

ALASKA LEGISLATIVE COMMITTEE FILES 1985-1986 86/2

4343 SSTA SB 10 - SB 56

122



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James A. Smith
Signature of Camera Operator

11/24/89
Date

SB

10



10 January 1985

FILE COPY

Tim
Dear ~~Senator Kelly~~:

The soldiers of the Alaska Army National Guard join me in expressing our appreciation to you for the introduction of Senate Bill 10 which would increase retirement benefits for the Alaska National Guard and the Alaska Naval Militia. Alaska's National Guard is growing at an unprecedented rate in both strength and capability. This is due in large measure to the great support provided by legislators such as you.

Thank you, and if I can be of assistance to you, please give me a call.

Sincerely,

JOHN V. HOYT
Brigadier General, AK ARNG
Asst Adjutant General (Army)

Senator Tim Kelly
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Talk to
Answer

Legislation Committee Report - CMSgt Steve February, HQ AK ANG

Last year the Alaska National Guard Enlisted Association was instrumental in passage of Alaska State House Bill Number 498 - relating to military retirement benefits. A member who has at least five years service in the Alaska National Guard is now vested in the Alaska National Guard State retirement.

The 1985 Legislature session will convene in January 1985 and the Legislation Committee needs your help in establishing priority legislation for the 1985 session.

Please number the following items in the priority you would like to see passed this upcoming Legislature session. After completion, please send to the Legislation Committee.

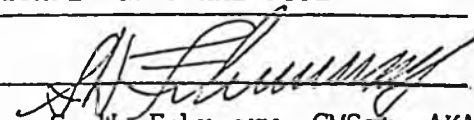
Priority Number

- 6 Distinctive license plates for Alaska National Guard personnel.
- 7 Unit Morale Support Fund - State to provide unit commanders \$10.00 per year for each enlisted member.
- 3 Veteran's Rights - Grant National Guard members who have successfully completed 5 years of guard membership the same veteran's rights and hiring preferences currently given other veterans.
- 4 Deceased Guardsman's Dependant Benefits - Grant free tuition to state institutions of higher learning for dependents of Alaska National Guard members who die in the line of duty.
- 5 Student Loan Forgiveness - Provide for loan forgiveness of 10% for every year of successful Alaska National Guard membership.
- 1 Alaska National Guard State Retirement - Increase the Alaska National Guard State retirement from \$100.00 per month to \$200.00 per month.
- 2 Tuition Exemption for Alaska National Guard - Provide for tuition exemption to Alaska state institutions of higher learning for all members of the Alaska National.

Other: _____

Note: 1000 questionnaires were sent out, 652 were returned.

Listed above is the results of the survey for priority legislation for the Alaska National Guard Enlisted Association for 1985.


S. W. February, CMSgt, AKANG
Chairman Legislation Committee

Rationale' and Fiscal Justification
To accompany HB _____

Obtaining and retaining good, qualified and dedicated people in the Alaska Air and Army National Guard and the Naval Militia, is an increasingly difficult task as the rates of pay and conditions accompanying civilian employment opportunities outstrip the US Congress' and the Department of Defense's efforts to align military pay rates. This is doubly true in Alaska where there is no additional "cost of living allowance" given to reserve members for their weekend duty; they receive the same pay as their counterpart in Tennessee or Texas.

Obtaining and retaining good, qualified and dedicated people in the Alaska Air and Army National Guard and Naval Militia is in the very best interests of the State and its citizens. Over and over again it has been demonstrated that the men and women of these fine units, scattered all over the State, have been available, trained and equipped to assist in disasters and times of physical strain on the State's infrastructure. The Air Guard with perhaps the most ideally suited mission and aircraft, is prepared 24 hours a day to assist in earthquake recovery, flood recovery, evacuations, emergency delivery of supplies, equipment and people almost anywhere, with factory new Lockheed C-130H "Hercules" aircraft.

The Army Guard's numerous missions throughout the state, equipped with severe climate cross-terrain capabilities as well as helicopter and fixed wing aircraft, has come to the rescue in large and small scale emergencies countless times.

All these assets, nearly 4,000 men and women and hundreds of millions of dollars worth of transportation, communications and support equipment and supplies are all placed in the State by Federal sources utilizing Federal funds. State support of these forces is miniscule to scale both with the benefits and the actual resources expended...yet they are all under the peace-time control of the Governor; directed daily by the Governor's Commissioner of the Department of Military Affairs - The Adjutant General.

Alaska has a highly transient population. It also has a high percentage of military residents at any given time. The skills and dedication are available if they can but be enticed to participate. Military people completing a partial career in the regular USAF and ARMY obtain release from the service to remain in Alaska in great numbers. Their skills and experience with say a 10-year career, are of great value to Alaska, and can be obtained and placed in reserve at minimal cost.

Because military pay levels are set by Congress and the Department of Defense, some other method must be developed. This method is the existing State military retirement program, a matter of law since 1972. The rate was \$50 at that time, changing to \$100/month in 1980. It has remained at \$100 for over four (4) years now.

It is important to point out that the fiscal impact is relatively minor, even though the appeal is universal and of great recruiting and retention value. The reason is because the enabling statute correctly limits the monthly retirement payments to the same number of months that the member served satisfactorily. This means that a prior service person with 10 years of regular service, joining the Alaska National Guard or Naval Militia, and then completing another ten (10) years, would receive payments only for the second 10 years; WE RECEIVE THE BENEFIT OF THE FIRST TEN (10) AT NO COST WHATSOEVER!

The amount of the monthly retirement payment was insufficient when first created, as the fiscal climate in the state was no where as developed as it is now. \$100.00 is of decreasing value, and is even below the monthly allowable individual retirement account (IRA) contribution limit allowed by the IRS.

There are currently 346 men and women retired and qualified for

**STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 10
 Title: National Guard/Naval Militia Retirement Benefit
 Sponsor: Kelly, Halford, Sackett,
Requestor: Faiks, & Kertulla
 Date of Request: 15 January 1985

FISCAL DETAIL

Agency Affected: Military & Veterans Affairs
 Program Category Affected: Public Protection
 BRU, Program or Subprogram(s) Affected: Alaska National Guard
Life & Property Protection

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL		669.5	669.5	669.5		
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		669.5	669.5	669.5		

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND		669.5	669.5	669.5		
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

This would increase the National Guard/Naval Militia Retirement Benefit from \$100.00 to \$150.00 per month.

Prepared By: Richard L. Rountree, Director Phone: 465-4600
 Division: Administrative & Support Services Date: 15 January 1985
 Approved by Commissioner: MG Edward G. Pagano Date: 15 January 1985
 Agency: Dept. of Military & Veterans Affairs

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

7/1/84

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

1/14/85

Date 1/22/85

Mr. President

The Committee on STATE AFFAIRS considered SB 10

increasing military retirement benefits for the Alaska National Guard and the Alaska Naval Militia.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back ^{as follows:} ~~without recommendation~~
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Seeley No Rec
V. Fischer No Rec

Senator M. D. Alford

Chairman
Bob Foss (name unavailable)

Chairman recommendation



RECORDS CERTIFICATION

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James O. Smith
Signature of Camera Operator

11/24/89
Date

S B

18

COMMITTEE REPORT
SENATE

FURTHER:

L & C
FINANCE

1/14/85

Date

1/22/85

Mr. President

The Committee on STATE AFFAIRS considered SB 18

establishing "William A. Egan Day" on October 8 of each year.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Michael Hood

V. Fischer

Bill Kay

MEMBERS HAVING
OTHER RECOMMENDATIONS

Senator Michael Hood
Chairman

Chairman recommendation

Senator Vic Fischer

Alaska State Legislature
Pouch V • Juneau, Alaska 99811 • (907) 465-4954



January 21, 1985

To: Senator Mitch Abood, Chair and
Members, Senate State Affairs Committee

From: Senator Vic Fischer

Re: Senate Bill 18 - William A. Egan Day

Senate Bill 18 designates October 18 as a holiday in honor of William A. Egan, Alaska's first Governor.

Bill Egan's life reads like Alaska's history book. Born in Valdez in 1914, he graduated from Valdez High School in 1932 and went on to serve in the Territorial House of Representatives in 1941-43 and 1947-51.

In 1941 Bill Egan drafted the Statehood Referendum Act and later served as the President of the Constitutional Convention in 1955-56. He was elected Governor of Alaska in 1959-66 and again in 1971-74.

Bill joined the U.S. Army in 1943 and was elected Mayor of Valdez the same year he was discharged, 1946. He was honored as Alaskan of the year in 1971 and awarded an Honorary LL.D. from the University of Alaska in 1972.

SB 18 calls for William A. Egan Day to be observed by suitable ceremonies and exercises by civic groups and the public. It does not create a state holiday, nor does it require any expenditure of public funds: something Bill Egan would have supported.

At his death last year, thousands of Alaskans from all over the state and nation joined in ceremonies honoring Bill's lifetime of service to Alaska. SB 18 is a way of assuring that Bill Egan's contribution to building the state he loved is never forgotten.

/gb



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James O. Smith
Signature of Camera Operator

11/24/89
Date

S B

2 3

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

1/14/85

Date 1/22/85

Mr. President

The Committee on STATE AFFAIRS considered SB 23

making members of the Alaska Territorial Guard eligible for a death gratuity.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

W. J. ...

V. ...

[Signature]

Chairman

[Signature]

Chairman recommendation

**STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 23
 Title: Veterans Burial Allowance
Alaska Territorial Guard
 Sponsor: Ferguson, Halford, et al
 Requestor: Military & Vets Affairs
 Date of Request: 16 January 1985

FISCAL DETAIL

Agency Affected: Military & Veterans Affairs
 Program Category Affected: Public Protection
 BRU, Program or Subprogram(s) Affected:
Veterans Affairs (Veterans Benefits)

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		3.0	3.0	3.0		
800 MISCELLANEOUS						
TOTAL OPERATING		3.0	3.0	3.0		

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND		3.0	3.0	3.0		
FEDERAL FUNDS						
OTHER						
TOTAL		3.0	3.0	3.0		

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Amend Chapter 98, SLA 82 to add members of the Alaska Territorial Guard as those eligible to receive a State Burial Allowance of \$750. It is estimated that this bill would affect four families annually.

Prepared By: Richard L. Rountree
 Division: Administrative & Support Services
 Approved by Commissioner: MG Edward G. Pagano
 Agency: Dept. of Military & Veterans Affairs

Phone: 465-4600
 Date: 16 January 1985
 Date: 16 January 1985

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

7/1/84

SB 23

BILL SHEFFIELD, GOVERNOR

REPLY TO:

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

September 14, 1984

Mr. Al Adams, Chairman
House Finance Committee
Pouch V
Juneau, AK 99811

1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-3550

1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 400
FAIRBANKS, ALASKA 99701
PHONE: (907) 452-1568

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

Re: Territorial Guardsmen; burial allowance provided
by AS 26.10.080

Dear Mr. Adams:

In your letter of September 5, 1984, you requested an opinion from this office as to whether former members of the Alaska Territorial Guard (ATG) may be eligible for burial allowances under AS 26.10.080 (.080). The following analysis and historical review of the ATG's status under .080 is submitted in response to your request. In our opinion, former members of the ATG are not eligible for burial allowances under that provision.

The statute in question provides that burial allowances will be paid to a qualifying veteran. The statute then defines a veteran, in pertinent part in AS 26.10.080(d)(1), as a person who is serving or has served in a branch of the armed services of the United States, and in (d)(2) of that section, as a person who had served in the Alaska Army National Guard, the Alaska Air National Guard, or the Alaska Naval Militia, or who had served in a reserve unit of the United States Armed Forces in Alaska. AS 26.10.080. The ATG is not expressly included within the definition of veteran in .080. On the face of .080, therefore, former members of the ATG are ineligible for burial allowances provided by that statute.

The reason for the omission of the ATG is not clear, however, and may have been either intentional or accidental. That the omission may have been intentional is evident when comparing .080 with AS 26.05.225 (.225), which provides credit to former members of the ATG for the purpose of determining eligibility for retirement pay. The provision of a benefit to former members of the ATG through .225 implies that the legislature was aware of the existence of the ATG, and hence the omission of the ATG from .080 appears to be deliberate.

In the alternative, the omission of the ATG from benefits under .080 may have been accidental because the legislature may not have been aware of the distinction between

the ATG and the Alaska National Guard. The reason for this confusion will be discussed in the paragraphs following. AS 26.05.225 indicates that it was the legislature's intent to provide at least certain benefits to former members of the ATG. It is therefore possible to imply that the legislature would have included burial allowances as well under .080 but did not only by reason of accident.

Mr. Ernest Gruening, the territorial governor of Alaska, notes that when he took office in 1939 there had never been a National Guard in Alaska, that he took steps to organize one and that he requested federal authorization to do so. Gruening, Introduction to M. Marston, Men of the Tundra, at 3, 1972. On December 31, 1941, presumably as a result of Mr. Gruening's efforts, the U.S. Congress approved an act to establish a military code for the territory of Alaska, H. Res. 5822, 77th Cong., 1st Sess., ch. 644, Dec. 31, 1941 (1941 Act). That Act declared that the militia of the territory of Alaska was to be divided into two classes: the Organized Militia, known as the Alaska National Guard, and the Unorganized Militia. 1941 Act, § 1. The Act further provided that the governor of the territory of Alaska had authority to organize a Territorial Guard. 1941 Act, § 6. In apparent support of the federal act, the legislature of the territory of Alaska appropriated certain monies to the National Guard of Alaska. 1941 Alaska Sess. Laws, ch. 60, H.B. 122; 1943 Alaska Sess. Laws, chs. 26, 27, H.B. 55, 56; 1945 Alaska Sess. Laws, ch. 64, H.B. 65. Finally, in 1949 the territory of Alaska created an Alaska Territorial Militia which the territorial legislature referred to as the Alaska National Guard. 1949 Alaska Sess. Laws, ch. 120, H.B. 22.

Confusion may have arisen in the legislature over the separate identities of the various militias which had been created in the 1940's. If such confusion existed, it may have led to the omission of the ATG in .080. To prevent further confusion, therefore, it is recommended that when a former member of a militia in the territory of Alaska claims burial allowances under .080, it should be ascertained at the outset whether that person was a member of the federally created Alaska National Guard, which is expressly covered under .080, or whether that individual was a member of the ATG organized by the governor of Alaska, which is not covered under .080.

Unless strong evidence to the contrary is found, a member of the ATG does not fall within the purview of .080(1) or (2) on the strength of the 1941 Act. This is based in large part on the fact that the 1941 Act does not expressly state that the Territorial Guard is a part of the Alaska National Guard and does not expressly describe the Territorial Guard either as a branch of the federal armed forces or as a part of the Unorganized

Mr. Al Adams, Chairman
House Finance Committee

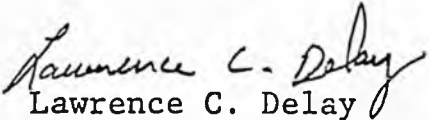
September 14, 1984
Page 3

Militia. While the Territorial Guard received federal sanction under the 1941 Act, was subject to regulations of discipline in training prescribed by the U.S. Secretary of War and received federal arms and equipment, 1941 Act, § 7, the Territorial Guard, was nonetheless a body organized by the territory of Alaska and existed independently of the Alaska National Guard and other branches of the federal armed forces.

In conclusion, whether by accident or by intent, the legislature which enacted .080 did not expressly provide burial allowances to ATG members through that section. Furthermore, a review of the federal act which sanctioned the Alaska National Guard and gave permission to the governor of Alaska to create the ATG does not lead to the conclusion that the ATG was either a part of the National Guard or otherwise a part of the federal armed forces of the United States. The ATG does not therefore fall within the purview of AS 26.10.080(d)(1) or (2) as it is not a part of the National Guard or any branch of the U.S. armed services. A former member of the ATG is therefore not eligible to receive burial allowances under AS 26.10.080.

Sincerely yours,

NORMAN C. GORSUCH
ATTORNEY GENERAL

By: 
Lawrence C. Delay
Assistant Attorney General

LCD:ihr

BILL SHEFFIELD, GOVERNOR

**DEPARTMENT OF MILITARY
AND VETERANS AFFAIRS**

SUITE 620 FRONTIER BUILDING
3601 "C" STREET
ANCHORAGE, ALASKA 99503
PHONE: (907) 243-0656 AUTOVON: 862-7210

OFFICE OF THE ADJUTANT GENERAL

September 18, 1984

Representative Al Adams
P.O. Box 333
Kotzebue, Alaska 99752

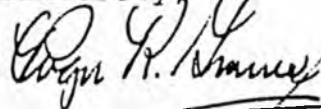
Dear Representative Adams:

I am in receipt of a copy of the letter dated 14 September from Mr. Delay of the Attorney General's office where he discusses the Alaska Territorial Guardsmen and the Veterans Burial Allowance Program as provided by AS 26.10.080. Unfortunately as presently written, the statute does not include Alaska Territorial Guardsmen.

Prior to Mr. Delay's research and the Attorney General's opinion, Major General Edward G. Pagano, the Adjutant General and Commissioner of the Department of Military and Veterans Affairs, submitted to the Governor the department's legislative packet which contained a bill that would amend AS 26.10.080 to include members of the Alaska Territorial Guard. A copy is attached for your reference.

It is this department's opinion that members of the Alaska Territorial Guard made a significant contribution to the Territory and State of Alaska and should be included along with other veterans in the state's Death Benefit Program.

Sincerely,



Roger K. Graves, Director
Division of Veterans Affairs
Department of Military &
Veterans Affairs

RKG/bs

Attachment

1985 LEGISLATIVE PROPOSAL REQUEST FORM

DATE: 30 August 1984

DEPARTMENT OF MILITARY AND VETERAN'S AFFAIRS

SUBJECT OF PROPOSED BILL: Amend SLA 1982 Chapter 98 to add members of the Alaska Territorial Guard as those eligible to receive the Veterans Burial Allowance of \$750.00.

SUMMARY/EXPLANATION OF INTENT:

The Alaska Territorial Guard was composed of members of the State Defense Force who remained in Alaska during armed hostilities when the enemy forces actually occupied the Territory of Alaska. These people no less than other veterans or members of the National Guard served the State in a defense role and should be accorded the burial allowance accorded other members of the National Guard.

ESTIMATED FISCAL IMPACT:

Capital: -0-

Operating: \$3,000.00 per year

Rate the bill's importance to the department by priority number (in relationship to your department's other requests if any).

Five (5).

COMMISSIONER'S SIGNATURE: _____

DATE: _____

Governor's Office Recommendation:

SB 23

BILL SHEFFIELD, GOVERNOR

REPLY TO:

1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-3550

1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 400
FAIRBANKS, ALASKA 99701
PHONE: (907) 452-1568

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

September 14, 1984

Mr. Al Adams, Chairman
House Finance Committee
Pouch V
Juneau, AK 99811

Re: Territorial Guardsmen; burial allowance provided
by AS 26.10.080

Dear Mr. Adams:

In your letter of September 5, 1984, you requested an opinion from this office as to whether former members of the Alaska Territorial Guard (ATG) may be eligible for burial allowances under AS 26.10.080 (.080). The following analysis and historical review of the ATG's status under .080 is submitted in response to your request. In our opinion, former members of the ATG are not eligible for burial allowances under that provision.

The statute in question provides that burial allowances will be paid to a qualifying veteran. The statute then defines a veteran, in pertinent part in AS 26.10.080(d)(1), as a person who is serving or has served in a branch of the armed services of the United States, and in (d)(2) of that section, as a person who had served in the Alaska Army National Guard, the Alaska Air National Guard, or the Alaska Naval Militia, or who had served in a reserve unit of the United States Armed Forces in Alaska. AS 26.10.080. The ATG is not expressly included within the definition of veteran in .080. On the face of .080, therefore, former members of the ATG are ineligible for burial allowances provided by that statute.

The reason for the omission of the ATG is not clear, however, and may have been either intentional or accidental. That the omission may have been intentional is evident when comparing .080 with AS 26.05.225 (.225), which provides credit to former members of the ATG for the purpose of determining eligibility for retirement pay. The provision of a benefit to former members of the ATG through .225 implies that the legislature was aware of the existence of the ATG, and hence the omission of the ATG from .080 appears to be deliberate.

In the alternative, the omission of the ATG from benefits under .080 may have been accidental because the legislature may not have been aware of the distinction between

the ATG and the Alaska National Guard. The reason for this confusion will be discussed in the paragraphs following. AS 26.05.225 indicates that it was the legislature's intent to provide at least certain benefits to former members of the ATG. It is therefore possible to imply that the legislature would have included burial allowances as well under .080 but did not only by reason of accident.

Mr. Ernest Gruening, the territorial governor of Alaska, notes that when he took office in 1939 there had never been a National Guard in Alaska, that he took steps to organize one and that he requested federal authorization to do so. Gruening, Introduction to M. Marston, Men of the Tundra, at 3, 1972. On December 31, 1941, presumably as a result of Mr. Gruening's efforts, the U.S. Congress approved an act to establish a military code for the territory of Alaska, H. Res. 5822, 77th Cong., 1st Sess., ch. 644, Dec. 31, 1941 (1941 Act). That Act declared that the militia of the territory of Alaska was to be divided into two classes: the Organized Militia, known as the Alaska National Guard, and the Unorganized Militia. 1941 Act, § 1. The Act further provided that the governor of the territory of Alaska had authority to organize a Territorial Guard. 1941 Act, § 6. In apparent support of the federal act, the legislature of the territory of Alaska appropriated certain monies to the National Guard of Alaska. 1941 Alaska Sess. Laws, ch. 60, H.B. 122; 1943 Alaska Sess. Laws, chs. 26, 27, H.B. 55, 56; 1945 Alaska Sess. Laws, ch. 64, H.B. 65. Finally, in 1949 the territory of Alaska created an Alaska Territorial Militia which the territorial legislature referred to as the Alaska National Guard. 1949 Alaska Sess. Laws, ch. 120, H.B. 22.

Confusion may have arisen in the legislature over the separate identities of the various militias which had been created in the 1940's. If such confusion existed, it may have led to the omission of the ATG in .080. To prevent further confusion, therefore, it is recommended that when a former member of a militia in the territory of Alaska claims burial allowances under .080, it should be ascertained at the outset whether that person was a member of the federally created Alaska National Guard, which is expressly covered under .080, or whether that individual was a member of the ATG organized by the governor of Alaska, which is not covered under .080.

Unless strong evidence to the contrary is found, a member of the ATG does not fall within the purview of .080(1) or (2) on the strength of the 1941 Act. This is based in large part on the fact that the 1941 Act does not expressly state that the Territorial Guard is a part of the Alaska National Guard and does not expressly describe the Territorial Guard either as a branch of the federal armed forces or as a part of the Unorganized

Mr. Al Adams, Chairman
House Finance Committee

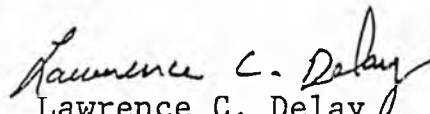
September 14, 1984
Page 3

Militia. While the Territorial Guard received federal sanction under the 1941 Act, was subject to regulations of discipline in training prescribed by the U.S. Secretary of War and received federal arms and equipment, 1941 Act, § 7, the Territorial Guard, was nonetheless a body organized by the territory of Alaska and existed independently of the Alaska National Guard and other branches of the federal armed forces.

In conclusion, whether by accident or by intent, the legislature which enacted .080 did not expressly provide burial allowances to ATG members through that section. Furthermore, a review of the federal act which sanctioned the Alaska National Guard and gave permission to the governor of Alaska to create the ATG does not lead to the conclusion that the ATG was either a part of the National Guard or otherwise a part of the federal armed forces of the United States. The ATG does not therefore fall within the purview of AS 26.10.080(d)(1) or (2) as it is not a part of the National Guard or any branch of the U.S. armed services. A former member of the ATG is therefore not eligible to receive burial allowances under AS 26.10.080.

Sincerely yours,

NORMAN C. GORSUCH
ATTORNEY GENERAL

By: 
Lawrence C. Delay
Assistant Attorney General

LCD:ihr

BILL SHEFFIELD, GOVERNOR

**DEPARTMENT OF MILITARY
AND VETERANS AFFAIRS**

SUITE 620 FRONTIER BUILDING
3601 "C" STREET
ANCHORAGE, ALASKA 99503
PHONE: (907) 243-0656 AUTOVON: 862-7210

OFFICE OF THE ADJUTANT GENERAL

September 18, 1984

Representative Al Adams
P.O. Box 333
Kotzebue, Alaska 99752

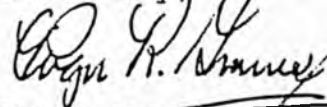
Dear Representative Adams:

I am in receipt of a copy of the letter dated 14 September from Mr. Delay of the Attorney General's office where he discusses the Alaska Territorial Guardsmen and the Veterans Burial Allowance Program as provided by AS 26.10.080. Unfortunately as presently written, the statute does not include Alaska Territorial Guardsmen.

Prior to Mr. Delay's research and the Attorney General's opinion, Major General Edward G. Pagano, the Adjutant General and Commissioner of the Department of Military and Veterans Affairs, submitted to the Governor the department's legislative packet which contained a bill that would amend AS 26.10.080 to include members of the Alaska Territorial Guard. A copy is attached for your reference.

It is this department's opinion that members of the Alaska Territorial Guard made a significant contribution to the Territory and State of Alaska and should be included along with other veterans in the state's Death Benefit Program.

Sincerely,



Roger K. Graves, Director
Division of Veterans Affairs
Department of Military &
Veterans Affairs

RKG/bs

Attachment

1985 LEGISLATIVE PROPOSAL REQUEST FORM

DATE: 30 August 1984

DEPARTMENT OF MILITARY AND VETERAN'S AFFAIRS

SUBJECT OF PROPOSED BILL: Amend SLA 1982 Chapter 98 to add members of the Alaska Territorial Guard as those eligible to receive the Veterans Burial Allowance of \$750.00.

SUMMARY/EXPLANATION OF INTENT:

The Alaska Territorial Guard was composed of members of the State Defense Force who remained in Alaska during armed hostilities when the enemy forces actually occupied the Territory of Alaska. These people no less than other veterans or members of the National Guard served the State in a defense role and should be accorded the burial allowance accorded other members of the National Guard.

ESTIMATED FISCAL IMPACT:

Capital: -0-

Operating: \$3,000.00 per year

Rate the bill's importance to the department by priority number (in relationship to your department's other requests if any).

Five (5).

COMMISSIONER'S SIGNATURE: _____

DATE: _____

Governor's Office Recommendation:

**STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 23
 Title: Veterans Burial Allowance
Alaska Territorial Guard
 Sponsor: Ferguson, Halford, et al
 Requestor: Military & Vets Affairs
 Date of Request: 16 January 1985

FISCAL DETAIL

Agency Affected: Military & Veterans Affairs
 Program Category Affected: Public Protection
 BRU, Program or Subprogram(s) Affected:
Veterans Affairs (Veterans Benefits)

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		3.0	3.0	3.0		
800 MISCELLANEOUS						
TOTAL OPERATING		3.0	3.0	3.0		

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND		3.0	3.0	3.0		
FEDERAL FUNDS						
OTHER						
TOTAL		3.0	3.0	3.0		

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Amend Chapter 98, SLA 82 to add members of the Alaska Territorial Guard as those eligible to receive a State Burial Allowance of \$750. It is estimated that this bill would affect four families annually.

Prepared By: *RLO* Richard L. Rountree
 Division: Administrative & Support Services

Phone: 465-4600
 Date: 16 January 1985

Approved by Commissioner: *Edward G. Pagano* Edward G. Pagano
 Agency: Dept. of Military & Veterans Affairs

Date: 16 January 1985

Distribution (by Agency preparing fiscal note):

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

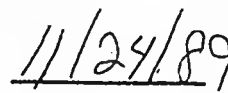
7/1/84



RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

S B

5 6

AMENDMENTS TO SENATE BILL 56

BY RAY

Page 4, lines 14-17: Delete all material and replace with the following:

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

Page 8, Lines 15 and 16: Delete all material and replace with the following:

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

Page 11, Line 19: After the word "payment" insert the following:

"set out in (a) of this section"

A M E N D M E N T

TO: SB 56

Page 10, line 24, after (d):

Delete "An annuity share" and insert "Except as provided in (e) of this section, an annuity account"

Page 10, line 28 through page 11, line 1:

Delete all material and insert "(e) If a person dies before age 65, that person's account balance shall, subject to appropriation, be paid as a lump sum to the surviving spouse by right of survivorship unless a different beneficiary was designated. When no spouse survives and no beneficiary was designated, the account balance shall be paid to the decedent's estate."

A M E N D M E N T

TO: SB 56

Page 10, line 24, after (d):

~~X~~ 3
Delete "An annuity share" and insert "Except as provided in (e) of this section, an annuity account"

Page 10, line 28 through page 11, line 1:

Delete all material and insert "(e) If a person dies before age 65, that person's account balance shall, subject to appropriation, be paid as a lump sum to the surviving spouse by right of survivorship unless a different beneficiary was designated. When no spouse survives and no beneficiary was designated, the account balance shall be paid to the decedent's estate."

POSITION PAPER

BILL NO.: SENATE BILL NO. 56

DATE: 1-24-85

TITLE: "An Act amending the longevity bonus program and the permanent dividend program, establishing an annuity program, and providing for an effective date."

CONTACT: DHSS/3030
DOA/2200
DOR/2300

1. INTRODUCTION -

Senate Bill 56 amends various sections of the Alaska Statutes regarding the longevity bonus and the Permanent Fund and thereby creates three major impacts:

a) Continues the bonus program for all persons age 65 by 1986 and pays these persons a benefit level of \$250 per month plus 3% per annum for life. b) Phases out the bonus program for everyone younger than 65 (in 1986) and pays these persons an ever-reducing benefit level until sometime in the early part of the 21st Century when the benefit reaches zero. c) Creates a state supplemental retirement program (the annuity program) for those under 65 (in 1986) who choose to defer/invest their annual permanent fund dividends.

This position paper contains analyses provided by the Departments of Health and Social Services, Administration, and Revenue. The Departments of Revenue and Administration have provided fiscal notes for the costs of administration of both the altered Longevity Bonus Program and the Annuity Program.

Fiscal notes are limited to the administrative costs of implementation of this Act, because the program costs (the cost of living escalator in the Longevity Bonus Program and the front loading costs in the annuity program) are so interrelated and dependent upon one another that the variables generate a multitude of different estimated costs of the program.

When this bill was presented to the Alaska Longevity Bonus Task Force, the authors of the bill envisioned a 3% escalator in the longevity bonus and a front loading match of 25% of the Permanent Fund dividend checks which were deferred. The number of checks deferred was based upon an assumption that 30% of those eligible to defer would defer 100% of their check. Based upon all of these assumptions, the costs of the program would be an additional \$25.2 million in FY 86, \$26.5 million in FY 87, and \$27.7 million in FY 88 above that which is already budgeted for the current longevity bonus payment. The drafters also assumed that these front loading costs would cease after FY 88.

Therefore the costs of the bill using these assumptions would be as follows:

	<u>FY86</u>	<u>FY87</u>	<u>FY-88</u>	<u>Source</u>
Front-Loading	25,200.0	26,500.0	27,000.7	Gen. Fund/Reserve Acct. PF
PFD BRU	1,306.2	-0-	-0-	Annuity Fund
Treasury BRU	9.3	11.1	14.8	Annuity Fund
Public Svcs BRU	635.7	450.5	339.3	General Fund
Longevity Bonus BRU	10.0	-0-	-0-	General Fund
Annuity DP BRU	814.5	67.7	71.2	Annuity Fund
Annuity Mgt BRU	150.1	174.8	183.6	Annuity Fund
SB 56 Cost:	<u>28,125.8</u>	<u>27,204.1</u>	<u>27,609.6</u>	
ALB Program	50,200.0	53,900.0	57,300.0	General Fund
Total Cost:	<u>78,325.8</u>	<u>81,104.1</u>	<u>84,909.6</u>	

2. DEPARTMENT OF ADMINISTRATION -

The Department of Administration has two concerns about the 3% annual escalation of the longevity bonus proposed in SB56. First, it is artificial, not based on real inflation projections. Second, the cost-of-living increase is only for grandfathered seniors, paid for by the reduction in benefits paid to those seniors who were not grandfathered.

Under the annuity program described in Senate Bill 56, the Department of Administration will administer individual annuity accounts for 30% of the Permanent Fund dividend eligibles. This account management will include approximately 145,500 accounts in FY 86.

<u>FY</u>	<u># of PFD Eligibles</u>				<u># of Annuity Accounts</u>
FY86	485,000	x	30%	=	145,500
FY87	490,000	x	30%	=	147,000
FY88	500,000	x	30%	=	150,000
FY89	510,000	x	30%	=	153,000
FY90	521,000	x	30%	=	156,300

The Department will also make annuity payments to those persons over the age of 65 who were eligible. The payment stream of each individual account will be based on actuarial tables. Each year the analysis will have to be redone because account balances and fund balances would vary. The attached fiscal notes describe the resources required to manage these accounts.

3. DEPARTMENT OF REVENUE -

The proposed legislation directly impacts four divisions within DOR:

- Division of Administrative Services
- Division of Enforcement
- Division of Treasury
- Division of Public Services

For purposes of convenience, we have consolidated our responses into categories instead of along division lines:

- I. Introduction - The Annuity Program
- II. Section-by-Section Analysis of Amendments to AS 43
- III. Proposed Amendments
- IV. Division(s) Fiscal Notes

I Introduction The Annuity Program

Annuity Program

Under the annuity program established by SB 56, an eligible Alaska resident under the age of 65 as of January 1, 1986 may forego all or a portion, but not less than 25%, of their permanent fund dividend in exchange for a credit to an individual annuity account. Upon reaching the age of 65, that person will receive a monthly annuity for the remainder of their life that is based on the accumulated value of their annuity account, including interest, at age 65.

As it does currently, the Enforcement Division of the Department of Revenue will determine eligibility for a dividend. Under SB 56 the division of Administrative Services will provide to the Department of Administration, the amount, if any, each resident's annuity account would be credited as a result of electing such credit rather than a cash dividend. The total of such credits will be transferred to the annuity investment fund from the dividend fund.

The Treasury Division of the Department of Revenue will invest the annuity investment fund. Investments permitted are the same as those of the Public Employees Retirement Fund except that the fund may also be invested in commercial insurance contracts. *Periodically, the Treasury Division will notify the Department of Administration of the income realized by the fund. The Department of Administration will allocate this as a pro-rata credit to each person's annuity account based on the balance in their account.

At age 65, a monthly annuity payment will be established for each individual. It will be determined by either the annuity available on the market which can be purchased with the amount in the annuitant's account or an amount determined by the Department of Administration based on then current interest rates, mortality tables, and amounts on the account if an "in-house" option is chosen to meet the liability for annuity payments. Under the "in-house" option the State would continue to manage the investment of the funds in annuitants' accounts at age 65 and thereafter.

Each year, the legislature may appropriate from the annuity investment account the amount required to make the monthly payments to annuitants who are 65 or older. The amounts required will be transferred to the Department of Administration which will make the payments.

The appropriation could be of "the amount required by AS 43.23.130" or the Department of Administration could provide an estimate each year which would be inexact due to deaths during the year of annuitants or those who would become annuitants in that year.

Comments

The private insurance option transfers from the fund the risk of inadequate earnings on post-65 annuitants' accounts to cover liabilities for payments. Of course the risk is not totally avoided since there is always some credit risk that the insurer will fail.

However, by incorporating the private insurance option into the investment fund as an investment, a conflict can arise with AS 43.23.110(c) which required crediting annuity accounts with investment fund earnings. If average fund rate-of-return is less than that on the insurance contracts, full payment of monthly annuities to those over 65 cannot be made while also crediting under-65 accounts at the average rate of return. This is because in this case the average rate of return on under-65 accounts would be higher than the actual returns. Of course, the credits can be made since they don't require cash payment and over time the problem may be eliminated by years on which average fund earnings exceed insurance contract rates of return.

A more definitive solution might be to credit under-65 accounts only with earnings net of annuity payments, to establish separate funds for those over and under 65, or to make the insurance contracts simply contracts of the Department of Administration and not investments of the annuity investment funds. In the case of "in-house" management, similar conflict would exist AS 43.23.110(c) when assumed rates of return and mortality differ from that realized.

The other major aspect of the annuity program which may present technical problems is the allocation from "front-loading" in AS 43.23.110(b)(2) and (3). If the base amount in (b)(2) is a separate

appropriation or allocation in the legislation appropriating the "front-loading", then that base amount can be determined. In any event, (b)(3)'s derivation remains ambiguous.

II

Alaska Department of Revenue Section by Section Analysis of SB 56 January 21, 1985

- Section 1: Intent section, no effect on Department of Revenue except that paragraph (4), lines 3-5 sets up the relationship of two choices: annuity is the default unless applicant chooses cash. This affects form design and programming.
- Section 2: Amends AS 43.23.005(c). Replaces the word "payment" with "dividend," for consistency reasons. There is no direct effect on the Department of Revenue.
- Section 3: Amends AS 43.23.005 by establishing alternatives for PFD applicants:
- a) If person is 65 or older on December 31, 1985, there is only one choice - 100% cash dividend.
 - b) If person is under 65 on December 31, 1985, there are two basic choices:
 - 1) 100% cash.
 - 2) At least 25% cash, and between 1 and 75% annuity.
- Section 4: Amends AS 43.23.015(a). This change would appear to have no effect on the Department of Revenue unless the intent is to limit the Department of Revenue's ability to adopt regulations defining residency, etc., as opposed to just establishing the process.
- Section 5: Amends AS 43.23.015(b) by changing the affidavit printed on the application, so that the applicant signs a statement that he or she understands that they will lose all dividends and interest credited to his/her annuity account. It should be amended to say the person also loses all the legislative appropriations credited under AS 43.23.110 (Section 16 of this bill). This represents a major forms change, and more importantly, creates substantial collection problems leaving many questions unanswered. For example, it is clear that the Department of Revenue can use collection procedures to collect money paid to applicants as cash dividends and within the limits of Section 10, as well as collect funds transferred to the Department of Administration based on an option for annuity, however what about:

- 1) Collecting annuities already paid to a person over 65? Who collects it and how?
- 2) If Revenue attempts to retrieve money from the Department of Administration after conviction or discovery of error, which agency goes after money from the annuitant? Under what provision of law? What if there aren't enough funds in the dividends account?

Section 6: Amends AS 43.23.015(e) in an attempt at consistency. But given the extreme difficulties that exist in administering a trust for persons in custody of a public agency (typically children in custody of the Department of Health & Social Services) and the animosity that is generated in the parents, giving a state agency the option of irrevocably placing a custodial person's dividend in an annuity account seems certain to generate extreme animosity from those parents and potential law suits for the recovery of the funds.

Section 7: Amends AS 43.23.015(f) for consistency with the new concept of the PFD annuity. It is important to note that this does nothing to correct the potential problem mentioned in the analysis of Section 6. Otherwise there is no effect on the Department of Revenue.

Section 8: Amends AS 43.23.015 by adding a paragraph directing the Department of Revenue to provide an option on the PFD application. For consistency's sake, the wording on line 16-17 should be changed to reflect the wording of the option as given in Section 3. Section 8 implies only two choices: 100% cash or 100% annuity. This doesn't square with Section 3, which provides that every applicant receives at least 25% of the dividend value in cash. It should also be noted that the use of the term "permanent fund dividend" on line 17 in juxtaposition to the term "cash" implies that the term "permanent fund Dividend" is defined as meaning annuity credit. This is not the definition provided in Section 15. The only effect on the Department of Revenue of this section is to modify the form and explain the choices to the public.

Section 9: Amends AS 43.23.035 to reflect the new concept of the PFD annuity option. It is unclear as to whether "additional credits" on line 24 means an allocation of future legislated appropriations and/or interest accrued to original annuity credits. The language here should be coordinated with the language in Section 5. Again, there are enforcement/collection problems. What if annuity payments have already started and there is not enough left to pay back all the erroneously credited dividends? How is the balance collected, and by whom? To what fund(s) are collections credited?

Section 10: Amends AS 43.23.035 to provide a mechanism for the Department of Revenue to collect dividends erroneously credited to the annuity investment account. This section also distinguishes between the remedy available to the Department of Revenue when the error is the fault of the state and when the error is the fault of the individual. It is difficult to evaluate which date starts the clock - date credited, or date discovered.

Section 11: Amends AS 43.23.055 to redefine the duties of the Department of Revenue to reflect the new concept of a PFD annuity option. Lines 19-20 again implies two choices - 100% cash or 100% annuity. Under the provisions of Section 3, everyone receives at least 25% cash. Lines 11-13 on page 6 requires the Department of Revenue to provide information to the Department of Administration necessary to maintain the individual annuity account records and administer the annuity program. It would appear that this information exchange would consist of the following:

- 1) Each week, starting with the first PFD payment run in October, the Department of Revenue would notify the Department of Administration (via a computer tape) of those applicants who came up for payment and who chose that a percentage of their dividend be credited to their annuity account. This will allow the Department of Administration to credit the account with the proper amount and as of the date on which the applicant would have otherwise been paid cash. This reporting will go on weekly as long as the Department of Revenue is making payments from that particular year's file.
- 2) On a regular basis, the Department of Revenue would have to provide the Department of Administration with the interest rate that reflects the earnings of the annuity investment fund.
- 3) On a case by case basis over a 10-year period the Department of Revenue - Enforcement would notify the Department of Administration of erroneous payments and seek reimbursement from the annuity investment fund.

Sections 12 & 13: Amend AS 43.23.065 to reflect the new concept of a PFD annuity option. The general effect of Sections 12 and 13, taken together, seems to be that the portion of a dividend which is taken as a credit to an annuity is not subject to levy, execution, garnishment, attachment, or other remedies for the collection of debt. As a statute change unrelated to the annuity concept, Section 12 provides for 100% attachment of a cash dividend to satisfy a court-ordered restitution under AS 12.55.045 - 12.55.051 or 12.55.100. It is important that the court order will serve to attach

the dividend only if served on the Department of Revenue timely, as in the case of any other attachment order (CSED, IRS, etc.). Section 13 goes further by providing that in the case of a CSED arrearage or in the case of a civil judgement or order of restitution, the Department of Revenue or the Alaska courts, respectively, may require the defendant to take his/her entire PFD in cash. First of all, it is important to note that neither the Department of Revenue nor the court can force a person to apply for a dividend, but can force a selection of cash once the applicant has filed. There are two potential problems with Section 13:

- 1) The Department of Revenue cannot determine that an applicant meets the criteria of Section 13 until either CSED or a court agency serves an attachment order on the Department of Revenue - Enforcement, and in the case of CSED, indicating a past-due debt, and
- 2) Given that the overall thrust of Sections 12 and 13 is to exempt dividends selected as annuity credits from attachment, in the case of a person who owes (under Section 13) less than the amount of the total dividend, and originally chose the annuity option, it would seem that only an amount necessary to satisfy the debts under both the proposed AS 43.23.065(b) and (c) could be converted to the cash option, with the residual amount still protected from general attachment. This needs to be clarified.

Section 14: Amends AS 43.23.075 to reflect the new concept of a PFD annuity option. There is no effect on the Department of Revenue.

Section 15: Amends AS 43.23.095(b) to change the definition of "permanent fund dividend" to include the PFD annuity option. There is no effect on the Department of Revenue, save substantial changes to existing regulations.

Section 16: This section establishes the Annuity Program, to be administered by the Department of Administration. Although this section of the bill has very little impact on the Department of Revenue - PFD BRU, the following thoughts are offered for consideration:

- 1) AS 43.23.110(a), as proposed, provides for the gross amount selected as annuity credits to be transferred from the PFD fund to the annuity investment fund annually. As previously noted, the Department of Revenue could provide a magnetic file weekly as annuity participants come up for payment. The question is when does the interest envisioned in the proposed AS 43.23.110(c) begins to accrue: at payment of the residual cash dividend, or at some annual date upon transfer of the gross amount.

2) AS 43.23.110(b), as proposed, provides that the Legislature may appropriate additional funds to the annuity investment fund. Since this appropriation will likely be made during January - May of a given year, it should be clarified as to whether the appropriation is to be allocated between annuity participants of that same calendar year, or amongst those who selected the annuity option for the prior calendar year. If as the bill implies, the former is the case, then the Legislature will be making an appropriation without prior knowledge of the number of participants or the total amount of dividends selected as annuity credits. The applications are filed between April 1 - June 30 and the information is not on computer file until approximately July 31.

AS 43.23.110(b)(1), as proposed, appears to have the same constitutional flaws that caused the Legislature to include the children of Alaska in the PFD program in 1982.

AS 43.23.110(b)(2), as proposed, does not specify what portion of the appropriation should be used as the "base" amount. Also there needs to be definitions of the formula for determining the base amount, i.e. half the appropriation divided by the number of eligible annuitants.

AS 43.23.110(b)(3), as proposed, is a very confusing paragraph and makes no comprehensible sense. The formula for showing the appropriation must be clarified and simplified to the point that it can be easily explained to the public, in written form in the application booklet, in person during the required rural assistance program, and to the tens of thousands of Alaskans who will be asking the Department of Revenue's Public Services Assistance Centers for a lucid explanation.

AS 43.23.110(b)(4), as proposed, again implies that a person has an option of opting for 100% annuity, in contradiction of Section 3.

AS 43.23.110(c), as proposed, requires the Department of Revenue to provide the Department of Administration with the appropriate interest rate. The question unanswered is how often? The other implication is that the monies in the annuity investment fund are not to be co-mingled with other monies in the General Fund, but truly invested as a separate fund. This needs to be nailed down.

AS 43.23.130, as proposed, describes the benefit PFD applicants would receive in exchange for the option of receiving their whole dividend in cash, versus accepting up to 75% of the dividend in annuity credit. For this reason, it is extremely important that this section be very clear

to the reader, and it is. In (f) of this section, there appears to be an attempt to shelter the original dividend given up, in part, for an annuity credit, from taxation by the federal government as income in the year the dividend was available in cash. The doctrine of "constructive receipt" would hold the dividend taxable in the current year and this will have to be pointed out to recipients of the dividend at the time their dividend is paid, whether it is paid in credits or in cash.

Section 22: Provides an implementation schedule for the provisions of this bill and makes the Act applicable to PFD years 1986 and thereafter. This defines the time period in which the Department of Revenue has to accomplish all of the necessary program changes. The Department of Revenue will have from the date this bill becomes law until March 31, 1986. This accelerated schedule will be costly and will make it very difficult to get everything on line by the 1986 filing period.

Section 23: Provides an effective date.

III

Alaska Department of Revenue
Suggested Amendments to SB 56
January 21, 1985

Submitted by Division of Administrative Services:

Eliminate Internal Contradictions Regarding Cash vs Annuity

1. Section 1 and Section 3 are contradictory as to the options available and should be modified.

Page 2, lines 3 - 5 implies that the entire dividend is applied to the annuity account absent a conscious election by the applicant.

Page 2, lines 22-24 says that the only choice other than 100% cash is 25% or more cash and between 1 and 75% annuity. Per Section 3, there does not appear to be a 100% annuity option.

2. Page 4, lines 16-17 should be amended to reflect the same wording of Section 3, to eliminate the contradiction regarding the available options.

Making Annuity/Cash Election Irrevocable

3. Page 5, lines 17-20 like Section 1, implies only two choices: 100% cash or 100% annuity. This should be amended to square with Section 3.
4. It is important that the election be binding and irrevocable. If people change their mind, make a mistake, or whatever, there should be no opportunity to change election. Otherwise, the cost of this program will go up dramatically.

Limit Choice

5. Page 2, lines 19-25 should be amended to limit the choice of hybrid payments to:
 - a) 100% cash,
 - b) 25% cash, 75% annuity credit,
 - c) 50% cash, 50% annuity credit, or
 - d) 75% cash, 25% annuity credit.

As it currently reads, there are at least 76 real options, significantly complicating the administration of the program.

Avoidance of Debts to State Agencies

6. Page 7, line 13 should be amended by adding a new subsection (d) to include debts to a state agency as a valid reason for compelling an applicant to elect a cash dividend.

Submitted by Division of Treasury: Comments on SB 56

1. Page 6, line 15

"(a)" should be inserted before "Fifty."

2. Page 8

Sec. 43.23.110(a) should include the statement that "Income of the annuity investment fund shall be added to the principal of the annuity investment fund." However, the Attorney General in a November 30, 1982 opinion expressed some doubt about whether a retention of investment earnings by a fund is permissible under the Constitution's prohibition of dedicated revenues.

3. Page 10, line 6

Add "purchased from insurance companies which have a Best's Policyholders' Rating of A or better and belong to Best's financial size Group XV at the time of purchase" at the end of the sentence.

4. Page 10, line 23

"received" should be "receive"

4. DEPARTMENT OF HEALTH AND SOCIAL SERVICES-

a) Alaska Longevity Bonus - Enactment of the amendments to the Longevity Bonus Program included in SB56 would not adversely affect nursing home residents but would continue to seriously jeopardize many needy elderly Alaskans who currently receive old age assistance, medicaid, and federal supplemental security income payments as outlined below. This negative impact is a direct result of the federal and state statutes specifying which longevity bonus payments must be counted as income when determining these individuals' eligibility for assistance.

Nursing home residents are excluded from receiving the Longevity bonus and therefore will be protected from either the loss of their medicaid coverage or a loss or decrease in their state assistance grant.

Federal supplemental security income (SSI) recipients are not protected and therefore would suffer either a reduction of their SSI grant or a termination of their federal SSI grant.

Old Age Assistance (OAA) recipients would also suffer either a reduction in their state grant or a termination of their grant.

Medicaid recipients who are not residing in a nursing home and who have a gross income in excess of 300% of the SSI need standard (i.e., \$975) will become ineligible for medicaid.

These low-income longevity bonus recipients can be protected from financial harm by the enactment of the following amendments to the Adult Public Assistance statutes (AS 47.25.430ff) to provide that:

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

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

The costs of protecting these individuals from the harm caused by the loss of their assistance coverage would be:

	FY86	FY87
Federal (SSI) Payment	1,400,000	1,530,517
State (OAA) Payment	760,000*	830,737*
Non Nursing Home Medical	413,847	471,609
Nursing Home Medical	-0-@	-0-@
	\$1,813,847	\$2,002,126

* As these costs are already budgeted for FY 86- this is a non-add item.

@ No cost if the exclusion is effective upon enactment of SB56.

The majority of these individuals receive most of their income from the federal SSI and the state APA programs while their primary source of payment for medical bills is medicaid.

The department believes that it is therefore absolutely essential for basic humanitarian reasons that enactment of SB56 be accompanied by enactment of a "hold-harmless" program that would protect those harmed by receipt of the proposed longevity bonus.

b) Annuity Program - Enactment of the annuity program proposed in SB56 would not have a substantial effect on most public assistance and medicaid recipients. These individuals, whose annual incomes are less than \$10,000, cannot afford to defer their Permanent Fund checks as they have an immediate need for these funds to buy basic necessities.

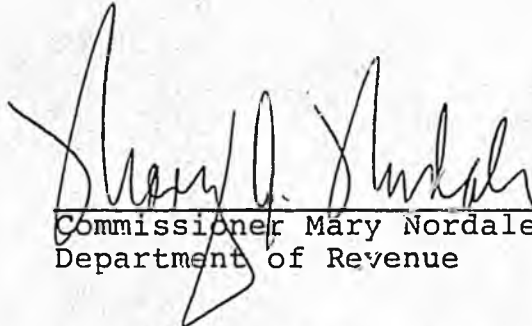
c) Federal Waiver - Currently, people who are eligible to receive the longevity bonus before October 1, 1985, have grandfathered eligibility rights to federal SSI and medicaid because federal law prohibits counting their bonus payments as income. People not eligible to receive the longevity bonus by this date are not covered under this grandfather clause. As they begin to receive countable bonus payments, their SSI assistance and OAA is reduced or terminated. Those whose assistance is terminated become ineligible for medicaid.

This change from the previous universal exclusion of consideration of the longevity bonus as income was precipitated by the 1984 change in the residency eligibility standards for the Longevity Bonus Program.

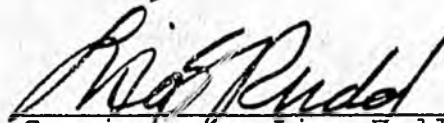
The Department is unable to make any commitments as to whether any changes in the Longevity Bonus Program will again

alter the federal government's position and, perhaps, end the special exclusion for 25-year residents who receive the Bonus. If this were to occur, the number of recipients placed in jeopardy and the costs of providing them with a "hold-harmless" protection would grow substantially beyond the estimate provided above.

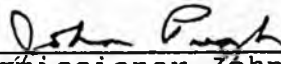
Approved:



Commissioner Mary Nordale
Department of Revenue



Commissioner Lisa Rudd
Department of Administration



Commissioner John Pugh
Department of Health and
Social Services

IV
STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: SB 56
 Title: An act amending the Longevity Bonus and PFD programs
 Sponsor: Ray, Halford, et al
 Requestor: Senate State Affairs
 Date of Request: 1/17/85

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: General Govt.
 BRU, Program of Subprogram(s) Affected: PFD BRU - Administrative Services, Enforcement, Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	229.2	-	-	-	-
200 TRAVEL	-	2.5	-	-	-	-
300 CONTRACTUAL	-	1073.5	-	-	-	-
400 SUPPLIES	-	1.0	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	1306.2	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	1306.2	-	-	-	-
<u>TOTAL</u>	-	1306.2	-	-	-	-

POSITIONS:

FULL-TIME	-	4	-	-	-	-
PART-TIME	-	3	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

(See attached)

Prepared By: Ervin B. Jones, Director
 Division: Administrative Services

Phone: 465-2313
 Date: 1/21/85

Approved by Commissioner: [Signature]
 Agency: _____

Date: 1/23/85

Distribution (by Agency preparing fiscal note):

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

SB 56
Fiscal Note Analysis
Department of Revenue
PFD BRU - Administrative Services Component
January 21, 1985

As can be seen from the attached analysis of the bill, section by section, the primary impact on the Administrative Services component of the Permanent Fund Dividend BRU is going to be in Data Processing. This impact can be summarized in three areas:

- 1) The need to completely re-program the 1985 PFD system, with its approximately one hundred DP programs, both batch and on-line. These programs are for both the IBM mainframe and for the WANG VS system that is used in Anchorage and in Juneau.
- 2) The dramatic changes wrought by this bill will push the Department to combine all years in some fashion. Carrying multiple, separate systems on-line, and maintaining these separate systems has become very costly in terms of data processing resources. Revenue has been looking at a modified system that allows both look-up and interaction with prior year accounts, but the addition of the annuity based 1986 system will severely complicate that system design.
- 3) The addition of the annuity choice and its related edit requirements will impact the data entry section.

The incremental costs of performing these functions between the assumed effective date of approximately July 1, 1985 and the end of FY86 is estimated as follows:

Personal Services

1) Reprogram for 1986 PFD system

1 Analyst/Programmer V, R21, @ \$4,653.05/Mo
including salary and benefits for 12 months \$55,836

1 Analyst/Programmer IV, R19, @ \$4100.75/Mo
including salary and benefits for 12 months \$49,209

2) Project to consolidate 1986 system with
prior four years (online, same as above)

1 Analyst/Programmer V, R21, @ \$4,653.05/Mo
including salary and benefits for 12 months \$55,836

1 Analyst/Programmer IV, R19, @ \$4100.75/Mo
including salary and benefits for 12 months \$49,209

3) Data capture of additional data required
on PFD applications.

3 Data Entry Clerk I's, R8, @ \$2,120.77/Mo
including salary and benefits, for 3 Mos each
\$19,087

SB 56
Fiscal Note Analysis
Department of Revenue
PFD BRU - Administrative Services Component
January 21, 1985

TOTAL Personal Services	\$229,200
<u>Travel</u> (all 3 projects)	\$2,500
To pay travel/per diem costs of system analysts attending meetings in Anchorage and Juneau to map out the needed changes to the current PFD system.	
TOTAL Travel	\$2,500
<u>Contractual</u>	
1) To contract with Wang Labs, Inc to modify the existing garnishment system for PFD's. The Analyst/Programmer who built the original garnishment system currently works for Wang Labs, Inc as a systems consultant. Assuming he was available, he could redesign the system much faster than any other programmer available. This amount is calculated at \$80/hour X 8 hour days X 5 day weeks X 16 weeks	= \$51,200
2) 4 Wang 4250 workstations rented for 12 Mos, @ \$398/Mo including emulator boards @ \$805 each, so they may be used as IBM terminals or Wang terminals	= \$22,300
3) Data Processing chargeback to the Department of Administration for development on the mainframe. This is a very difficult figure to estimate before knowing more specifically how the system will be designed. Based on our past experience, however when the 1982 PFD system was completely redone during FY83, the cost is estimated as	\$1,000,000
TOTAL Contractual	\$1,073,500
Supplies	1,000
TOTAL Administrative Services Cost	\$1,306,200

Alaska Department of Revenue
Enforcement Division
Fiscal Impact of SB 56
January 21, 1985

The fiscal impact of SB 56 is \$-0- given the following assumptions.

1. Garnishment EDP programming changes can be accomplished at least three months before the 1986 payment schedule begins.
2. Orders of Restitution are served on the Division just as any other garnishment document, such as writs or Orders to Withhold.
3. Language is included that assures a creditor may not defeat a State agency by electing an annuity. If this is not done, the potential impact is a loss of revenue. Although not readily estimateable it is not anticipated to be significant.
4. Deposit and fund crediting procedures for collections of erroneously paid annuities are kept simple and/or allocation between funds are determined by the Department of Administration.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 56
 Title: Longevity Bonus, Permanent Fund Dividend, and Annuity Programs
 Sponsor: Ray
 Requestor: Senate State Affairs
 Date of Request: January 17, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	9.3	11.1	14.8	19.3	24.7
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	9.3	11.1	14.8	19.3	24.7
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER Annuity Investment Fund	-	9.3	11.1	14.8	19.3	24.7
TOTAL	-	9.3	11.1	14.8	19.3	24.7

POSITIONS:

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

ANALYSIS: See attached analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: January 22, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 1/25/85

Distribution (by Agency preparing fiscal note):

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

SB 56
Fiscal Note Analysis

Costs in this fiscal note are based on the following projected balances of the annuity investment fund:

<u>Fiscal Year</u>	<u>Average Fund Balance (\$ Millions)</u>
1986	\$ 53
1987	88
1988	159
1989	244
1990	347

These projections assume three years of front-loading , 30% participation by eligibles, and 12% rate of return on investments.

Based on these average balances the following costs would be incurred (\$000):

<u>Fiscal Year</u>	<u>Securities Custody</u>
1986	9.3
1987	11.1
1988	14.8
1989	19.3
1990	24.7

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB56
 Title: An Act Amending the Longevity Bonus Program & Permanent Fund Dividend Program Establishing an Annuity Program and Providing an Effective Date.
 Sponsor: Ray (et all)
 Requestor: _____
 Date of Request: January 22, 1985

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: Revenue Collections
 BRU, Program or Subprogram(s) Affected: Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	60.7	159.9	172.7	183.1	197.2
200 TRAVEL	-	13.5	25.2	27.2	28.8	31.1
300 CONTRACTUAL	-	554.5	264.6	138.5	138.7	138.0
400 SUPPLIES	-	2.0	.8	.9	1.0	1.1
500 EQUIPMENT	-	5.0	-0-	-0-	-0-	-0-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	635.7	450.5	339.3	351.6	367.4
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	635.7	450.5	339.3	351.6	367.4
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	635.7	450.5	339.3	351.6	367.4

POSITIONS:

FULL-TIME	-	5	5	5	5	5
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: See attached.

Prepared By: Sally Smith, Director
 Division: Public Services

Phone: 465-2392
 Date: January 22, 1985

Approved by Commissioner: [Signature]
 Agency: [Signature]

Date: 1/23/85

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

ASSUMPTIONS

Fiscal Note SB56

490,000 eligible individuals
 1986 application period (April 1st)

PROGRAM SUMMARY

Public education and application assistance will be provided in rural and urban areas. Phone, letter and computer response to inquiries as well as application assistance will be provided at Public Service Centers in Anchorage, Fairbanks and Juneau and forms distribution and application assistance will be available at various Legislative Information and Governor's Office locations throughout the state.

Hearings on regulations to be promulgated for the new law will be conducted in various cities (Juneau, Anchorage, Fairbanks, Nome, Kotzebue, Barrow, Kodiak and Ketchikan).

Technical training will be provided for those individuals who will be assisting the general public in completing their applications.

BUDGET

Personnel Services

	FY86	FY87
2FT Document Proc. Clk 3 in Anchorage	23.7	62.5
2FT Document Proc Clk 3 in Juneau	23.7	62.5
1FT Document Proc. Clk in Fairbanks	13.3	34.9

Travel

	FY86	FY87
Regulation Hearings Two Employees to Anch, Fbks, Nome, Kotzebue, Kodiak, Barrow, Ketch	3.1	-0-
Administrative Anch, Fbks, and Legislative Info. & Governor's Office locations	10.4	25.2

Contractural

	FY86	FY87
Advertising Campaign	250.0	50.0
Postage	10.0	11.0
Long distance charges	250.0	100.0
Computer Terminals (2)	8.5	17.2
Space rental (Anch & Juneau)	36.0	86.4

Office Supplies

	FY86	FY87
Office supplies	2.0	.8
Office Equipment (desk, chair, file cabinet, etc. for each new position)	5.0	-0-

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: SB 56
 Title: An act amending the longevity bonus program
 Sponsor: Rav
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Administration
 Program Category Affected: Centralized Administrative Services
 BRU, Program or Subprogram(s) Affected: Data Processing Services/Annuity Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
Operating						
100 Personal Svcs		60.0	63.0	66.2	69.5	72.9
100 Rtmnt & Bnfts						
200 Travel						
300 Contractual						
400 Supplies		.5	.5	.6	.6	.6
500 Equipment		4.0	4.2	4.4	4.6	4.9
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	64.5	67.7	71.2	74.7	78.4

CAPITAL		750.0				
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REVENUE						
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FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND						
FEDERAL FUNDS						
OTHER		814.5	67.7	71.2	74.7	78.4
TOTAL	-0-	814.5	67.7	71.2	74.7	78.4

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director Phone: 465-4470
 Division: Retirement & Benefits Date: 1-22-85

Approved by Commissioner: Lisa Rudd Date: 1/23/85
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

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

Senate Bill 56
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

January 22, 1985

IV Analysis: This Fiscal Note addresses costs in the Data Processing Services BRU. We estimate that the annuity program will be fully automated to reduce the need for staff. We estimate that system analysis, development and construction costs would be \$750,000 and would be a capital appropriation from "other funds".

We anticipate the need for one full-time programmer/analyst IV to provide guidance in the development of the annuity systems with the contractors and, after implementation, to provide ongoing maintenance.

We estimated an inflation rate of 5%. Further, we assumed that "other funds" would be available for FY 86 costs.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: SB 56

Title: An act amending the
longevity bonus program

Sponsor: Ray

Requestor: _____

Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Administration

Program Category Affected: Labor Services

BRU, Program or Subprogram(s) Affected: _____

Annuity Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		124.5	164.7	173.0	181.6	190.7
100 Ptmnt & Bnfts						
200 Travel						
300 Contractual		8.0	8.4	8.8	9.3	9.7
400 Supplies		1.6	1.7	1.8	1.9	1.9
500 Equipment		16.0				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	150.1	174.8	183.6	192.8	202.3

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

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		150.1	174.8	183.6	192.8	202.3
TOTAL	-0-	150.1	174.8	183.6	192.8	202.3

POSITIONS: -0-

FULL-TIME		4	4	4	4	4
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys Director Phone: 465-4470
 Division: Retirement & Benefits Date: 1-22-85

Approved by Commissioner: Lisa Rudd Date: 1/23/85
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

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

Senate Bill 56
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

January 22, 1985

IV: Analysis: This Fiscal Note addresses costs in the Labor Services Program Category. The cost of the annuity program is anticipated to be borne entirely by the participants. We estimate that approximately four full-time employees will be needed to administer this program on a continuing basis. We estimate that the program supervisor and chief accountant will be needed for the entire first year to assist in the development and analysis of the computer system needs with the other two staff members being needed for only half of FY 86 to assist with the implementation and testing.

We estimated an inflation rate of 5% in all categories. Further, we assumed that "other funds" would be available for FY 86 costs.

We estimate that four positions are needed to administer this program.

Supervisor: Retirement & Benefits Specialist III
Accountant: Accountant II
Technician: Retirement & Benefits Technician I/II
(6 months FY86, full-time thereafter)
Clerk: Accounting Clerk III
(6 months FY86, full-time thereafter)

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: S.B. 56

Title: Longevity Bonus/Annuity
Program

Sponsor: Ray

Requestor: _____

Date of Request: _____

FISCAL DETAIL

Agency Affected: Administration

Program Category Affected: Social and
Economic Assistance for the Aged

BRU, Program or Subprogram(s) Affected:

Longevity Bonus Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL						
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	10.0	0	0	0	0

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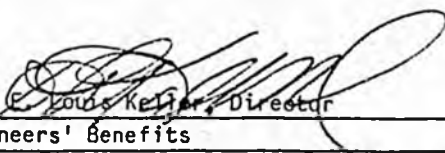
REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	10.0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	10.0	0	0	0	0

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By:  Director
Division: Pioneers' Benefits

Phone: 465-4400

Date: January 22, 1985

Approved by Commissioner: Lisa Rudd
Agency: Department of Administration

Date: 1/23/85

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

S.B. 56
Fiscal Note Analysis
Prepared by Division of Pioneers' Benefits
Department of Administration
January 22, 1985

ASSUMPTIONS

This fiscal note addresses administrative costs only for the Longevity Bonus Program.

Two payment systems will be run in the Division of Pioneers' Benefits. The first would pay a monthly target amount for those eligibles age 65 before January 1, 1986. The second would pay monthly payments, varying each year, for those age 65 after January 1, 1986. The second system would be impacted by information from the Annuity program.

The Longevity Bonus program would need additional resources for modifications to data processing files.

FY 86 Administrative Costs (Start-up)

Contractual Services	\$10,000
Computer System Modification by Contractor	
Printing Costs already in 86 Budget	

FY 87 Administrative Costs (Operations)

No Additional Cost

A M E N D M E N T

TO: SB 56

Page 10, line 24, after (d):

Delete "An annuity share" and insert "Except as provided in (e) of this section, an annuity account"

Page 10, line 28 through page 11, line 1:

Delete all material and insert "(e) If a person dies before age 65, a lump sum payment shall, subject to appropriation, be paid to the surviving spouse by right of survivorship unless a different beneficiary was designated. When no spouse survives and no beneficiary was designated, the lump sum shall be paid to the decedent's estate. The lump sum payment shall include all permanent fund dividend contributions made by the individual, together with interest, but shall not include any credits to the individual's account made pursuant to AS 43.23.110(b), or interest on those credits."

RECEIVED
ALASKA DEPARTMENT OF REVENUE

JAN 22 1985

OFFICE OF THE COMMISSIONER

ALASKA PERMANENT FUND
CORPORATION
MONTHLY FINANCIAL REPORT
DECEMBER 1984



Alaska Permanent Fund Corporation

Pouch 4-1000 Juneau, Alaska 99802

TEL 907/465-2047 TLX 099-46-323

MEMORANDUM

DATE: January 17, 1985

TO: Recipients of December 1984 Financial Statements

FROM: *David A. Rose*
David A. Rose
Executive Director

SUBJECT: Report Highlights

This report indicates that the Fund's total assets approximate \$6.2 billion as of the close of the calendar year.

The increase during the month of December is primarily attributable to: a capital contribution in the amount of \$200,000,000, deposited by Governor Sheffield in final satisfaction of the special \$1.8 billion appropriation made by the Legislature in 1981; receipt of dedicated state revenues in the amount of \$29,871,000; and net income from operations of \$54,499,000.

During the first half of the fiscal year, the Fund posted net income of \$306,335,000. Operating expenses totalled less than one-half of one percent of gross revenues.

A comparison of marketable securities held at the end of December, valued in terms of both cost and market, reflects unrealized gains as follows:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gains</u>
Marketable debt securities	\$5,337,261,000	\$5,379,234,000	\$41,973,000
Common stock	503,811,000	514,908,000	11,097,000

Net gains realized on the purchase and sale of marketable securities for the first half of the year are as follows:

	<u>Realized Net Gains</u>
Marketable debt securities	\$1,040,000
Common stock	498,000

Updated projections for the period July 1, 1984 through June 30, 1985, based upon half year operations, are as follows:

- Realized net income:	<u>\$618,600,000</u>
- Transfer to State for payment of dividends:	\$213,800,000
- Transfer to corpus for inflation-proofing:	\$230,800,000
- Additions to reserves:	\$174,000,000

In making these projections, we continue to estimate a 10.80 percent realized nominal return, an inflation rate of 4.20 percent, and a realized real rate of return of 6.60 percent.

The Corporation's official projection analysis sheet is attached to the monthly financial report.

DAR:bm

ALASKA PERMANENT FUND CORPORATION
STATEMENT OF PORTFOLIO ASSETS, LIABILITIES AND FUND EQUITY

DECEMBER 31, 1984

<u>ASSETS</u>	<u>%</u>	<u>AMOUNT</u>
Cash		\$ 350,000
Receivables and prepaid expense	3	151,797,000
Investments:		
Marketable debt securities -		
Repurchase agreements		24,100,000
Short-term issues	2	147,525,000
Intermediate and long-term issues	<u>83</u>	<u>5,165,636,000</u>
Total marketable debt securities	85	5,337,261,000
Preferred & common stock, net of valuation allowance	8	503,811,000
Real estate equity pools	1	46,250,000
Participating real estate mortgages		8,000,000
Conventional mortgages	1	43,033,000
Alaska certificates of deposit	<u>2</u>	<u>102,500,000</u>
Total investments	12	6,040,855,000
Property and equipment, net of accumulated depreciation	---	<u>150,000</u>
Total assets	<u>100</u>	<u>\$ 6,193,152,000</u>
<u>LIABILITIES</u>		
Accounts payable		\$ 406,000
<u>EQUITY</u>		
Contributed equity	86	5,329,063,000
Reserve for inflation and dividends	<u>14</u>	<u>863,683,000</u>
Total equity	<u>100</u>	<u>6,192,746,000</u>
Total liabilities & equity	<u>100</u>	<u>\$ 6,193,152,000</u>

ALASKA PERMANENT FUND CORPORATION

STATEMENT OF REVENUES AND OPERATING EXPENSES
DECEMBER 31, 1984

	<u>CURRENT MONTH</u>	<u>YEAR-TO-DATE</u>
<u>REVENUES</u>		
Interest	\$ 52,671,000	\$295,685,000
Dividends	2,108,000	10,105,000
Realized loss/gain on the sale of:		
Marketable debt securities	(482,000)	1,040,000
Common stock	<u>331,000</u>	<u>498,000</u>
Net loss/gain	<u>(151,000)</u>	<u>1,538,000</u>
Reimbursement of consulting fees	<u> </u>	<u>100,000</u>
Gross Revenues	<u>54,628,000</u>	<u>307,428,000</u>
<u>OPERATING EXPENSES</u>		
Salaries and benefits	60,000	332,000
Travel	7,000	36,000
Trustee Honoraria	3,000	18,000
Communications	9,000	73,000
Consulting and studies, advisors	7,000	93,000
Printing and advertising & public info. pgm.	1,000	11,000
Office rent	8,000	46,000
Custody and safekeeping fees		59,000
Common stock and real estate management fees	7,000	253,000
Conventional mortgage service fees	13,000	55,000
Public Information Program		48,000
Depreciation	8,000	45,000
Other	<u>6,000</u>	<u>24,000</u>
Total Operating Expenses	<u>129,000</u>	<u>1,093,000</u>
Net Income	<u>\$ 54,499,000</u>	<u>\$306,335,000</u>

ALASKA PERMANENT FUND CORPORATION

STATEMENT OF CHANGES IN FUND EQUITY
DECEMBER 31, 1984

<u>Current Month</u>	<u>Total</u>	<u>Contributed Equity</u>	<u>Reserve for Inflation and Dividends</u>	<u>Unrealized Loss on Stock</u>	<u>Undistributed Income</u>
Balance, November 30, 1984	\$ 5,908,005,000	\$ 5,099,192,000	\$809,184,000	(371,000)	
Net income from operations	54,499,000				\$ 54,499,000
Dedicated state revenues	229,871,000	229,871,000			
Provision for 1985 dividends			18,084,000		(18,084,000)
Provision for 1985 inflation proofing			17,256,000		(17,256,000)
Allowance for unrealized loss on preferred and common stock	371,000			371,000	
Provision for future inflation and dividends			19,159,000		(19,159,000)
Balance, December 31, 1984	<u>\$ 6,192,746,000</u>	<u>\$ 5,329,063,000</u>	<u>\$863,683,000</u>	<u>\$</u>	<u>\$</u>
<u>Year-to-Date</u>					
Balance, June 30, 1984	\$ 5,374,820,000	\$ 4,838,344,000	\$557,347,000	\$(20,871,000)	
Net income from operations	306,336,000				\$306,336,000
Dedicated state revenues	490,718,000	490,718,000			
Citizen Contribution	1,000	1,000			
Provision for 1985 dividends			106,459,000		(106,459,000)
Provision for 1985 inflation			110,047,000		(110,047,000)
Allowance for unrealized loss on preferred & common stock	20,871,000			20,871,000	
Provision for future inflation and dividends			89,830,000		(89,830,000)
Balance, December 31, 1984	<u>\$ 6,192,746,000</u>	<u>\$ 5,329,063,000</u>	<u>\$863,683,000</u>	<u>\$</u>	<u>\$</u>

ALASKA PERMANENT FUND CORPORATION
STATEMENT OF CHANGES IN CONDITION
DECEMBER 31, 1984

<u>FUNDS WERE PROVIDED BY:</u>	<u>CURRENT MONTH</u>	<u>YEAR-TO-DATE</u>
Investment operations:		
Net income	\$ 54,499,000	\$ 306,335,000
Items not affecting funds-		
Amortization	(357,000)	(836,000)
Depreciation	8,000	45,000
(Increase)/Decrease in receivables & prepaid expenses	(22,123,000)	19,453,000
Decrease in accounts payable	(205,000)	(443,000)
Total provided by operations	31,822,000	324,554,000
Sale of:		
Marketable securities	110,845,000	1,489,912,000
Common stock	8,280,000	36,560,000
Total sales	119,125,000	1,528,472,000
Maturity of debt obligations		612,504,000
Conventional mortgage repayments	207,000	2,189,000
Increase in value of common stock	(371,000)	(20,871,000)
Citizen Contribution		1,000
Contributions from the State of Alaska	229,871,000	490,719,000
Total funds provided	380,654,000	2,937,568,000
 <u>FUNDS WERE USED FOR:</u>		
Purchases of:		
Marketable securities	377,600,000	2,521,057,000
Conventional mortgages	2,150,000	10,672,000
Common stock	52,757,000	230,666,000
Real estate equity		38,750,000
Property & Equipment	7,000	73,000
Alaska certificates of deposit	1,000,000	102,500,000
Total purchases	433,514,000	2,903,718,000
Provision for increase in value of preferred & common stock	(371,000)	(20,871,000)
Payments to the State of Alaska		155,130,000
Total funds used	433,143,000	3,037,977,000
Net change in funds	\$ (52,489,000)	\$ (100,409,000)

ALASKA PERMANENT FUND CORPORATION
STATEMENT OF CHANGES IN CONDITION

(continued)

	<u>CURRENT MONTH</u>	<u>YEAR-TO-DATE</u>
<u>SUMMARY OF CHANGES</u>		
(Decrease)/Increase in cash	\$ (389,000)	\$ 91,000
Decrease in repurchase agreements	<u>(52,100,000)</u>	<u>(100,500,000)</u>
Net Change in Funds	<u>\$ (52,489,000)</u>	<u>\$ (100,409,000)</u>

ALASKA PERMANENT FUND CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1984

1. ENTITY

The Constitution of the State of Alaska was amended by public referendum in 1976 to provide for the dedication of certain natural resource revenues to the Permanent Fund. The principal of the Permanent Fund is invested in perpetuity. In 1980, the State Legislature created the Alaska Permanent Fund Corporation (the "Corporation"), a public corporation separate from the agencies of State government and governed by a Board of Trustees, (the "Trustees"), to manage the investments of the Permanent Fund. In 1982, the Legislature amended the law to provide that a portion of the annual earnings would be made available to the State for the payment of dividends and that a portion would be contributed to the principal of the Permanent Fund sufficient to offset the impact of inflation. The balance was to be retained by the Corporation in an undistributed income account.

2. SIGNIFICANT ACCOUNTING POLICIES

Contributions -

Contributions by operation of statute are recorded when they become due from the State, i.e., when certain revenues are received by the State Department of Natural Resources.

Contributions by appropriation are recorded when they are received.

Depreciation -

Furniture and equipment are depreciated on a straight-line basis over a three year useful life. Other property is depreciated on a straight-line basis over a five year useful life.

Dividend appropriations -

Current law directs that one-half of a five year moving average of the net income of the Corporation be made available for the payment of dividends each year.

Funds -

For purposes of the Statement of Changes in Financial Position, the term "Funds" has been defined as cash and repurchase agreements.

Inflation Impact -

The impact of inflation is measured by the United States Consumer Price Index previous calendar year average for all urban consumers applied against the balance of contributed equity at the end of the fiscal year.

Interest Income -

Interest income on all securities is accrued monthly as earned.

Interest income is shown net of amortization of premiums and accretion of discounts.

Investments -

In accordance with Statement of Position of the Accounting Standards Division No. 78-10, investments in the aggregate are valued as follows:

<u>Type</u>	<u>Basis</u>
Marketable debt securities	Cost adjusted for amortization of premiums and accretion of discounts
Common stock	Lower of cost or market value
Real estate equity pools	Market value
Participating real estate mortgages	Market value
Conventional mortgages	Cost
Alaska certificates of deposit	Cost

Realized gains or losses on the sale of investments are determined by specific identification.

Undistributed Income -

Net earnings are credited to the undistributed income account at the end of the fiscal year. Earnings attributed to the investment of undistributed income are based upon the balance at the beginning of the fiscal year.

3. RECEIVABLES AND PREPAID EXPENSES

Receivables and prepaid expenses consisted of the following as of December 31, 1984:

State of Alaska dedicated revenues	\$ 19,692,000
Purchased interest receivable	4,683,000
Accrued interest receivable	124,940,000
Dividends receivable	2,441,000
Prepaid expenses	<u>41,000</u>
	<u>\$151,797,000</u>

4. MARKETABLE DEBT SECURITIES

The estimated market values of debt securities at December 31, 1984 are as follows:

	<u>AMOUNT</u>	<u>YIELD</u>
Repurchase Agreements	\$ 24,100,000	8.46%
Short Term Issues	147,857,000	9.36%
Intermediate and Long Term Issues	<u>5,207,277,000</u>	<u>11.61%</u>
	<u>\$5,379,234,000</u>	<u>11.53%</u>

All of the Corporation's investment securities are held by commercial lending institutions pursuant to custodial agreements.

5. COMMON STOCK

At December 31, 1984, the investment in preferred and common stock was valued at cost, which was less than the aggregate market value of \$514,908,000 on that date. The dividend yield on preferred and common stock amounted to 4.49 percent.

6. REAL ESTATE EQUITY POOLS

At December 31, 1984, the investment in real estate equity pools was valued at market, which approximates cost. Future adjustments to market value will be based upon independent appraisals of the properties which constitute the pools.

7. PARTICIPATING REAL ESTATE MORTGAGES

The investment in participating real estate mortgages conveys an undivided interest in real property acquired in connection with a loan made on and collateralized by certain real estate. At December 31, 1984 the investment was valued at market, which approximates cost. Future adjustments to market value will be determined by the combined total of (i) an annual appraisal of the real property, and (ii) the difference between the present value of the mortgage and the outstanding principal balance of the note. Terms of the mortgage note provide for interest at 10.5 percent per annum. In addition, the Corporation will participate to the extent of its percentage of ownership in future net cash flow derived from leasing the property. The total amount of interest and net cash flow each year is limited to the maximum rate for interest allowed under applicable State of Texas or federal law.

8. CONTRIBUTED EQUITY

The principal balance of the Alaska Permanent Fund at December 31, 1984 was composed of the following elements:

Dedicated state revenues	\$ 2,246,936,000
Appropriations from the State	2,700,000,000
Provision for inflation	<u>382,127,000</u>
	<u>\$ 5,329,063,000</u>

9. RESERVE FOR INFLATION AND DIVIDENDS

The Trustees of the Permanent Fund have designated the balance of the undistributed income account to be continuously reserved for future inflation impact and dividend payments. Although the State Legislature could legally appropriate this amount for other purposes, in the opinion of the Trustees, this designation is in accordance with the stated purpose of undistributed income, i.e., to provide a reserve for the current statutory uses of Corporation income against the possibility of future declines in that income. Such a reserve is intended to enable the Corporation to fully offset the impact of inflation and still maintain a constant level of dividends in years when Permanent Fund earnings are not enough to do both.

* * * * *

The Board of Trustees
Alaska Permanent Fund Corporation

Gentlemen:

The financial report and statements presented herein were prepared from the books of account without audit, and no independent opinion on the fairness of these statements has been rendered.

Sincerely,



Peter A. Bushre
Comptroller

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 1/17/85

-----PRINCIPAL: ACTUAL & PROJECTED----- (in millions)							-----INCOME: ACTUAL & PROJECTED----- (in millions)								
Beginning FY Balance	Dedicated Appro- priations	State Revenues*	Inflation Proofing	Ending Balance	Inflation Adjusted Proofing Shortfall	Ending Balance	Net Income	Distributions			Reserves		Total Assets	FY	
								Dividends	Inflation Proofing	State General Fund	Trans. Adj.**	Add (Delete)			Balance
78		54.4		54.4		54.4	1.8			1.3	.5			55.0	78
79	54.4	84.1		138.5		138.5	8.0			6.6	1.4			140.5	79
80	138.5	344.4	.3	483.2		483.2	32.4	11.8	.3	11.8	8.5			502.9	80
81	483.2	900.0	385.1	.2	1,768.5	1,768.5	149.9	27.5	.2	27.5	36.0	58.7	58.7	1,874.6	81
82	1,768.5	800.0	400.5		2,969.0	2,969.0	368.4	71.1		71.1	41.1	185.1	243.8	3,301.7	82
83	2,969.0	600.0	421.0	231.2	4,021.2	4,021.2	471.1	107.9	231.2	109.5	(87.5)	110.0	353.8	4,593.0	83
84	4,021.2	500.0	366.2	150.9	4,838.3	4,838.3	529.5	175.0	150.9			203.6	557.4	5,530.8	84
85	4,838.3	300.0	358.1	230.8	5,727.2	5,727.2	618.6	213.8	230.8			174.0	731.4	6,672.4	85
86	5,727.2		359.9	365.2	6,452.3	6,452.3	597.5	258.5	365.2			(26.2)	705.2	7,416.0	86
87	6,452.3		345.3	407.9	7,205.5	7,205.5	659.7	287.6	407.9			(35.8)	669.4	8,162.5	87
88	7,205.5		356.6	453.7	8,015.8	8,015.8	724.8	313.0	453.7			(41.9)	627.5	8,956.3	88
89	8,015.8		361.7	502.7	8,880.2	8,880.2	794.2	339.5	502.7			(48.0)	579.5	9,799.2	89
90	8,880.2		353.8	554.0	9,788.0	9,788.0	867.3	364.4	554.0			(51.1)	528.4	10,680.8	90
91	9,788.0		342.6	607.8	10,738.4	10,738.4	943.9	399.0	607.8			(62.9)	465.5	11,602.9	91
92	10,738.4		342.8	664.9	11,746.1	11,746.1	1,023.8	435.4	664.9			(76.5)	389.0	12,570.5	92
93	11,746.1		338.9	725.1	12,810.1	12,810.1	1,107.4	473.7	725.1			(91.4)	297.6	13,581.4	93
94	12,810.1		319.6	787.8	13,917.5	13,917.5	1,194.1	513.7	787.8			(107.4)	190.2	14,621.4	94
95	13,917.5		324.1	854.5	15,096.1	15,096.1	1,284.3	555.4	854.5			(125.6)	64.6	15,716.1	95
96	15,096.1		306.9	844.1	16,247.1	16,327.2	1,378.3	598.8	844.1			(64.6)		16,845.9	96
97	16,247.1		290.2	831.4	17,368.7	17,529.5	1,475.3	643.9	831.4					18,012.6	97
98	17,368.7		282.2	885.1	18,536.0	18,710.0	1,575.9	690.8	885.1					19,226.8	98
99	18,536.0		265.8	940.8	19,742.6	19,929.9	1,680.2	739.4	940.8					20,492.0	99
0	19,742.6		253.2	998.4	20,994.2	21,195.6	1,788.2	789.8	998.4					21,784.0	0

* Source: Alaska Department of Revenue

** Chapter 81, SLA 1982, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr FY85

-
- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.20% Inflation FY85
- 10.81% Return FY85
- 6% Average Inflation FY86-FY00
- 9% Average Return FY86-FY00

Chart 5

COSTS INCURRED AFTER YEAR 1999
(in millions: Nominal \$)

<u>3% Escalation</u>	
Annuity Program	69.9
Annuity Program w/1986 Stairstep	285.3
House Stairstep	588.3
<u>No Escalation</u>	
Annuity Program	0
Annuity Program w/1986 Stairstep	128.4
House Stairstep	291

BILL SHEFFIELD, GOVERNOR

REPLY TO:

1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-3550

1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 400
FAIRBANKS, ALASKA 99701
PHONE: (907) 452-1568

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

January 25, 1985

The Honorable Mitch Abood
Chairman, Senate State Affairs Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Abood:

Yesterday, after the teleconference on SB 56 (the bill which would replace the longevity bonus program with an annuity program) you asked that I draft a proposed amendment to the bill which would provide for death benefits if a person who had made annuity contributions died before reaching age 65. I have drafted a proposed amendment which provides that, in the event of death prior to age 65, the balance of an individual's account (which would include permanent fund dividend contributions, interest, and any front-loading) would be paid to the individual's surviving spouse unless another beneficiary were selected.

You have asked what effect, if any, such an amendment would have on the tax deferrability of permanent fund dividend contributions. As you know, the State Special Committee on the Alaska Longevity Bonus Program contracted with an expert on IRS tax law, Mr. Thomas Terry of the firm of Morrison and Foerster. His conclusions on the taxation of dividends appear in the draft committee report. I called Mr. Terry yesterday and asked him about the proposed amendment. He said that the inclusion of the amendment in the bill would have no negative effect on tax deferrability, and might even slightly enhance our arguments that contributions should not be taxed.

I should point out a number of policy considerations that may enter into your committee's deliberations on this point. First, the adoption of the amendment would increase, to some degree, the administrative costs of the program, since the department of administration would have to keep track of beneficiaries and handle death claims. Under the bill, administrative costs come out of annuity accounts, so that the provision would reduce - perhaps to a small degree - the annuity available to participants.