

ALASKA LEGAL TITLE COMPANY
1906-1907

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STUDY BOND

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assistance would hurt many of Alaska's poorest people, some of whom depend on this monthly check. Other recipients are apparently among the wealthiest residents of the state.

Finally, SB215 would reduce the Permanent Fund dividends of Alaska's elderly by 25 percent, just as it would reduce the annual dividends of all Alaskans. Even though the elderly would receive Permanent Fund income through their longevity bonus payments, the link between dividends and Fund performance represented by the dividends might be diluted for them as well as for other Alaskans.

(c) Impacts on the state budget.

The uncertainty about the numbers of elderly Alaskans today and in the future makes estimates of long-run costs a risky enterprise. It is clear, however, that the price tag will be high. The following is a rough approximation of the total cost of each option over the next 10 years:

10-year phase-out of ALB without increases in public assistance	\$230,000,000
Current program	\$460,000,000
10-year phase-out of ALB with increases in public assistance	\$540,000,000
SB215 (uses 12.5 percent of Permanent Fund income to open up ALB program indefinitely to all one-year residents over 65)	\$675,000,000
Open up ALB program indefinitely to all one-year residents over 65 at \$250/month	\$775,000,000

(The cost of grandfathering at current payment levels has not been estimated, but it would be lower than opening up the program indefinitely and will decrease -- rather than increase -- each year after FY84.)

Choosing to fight the Vest lawsuit also endangers the public treasury. As stated above, Vest's attorneys have announced their intention to press for retroactive payments going back farther than FY83 if the Legislature does not abide by the stay agreement.

These retroactive payments could cover the entire decade the program has been in effect, and could amount to \$40-80 million dollars. Enrolling those individuals owed retroactive payments for the past 10 years would also pose substantial problems in administration, as some could be in Arizona or Australia today.

(d) Impacts on state policy.

Opening up the program to all one-year residents 65 or over will increase Alaska's population above what it would be otherwise, although no one can say by how much. This increased population of elderly would have some beneficial effects; it would allow extended families to stay or come together, for example, thereby reducing the sense of isolation felt by many Alaskans today. There may, however, be significantly cheaper methods of increasing the numbers of senior citizens in Alaska than paying more than three quarters of a billion dollars in the next 10 years.

SB215 also carries more than the obvious cost of reducing every Alaskan's annual Permanent Fund dividend by 25 percent. The Senate bill would also increase Alaska's elderly population, although the "ceiling" represented by 12.5 percent of the Permanent Fund's income would reduce payments and thus not cause as much population growth as simply opening up the program at the current \$250/month.

Critics raise three additional concerns about SB215:

--The taking of 12.5 percent of Permanent Fund income may create a precedent for other groups wanting their own share of the Fund's income.

--Taking 25 percent of everyone's Permanent Fund dividends to fund a program which makes payments to about three percent of Alaskans seems inequitable to some. Although SB215 supporters argue that all Alaskans will eventually receive longevity bonus payments, this is clearly untrue, because some will die before reaching 65.

--Using Permanent Fund income to finance the longevity bonus program does not, as SB215 supporters claim, "take Alaska's senior citizens out of the budget process," because the Legislature must still appropriate the payments each year.

6. A proposal

Two facts stand out from the current mass of confusion surrounding the longevity bonus program: (a) it will be found unconstitutional; and (b) almost everyone believes that some program meeting the special needs of some of Alaska's senior citizens should be retained, but there is little agreement on what that program should look like.

With these points in mind, the Legislature should consider a plan which would maintain the program's payments at \$250/month in the short run, and search for a long-run solution.

During the next two years, the Legislature would study the program's public policy goals, the elderly's current population and future growth rates, and long-term fiscal feasibility of various options. A legislative committee should be charged with investigating policies for the elderly used in other states and nations, and take testimony from a broad cross-section of the Alaska public through statewide hearings.

(a) Advantages of proposal.

This plan has five major advantages:

--It would resolve the Vest lawsuit, thereby avoiding the possibility of a court finding the program unconstitutional and ordering its immediate termination

--It would avoid steep reductions in payments, as it would be unfair to cut off current recipients without warning. This plan provides higher annual incomes for Alaska's senior citizens than does the Senate plan in each of the next two years. FY84 figures follow:

	<u>House</u>	<u>Senate</u>
Longevity bonus	\$3000	\$2448
Permanent Fund dividend	350	260
	<hr/>	<hr/>
	\$3350	\$2708

--It steers clear of the special dedications of Permanent Fund income the Legislature has thus far avoided.

--It recognizes reality. The courts are forcing the Legislature to change the law. Alaska's elderly population is increasing significantly, and will increase faster in the years to come while oil revenues decline.

--It buys time for the Legislature, the administration, and the public to consider the long-run options for dealing with this complex problem without locking us into a "solution" we may soon regret.

(b) Disadvantages of proposal.

This plan's great disadvantage is also one of its greatest advantages. Delay can allow either reflection or inertia. The work needed to find a long-range solution to this problem might not get done.

Another significant disadvantage is immediate cost. FY84 costs could climb above the \$30.2 million currently budgeted by as much as two-thirds.

Finally, there will be some administrative problems caused by the need to verify several thousand claims for FY83 retroactive payments. This administrative difficulty can be reduced by the Legislature's first acknowledging the state's liability for the payments, but delaying the appropriation until FY85. This will allow the Department of Administration time to enroll retroactive claimants and present an accurate budget to the Legislature at the beginning of the 1984 session.

(c) Where do we go from here?

Alaska is a special place, and that special quality comes less from its scenic beauty or natural resources than from the people who choose to live here.

The special quality of Alaskans is obvious in our spirit of innovation. That innovative spirit is demonstrated by three unique public institutions: the Permanent Fund, the Permanent Fund dividends, and the longevity bonus payments. All three are too important to have their fates decided in a rush.

BACKGROUND INFORMATION
LONGEVITY BONUS PROPOSALS

- * History of Suit
- * General Background
- * Existing State Programs for Seniors

* 10 Year Phase-Out *GEN FUND*

Considerations

Draft Legislation

* Comparative Costs over 10 Years

Existing Program

Phase-out

House Bill 36 - Malone

Senate Bill 215 - Ray *TIPS
PERMANENT FUND*

Senate Bill 200 - Rodey

- * Fiscal Notes for Each Proposal

WAGE & HR. INVESTMENT

RANGE	1	2463. ⁰⁰
	18	2838. ⁰⁰
	20	3249. ⁰⁰

Rep.
Flood

MEMORANDUM

State of Alaska

TO: Frederick Muller
Deputy Commissioner
Personnel Management
Department of Administration

DATE: December 7, 1982

FILE NO:

TELEPHONE NO: 465-4400

FROM: Vernon L. Perry *VP*
Director
Division of Pioneers' Benefits and
Longevity Bonus
Department of Administration

SUBJECT: Alaska Longevity
Bonus Program
Present Status of
Vest v. Schafer
CA No. 1JU-82-1103



AS 47.45.010 provides for a monthly bonus payment from the State of Alaska to residents who have reached the age of 65, were domiciled in the territory on or before January 3, 1959, and have maintained a continuous domicile in Alaska for at least 25 years.

On July 6, 1982, Rodney G. Vest filed suit upon the state, challenging the legality of the domicile requirements for the bonus. Mr. Vest is a 67 year old man who moved to Alaska three months after January 3, 1959 and bases his suit on the United States Supreme Court decision on June 14, 1982, which struck down the residence requirement of the Permanent Fund dividend distribution program, declaring it in effect created different classes of Alaskans, thereby violating the Constitution's equal protection mandate.

The bonus law contains a nonseverability clause, which states: "If any provision of this act, or the application of a provision of this act to any person or circumstance is held invalid, this entire act shall be considered invalid." In order to protect the current recipients of the bonus, the attorney general initially proposed a settlement agreement which would eliminate the present domicile requirements and open up the Longevity Bonus Program to all residents of Alaska who are 65 years old and lived in Alaska for six months. However, a compromise was reached by the attorneys for the parties whereby Mr. Vest agreed to shelve his suit and in return on August 13, 1982, the Alaska Legislative Council agreed to propose legislation to treat all Alaskans 65 or older equally.

On August 16, 1982, the parties filed a proposed settlement agreement, and on August 24, 1982, the court ordered all actions and proceedings to the case stayed through and including the date of adjournment of the first regular session of the 13th Alaska Legislature or June 30, 1983, whichever occurs first in time, except to maintain the cause as a

Mr. Frederick Muller

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December 7, 1982

class action. The court acknowledged the right of the parties to the action to agree that the matter shall be stayed for a period of time and to agree that the Alaska Legislature Council shall utilize its best efforts to secure the enactment of legislation that treats equally all persons of the age of 65 or older who have been residents of the state for one year or longer with respect to their residential qualifications to receive any longevity bonus payments or substitute benefits from July 1, 1982, and thereafter for as long as the legislature may determine to continue such a program. On October 1, 1982 an order was filed certifying class and directing notice to class members.

VP/dlr
6/1206-08/LB1

cc: Marian Schafer

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA
FIRST JUDICIAL DISTRICT

RODNEY G. VEST,)
)
Plaintiff,)
)
v.)
)
MARIAN SCHAFFER and STATE OF)
ALASKA,)
)
Defendants.)
)

CONFIDENTIAL

Case No. 1JU-82-1103 Civ.

AGREEMENT AND ORDER OF SETTLEMENT

WHEREAS, in 1972 the Alaska Legislature enacted the Alaska Longevity Bonus Program (AS 47.45.010 et. seq.) which currently provides, inter alia, for the payment of \$250 for each month of continued residency by bona fide Alaska residents over the age of 65 who were domiciled in Alaska on or before January 3, 1959 and who have maintained a continuous domicile in Alaska for 25 years;

WHEREAS, the purpose of the Alaska Longevity Bonus Program is among other things, to reward elderly Alaskans for their past contributions to the state and territory, and for past hardships suffered during territorial and early statehood days. AS 47.45.170;

WHEREAS, since 1972, the State of Alaska in good faith has administered the Longevity Bonus Program in the belief that

VEST SUIT

the rewarding of prior residency was a constitutionally permissible purpose;

WHEREAS, in upholding the State's prior Permanent Fund Dividend distribution program, the Alaska Supreme Court ruled that "reward[ing] those Alaska residents who have chosen to stay" is a constitutionally permissible purpose. Williams v. Zobel, 619 P.2d 448, 460 (Alaska 1980);

WHEREAS, Justices Dimond and Matthews, in dissenting in Williams v. Zobel, believed that the Longevity Bonus Program would withstand constitutional scrutiny (619 P.2d at 469, n.13);

WHEREAS, on June 14, 1982, the United States Supreme Court, in invalidating Alaska's prior Permanent Fund Distribution Program, ruled that a statutory purpose of rewarding prior residency was constitutionally impermissible. Zobel v. Williams, ___ U.S. ___, 80-1146;

WHEREAS, because of the U.S. Supreme Court's decision in Zobel v. Williams, it appears the Longevity Program may not be deemed constitutional;

WHEREAS, a serious and good faith disagreement has developed and the Alaska Legislative Council questions whether the appropriate remedy is to expand the class of recipients of monthly longevity bonuses, or alternatively, to invalidate the entire program and cease payment of monthly bonuses to any person;

WHEREAS, this uncertainty regarding the appropriate remedy derives from § 2, Ch. 205, SLA 1972, which provides, with respect to the Longevity Bonus Program:

If any provision of this Act, or the application of a provision of this Act to any person or circumstances is held invalid, this entire act shall be considered invalid.

WHEREAS, unless and until the question of appropriate remedy is resolved by this court, or a settlement of this controversy is achieved, it is reasonable and prudent that the State of Alaska continue to administer the Longevity Bonus Program in the manner provided by statute;

WHEREAS, on July 6, 1982, Plaintiff Rodney Vest filed the above-captioned action, seeking as relief his inclusion in the Longevity Bonus Program of "any . . . bona fide Alaska resident who is 65 years or older....". Complaint, Prayer for Relief, para. 2;

WHEREAS, ON July 23, 1982, Plaintiff Vest filed an amended complaint seeking to have this case certified as a class action under Alaska Rule of Civil Procedure 23 on behalf of all bona fide Alaskans of the age of 65 or older, and further seeking as alternative relief the invalidation of the Longevity Bonus Program, or the payment of retroactive bonuses "in amount equal to what they would have been entitled to obtain under the program had the unconstitutional criteria never been in place or

enforced." First Amended Complaint, Prayer for Relief, paras. 4-6.

WHEREAS, there are currently 9,124 recipients of monthly longevity bonuses, and many of these recipients are of modest means, and depend upon the monthly bonus for sustenance, and the termination of the longevity bonus payments to these individuals could cause great and irreparable harm;

WHEREAS, because of the uncertainty with respect to the appropriate remedy, the parties are desirous of settling this litigation in a manner which affords meaningful relief to Plaintiff Vest and others similarly situated, but which also ensures the continuation of monthly bonus payments to existing recipients;

WHEREAS, the parties are further desirous of achieving a settlement which will finalize and constitute a full and final accord of the rights and liabilities of the parties hereto;

WHEREAS, there may be as many as 4,000 persons who are similarly situated with Plaintiff Vest -- to wit, bona fide Alaskans of the age of 65 or over -- who are not currently receiving longevity bonus payments because of the residency requirements of the statute;

WHEREAS, the parties agree that, because of the nature of the rights of recipients involved in this litigation, a one-year residency requirement is reasonable, necessary and appropriate in order to demonstrate bona fide Alaskan residency;

WHEREAS, a full and final settlement of the parties' rights and liabilities hereto cannot be achieved until all persons similarly situated with Plaintiff Vest are certified as a class under Alaska Rule of Civil Procedure 23(c);

WHEREAS, the settlement envisioned by the parties includes the retroactive payment of longevity bonuses to plaintiff class commencing and including July 1, 1982;

WHEREAS, the payment of such retroactive bonuses to an expanded class of recipients would require the appropriation of sums above the amount currently appropriated for the longevity bonus program for fiscal year 1982-83. Moreover, and because of the Alaska Legislative Council's view of the non-severability clause, quoted above (effecting the expansion of the class of longevity bonus recipients), such payments may require the enactment of curative legislation;

WHEREAS, it is therefore necessary, in order to effectuate this settlement, for appropriate legislation to be enacted;

WHEREAS, the Alaska Legislature is a coordinate branch of government of the State of Alaska, and is represented in this action by the Attorney General;

WHEREAS, notwithstanding the above, the Attorney General cannot in any manner bind or compel the Alaska Legislature in the exercise of its legislative powers;

WHEREAS, on July 16, 1982, the Alaska Legislative Council moved to participate in the above-captioned action as amicus curiae, it is agreed that the Alaska Legislative Council may participate in all negotiations of any settlement, the filing of briefs and may participate in oral arguments; however, the Alaska Legislative Council agrees that it will not be involved in discovery proceedings in the event the case is ultimately litigated and will not become otherwise involved in accordance with the terms of this settlement agreement;

WHEREAS, and while the Alaska Legislative Council cannot bind the Alaska Legislature in the exercise of its legislative powers, the Alaska Legislative Council can and is willing to commit its best efforts to the enactment of appropriate legislation during the first regular session of the 13th Alaska Legislature;

WHEREAS, and subject to (1) the certification of plaintiff class, (2) the Superior Court's approval of a settlement proposal herein, and (3) the commitment of the Alaska Legislative Council to use its best efforts in the enactment of appropriate legislation, plaintiff class is agreed that such action will provide full and adequate consideration for the promise and agreement of plaintiff class not to seek relief in any form with respect to the Longevity Bonus Program through and including the adjournment of the first regular session of the

13th Alaska Legislature or June 30, 1983, whichever ever event comes first in time;

WHEREAS, nothing herein is to be construed as an admission by the State of Alaska as to the unconstitutionality of the Longevity Bonus Program;

WHEREAS, except with respect to the good faith of the State and its agents, nothing herein is to be construed as an admission by either party in the event the settlement agreed to here is not consummated;

NOW THEREFORE THE PARTIES STIPULATE AND AGREE AS FOLLOWS:

1. All actions and proceedings in the above-captioned case, other than:

(a) the certification of plaintiffs class

(b) the approval by the Superior Court for the State of Alaska, First Judicial District of this proposed settlement agreement, and

(c) any further approval by the court necessary to consummate the settlement agreement after the certification of plaintiffs class,

are stayed through and including the date of adjournment of the first regular session of the 13th Alaska Legislature or June 30th, 1983, whichever event occurs first in time. Procedures for class certification shall be submitted to the Court for review no later than September 10, 1982, and the parties will request the

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Court to render its order with respect to the notice procedures for the said class no later than September 24th, 1982. Notice to the class shall be transmitted, along with the proposed settlement and the conditions necessary to affectuate the settlement, on or before October 11th, 1982. The State of Alaska will undertake reasonable efforts to assist Plaintiff to locate those persons 65 years or older as of July 1, 1982, who have been bona fide Alaska residents in the state of Alaska for one year immediately prior to that date. In the event this settlement agreement is not consummated for whatever reason, but the class certification has been certified by the court as set forth above, the Plaintiff shall not be precluded from seeking an enlargement of the class and a certification thereof so as to include other persons having a shorter residential duration within the State and may also seek a greater retroactive recovery.

2. The Alaska Legislative Council shall utilize its best efforts to secure the enactment, during the first regular session of the 13th Alaska Legislature, of the following legislation;

(a) Legislation which treats equally all bona fide Alaska residents of the age of 65 or older with respect to their residential qualifications to receive any "longevity bonus payments" or any substitute benefits from July 1, 1982 and thereafter for as long as the legislature may determine to continue such a program. Bona fide Alaska residents are those

who continuously resided in the state for one year immediately prior to the date of eligibility; and

(b) Any appropriation which might be required to fund the legislation described in paragraph (a), including the retroactive payment of bonuses.

3. If the Alaska Legislature passes legislation described in 2(a)-(b) above at any time during the first regular session of the 13th Alaska Legislature and the Governor signs the said legislation or otherwise allows 2(a)-(b) to become law so that 2(a)-(b) will be effective no later than Ninety days after enacted, the above action shall be dismissed with prejudice, subject only to the determination of attorney fees by the Court.

4. If the above-captioned action is dismissed under paragraph 3 above, all claims or rights of any class member (except those class members who exercise their right to opt out under Rule 23 of the Alaska Rules of Civil Procedure), with respect to the Longevity Bonus Program, shall be merged into the judgment of dismissal and extinguished;

5. If the Legislation described in 2(a)-(b) above is not enacted during the first regular session of the 13th Alaska Legislature or in any event no later than June 30, 1983, then this agreement shall be null and void, except that the Plaintiff and the class certified, together with any additional members, if there is an enlargement of the class, may prosecute this case as

if this agreement had not been entered into, it being the intent of the parties that certification of the plaintiff class, or the enlargement thereof, shall not be affected if this agreement becomes null and void;

6. The obligation of the Alaska Legislative Council under 2 herein is contingent upon certification of plaintiff class under Alaska Rule of Civil Procedure 23(c), which class shall include each and every individual of the age of 65 or older who, as of July 1, 1982, had continuously resided one year immediately preceding that date within the State of Alaska, and in the event that a class is certified which is less inclusive than as above described, the State of Alaska has reserved the right to waive the protections of this paragraph in whole or in part. Nothing in this paragraph is intended to modify or affect the certification of the class or the right of the Plaintiff to enlarge the class if this agreement becomes null and void.

DATED this ___ day of _____, 1982.

DATED: August 9, 1982

Wilson L. Condon
Attorney for Defendants
Marian Schaefer and
State of Alaska

WILSON L. CONDON
ATTORNEY GENERAL

DATED: August 6, 1982

Henry J. Camarot
Attorney for Plaintiff

Henry J. Camarot
Camarot, Sandberg & Hunter

the rewarding of prior residency was a constitutionally permissible purpose;

WHEREAS, in upholding the State's prior Permanent Fund Dividend distribution program, the Alaska Supreme Court ruled that "reward[ing] those Alaska residents who have chosen to stay" is a constitutionally permissible purpose. Williams v. Zobel, 619 P.2d 448, 460 (Alaska 1980);

WHEREAS, Justices Dimond and Matthews, in dissenting in Williams v. Zobel, believed that the Longevity Bonus Program would withstand constitutional scrutiny (619 P.2d at 469, n.13);

WHEREAS, on June 14, 1982, the United States Supreme Court, in invalidating Alaska's prior Permanent Fund Distribution Program, ruled that a statutory purpose of rewarding prior residency was constitutionally impermissible. Zobel v. Williams, _____ U.S. _____, 80-1146;

WHEREAS, because of the U.S. Supreme Court's decision in Zobel v. Williams, it appears the Longevity Program may not be deemed constitutional;

WHEREAS, a serious and good faith disagreement has developed and the Alaska Legislative Council questions whether the appropriate remedy is to expand the class of recipients of monthly longevity bonuses, or alternatively, to invalidate the entire program and cease payment of monthly bonuses to any person;

WHEREAS, this uncertainty regarding the appropriate remedy derives from § 2, Ch. 205, SLA 1972, which provides, with respect to the Longevity Bonus Program:

If any provision of this Act, or the application of a provision of this Act to any person or circumstances is held invalid, this entire act shall be considered invalid.

WHEREAS, unless and until the question of appropriate remedy is resolved by this court, or a settlement of this controversy is achieved, it is reasonable and prudent that the State of Alaska continue to administer the Longevity Bonus Program in the manner provided by statute;

WHEREAS, on July 6, 1982, Plaintiff Rodney Vest filed the above-captioned action, seeking as relief his inclusion in the Longevity Bonus Program of "any . . . bona fide Alaska resident who is 65 years or older....". Complaint, Prayer for Relief, para. 2;

WHEREAS, ON July 23, 1982, Plaintiff Vest filed an amended complaint seeking to have this case certified as a class action under Alaska Rule of Civil Procedure 23 on behalf of all bona fide Alaskans of the age of 65 or older, and further seeking as alternative relief the invalidation of the Longevity Bonus Program, or the payment of retroactive bonuses "in amount equal to what they would have been entitled to obtain under the program had the unconstitutional criteria never been in place or

enforced." First Amended Complaint, Prayer for Relief, paras. 4-6.

WHEREAS, there are currently 9,124 recipients of monthly longevity bonuses, and many of these recipients are of modest means, and depend upon the monthly bonus for sustenance, and the termination of the longevity bonus payments to these individuals could cause great and irreparable harm;

WHEREAS, because of the uncertainty with respect to the appropriate remedy, the parties are desirous of settling this litigation in a manner which affords meaningful relief to Plaintiff Vest and others similarly situated, but which also ensures the continuation of monthly bonus payments to existing recipients;

WHEREAS, the parties are further desirous of achieving a settlement which will finalize and constitute a full and final accord of the rights and liabilities of the parties hereto;

WHEREAS, there may be as many as 4,000 persons who are similarly situated with Plaintiff Vest -- to wit, bona fide Alaskans of the age of 65 or over -- who are not currently receiving longevity bonus payments because of the residency requirements of the statute;

WHEREAS, the parties agree that, because of the nature of the rights of recipients involved in this litigation, a one-year residency requirement is reasonable, necessary and appropriate in order to demonstrate bona fide Alaskan residency;

WHEREAS, a full and final settlement of the parties' rights and liabilities hereto cannot be achieved until all persons similarly situated with Plaintiff Vest are certified as a class under Alaska Rule of Civil Procedure 23(c);

WHEREAS, the settlement envisioned by the parties includes the retroactive payment of longevity bonuses to plaintiff class commencing and including July 1, 1982;

WHEREAS, the payment of such retroactive bonuses to an expanded class of recipients would require the appropriation of sums above the amount currently appropriated for the longevity bonus program for fiscal year 1982-83. Moreover, and because of the Alaska Legislative Council's view of the non-severability clause, quoted above (effecting the expansion of the class of longevity bonus recipients), such payments may require the enactment of curative legislation;

WHEREAS, it is therefore necessary, in order to effectuate this settlement, for appropriate legislation to be enacted;

WHEREAS, the Alaska Legislature is a coordinate branch of government of the State of Alaska, and is represented in this action by the Attorney General;

WHEREAS, notwithstanding the above, the Attorney General cannot in any manner bind or compel the Alaska Legislature in the exercise of its legislative powers;

WHEREAS, on July 16, 1982, the Alaska Legislative Council moved to participate in the above-captioned action as amicus curiae, it is agreed that the Alaska Legislative Council may participate in all negotiations of any settlement, the filing of briefs and may participate in oral arguments; however, the Alaska Legislative Council agrees that it will not be involved in discovery proceedings in the event the case is ultimately litigated and will not become otherwise involved in accordance with the terms of this settlement agreement;

WHEREAS, and while the Alaska Legislative Council cannot bind the Alaska Legislature in the exercise of its legislative powers, the Alaska Legislative Council can and is willing to commit its best efforts to the enactment of appropriate legislation during the first regular session of the 13th Alaska Legislature;

WHEREAS, and subject to (1) the certification of plaintiff class, (2) the Superior Court's approval of a settlement proposal herein, and (3) the commitment of the Alaska Legislative Council to use its best efforts in the enactment of appropriate legislation, plaintiff class is agreed that such action will provide full and adequate consideration for the promise and agreement of plaintiff class not to seek relief in any form with respect to the Longevity Bonus Program through and including the adjournment of the first regular session of the

13th Alaska Legislature or June 30, 1983, whichever ever event comes first in time;

WHEREAS, nothing herein is to be construed as an admission by the State of Alaska as to the unconstitutionality of the Longevity Bonus Program;

WHEREAS, except with respect to the good faith of the State and its agents, nothing herein is to be construed as an admission by either party in the event the settlement agreed to here is not consummated;

NOW THEREFORE THE PARTIES STIPULATE AND AGREE AS FOLLOWS:

1. All actions and proceedings in the above-captioned case, other than:

(a) the certification of plaintiffs class

(b) the approval by the Superior Court for the State of Alaska, First Judicial District of this proposed settlement agreement, and

(c) any further approval by the court necessary to consummate the settlement agreement after the certification of plaintiffs class,

are stayed through and including the date of adjournment of the first regular session of the 13th Alaska Legislature or June 30th, 1983, whichever event occurs first in time. Procedures for class certification shall be submitted to the Court for review no later than September 10, 1982, and the parties will request the

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Court to render its order with respect to the notice procedures for the said class no later than September 24th, 1982. Notice to the class shall be transmitted, along with the proposed settlement and the conditions necessary to affectuate the settlement, on or before October 11th, 1982. The State of Alaska will undertake reasonable efforts to assist Plaintiff to locate those persons 65 years or older as of July 1, 1982, who have been bona fide Alaska residents in the state of Alaska for one year immediately prior to that date. In the event this settlement agreement is not consummated for whatever reason, but the class certification has been certified by the court as set forth above, the Plaintiff shall not be precluded from seeking an enlargement of the class and a certification thereof so as to include other persons having a shorter residential duration within the State and may also seek a greater retroactive recovery.

2. The Alaska Legislative Council shall utilize its best efforts to secure the enactment, during the first regular session of the 13th Alaska Legislature, of the following legislation;

(a) Legislation which treats equally all bona fide Alaska residents of the age of 65 or older with respect to their residential qualifications to receive any "longevity bonus payments" or any substitute benefits from July 1, 1982 and thereafter for as long as the legislature may determine to continue such a program. Bona fide Alaska residents are those

who continuously resided in the state for one year immediately prior to the date of eligibility; and

(b) Any appropriation which might be required to fund the legislation described in paragraph (a), including the retroactive payment of bonuses.

3. If the Alaska Legislature passes legislation described in 2(a)-(b) above at any time during the first regular session of the 13th Alaska Legislature and the Governor signs the said legislation or otherwise allows 2(a)-(b) to become law so that 2(a)-(b) will be effective no later than Ninety days after enacted, the above action shall be dismissed with prejudice, subject only to the determination of attorney fees by the Court.

4. If the above-captioned action is dismissed under paragraph 3 above, all claims or rights of any class member (except those class members who exercise their right to opt out under Rule 23 of the Alaska Rules of Civil Procedure), with respect to the Longevity Bonus Program, shall be merged into the judgment of dismissal and extinguished;

5. If the Legislation described in 2(a)-(b) above is not enacted during the first regular session of the 13th Alaska Legislature or in any event no later than June 30, 1983, then this agreement shall be null and void, except that the Plaintiff and the class certified, together with any additional members, if there is an enlargement of the class, may prosecute this case as

if this agreement had not been entered into, it being the intent of the parties that certification of the plaintiff class, or the enlargement thereof, shall not be affected if this agreement becomes null and void;

6. The obligation of the Alaska Legislative Council under 2 herein is contingent upon certification of plaintiff class under Alaska Rule of Civil Procedure 23(c), which class shall include each and every individual of the age of 65 or older who, as of July 1, 1982, had continuously resided one year immediately preceding that date within the State of Alaska, and in the event that a class is certified which is less inclusive than as above described, the State of Alaska has reserved the right to waive the protections of this paragraph in whole or in part. Nothing in this paragraph is intended to modify or affect the certification of the class or the right of the Plaintiff to enlarge the class if this agreement becomes null and void.

DATED this ___ day of _____, 1982.

DATED: August 9, 1982

Wilson L. Condon
Attorney for Defendants
Marian Schaefer and
State of Alaska

WILSON L. CONDON
ATTORNEY GENERAL

DATED: August 6, 1982

Henry J. Camarot
Attorney for Plaintiff

Henry J. Camarot
Camarot, Sandberg & Hunter

DATED: 8/16/82

W. Ruddy
Attorney for Alaska
Legislative Council
Amicus Curiae

FOR William Ruddy
Robertson, Monagle,
Eastaugh & Bradley

ORDER

IT IS SO ORDERED.

DATED: _____

Hon. Walter Carpeneti
Superior Court Judge

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA
FIRST JUDICIAL DISTRICT

RODNEY G. VEST,)
)
Plaintiff,)
)
v.)
)
MARIAN SCHAFFER and STATE OF)
ALASKA,)
)
Defendants.)
_____)

CONFIDENTIAL

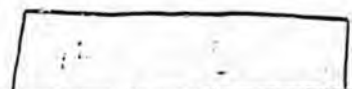
Case No. 1JU-82-1103 Civ.

AGREEMENT AND ORDER OF SETTLEMENT

WHEREAS, in 1972 the Alaska Legislature enacted the Alaska Longevity Bonus Program (AS 47.45.010 et. seq.) which currently provides, inter alia, for the payment of \$250 for each month of continued residency by bona fide Alaska residents over the age of 65 who were domiciled in Alaska on or before January 3, 1959 and who have maintained a continuous domicile in Alaska for 25 years;

WHEREAS, the purpose of the Alaska Longevity Bonus Program is among other things, to reward elderly Alaskans for their past contributions to the state and territory, and for past hardships suffered during territorial and early statehood days.
AS 47.45.170;

WHEREAS, since 1972, the State of Alaska in good faith has administered the Longevity Bonus Program in the belief that



George Michaels / Verne Perry
MEMORANDUM

State of Alaska

TO: Rebecca Burch
Special Assistant
Department of Administration

DATE: February 16, 1983

FILE NO:

465-3250

TELEPHONE NO:

FROM: Jon B. Wolfe, Executive Director
Older Alaskans Commission
Department of Administration

SUBJECT:

Health Care
Statistics
for the Elderly

Attached is a leaflet entitled "A Profile of Older Americans" published by the American Association of Retired Persons. Included are some health and health care statistics which may be of interest to you.

At the conference I attended in Seattle last week, the following statistics concerning the elderly and institutions were mentioned:

- 5% of the nation's seniors 65 years of age and older are in institutions
- 7% of the nation's seniors 75-85 years of age are in institutions
- 22% of the nation's seniors 85 years of age and older are in institutions
- 72% of the seniors 65 years and older own their own homes
- 23% of the seniors 65 years and older live in rented dwellings
- 5% of the seniors 65 years and older are in institutions
- 52% of the seniors 75 years and older own their own homes

I hope that this information is helpful to you. If you need additional or more specific information on health care for senior citizens, please let me know.

Attachment



PROVIDES GENERAL BACKGROUND

ADMINISTRATION

- Pioneers' Homes
- Longevity Bonus
- Older Alaskans Commission
- Aging Grants

C&RA

- Senior Citizen Housing Development Grant
- Senior Citizen Homeowners Property Tax
Exemption
- Senior Citizen Renters Property Tax
Equivalency Program
- Senior Citizen Special Sewer/Water
Assessment Program
- Senior Citizen Motor Vehicle Registration
Tax Payment

SURVEY OF CURRENT STATE PROGRAMS

Honorable Bill Sheffield
Governor
Page 2

January 31, 1983

DH&SS - Home Health Skilled Nursing
Generalized Public Health Nursing
Services to Seniors through Alcohol & Drug
Abuse Programs and Mental Health Programs
Adult Residential Care
Homemaker
Home Health Aide
Old Age Assistance
Medicaid
General Relief Medical

In addition, a variety of programs enhance the quality of life and the elderly are eligible, although programs may not be limited to them. These programs and services include:

Free ferry service off-season
Free sport fishing, hunting, and trapping licenses
Energy assistance programs
Bulk fuel assistance to rural communities
Aid to the blind
Aid to the disabled
General relief
Social work services
Legal services

Some local communities offer additional help in the form of Senior sales tax relief and, Senior transportation passes.

State general Funds have also assisted in construction of senior centers throughout the State

Municipal Assistance Funds have been provided with the understanding that local governments could elect to spend funds with a great deal of discretion (including the potential to provide services for elderly or other select groups of the population).

State Income Taxes have been dropped, eliminating that financial drain on seniors.

There are also two federal programs which have been cut back, causing a potential deterioration in senior lifestyle:

CETA - have reduced human services subsidized staff
BIA - General assistance

January 31, 1983

Below is an overview of the range of programs which contribute to the current lifestyle of Alaskan seniors. The dollar value of those programs, traditionally grouped as Social and Economic Assistance for the Aged, are listed here for FY '82.

	<u>FY 81</u> <u>Actual</u>	<u>FY 82</u> <u>Adjusted</u>	<u>FY 83</u> <u>Governor's</u> <u>Operating</u> <u>Budget</u>
Social and Economic Assistance for the Aged Program Area	\$ 49,340.9	\$ 56,700.3	\$ 65,955.4
	TOTAL FUNDS IN THOUSANDS		
Longevity Bonus	19,708.2	26,802.4	29,214.5
Pioneers' Homes	12,549.4	14,015.8	19,385.9
Office on Aging	7,639.6	0.0	0.0
Aging Grants	0.0	7,989.1	8,367.2
Senior Citizens Tax Relief	2,669.5	2,445.0	2,722.1
Senior Citizens Housing Development	61.9	91.3	93.8
Old Age Assistance	3,945.2	5,025.1	5,789.1
Older Alaskans Commission	0.0	331.6	382.8
*Debt Service - Pioneers' Homes	1,471.3	0.0	0.0
*Debt Service - Senior Citizens Housing	1,295.8	0.0	0.0

Source: Executive Budget Book I, Fiscal Year 1983

January 31, 1983

PROGRAM AREA MEASURES

This chart shows the number of individuals receiving benefits under Aged Program services listed on the previous page.

	<u>Actual</u> <u>FY 81</u>	<u>Estimated</u> <u>FY 82</u>	<u>Estimated</u> <u>FY 83</u>
Number of persons provided Transportation (number of rides)	5,500 207,241	4,800 209,000	5,000 277,000
Escort	700	750	850
Information and Referral (number of cases closed)	1,570	2,800	1,700
Homemaker Services	40	40	100
Congregate Meals (number of meals)	4,620 138,360	5,082 152,196	6,000 180,617
Nutrition Education	3,034	3,100	3,200
Old Age Assistance	2,214	2,368	2,498
Pioneers' Homes			
Ambulatory	303	355	365
Skilled Nursing	160	179	285
Longevity Bonus	8,527	8,833	9,076
Senior Citizens' Tax Relief	4,666	5,027	5,641

ADMINISTRATION

- Pioneers' Homes
- Longevity Bonus
- Older Alaskans Commission
- Aging Grants

C&FA

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- Senior Citizen Homeowners Property Tax Exemption
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January 31, 1983

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HOUSING GRANT PROGRAM

THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS, HOUSING ASSISTANCE DIVISION, ADMINISTERS TWO HOUSING GRANT PROGRAMS. THE FOLLOWING IS A BRIEF SUMMARY OF EACH:

I. SUPPLEMENTAL HOUSING DEVELOPMENT GRANT

SUBJECT TO AVAILABLE FUNDING GRANTS MAY BE MADE TO REGIONAL HOUSING AUTHORITIES TO SUPPLEMENT APPROVED FEDERAL LOANS OR GRANTS FROM THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

II. SENIOR CITIZENS HOUSING DEVELOPMENT GRANT

SUBJECT TO AVAILABLE FUNDING GRANTS MAY BE MADE TO MUNICIPALITIES OR PUBLIC OR PRIVATE NONPROFIT CORPORATIONS FOR THE PURPOSE OF DEVELOPING SENIOR CITIZEN HOUSING.

FOR FURTHER INFORMATION CONTACT:

DICK PRYOR, HOUSING ADMINISTRATOR
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS
HOUSING ASSISTANCE DIVISION
2600 DENALI STREET, SUITE 400
ANCHORAGE, ALASKA 99503

OR ANY DIVISION FIELD OFFICE

OR CALL TOLL FREE ZENITH-4585

272 4585

BACKGROUND ON EXISTING PROGRAMS

SENIOR CITIZEN HOUSING DEVELOPMENT FUND
January 21, 1983

FUND FINANCIAL SUMMARY:

\$ 7,500,000	FY'76 Bond Issue
16,000,000	FY'81 General Fund Appropriation
<u>10,000,000</u>	FY'82 General Fund Appropriation
33,500,000	Total Funds Available
-29,820,728	Funds Committed to Projects
<u>\$ 3,679,272</u>	Funds Currently Available

We presently have seven grant applications totaling \$12,730,000 in various stages of the application process. Of the seven pending applications we expect three of them to be complete and ready for us to commit funds within three to six months. This will totally commit our available funding.

The Housing Assistance Division has requested 2.5 million dollars in our FY'84 budget request for the continuation of this program.

HOUSING UNITS AND LOCATION

The following number of senior citizen housing units in the corresponding locations have been built or are under construction using grant funding from the program.

NUMBER OF UNITS	LOCATION
18	WASILLA
40	FAIRBANKS
60	JUNEAU
50	KETCHIKAN
12	KAKE
24	BETHEL
30	SEWARD
22	CORDOVA
18	SELDOVIA
24	PETERSBURG
48	CHUGIAK/EAGLE RIVER
24	WRANGEL
18	VALDEZ
10	NINILCHIK
24	KENAI
24	HOMER
120	ANCHORAGE
23	VARIOUS SITES OF 2 OR 3 UNITS EACH
<u>586</u>	TOTAL

Achieving a total of 586 units of housing was possible by taking advantage of all available federal loan and grant programs to provide the maximum number of units with the available combined federal and state funding.

SENIOR CITIZEN TAX RELIEF PROGRAMS
Alaska Department of Community & Regional Affairs
Local Government Assistance Division
Office of the State Assessor

The Department of Community and Regional Affairs operates four Senior Citizen tax relief programs.

THE SENIOR CITIZEN HOMEOWNER'S PROPERTY TAX EXEMPTION PROGRAM exempts the permanent dwelling of a resident, 65 years of age and older, from municipal property tax. The Senior Citizen applies to the municipality for this exemption prior to January 15 of each year. The municipality gives the Senior Citizen an exemption on the property tax and then applies to the State for reimbursement of tax revenues lost.

THE SENIOR CITIZEN RENTERS PROPERTY TAX EQUIVALENCY PAYMENT provides property tax relief to resident Senior Citizens, age 65 and over, who reside in rental housing. Eligible applicants are reimbursed for the amount of property tax that is included in their rent. The Senior Citizen applies directly to the Department for this payment.

THE SENIOR CITIZEN SPECIAL SEWER/ WATER ASSESSMENT PROGRAM provides for deferred payment of special assessments levied by municipalities for sewer/water installations. The Senior Citizen files the initial application for this exemption with the municipality. State reimbursement is provided to the municipality for revenue lost in operation of the program. The exemption requires that a lien, in favor of the State, be filed on the property. The lien becomes due and payable upon sale or transfer of the property except to a spouse, widow, widower or minor heir. The claimant must file with the Department by March 15 of each subsequent year a separate application in order to retain the deferment.

THE SENIOR CITIZEN MOTOR VEHICLE REGISTRATION TAX PAYMENT exempts the locally imposed, state collected annual registration tax on a motor vehicle owned by a Senior Citizen. The Senior Citizen completes an exemption form at the time of registration. The exempted amount is reimbursed to municipalities by the State.

For further information on these programs contact:

Office of the State Assessor
Pouch BH
Juneau, Alaska 99811
Phone: Zenith 2222 (toll free)
In Juneau call: 465-4783

PV/1E/0996U

BACKGROUND ON EXISTING PROGRAMS

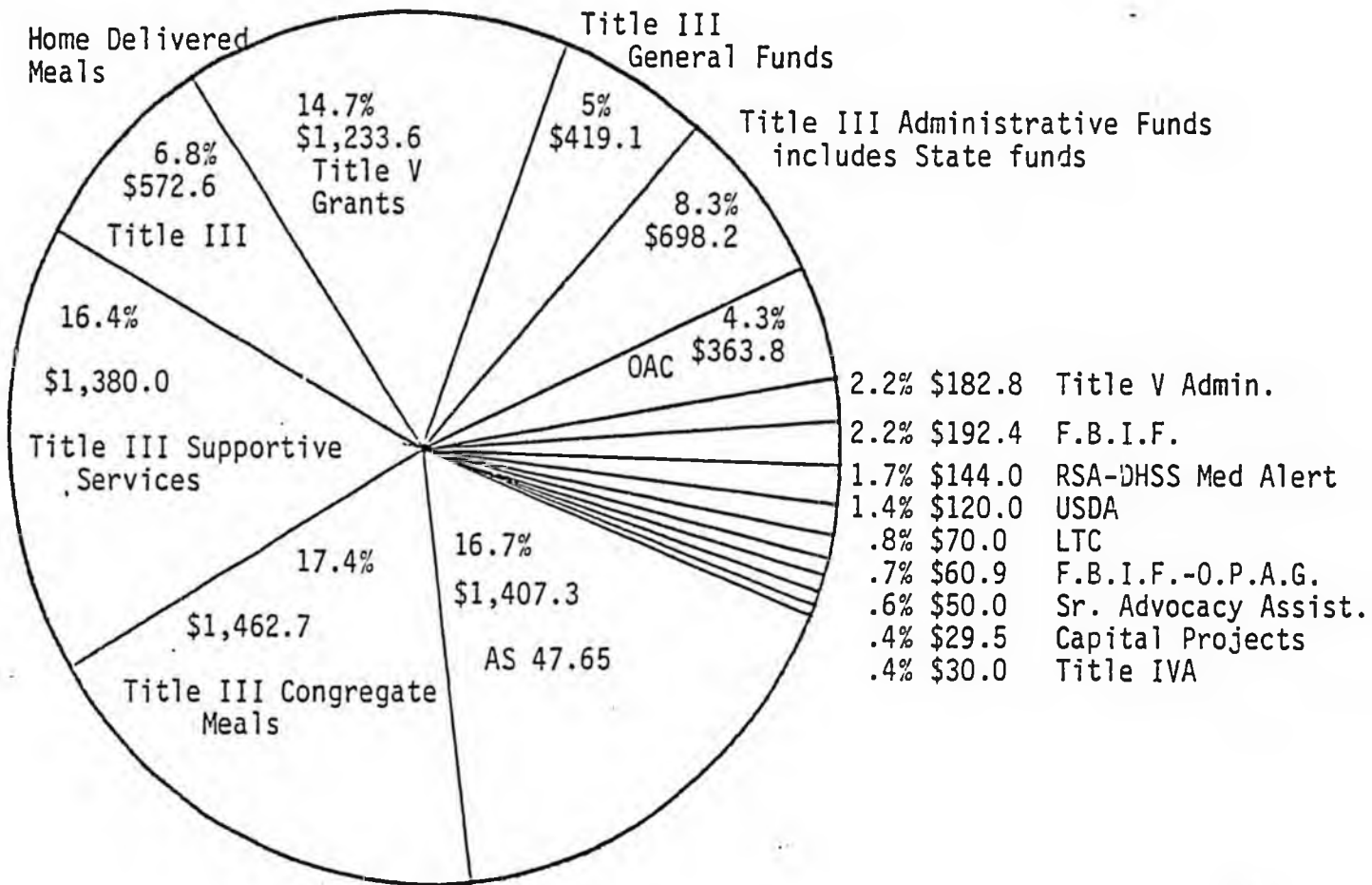
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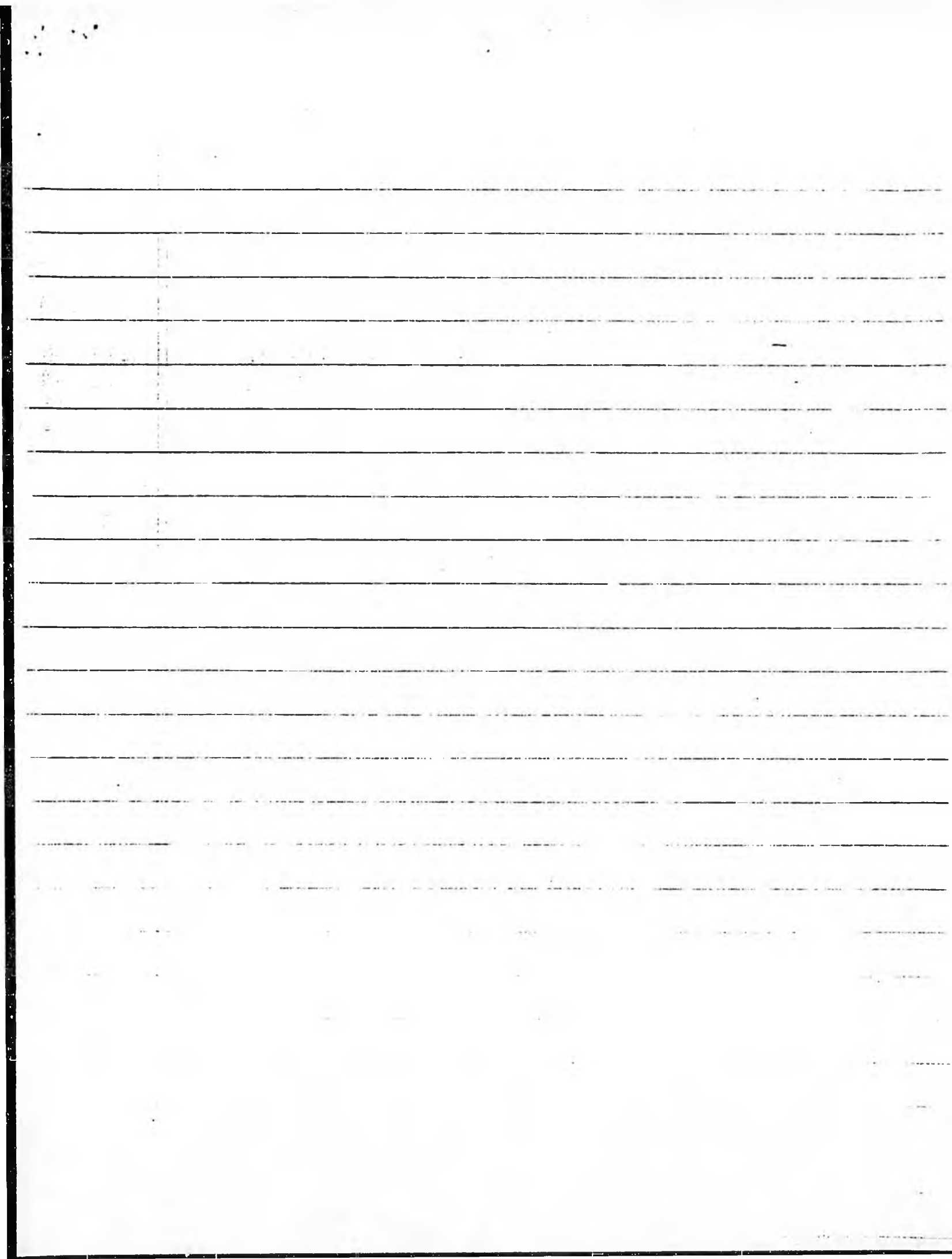
deferment

CEA/
Pub Safety

OLDER ALASKANS COMMISSION

SFY 83 Budget and Estimated Expenditures





DRAFT

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE _____

2 _____ BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska longevity bonus
7 program and adult public assistance for the aged, and
8 providing for an effective date."

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

10 * Section 1. (a) The residency requirements of ch. 205, SLA 1972 have
11 been challenged in the superior court of the state. The purpose of this
12 Act is to protect those Alaskans who are most dependent on the Alaska
13 longevity bonus program to meet their basic needs. This Act, therefore,
14 phases out the bonus program while raising the eligibility level for adult
15 public assistance for the aged, so that needy older Alaskans will not
16 suffer a diminution of resources.

17 (b) The legislature recognizes that the original Alaska longevity
18 bonus program was intended to provide older Alaskans with the financial
19 means to remain in the state, and that it was intended to expire of its own
20 terms without broadening the group of eligible recipients indefinitely. It
21 is the intent of this Act to accomplish the same purposes, and, by reducing
22 benefits over a 10-year period, to avoid a sudden reduction in resources to
23 those Alaskans who presently receive the bonus.

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

25 (a) A person who is 65 years of age or over, who has been a
26 resident of the state for 12 consecutive months immediately before
27 application, and who is domiciled in the state, [WAS DOMICILED IN THE
28 TERRITORY ON OR BEFORE JANUARY 3, 1959 AND WHO HAS MAINTAINED A
29 CONTINUOUS DOMICILE IN THE TERRITORY OR STATE FOR 25 YEARS] may apply

DRAFT

1 to the commissioner of administration for qualification to receive a
2 monthly bonus of \$250. The amount of the bonus is decreased by \$25
3 each year on July 1 of that year, for 10 years, beginning July 1,
4 1983.

5 * Sec. 3. AS 47.45.010(c) is amended to read:

6 (c) A person who otherwise qualifies to receive a bonus provided
7 for in AS 47.45.010 -- 47.45.170 may continue to do so only as long as
8 that person remains domiciled [HE CONTINUOUSLY RETAINS A DOMICILE] in
9 the state.

10 * Sec. 4. AS 47.45.150 is amended by adding a new subsection to read:

11 (3) "resident" means a person who, except for short
12 absences, is physically present in the state with the intent to remain
13 permanently, and who, during any short absence, intends to return to
14 the state.

15 * Sec. 5. AS 47.45.170 is amended to read:

16 Sec. 47.45.170. PURPOSE. The sole purpose of this chapter is to
17 offer and provide all law-abiding Alaskans capable of managing their
18 own affairs who [HAVE MAINTAINED A DOMICILE IN THE STATE FOR AT LEAST
19 25 YEARS AND] have reached a retirement age of 65, an incentive to
20 continue uninterrupted residency in the state. Under no circumstances
21 shall this chapter be considered a form, type, or manner, of public
22 relief. Bonuses made under this chapter are not predicated on need
23 even though they may appear to provide supplemental income to some
24 qualified persons who would otherwise be forced to become
25 responsibilities of the state. The legislature further finds and
26 states that this legislation recognizes the economic hardships
27 suffered by many elderly Alaskans, Alaskans who through their tenacity
28 and perseverance molded Alaska as we know it through skillful
29 application of their talents. These pioneers are the same Alaskans,

DRAFT

1 who in the prime of their life were in effect treated as second-class
2 citizens by the federal government and who paid much of their
3 hard-earned income to a government in which they did not have the
4 right to participate through the power of the ballot. The legislature
5 also is aware of the fact that many of these pioneers have been forced
6 to live out their retirement years in areas far away from the land
7 they loved and nurtured and thereby also suffering, in many cases, the
8 loss of familial relationship with their own kin, an experience that
9 is sad and frustrating to them as well as depriving new generations of
10 Alaskans of the benefits of their wisdom and experience. This
11 legislation hopefully will provide our pioneers with the economic
12 means to remain in and continue to serve their state and to enjoy the
13 opportunity of aiding the new Alaskan in making this state truly "The
14 Great Land."

15 * Sec. 6. A person who is qualified to receive an Alaska longevity
16 bonus on the effective date of secs. 1 -- 8 and 10 of this Act is presumed
17 to have met the qualifications of AS 47.45.010(a) and need not submit a new
18 application.

19 * Sec. 7. Notwithstanding the provisions of AS 47.45.080, a person who
20 becomes eligible under AS 47.45.010(a) as amended by sec. 2 of this Act and
21 who submits an application during 1983 may accrue bonuses retroactively to
22 July 1, 1982.

23 * Sec. 8. AS 47.25.430 is amended by adding a new subsection to read:

24 (e) The amount of financial assistance to the aged, determined
25 under (b) of this section, is increased by \$25 each year on July 1 of
26 that year for 10 years, beginning July 1, 1983 and ending July 1,
27 1992.

28 * Sec. 9. AS 47.45.010 -- 47.45.170 are repealed.

29 * Sec. 10. Sections 1 -- 5 of this Act are retroactive to July 1, 1982.

DRAFT

1 * Sec. 11. Sections 1 -- 8 and 10 of this Act take effect immediately
2 in accordance with AS 01.10.070(c).

3 * Sec. 12. Section 9 of this Act takes effect July 1, 1993.
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Considerations on the Proposed
10 Year Phase-out

- 1) acknowledges our progressively tightening fiscal situation
- 2) avoids precipitous action to senior citizens
- 3) provides for the truly needy (existing program for old age assistance could be modified including
 - a) return mail envelopes with a box number rather than DHSS
 - b) home visits rather than office visits for determining eligibility
- 4) maintains the original intent of phasing out the program
- 5) avoids a rush of out-of-Staters by phasing out rather than broadening the benefits and transferring to a need based program over time
- 6) allows those with no financial need to continue receiving some benefit for many years
- 7) maintains current provisions for out-of-state absences up to 180 days which would still allow re-entry without a 1 year waiting period.

DRAFT-DRAFT

MEMORANDUM

State of Alaska

TO: Honorable Lisa S. Rudd
Commissioner
Department of Administration

DATE: March 30, 1983

FILE NO: 377-025-83

TELEPHONE NO: 465-3600

FROM: Norman C. Gorsuch *bv/DV*
Attorney General

SUBJECT: Longevity bonus
program legislation

Attached is a draft bill which reflects the decisions regarding the longevity bonus program which were made this morning in Governor Sheffield's office. The bill increases adult public assistance for the aged as the bonus program is phased out over a 10 year period. The bill is not contingent upon loss of the lawsuit, and pays retroactive bonuses to the class certified in the Vest suit to July 1, 1982.

A draft transmittal letter is also attached which explains the bill in more detail. You may want to use this letter over your signature.

NCG:DV:md

SUBMITTED TO HOUSE HESS
3/30/83

D R A F T

The residency requirements of the Alaska longevity bonus program have been challenged in court. The existing Act contains a non-severability clause, so that if the residency requirements are struck, the entire Act will be invalid. The attached bill would provide protection to those older Alaskans who would be most harmed if the bonus program were ended, but would not expand the group of recipients, and resulting fiscal burden on the state, indefinitely.

The bill phases out the Alaska Longevity Bonus Program over a 10-year period, and increases the financial eligibility level for adult public assistance for the aged by a commensurate amount.

The bill repeals the existing residency requirements for the bonus program and replaces them with a one-year requirement. To be eligible, an individual must have been physically present in the state, except for short absences, for 12 months before application, and must maintain a domicile, or primary residence, in the state. Once a person is found to be eligible, the existing requirements of continued domicile and no absence exceeding 180 days remain the same. Persons who are presently receiving the bonus are presumed to meet the eligibility requirements.

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The longevity bonus program is phased out over a 10-year period by reducing the existing \$250 monthly benefit by \$25 each year. At the same time, the amount of public assistance available to the aged is increased by \$25 per year over what it otherwise would have been. In this way, the bill will protect those older Alaskans who most depend on the bonus for their day-to-day needs, so that they suffer no loss in income. Additionally, since the bonus is phased out over 10 years, those persons who presently receive the bonus and plan on it will not suffer a precipitous loss of income.

The original Longevity Bonus Program was intended to expire of its own terms when the last person who is eligible under the residency requirements either leaves the state or dies. The program was intended to provide Alaskans of retirement age with the means to remain in the state. This bill is in keeping with that original intent, in that the program will be entirely phased out in a set period of years, and at the same time some financial benefit is given to those who are now elderly.

Handwritten signature/initials

BY THE RULES COMMITTEE E
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2 _____ BILL NO.

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22 July 1, 1982.

23 * Sec. 8. AS 47.25.430 is amended by adding a new subsection to read:

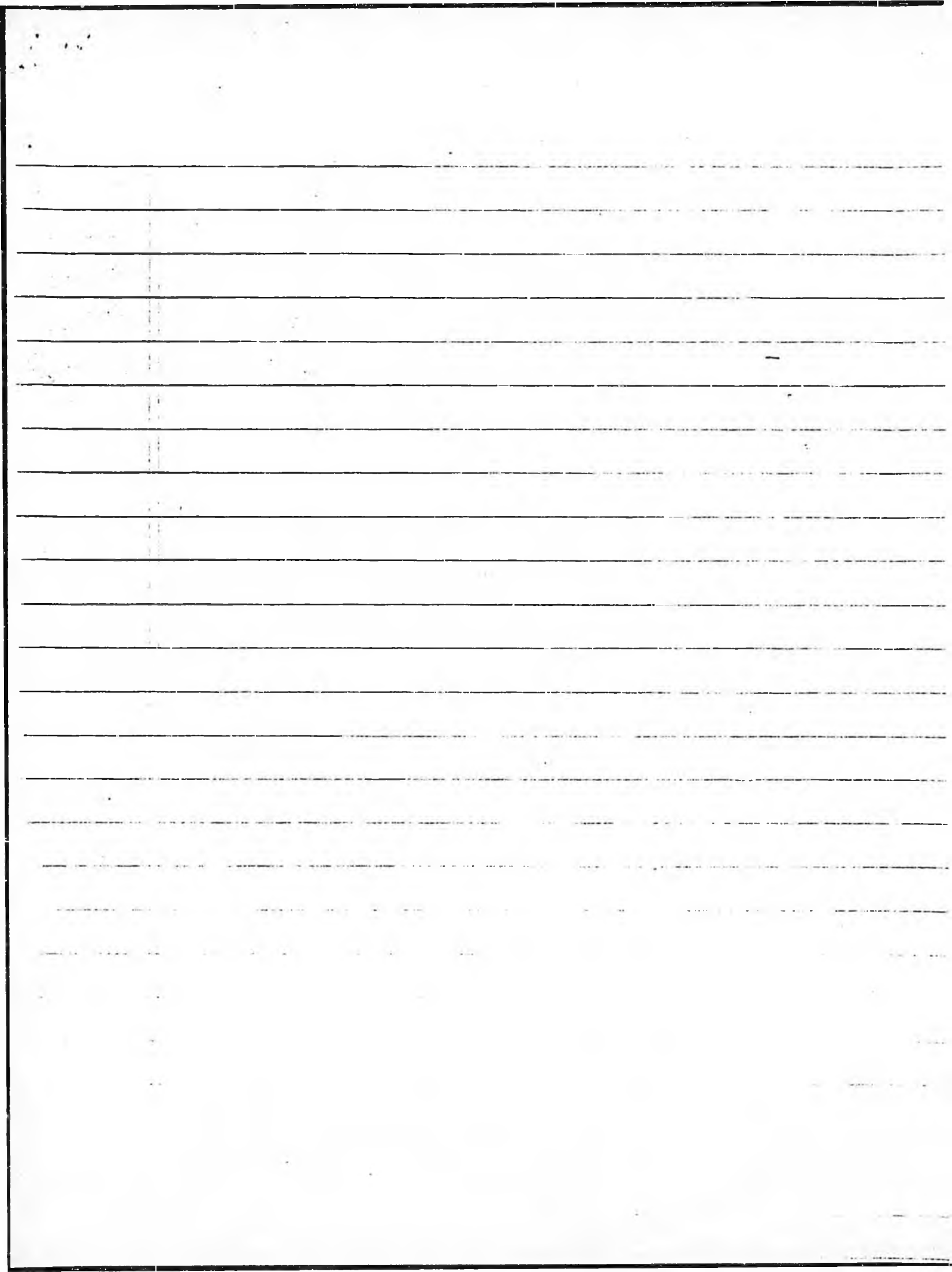
24 (e) The amount of financial assistance to the aged, determined
25 under (b) of this section, is increased by \$25 each year on July 1 of
26 that year for 10 years, beginning July 1, 1983 and ending July 1,
27 1992.

28 * Sec. 9. AS 47.45.010 -- 47.45.170 are repealed.

29 * Sec. 10. Sections 1 -- 5 of this Act are retroactive to July 1, 1982.

1 * Sec. 11. Sections 1 -- 8 and 10 of this Act take effect immediate
2 in accordance with AS 01.10.070(c).

3 * Sec. 12. Section 9 of this Act takes effect July 1, 1993.
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COMPARATIVE COSTS - in thousands
LONGEVITY BONUS PROGRAM - TOTAL PROGRAM COSTS

Existing (based on budget submission for FY 84)	10 Year Phase-Out total cost				HB36 Malone	SB 215 Ray	SB 200 Rodey		
	<u>DOA</u>	<u>DOA</u>	+	<u>DHSS</u>	=	<u>TOTAL</u>	<u>DOA</u>	<u>DOA</u>	<u>DOA</u>
FY 84	30,491.5	47,508.1	+	10,203.7	=	57,711.8	53,413.0	53,413.0	52,505.5
FY 85	34,768.0	34,644.6	+	11,690.0	=	46,334.6	46,498.2	47,608.1	45,151.0
FY 86	37,972.0	32,599.1	+	13,287.7	=	45,886.9	49,969.7	52,426.9	48,235.0
FY 87	41,176.0	29,912.8	+	15,001.3	=	44,914.1	53,441.2	57,492.0	51,319.0
FY 88	44,380.0	26,585.7	+	16,841.7	=	43,427.4	56,912.7	62,814.4	54,403.0
FY 89	47,584.0	22,617.8	+	18,816.4	=	41,434.2	60,384.2	68,403.4	57,488.5
FY 90	50,788.0	18,009.1	+	20,939.2	=	38,948.3	63,855.7	74,270.6	60,572.5
FY 91	53,992.0	12,759.6	+	23,212.9	=	35,972.5	67,327.2	80,430.8	63,656.5
FY 92	57,196.0	6,869.3	+	25,652.4	=	32,521.7	70,798.7	86,891.8	66,740.5
FY 93	60,400.0	-0-	+	28,273.4	=	28,273.4	74,270.2	93,669.2	69,824.5
*	458,747.5	-----		-----		415,424.8	596,870.8	677,420.2	569,896.0

*Cumulative
Cost FY 84 - FY 93

DOA = Department of Administration
DHSS = Department of Health and Social Services

Date = 4/6/83



DIVISION OF PUBLIC ASSISTANCE
10 - Year Phase Out - Longevity Bonus

	<u>OAA Base</u>	<u>ALB for existing case-load</u>	<u>ALB for New cases (cross-over)</u>	<u>Medicaid SGF Cost (cross-over)</u> *	<u>TOTAL SGF Cost</u>	<u>NET ANNUAL Change</u>
FY84	6762.2	690.0	2151.5	600.0	10203.7	3441.5
FY85	7263.3	1446.0	2350.7	630.0	11690.0	4426.7
FY86	7802.9	2273.4	2549.9	661.5	13287.7	5484.8
FY87	8381.2	3176.4	2749.1	694.6	15001.3	6620.1
FY88	9003.1	4161.0	2948.3	729.3	16841.7	7838.6
FY89	9670.5	5232.6	3147.5	765.8	18816.4	9145.9
FY90	10389.7	6398.7	3346.7	804.1	20939.2	10549.5
FY91	11159.5	7663.2	3545.9	844.3	23212.9	12053.4
FY92	11986.6	9034.2	3745.1	886.5	25652.4	13665.8
FY93	12877.3	10521.0	3944.3	930.8	28273.4	15396.1

NOTE: SGF cost shown, federal Medicaid match not included. All costs above are SGF only.

* Assumptions

1. 664 new OAA eligibles would cost \$250.0 SGF in FY84 to cover under Medicaid exclusive of Long Term Care.
2. Normally, 1 out of every 10 OAA recipients require Long Term Care (LTC). Assuming in this instance that only 1 out of 25 (26 individuals) will require LTC at added cost of \$350.0 SGF for FY84. Currently there are an average of 60 vacant beds in nursing homes throughout the State to accommodate this demand. Demand for LTC will be lower from the ALB crossover individuals will be only 1 out of 25 persons because of their eligibility for Pioneer's Home coverage and because attitude toward nursing homes in general will cause them to find other alternatives wherever possible.

I. REQUEST

Bill/Resolution No.: _____
 Title: 10-Year Longevity Bonus Phase-out
 Sponsor: _____
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Administration
 Program Category Affected: Social Services
 BRU, Program of Subprogram(s) Affected:
Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES		58.4	26.7	26.7	26.7	26.7
200 TRAVEL						
300 CONTRACTUAL		43.5	26.5	27.0	27.5	28.0
400 COMMODITIES		1.6	1.0	1.0	1.0	1.0
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC		16,913.1	(177.6)	(5,427.6)	(11,318.4)	(17,950.0)
TOTAL OPERATING		17,016.6	(123.4)	(5,372.9)	(11,263.2)	(17,794.3)

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND		17,016.6	(123.4)	(5,372.9)	(11,263.2)	(17,794.3)
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME		1.0	1.0	1.0	1.0	1.0
PART-TIME		1.5	0.0	0.0	0.0	1.0
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not identified.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: George T. Michael, Administrative Officer
 Division: Division of Pioneers' Benefits

Phone: 465-4401

Date: 3-30-83

Approved by Commissioner: Lisa Rudd
 Department: ADMINISTRATION

Date: 3-30-83

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3/8/83

STATE OF ALABAMA
 EXTENDED FISCAL IMPACT
 10-Year Phase Out
 Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93	
OPERATING						
100 PERSONAL SERVICES	26.7	26.7	26.7	26.7	(159.4)	
200 TRAVEL					(4.7)	
300 CONTRACTUAL	28.5	29.0	29.5	30.0	(112.4)	
400 COMMODITIES	1.0	1.0	1.0	1.0	(3.7)	
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC	(25,022.4)	(32,835.6)	(41,289.6)	(50,384.4)	(60,120.0)	
TOTAL OPERATING	(24,966.2)	(32,778.9)	(41,232.4)	(50,326.7)	(60,400.2)	
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	(24,966.2)	(32,778.9)	(41,232.4)	(50,326.7)	(60,400.2)	
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME	1.0	1.0	1.0	1.0	(6.0)	
PART-TIME	0.0	0.0	0.0	0.0	0.0	
TEMPORARY						

- IV. ANALYSIS: This bill changes the eligibility requirements for recipients of Alaska's Longevity Bonus, and would phase the program out entirely over a ten-year period.

ASSUMPTIONS

1. Residency would be changed from 25 years to 12 consecutive months.
2. Residence on or before January 3, 1959 would be eliminated from eligibility requirements.
3. Beginning July 1, 1983, the monthly bonus would be reduced \$25 each year.
4. All persons now receiving the bonus would continue as long as they remain domiciled in Alaska.
5. Retroactive bonus payments may be paid to persons who would have been eligible as of July 1, 1982, had the new statutes then been in effect.
6. The \$25 per month reduction in Longevity Bonus funds would be offset by a like increase in Old Age Assistance payments made under AS 47.25.430.
7. The Longevity Bonus Program would be phased out and cease on July 1, 1992.

Clerk V PFT (1 position)	\$ 26,730
Clerk II PPT (3 positions)	31,680
	<u>\$ 58,410</u> Personal Services (FY 84)

As a result of the Zobel case, State benefits which are based on length of residency have come under scrutiny. In order to meet the constitutional requirement for treating all residents equally, the Alaska Longevity Bonus Program must be modified to allow benefits to all qualifying Alaskan residents. This means elimination of the existing 25-year residency requirement and for establishing Alaskan domicile on or before January 3, 1959.

Assuming that a one-year Alaskan residence would be constitutionally acceptable, many people would immediately become eligible for the Bonus who do not now qualify. Also, it is believed that some people from the lower 48 over age 65 may move to Alaska in order to receive the Bonus when their one-year residence is completed.

The actual number of additional people who would receive the Bonus is not known. However, estimates by the Department of Administration indicate that approximately 13,228 persons aged 65 and older presently live in Alaska, and it is assumed that a majority of these people have lived in Alaska for at least one year.

IV. ANALYSIS (Continued):

The Longevity Bonus Program has been growing under existing regulations at the rate of approximately 60 persons each month. ~~After~~ the increase of 3,803 applications expected by the liberalization of residency requirements, the Program is expected to grow at the net rate of 89 persons per month as a growing number of Alaskans reach age 65 and remain in the state for retirement.

An increase in the Longevity Bonus staff will be needed to handle the initial flood of applications, and continuing increased staff will be necessary to process the greater workload of the expanded program.

This fiscal note offers an option which would gradually decrease the drain on the State treasury, while allowing Longevity Bonus recipients the opportunity to plan for future decreased income from State sources. The plan is basically to reduce the amount of the Longevity Bonus monthly payments by \$25 each year, until the program is phased out entirely on July 1, 1992.

The Longevity Bonus was originally designed to be phased out by making only those who were Alaskan residents on or before January 3, 1959 eligible. The new plan presented here escalates that phase-out process, while meeting all the legal and constitutional tests, and at the same time will affect the existing Longevity Bonus recipients in a minimal way. A loss of only \$25 per month could be accommodated by oldsters with insufficient monthly income by applying for assistance from the Old Age Assistance Program of the Department of Health and Social Services. Increasing the income floor of this program provides a humanitarian level of support for less affluent oldsters. This increase is dealt with in a separate fiscal note submitted by the Department of Health and Social Services.

Included in the above estimate of additional cost is \$11,409,000, which will be needed in FY 84 to pay retroactive benefits to as many as 3,803 Alaskans who may receive payments under the clause which would allow payments back to July 1, 1982, for those who would have been eligible had the new law then been in effect.

The plan would result in monthly Longevity Bonus payments as follows:

FY 84	- \$225 per month
FY 85	- \$200 per month
FY 86	- \$175 per month
FY 87	- \$150 per month
FY 88	- \$125 per month
FY 89	- \$100 per month
FY 90	- \$ 75 per month
FY 91	- \$ 50 per month
FY 92	- \$ 25 per month
FY 93	- Phased Out

STATE OF ALASKA
FISCAL NOTE

Revision Date: March 31, 1983

I. REQUEST

Bill/Resolution No.: H.B. 36
Title: Longevity Bonus Program
Sponsor: Malone
Requestor: _____

II. FISCAL DETAIL

Agency Affected: Administration
Program Category Affected: Social Services
BRU, Program of Subprogram(s) Affected: Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES	-0-	58.4	26.7	26.7	26.7	26.7
200 TRAVEL						
300 CONTRACTUAL	-0-	43.5	26.5	27.0	27.5	28.0
400 COMMODITIES	-0-	1.6	1.0	1.0	1.0	1.0
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC	-0-	22,818.0	11,676.0	11,943.0	12,210.0	12,477.0
TOTAL OPERATING	-0-	22,921.5	11,730.2	11,997.7	12,265.2	12,532.7
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	22,921.5	11,730.2	11,997.7	12,265.2	12,532.7
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME	-0-	1.0	1.0	1.0	1.0	1.0
PART-TIME	-0-	1.5	-0-	-0-	-0-	-0-
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not identified by sponsor.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: George T. Michael, Administrative Officer
Division: Pioneers' Benefits

Phone: 465-4401
Date: March 31, 1983

Approved by Commissioner: Lisa Rudd
Department: ADMINISTRATION

Date: 4/6/83

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IV. ANALYSIS:

House Bill 36
 March 31, 1983

ASSUMPTIONS

(a) Residence requirements would change from 25 years to one year, and the requirement for domicile in Alaska on or before January 3, 1959, would be eliminated. (b) An estimated 3,803 additional persons would immediately become eligible under the new regulations. (c) Retroactive payments in a total amount of \$11,409,000 to the approximately 3,803 persons who would have been eligible on July 1, 1982. (d) That new applications would take time to process, and first payments under the new law would be made on July 1, 1983. (e) An increase in the Longevity Bonus staff will be needed to process the initial flood of applications, and continuing increased staff will be necessary to process the greater workload of the expanded program. (f) Annual growth of the program will be approximately 89 per month.

Additional funds needed for FY84 are computed as follows:

	Annual Cost
Personal Services	\$ 58,410
Clerk V, PFT (one position) \$26,730	
Clerk II, PPT (three positions, 6 mo.) \$31,680	
Contractual Services	43,500
Added postage, bonus warrants, printing of new regulations and application forms, data processing charges, increased telephone tolls.	
Commodities	1,600
Office supplies and file cabinets for application and recipient files.	
Grants (additional estimated 3,803 persons who will be eligible for the Bonus due to one-year residence requirement x 12 x \$250)	11,409,000
Retroactive payments for those who would have been eligible on July 1, 1982 (est. 3,803 x 12 x \$250)	<u>11,409,000</u>
Additional FY84 funds required	\$22,921,510

For years beyond FY84, one additional PFT staff position needs to be retained, along with appropriate contractual and commodities costs, plus grants based on an estimated increase of 89 recipients per month.

Extended Fiscal Impact

H.B. 36

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING					
100 PERSONAL SERVICES	26.7	26.7	26.7	26.7	26.7
200 TRAVEL					
300 CONTRACTUAL	28.5	29.0	29.5	30.0	30.5
400 COMMODITIES	1.0	1.0	1.0	1.0	1.0
500 EQUIPMENT					
600 LAND & STRUCTURES					
700 GRANTS, CLAIMS, ETC	12,744.0	13,011.0	13,278.0	13,545.0	13,812.0
TOTAL OPERATING	12,800.2	13,067.7	13,335.2	13,602.7	13,870.2
CAPITAL					
REVENUE					

FUNDING: (Thousands of Dollars)

GENERAL FUND	12,800.2	13,067.7	13,335.2	13,602.7	13,870.2
FEDERAL FUNDS					
OTHER (Specify Source)					

POSITIONS:

FULL-TIME	1.0	1.0	1.0	1.0	1.0
PART-TIME	0	0	0	0	0
TEMPORARY					

STATE OF ALASKA
FISCAL NOTE

Revision Date: _____

I. REQUEST

Bill/Resolution No.: S.B.200
 Title: Longevity Bonus
 Sponsor: Senator Rodey
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Administration
 Program Category Affected: Social Services
 BRU, Program of Subprogram(s) Affected: Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
- OPERATING						
100 PERSONAL SERVICES		58.4	(26.0)	(26.0)	(26.0)	(26.0)
200 TRAVEL						
300 CONTRACTUAL		43.5	26.5	26.5	26.5	26.5
400 COMMODITIES		1.6	1.0	1.0	1.0	1.0
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC		21,910.5	10,381.5	10,261.5	10,141.5	10,021.5
TOTAL OPERATING		22,014.0	10,383.0	10,263.0	10,143.0	10,023.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		22,014.0	10,383.0	10,263.0	10,143.0	10,023.0
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME		1.0	(1.0)	(1.0)	(1.0)	(1.0)
PART-TIME		1.5	0	0	0	0
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not identified by sponsor.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: George T. Michael, Admif. Officer
 Division: Pioneers' Benefits
 Approved by Commissioner: Lisa Rudd
 Department: ADMINISTRATION

Phone: 465-4401
 Date: April 4, 1983
 Date: 4/6/83

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IV. ANALYSIS:

ASSUMPTIONS

- a. All persons who are one-year residents of Alaska and are 65 years of age on the effective date of the Act would be eligible for the Longevity Bonus. This would add approximately 3,803 persons to the Program immediately.
- b. All persons who are on the Program are presumed to qualify and will remain on the Program, but eligibility will cease for future applications on the effective date of the Act.
- c. Retroactive payments will be made to approximately 3,803 persons who would have qualified for the Program on July 1, 1982, to satisfy the class action lawsuit filed by Rodney G. Vest against the Longevity Bonus Program.
- d. Additional staff would be required to process the applications of the 3,803 + persons who will become eligible under the new eligibility requirements.

Additional funds needed for Fiscal Year 1984 are computed as follows:

	<u>ANNUAL COST</u>
<u>PERSONAL SERVICES:</u>	\$ 58,410
CLERK V, PFT (one position)	\$ 26,730
CLERK II, PPT (three positions, 6 months)	31,680
<u>CONTRACTUAL SERVICES:</u>	43,500
Added postage, bonus warrants, printing of new regulations and application forms, data processing charges, increased telephone tolls.	
<u>COMMODITIES:</u>	1,600
Office supplies and file cabinets for application and recipient files.	
<u>GRANTS:</u>	11,409,000
(Additional estimated 3,803 persons who will be eligible for the Bonus due to one-year residence requirement x 12 x \$250.)	
Retroactive payments for those who would have been eligible on July 1, 1982 (est. 3,803 x 12 x \$250.)	11,409,000
Less growth of Program which would have occurred in Fiscal Year 1984 had S.B.200 not cut off new applicants on the effective date of the Act.	(907,500)
Fiscal Year 1984 budget for 10,428 recipients	30,211,500
Actual need, July 1983 level of 9,768 recipients	29,304,000
x 12 months	Difference -
	<u>907,500</u>
Additional Fiscal Year 1984 Funds Required	<u>\$22,014,010</u>

For Fiscal Years 1985-88, all new staff plus one existing position would be eliminated as the list of recipients becomes stable. Grants would be the same as Fiscal Year 1984, except retroactive payments will not be made, and the number of recipients will be reduced by deaths at the rate of approximately 40 per month (\$120,000 per year).

Extended Fiscal Impact

S.B. 200

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING					
100 PERSONAL SERVICES	(26.0)	(26.0)	(26.0)	(26.0)	(26.0)
200 TRAVEL					
300 CONTRACTUAL	26.5	26.5	26.5	26.5	26.5
400 COMMODITIES	1.0	1.0	1.0	1.0	1.0
500 EQUIPMENT					
600 LAND & STRUCTURES					
700 GRANTS, CLAIMS, ETC	9,903.0	9,783.0	9,663.0	9,543.0	9,423.0
TOTAL OPERATING	9,904.5	9,784.5	9,664.5	9,544.5	9,424.5

CAPITAL					
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REVENUE					
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FUNDING: (Thousands of Dollars)

GENERAL FUND	9,904.5	9,784.5	9,664.5	9,544.5	9,424.5
FEDERAL FUNDS					
OTHER (Specify Source)					

POSITIONS:

FULL-TIME	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
PART-TIME	0	0	0	0	0
TEMPORARY					

STATE OF ALASKA
FISCAL NOTE

Revision Date: _____

I. REQUEST

Bill/Resolution No.: S.B. 215
 Title: Longevity Bonus/Permanent Fund
 Sponsor: Ray
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Administration
 Program Category Affected: Social Services
 BRU, Program of Subprogram(s) Affected: Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES	-0-	58.4	26.7	26.7	26.7	26.7
200 TRAVEL						
300 CONTRACTUAL	-0-	43.5	26.5	27.0	27.5	28.0
400 COMMODITIES	-0-	1.6	1.0	1.0	1.0	1.0
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC	-0-	22,818.0	12,785.9	14,400.2	16,260.8	18,378.7
TOTAL OPERATING	-0-	22,921.5	12,840.1	14,454.9	16,316.0	18,434.4
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						
PERMANENT FUND	-0-	22,921.5	12,840.1	14,454.9	16,316.0	18,434.4

POSITIONS:

FULL-TIME		1.0	1.0	1.0	1.0	1.0
PART-TIME		1.5	-0-	-0-	-0-	-0-
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Alaska Permanent Fund Income

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: George I. Michael, Administrative Officer Phone: 465-4401
 Division: Pioneers' Benefits Date: 4/6/83
 Approved by Commissioner: Lisa Rudd Date: 4/6/83
 Department: ADMINISTRATION

Distribution:

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ASSUMPTIONS

(a) Residence requirements for eligibility for the Longevity Bonus Program would change from 25 years to one year, and the requirement for domicile in Alaska on or before January 3, 1959, would be eliminated. (b) An estimated 3,803 additional persons would immediately become eligible under the new regulations. (c) Retroactive payments will be paid in FY84 in a total amount of \$11,409,000 to the approximately 3,803 persons who would have been eligible on July 1, 1982. (d) An increase in the Longevity Bonus staff will be needed to process the initial flood of applications, and continuing increased staff will be necessary to process the greater workload of the expanded program. (e) Annual growth of the program will be approximately 89 per month. (f) The Act takes effect on July 1, 1983. (g) Grants for FY85-88 are increased by 3% each year.

Additional funds needed for FY84 are computed as follows:

	Annual Cost
Personal Services	\$ 58,410
Clerk V, PFT (one position) \$26,730	
Clerk II, PPT (three positions, 6 mo.) \$31,680	
Contractual Services	43,500
Added postage, bonus warrants, printing of new regulations and application forms, data processing charges, increased telephone tolls.	
Commodities	1,600
Office supplies and file cabinets for application and recipient files.	
Grants (additional estimated 3,803 persons who will be eligible for the Bonus due to one-year residence requirement x 12 x \$250)	11,409,000
Retroactive payments for those who would have been eligible on July 1, 1982 (est. 3,803 x 12 x \$250)	<u>11,409,000</u>
Additional FY84 funds required	\$22,921,510

For years beyond FY84, one additional PFT staff position needs to be retained, along with appropriate contractual and commodities costs, plus grants based on an estimated increase of 89 recipients per month, escalated at the rate of 3% per year.

Grants Computation, S.B. 215

FY85 15,299 recipients (11,496 + 3,803) x
12 x \$257.50/mo. = \$47,273.9

FY86 \downarrow (15,299 + 1,068)
16,367 recip x 12 x \$265.23/mo = 52,092.2

FY87 17,435 recip. x 12 x \$273.19/mo. = 57,156.8

FY88 18,503 recip. x 12 x \$281.39/mo. = 62,478.7

FY89 19,571 recip. x 12 x \$289.83/mo. = 68,067.2

FY90 20,639 recip. x 12 x \$298.52/mo. = 73,933.9

FY91 21,707 recip x 12 x \$307.48/mo. = 80,093.6

FY92 22,775 recip. x 12 x \$316.70/mo. = 86,554.1

FY93 23,843 recip x 12 x \$326.20/mo. = 93,331.0

Extended Fiscal Impact

S.B. 215

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING					-
100 PERSONAL SERVICES	26.7	26.7	26.7	26.7	26.7
200 TRAVEL					
300 CONTRACTUAL	28.5	29.0	29.5	30.0	30.5
400 COMMODITIES	1.0	1.0	1.0	1.0	1.0
500 EQUIPMENT					
600 LAND & STRUCTURES					
700 GRANTS, CLAIMS, ETC	20,763.2	23,425.9	26,381.6	29,638.1	33,211.0
TOTAL OPERATING	20,819.4	23,482.6	26,438.8	29,695.8	33,269.2
CAPITAL					
REVENUE					

FUNDING: (Thousands of Dollars)

GENERAL FUND					
FEDERAL FUNDS					
OTHER (Specify Source)					
<i>Permanent Fund</i>	20,819.4	23,482.6	26,438.8	29,695.8	33,269.2

POSITIONS:

FULL-TIME	1.0	1.0	1.0	1.0	1.0
PART-TIME	-	-	-	-	-
TEMPORARY					



Alaska State Legislature

House of Representatives

February 23, 1983

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Representative Joe Hayes
Representative Jack Fuller
Representative Joe Flood ✓

FROM: Mark K. Johnson *MKT*
Staff Counsel
Representative Flood

SUBJECT: Meeting with Senate staff and consultant on Longevity Bonus

Upon the invitation of the counsel to the Senate Judiciary Committee, John Gabrielli, I met this morning with him and Jon Tillinghast of Birch, Horton, Bittner & Monroe for the purpose of listening to a conference phone call with representatives of a major insurance company on alternatives to the longevity bonus program.

Primarily, my purpose was to gain some understanding of the Senate's efforts in the durational residency area. To date, the focus of those activities has been the longevity bonus program.

Although the identity of the insurance firm was not revealed to me, Tillinghast and Gabrielli requested information from them on three different proposals involving the longevity bonus and the permanent fund dividend program:

(a) The first was an annuity program based on using the permanent fund dividend as principal. Individuals would elect (or be required?) to place their permanent fund dividends into the annuity for a period of five years, when their account would become "vested", and then when reaching retirement age, the earnings would be paid out over time.

(b) The second was a program based upon taking a percentage of the permanent fund dividend and placing that amount into a fund that would be used to make monthly payments to eligible individuals of a certain age. This would be very much like the present national social security program.

(c) The third plan calls for using all or a portion of the permanent fund dividend to fund a group health insurance program for the elderly and for others that wish to participate.

Gabrielli indicated that the Senate was looking at roughly 7 other proposals for programs to amend or replace the longevity bonus. He also indicated that they have not, to any significant degree, addressed any of the other durational residency questions.

In the course of the conference call, Tillinghast indicated that his report will be submitted to the Senate on March 7.

Longevity bonus savior hired

by Bill White
Times Juneau Bureau

Juneau — Senate leaders have hired a former assistant attorney general to give them options for saving the state's longevity bonus payments to senior citizens.

Jon Tillinghast, who went into private law practice in December, has been contracted for \$35,000 to present the options by March 7, and to draft and oversee legislation to preserve the program.

Rodney Vest, a 67-year-old Anchorage man, filed suit last summer to challenge the \$30 million bonus program. Only those Alaskan seniors who have lived in the state at least 25 years may get the \$250-a-month bonus. Vest says the residency requirement is biased against newcomers, and therefore is unconstitutional.

Tillinghast represented the state in talks to settle the lawsuit. That settlement calls for lawmakers to revamp the program so all seniors who have lived in Alaska at least a year are treated alike.

Sen. Bill Ray, D-Juneau, said Tillinghast will do the footwork on rewriting the bonus program before his work is submitted to a "nationally recognized" constitutional

lawyer for review.

The solution to the longevity bonus lawsuit might also apply to the pioneers' homes, which require 15 years Alaskan residency before a senior citizen can get a room in one, he said.

The bonus and pioneers' homes are just two of dozens of state programs jeopardized by a U.S. Supreme Court ruling last summer. That ruling said states may not run programs that discriminate against new residents.

Ray said other programs in jeopardy because of long residency requirements — like student loans, fishing loans and state land lotteries — would be handled separately.

He called the longevity bonus and pioneers' homes problems "gut" issues that must be addressed at once.

Ray said Tillinghast's salary of \$130 an hour is the going rate for lawyers. His contract calls for payments up to \$35,000. Ray estimated the total will come to about \$25,000.

Ray added that Tillinghast's hiring is a joint project between

the Senate and House. He expects each chamber to pick up half the cost.

But that's news to House Speaker Joe Hayes, R-Anchorage.

Hayes said he heard Ray, as chair of the Senate Judiciary Committee, was going to hire a lawyer to study residency issues. But he didn't know his funds would pay part of the costs.

On Friday, Hayes wrote Attorney General Norm Gorsuch for his opinion on what programs were most in jeopardy. He asked specifically about the bonuses, pioneer homes, guide licenses, student loans and land-disposal programs.

Gorsuch's predecessor, Will Condon, said last November some programs likely can't be defended successfully. But Gorsuch differed with Condon on fishing loans, which carry a five-year residency requirement. He endorsed regulations that changed the requirement to one year's residency.

Rep. Joe Flood, R-Anchorage, is heading the House's efforts on residency.

Anchorage Times

2/12/83

January 15, 1984

Representative Joe Flood
Alaska State Legislature
Pouch V (MS3100)
Juneau, AK 99801

Dear Rep. Flood,

I am enclosing a copy of a copy of a letter to the Editor from the Anchorage Daily News.

This idea seems to have enough merit to be brought to your attention. Could this be a possible solution to the Longevity Bonus Program.

As Alaskans of long standing we really desire to remain in Alaska upon retirement and are very interested in the outcome of this program.

Thank you for your consideration of this idea.

Yours truly,

Edward and Beverly Prince
Beverly M Prince

Edward and Beverly Prince
3540 Amber Bay Loop
Anchorage, AK 99502

1-20-84
Annuity proposal

The time is near for the Legislature to convene in Juneau and one of the first items on the agenda will be the longevity bonus question. Should the state allow everyone who has lived in Alaska 12 months and has had the good fortune to reach the age of 65 be eligible for the longevity bonus regardless of whether they have contributed to, or paid anything to, the building of the state?

I have a plan I hope the legislators will seriously consider. I believe this plan is constitutional and one which would not be difficult to administer.

First, Alaska would replace the name of the Longevity Bonus Program with the School Tax Refund Annuity Plan (STRAP). Until a couple of years ago, anyone who ever drew a paycheck or filed a State Income Tax Form was required to pay the \$10 school tax. Ten dollars was automatically deducted from everyone's first paycheck.

Secondly, instead of giving a bonus, Alaska would give an annuity.

Thirdly, Alaska would change the criteria for recipients of the annuity. For each year the school tax was paid, that person would have a year vested in STRAP. That would be the sole requirement. A person who started paying before statehood and continued to pay for 20 years would be 100 percent vested. Because the maximum amount would be fixed, this would be a defined benefit plan.

This is how the annuitant would be paid:

- Any person who paid into the plan for 20 years would receive \$250 a month because he would be 100 percent vested. Mr. Rodney Vest, who has brought suit against the state, has worked for 20 years so he would receive the full \$250.

- Any person who paid the school tax for 15 years would receive 75 percent of \$250, or \$187.50.

- Any person who paid the school tax for 10 years would receive 50 percent or \$125.

- Any person who paid the school tax only the year before it was discontinued would be fully vested in 5 percent of the amount so that upon reaching age 65 that person would receive \$12.50 a month. Still not a bad return for a \$10 investment.

As with any pension plan, the School Tax Refund Annuity Plan would not be complete until the last annuitant had received his last check and turned out the light.

In a plan like this, the state would use its actuarial tables to calculate its total unfunded liability in order to fund the plan until everyone is paid.

Is this plan oversimplified? Perhaps. Is this plan a fair one? Yes. It would meet all the requirements of the Employees Retirement Income Security Act of 1974 (ERISA); it would meet all the requirements of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA); it would even uphold the Norris Decision which requires equal benefits for men and women. There is no discrimination in age, sex, race, or length of residency in this plan.

I wish this type of vesting had been used in the dividend program. We might have saved ourselves a lot of problems.

— Roland Bloes

Senior Voice

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964 poor will gain nothing from bonus

by Liz Lauzen

Almost 1,000 of Alaska's poorest seniors will gain little or nothing by signing up for the Longevity Bonus, and 400 would actually lose medical benefits or cash if they accepted a bonus check.

At the same time, other seniors of equal income — but longer residence — will get to keep the \$250 a month bonus, as well as public assistance benefits.

"It means some elderly poor people will have to make a choice between benefits, while other poor people, people on middle incomes, and the rich do not," explained Marsha Hubbard, aide to Gov. Bill Sheffield.

That's the fallout from a federal ruling that treats "new" bonus checks as income but exempts "old" bonus checks in determining eligibility for public assistance programs.

State legislators expanded the Longevity Bonus program last year to include all seniors 65 and over who had been in Alaska a year or longer. They were responding to a court order that declared the previous 25-year residency requirement unconstitutional.

The new program, which gives the same \$250 per month bonus as the old program, remains in place until next July

while a permanent program is being designed.

But the U.S. Congress this summer refused to grant recipients of the "new" bonus the same income exemptions for public assistance that had always been accorded to "old" bonus recipients.

For about 550 of those eligible for the "new" bonus, the ruling will have little effect. Public assistance dollars will be replaced by bonus dollars, and medical benefits will continue.

But for as many as 400 with slightly higher incomes, accep-

ting the bonus could mean trouble. Although the bonus would replace public assistance cash benefits dollar for dollar, the raise in income could be just enough to cancel valuable Medicaid benefits.

Since August, when the new federal rule went into effect.

Gov. Bill Sheffield and state administrators have been scrambling to prevent even greater problems for public assistance recipients who qualify under the "new" bonus regulations.

The biggest blow to benefits would come if the federal

Continued on page 27

INSIDE: Who should apply? page 26

It could be worse page 27



Up in smoke?

Do you know how to operate a fire extinguisher? Leo Josey demonstrates his technique at the recent safety seminar at the Anchorage senior center. For more on safety, see pages 20-21. (Photo by S.J. Birdsall)

No gain, but bonus problem could be worse

Although more than 960 eligible older Alaskans will see little or no gain from the state's "new" Longevity Bonus program, it could be worse.

They could be forced to count the bonus as a "prior resource."

And that could mean loss of both public assistance cash and Medicaid benefits for as many as 414 seniors, whether they actually apply for the bonus or not.

Questions concerning "old" Longevity Bonus recipients (those who qualify under the original law which requires 25 years or more of state residency) and their equality with "new" Longevity Bonus recipients (those who qualify under a law passed last year that requires only one year of residency) surfaced in August with passage of the federal Deficit Reduction Act.

The measure, which became law immediately, let stand a Social Security exemption rule that allows 25-year residents to receive "old" bonus payments in addition to their federal and state public assistance cash and Medicaid benefits.

What the act did not do was allow seniors who qualify for the "new" bonus to exclude these payments from their "countable income."

And the act left hanging a decision on treating the bonus as a "prior resource," income

Public Assistance and the Bonus

'Old' Bonus recipients

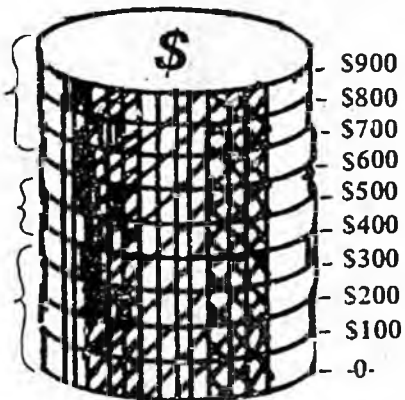
\$836+ Medicaid

Longevity Bonus, \$250 not counted as income for "old" bonus program recipients

OAA allows recipients to keep \$20 of non-public assistance income

OAA gives \$246 as supplement to "countable" income to bring income up to \$566

Social Security, \$340

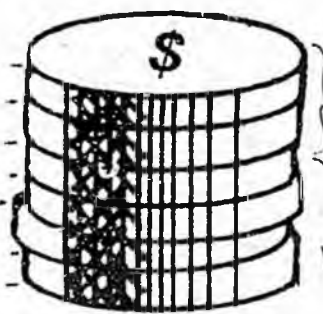


'New' Bonus recipients

\$590 - No Medicaid

Longevity Bonus \$250, counted as income for "new" bonus program recipients

Social Security, \$340



An example of how the bonus will be counted for some public assistance recipients but not for others.

which you are entitled to get and thus must count as if it had been received.

Since passage of the Deficit Reduction Act, Gov. Bill Sheffield's staff has been scrambling to deal with both the prior resource ruling and the exclusion of bonus payments from "countable" income.

"The governor's Washington (D.C.) office is working with Secretary (Margaret) Heckler's

chief counsel" on the matter, said Sheffield aide Marsha Hubbard. Heckler, head of the Department of Health and Human Resources, will make the determination on prior resource.

At *Senior Voice* deadline no decision had been announced. However, state officials and regional federal officials expressed optimism at the outcome.

"It's looking good for this interim fix," Hubbard said.

With the "fix," those eligible for both Longevity Bonus and public assistance programs would be able to choose between benefits. If the bonus put them over the income eligibility for Medicaid, they could choose not to apply for the bonus.

Without this "fix," hardest hit would be 33 to 40 nursing home patients whose \$1,000-to \$2,000-a-month medical bills

are now paid by Medicaid. If forced to take the bonus, most would be over the income level for Medicaid. Yet, their incomes would still be far below the cost of their care.

While this interim relief could save many from immediate harm, Hubbard explained, it doesn't address the basic problem that some of the needy will get a benefit that other needy people will not get.

964 poor will gain nothing from bonus

Continued from page 1

Department of Health and Human Resources (HHR) determines the "new" bonus must be treated as a "prior resource." If so, the bonus would be counted for everyone who is eligible, even those who do not apply for the bonus. Sheffield has asked that public assistance recipients be given their choice of benefits.

Especially vulnerable in the "prior resource" decision would

be 30 or 40 seniors in nursing homes whose incomes without the bonus qualify them for Medicaid. If forced to apply for the bonus, these patients would lose public assistance medical benefits worth thousands of dollars a month.

At *Senior Voice* deadline state officials were hopeful the issue would be decided in their favor.

"The governor wrote to Secretary Heckler (Margaret Heckler of HHR) Aug. 20 asking her

to make the bonus an option," explained Hubbard.

"Word we get is that it's looking good," Hubbard said.

If favorable, the ruling will mean no immediate harm will come to "new" bonus-eligible public assistance recipients, as long as they don't apply for the bonus.

Some of the 300 public assistance recipients who have applied under the "new" bonus rules have already begun to feel the effects of the federal rule.

State law requires that the state follow federal rules in determining eligibility for state public assistance benefits. When the federal rule became law, state officials put into effect an emergency regulation declaring that "new" bonus payments must be counted as income.

Although the Division of Public Assistance "intentionally stalled" as long as officials felt they could, several seniors have now been kicked off state public assistance, according to Gordon Landes, program director.

"Currently, some Old Age Assistance recipients have been cut off, but they went right back on because of hearing reversal," Landes said.

Senior Voice deadline, hearing results had not been released. But further appeals within the state administration and eventual court action against the state are expected.

While many state officials see

the federal ruling — which once again divides seniors according to length of residency — as potentially unconstitutional, they caution against challenging the rule in court.

"If we sue and win, the judge could eliminate the exemption for everyone, and that would harm all those who already have the ("old") bonus," said Rep. Don Clocksin (D-Anchorage).

But other remedies, such as

having the state pick up public assistance costs disallowed under current state and federal rules, may not be acceptable.

"The state really doesn't want to take care of it. We're not pleased that the legislature has been put in a position of solving a federal problem," said Sen. Pat Rodey (D-Anchorage).

Alaska's congressional delegation, along with the state administration, should work to solve it, he added.

Paul Fischer



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