Taber *John R. Taber* Phone: 465-3347
Division: Public Assistance Date: March 5, 1985

Approved by Commissioner: *John R. Pugh* Date: 3/5/85 *JCC*
Agency: *Health & Social Services*

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