

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7229 HOUSE STATE AFFAIRS

FISCAL INFORMATION

Enrolled Bill Report, SB 56

Fiscal Analysis of CCS SB 56, ALB annuity program. Explains flaws in the program and what effects it will have on costs to Pioneers' Benefits and Retirement and Benefits.

Fiscal note on SB 56, annuity program

Shows costs of ALB annuity program to the Division of Pioneers' Benefits and also to the Division of Retirement and Benefits, dated 3/88.

Effect of SB 5 on PA Hold Harmless Group

Transmittal letter to Senator Pat Pourchot, from John R. Faber, Director, Division of Public Assistance, Department of Health and Social Services. Senate State Affairs Committee requested a graph depicting the gradual decrease in the number of "25-year" ALB recipients who are expected to be recipients of SSI from the Social Security Administration under PA program vs the number of non-25-year recipients who are expected to qualify for these cash benefits and associated Medicaid benefits. Also includes analysis of probable concurrent eligibility for health benefits under the federal government's IHS program for Alaska Natives, dated 2/15/89.

OTHER DOCUMENTS

Veto Letter on SB 5

Letter to Senator Faiks, President of the Senate from Governor Cowper, stating reasons for vetoing CCS SB 56, dated 6/4/88.

1986 Ballot Measure No. 3

Questions and Answers about proposed longevity bonus alternatives. Prepared by the Division of Strategic Planning, Office of Management and Budget, September 1986.

Alaska Statutes (Supplement)

Chapter 45. Alaska Longevity Bonus

HOUSE AND SENATE BILLS

HCS for CS for SB 56 (Fin) am H

"An Act amending and making effective an annuity program and amendments to the longevity bonus program and the permanent fund dividend program provided for in secs. 2-18, ch. 99, SLA 1985; and providing for an effective date." Offered:
3/29/88

SB 5

"An Act amending and making effective an annuity program and amendments to the longevity bonus program and the permanent fund dividend program provided for in secs. 2-18, ch. 99, SLA 1985; and providing for an effective date." Introduced:
1/9/89

CS for HB 151 (Finance)

"An Act relating to the longevity bonus program; and providing for an effective date." Offered:
5/5/87



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 463-3991

January 30, 1989

MEMORANDUM

TO: Representative Kay Brown

ATTN: Eric Myers

FROM: Karen Oakley *KO*
Legislative Analyst

RE: Projected Costs of the Longevity Bonus Program Under Senate Bill 5 and
Other Proposed Modifications
Research Request 89.173

You asked us to project the annual and cumulative costs of the Alaska Longevity Bonus (ALB) program under several proposed modifications and to discuss projections of growth in Alaska's senior population. House Research Memorandum 88.040 (attached) provides information on the expected growth rate of Alaska's senior population. Analysis of the costs of the ALB program under various modifications is provided here. This memorandum updates information provided in House Research Agency Memorandums 88.147 and 88.127. Copies of these memos are also attached.

You asked us to analyze the costs of the following proposals to modify the ALB program:

- 1) Senate Bill 5. Considered during last session as Senate Bill 56, this bill would establish a state-sponsored annuity program as an eventual replacement of the ALB program. All residents would be given the opportunity to invest their Permanent Fund Dividends (PFDs) in an annuity account. Residents turning 65 after January 1, 1991 would be eligible to receive a longevity bonus, but the bonus amount would be reduced by an amount equal to the annuity that would have been paid to that person had they so invested each PFD received after December 31, 1990. Persons turning 65 prior to January 1, 1991 would be eligible for the current \$250 monthly bonus for the remainder of their lives.

Because SB 5 would link the bonus amount to the size of future PFDs, the cost of the bonus program will be affected by changes to the Permanent Fund. Two proposals to change how the earnings of the fund are distributed are currently under discussion, and you asked how these changes would affect the cost of the bonus program under SB 5. The two proposals are:

(a) Senate Joint Resolution 5. Under SJR 5, considered during last session as SJR 40, the distribution of the earnings of the Permanent Fund would be changed for a five year period in order to amass a budget stabilization fund. During this period, the net capital gains from the sale of Permanent Fund investments during the prior year would be added to the fund principal. The remainder of the earnings of the Permanent Fund would be distributed as follows: 40 percent to dividends; 30 percent to inflation proofing; and 30 percent to the new budget stabilization fund. Currently, capital gains are treated as earnings, and 50 percent of earnings (i.e., capital gains and interest) are used to compute dividends, with the remainder divided between inflation proofing and an inflation proofing reserve account. Because SJR 5 would subtract capital gains from distributable earnings and reduce the percentage of distributable earnings available for dividends, SJR 5 will reduce the size of future PFDs. You asked us to evaluate the effects of SJR 5 on the costs of the ALB program under SB 5 assuming capital gains of both 10 percent and 20 percent of total earnings.

(b) House Joint Resolution 13. HJR 13 is Governor Cowper's education endowment proposal. He proposes to create an education endowment account within the Permanent Fund; income from this account may be appropriated only for elementary and secondary education. To fund the endowment, at least 40 percent of the income of the Permanent Fund would be placed in the endowment account each year for twenty years.

This proposal would reduce future PFDs because only 60 percent of Permanent Fund earnings would be available for inflation proofing and dividends. If 50 percent of the remaining earnings are used to compute dividends, dividends will decline. In addition, inflation proofing would be insufficient to protect the corpus of the fund, with the result that future earnings, and therefore future dividends, will be smaller. Alternatively, if the full amount needed for inflation proofing is used for that purpose, the percentage of earnings available for dividends will be directly reduced.

2) Freeze Appropriations and Reduce the Bonus Amount Pro Rata. Under this modification, the annual appropriation to pay for longevity bonuses would be frozen at approximately its current level, and the monthly bonus amount would be reduced pro rata. All persons 65 years and older would be eligible for the bonus, and all would receive the reduced bonus amount. You asked us to evaluate three appropriation levels: \$50 million; \$55 million; and \$60 million.

3) Reduce the Bonus Amount Five Percent Per Year. Under this modification, the monthly bonus would be reduced by five percent each year. All persons 65 years and older would be eligible for the bonus, and all would receive the reduced bonus amount.

In this memorandum, we have used the same senior population numbers, interest rates, and life expectancy values that were used in our prior memorandums on the bonus program.¹ In our analysis of the costs of the program under SB 5, we have updated the projections of future PFDs. We used Department of Revenue Fall 1988 projections of future PFDs for two revenue forecast levels: low and mid.

Although you asked us to analyze costs of the various proposals through FY 2010, we have not projected costs beyond FY 2005, which is as far as the Department of Revenue projects dividends. We believe the trend in relative costs of the proposals is apparent by FY 2005. As we have discussed before, the primary use of these projections is for comparing the relative costs of the different proposals. Except for the most immediate years, these projections should not be used to make judgments about the absolute costs of any proposal.

Tables 1 and 2 summarize projected costs of the longevity bonus program as modified by SB 5 under low and mid revenue forecasts, respectively. Four scenarios are analyzed for each revenue forecast level: 1) No change in the distribution of Permanent Fund earnings; 2) SJR 5 with capital gains equaling 10 percent of Permanent Fund earnings; 3) SJR 5 with capital gains equaling 20 percent of Permanent Fund earnings; and (4) HJR 13. Both tables also include cost projections for the current program. Tables showing the determination of annuity payments, bonus amounts and total program costs for each scenario and revenue forecast level are found in Appendices A-D. Appendix E contains graphs comparing the dividend amounts, bonus amounts, annual costs and cumulative costs under the mid-level revenue forecast. Appendix F contains comparable graphs for the low-level revenue forecast.

In Table 3, the costs of the current program are compared to costs of the other proposed modifications. For simplicity, only one projection of the costs under SB 5 is shown--the "no change in distribution of Permanent Fund earnings" for the mid-level revenue forecast. Appendix G contains graphs comparing the bonus amounts, annual costs and cumulative costs of these proposals.

¹We have not attempted to update the senior population numbers. These numbers are not adjusted for economic changes as are the total population numbers used by the Department of Revenue in their forecasts of future Permanent Fund Dividends. Arguably, changes in the economy have a less immediate impact on the number of elderly persons living in Alaska than on the numbers of younger persons.

The costs of the various proposals to modify the longevity program can be summarized as follows:

- 1) Current projections of future PFDs are lower than previous projections (even without any changes in the distribution of Permanent Fund earnings); the costs of the bonus program under SB 5 are therefore higher. Using current PFD projections, the bonus amount is not expected to reach zero until at least FY 2006.
- 2) Both of the proposals to change the distribution of Permanent Fund earnings will increase the costs of the bonus program under SB 5. The education endowment proposal (HJR 13) reduces PFDs the most and therefore causes the greatest increase in bonus program costs. Of the two budget stabilization fund (SJR 5) scenarios, the scenario in which capital gains are assumed to equal 20 percent of Permanent Fund earnings causes a greater increase in bonus program costs.
- 3) Whether one uses the mid or low level revenue forecasts, the relative costs of the bonus program under the various SB 5 scenarios remain the same.
- 4) In reviewing the cumulative costs of the various proposals over the next 15 years, it is important to remember that two of the proposals--SB 5 and reducing the bonus by five percent each year--eventually end the bonus program. Under SB 5, the bonus program would most likely end no sooner than FY 2006. Reducing the bonus five percent per year would end the bonus program in FY 2020, if bonus payments were stopped once the bonus amount reached fifty dollars.² Freezing appropriations at a given level will not end the program.

As you requested, we are providing the information we have been able to prepare by January 30. Although we have provided all the information you requested, we have not provided much detail on how we derived the numbers presented. We would be happy to meet with you and/or legislators or staff to provide additional explanation. Please contact myself or David Teal for further information.

Attachments

²Because the bonus amount is reduced by five percent each year, the reduction in the dollar amount of the bonus gets smaller as years go by. It would take an infinite number of years to reduce the bonus completely to zero. Presumably, the legislature would adopt a cut-off point, and once the bonus amount reached that point, the bonus program would end.

TABLE 1

EFFECT OF CHANGES IN THE DISTRIBUTION OF PERMANENT FUND EARNINGS ON THE COST OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

Department of Revenue Fall 1988 Projections of Future PFDs

Revenue forecast: Low

Fiscal Year	Number of Recipients		No Change in PF Earnings Distribution		Senate Joint Resolution 5 (Budget Stabilization Fund)				House Joint Resolution 13 (Education Endowment Account)		Current Program	
	Age 65 by 1-1-91	Age 65 after 1-1-91	Bonus Amount	Annual Cost	Capital Gains=10 %		Capital Gains=20 %		Bonus Amount	Annual Cost	Bonus Amount	Annual Cost
1989	17,542	0	\$250	52.6	\$250	52.6	\$250	52.6	\$250	52.6	\$250	\$52.6
1990	19,065	0	250	57.2	250	57.2	250	57.2	250	57.2	250	57.2
1991	18,159	1,919	250	60.2	250	60.2	250	60.2	250	60.2	250	60.2
1992	17,250	3,762	241	62.7	241	62.7	241	62.7	243	62.7	250	63.1
1993	16,302	5,655	233	64.9	235	65.1	236	65.1	236	65.1	250	66.1
1994	15,473	7,443	224	66.4	229	66.9	231	67.0	231	67.0	250	66.7
1995	14,606	9,357	215	68.0	223	68.0	225	69.1	226	69.2	250	71.0
1996	13,753	11,116	206	69.7	216	70.1	219	70.4	221	70.7	250	74.6
1997	12,910	12,713	195	69.6	209	70.6	212	71.1	215	71.6	250	76.9
1998	12,101	14,439	195	69.3	200	71.0	204	71.7	210	72.6	250	79.6
1999	11,296	16,074	173	67.2	191	70.7	195	71.6	204	73.2	250	82.1
2000	10,507	17,750	160	65.7	186	69.3	189	70.9	197	73.6	250	84.8
2001	9,733	19,410	147	63.3	180	68.3	172	69.3	191	73.7	250	87.5
2002	8,978	21,090	132	60.3	164	65.9	159	66.8	184	73.4	250	88.2
2003	8,245	22,795	118	56.5	139	62.6	142	63.5	176	72.9	250	93.1
2004	7,533	24,482	99	51.7	122	58.5	125	59.3	166	72.0	250	86.0
2005	6,846	26,361	81	46.1	105	53.6	107	54.3	160	71.1	250	99.8
Cumulative Cost			\$1,040.3		\$1,094.0		\$1,102.0		\$1,159.0		\$1,304.3	

Note: The bonus amounts shown are the amounts that would be paid to persons turning 65 years after January 1, 1991; persons turning 65 years prior to January 1, 1991 would receive a \$250 monthly bonus.

Prepared by the House Research Agency, January 1989 (88-173P).

TABLE 2
EFFECT OF CHANGES IN THE DISTRIBUTION OF PERMANENT FUND EARNINGS ON THE COST OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

Department of Revenue Fall 1988 Projections of Future PFDs
 Revenue Forecast: Mid

Fiscal Year	Number of Recipients		No Change in PF Earnings Distribution		Senate Joint Resolution 5 (Budget Stabilization Fund)				House Joint Resolution 13 (Education Endowment Account)		Current Program	
	Age 65 by 1-1-81	Age 65 after 1-1-81	Bonus Amount	Annual Cost	Capital Gains=10 %		Capital Gains=20 %		Bonus Amount	Annual Cost	Bonus Amount	Annual Cost
					Bonus Amount	Annual Cost	Bonus Amount	Annual Cost	Bonus Amount	Annual Cost	Bonus Amount	Annual Cost
1989	17,542	0	\$250	52.6	\$250	52.0	\$250	52.6	\$250	52.6	\$250	\$52.6
1990	19,005	0	250	57.2	250	57.2	250	57.2	250	57.2	250	57.2
1991	10,150	1,919	250	60.2	250	60.2	250	60.2	250	60.2	250	60.2
1992	17,250	3,762	241	62.7	241	62.7	241	62.7	243	62.7	250	63.1
1993	16,362	5,655	232	64.9	234	65.0	235	65.0	236	65.1	250	66.1
1994	15,473	7,443	223	66.3	227	66.7	229	66.8	230	67.0	250	68.7
1995	14,606	9,357	213	67.7	220	68.5	222	68.8	225	69.1	250	71.9
1996	13,753	11,116	202	68.2	212	69.5	215	70.0	219	70.5	250	74.6
1997	12,910	12,713	190	67.8	204	69.8	207	70.4	213	71.3	250	76.9
1998	12,101	14,439	178	67.1	194	70.0	198	70.7	207	72.1	250	79.6
1999	11,296	16,074	164	65.6	184	69.3	188	70.2	200	72.5	250	82.1
2000	10,507	17,750	150	63.4	171	69.0	176	69.0	193	72.6	250	84.8
2001	9,733	19,410	134	60.4	157	65.8	162	66.8	185	72.3	250	87.5
2002	8,970	21,090	118	56.4	141	62.6	145	63.6	177	71.8	250	90.2
2003	8,245	22,795	98	51.5	123	58.4	128	59.3	160	70.8	250	93.1
2004	7,533	24,482	78	45.5	104	53.2	107	53.9	159	69.4	250	96.8
2005	6,846	26,361	56	38.3	83	46.9	85	47.5	150	67.9	250	99.6
Cumulative Cost			\$1,015.6		\$1,066.4		\$1,075.0		\$1,145.2		\$1,304.3	

Note: The bonus amounts shown are the amounts that would be paid to persons turning 65 years after January 1, 1991; persons turning 65 years prior to January 1, 1991 would receive a \$250 monthly bonus.

Prepared by the House Research Agency, January 1989 (89-173Q).

ATTACHMENT 1

TABLE 3
COMPARISON OF OPTIONS FOR REDUCING THE COST OF THE ALASKA LONGEVITY BONUS PROGRAM

Fiscal Year	Number of Recipients	Freeze Appropriations and Reduce the Bonus Amount Pro Rata						Reduce Bonus Amount 5 Percent Per Year		Senate Bill 5 No change in PFD; mid revenue forecast		Current Program	
		\$50 million		\$55 million		\$80 million		Bonus Amount	Annual Cost	Bonus Amount**	Annual Cost	Bonus Amount	Annual Cost
		Bonus Amount	Annual Cost	Bonus Amount	Annual Cost	Bonus Amount	Annual Cost						
1989	17,542	\$250	\$52.8	\$250	\$52.6	\$250	\$52.6	\$250	\$52.6	\$250	52.6	\$250	\$52.6
1990	19,065	250	57.2	250	57.2	250	57.2	250	57.2	250	57.2	250	57.2
1991	20,077	200	50.0	220	55.0	249	60.0	230	57.2	250	60.2	250	60.2
1992	21,020	190	50.0	210	55.0	230	60.0	226	56.0	241	62.7	250	63.1
1993	22,017	190	50.0	200	55.0	227	60.0	214	50.6	232	64.9	250	66.1
1994	22,917	182	50.0	200	55.0	218	60.0	204	56.0	223	66.3	250	68.7
1995	23,963	174	50.0	181	55.0	209	60.0	193	55.6	213	67.7	250	71.9
1996	24,069	180	50.0	184	55.0	202	60.0	184	54.0	202	68.2	250	74.6
1997	25,631	163	50.0	170	55.0	195	60.0	175	53.7	190	67.8	250	70.9
1998	26,540	157	50.0	173	55.0	188	60.0	166	52.0	170	67.1	250	70.0
1999	27,370	152	50.0	167	55.0	183	60.0	158	51.8	164	65.8	250	82.1
2000	28,265	147	50.0	162	55.0	177	60.0	150	50.0	150	63.4	250	84.8
2001	29,152	143	50.0	157	55.0	172	60.0	142	49.7	134	60.4	250	87.5
2002	30,076	139	50.0	152	55.0	166	60.0	135	48.0	118	56.4	250	90.2
2003	31,030	134	50.0	148	55.0	161	60.0	120	47.0	98	51.5	250	93.1
2004	32,015	130	50.0	143	55.0	156	60.0	122	48.0	78	45.5	250	96.0
2005	33,200	125	50.0	138	55.0	161	60.0	116	46.2	56	38.3	250	99.6
Cumulative Cost		\$959.0		\$934.0		\$1,000.0		\$895.4		\$1,015.8		\$1,304.3	

** The bonus amount given for the Senate Bill 5 option is the amount that a person turning 65 years after January 1, 1991 would receive; persons turning 65 years prior to January 1, 1991 would receive a \$250 monthly bonus. For the current program and the other options, all persons 65 years and older would receive the listed bonus amount.

APPENDIX A
ALB under SB 5: No Change in
Distribution of Permanent Fund Earnings

TABLE B.1

MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)

Capital Gains = 10 percent

Revenue Forecast: Low

Fiscal Year	Dividend Received	CASE A			CASE B			
		Person turning 65 in current year			Person Turning 65 on 1-2-91			
		Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	\$813	\$867.88			\$867.88			
1992	534	1,516.03	\$8.50	241.42	570.05	8.73	0.73	241.27
1993	550	2,239.80	15.00	235.00	507.13	5.86	14.59	235.41
1994	565	3,044.30	22.15	227.85	603.14	6.10	20.77	229.23
1995	581	3,930.51	30.11	219.89	620.22	6.49	27.26	222.74
1996	605	4,938.81	38.98	211.04	645.84	6.83	34.00	215.91
1997	658	6,085.72	48.85	201.15	702.42	7.29	41.30	208.62
1998	736	7,419.11	60.20	189.80	785.68	8.15	48.63	200.47
1999	820	8,962.18	73.39	178.61	875.35	9.40	58.93	191.87
2000	909	10,739.13	88.65	161.35	970.36	10.82	69.75	180.25
2001	998	12,771.02	106.23	143.77	1,065.37	12.36	82.10	167.90
2002	1,030	15,020.48	126.33	123.87	1,160.07	14.09	96.20	153.80
2003	1,076	17,529.67	148.86	101.34	1,148.63	15.19	111.39	138.61
2004	1,115	20,297.60	173.40	76.50	1,198.26	16.37	127.76	122.24
2005	1,153	23,355.22	200.78	49.22	1,238.83	17.69	145.45	104.55

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1988) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1986.

Prepared by the House Research Agency, January 1989 (88.173F).

TABLE B.2
PROJECTED COSTS OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)
 Capital Gains = 10 percent
 Revenue Forecast: Low

Year	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1991			Age 65 after Jan. 1, 1991		
	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1990	52.0	52.0	17,542	250	52.0			
1990	57.2	109.0	18,065	250	57.2			
1991	60.2	170.1	18,159	250	54.5	1,919	250	5.0
1992	62.7	232.7	17,258	250	51.0	3,762	241	10.9
1993	65.1	297.8	16,362	250	49.1	5,655	235	16.0
1994	66.9	364.7	15,473	250	46.4	7,443	229	20.5
1995	68.0	432.6	14,606	250	43.8	9,357	229	25.0
1996	70.1	502.6	13,753	250	41.3	11,116	216	28.0
1997	70.6	574.1	12,910	250	38.8	12,713	209	31.8
1998	71.0	645.2	12,101	250	36.3	14,439	200	34.7
1999	70.7	715.9	11,296	250	33.9	16,074	191	36.9
2000	69.9	785.8	10,507	250	31.5	17,750	180	38.4
2001	68.3	854.2	9,733	250	29.2	19,418	180	39.1
2002	65.9	920.1	8,970	250	26.9	21,098	154	38.9
2003	62.6	982.7	8,245	250	24.7	22,785	139	37.9
2004	58.5	1,041.2	7,533	250	22.6	24,402	122	35.9
2005	53.6	1,094.8	6,846	250	20.5	25,361	105	33.1

Prepared by the House Research Agency, January 1990 (89-173K).

APPENDIX B
ALB under SB 5: Distribution of Permanent Fund Earnings
Affected by SJR 5, Capital Gains = 10 Percent

TABLE A.1

MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

No Change in Distribution of Permanent Fund Earnings
Revenue Forecast: Low

Fiscal Year	Dividend Received	CASE A			CASE B			
		Annulity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	\$013	\$067.00			\$067.00			
1992	763	1,760.49	\$0.50	241.42	014.50	0.73	0.73	241.27
1993	775	2,746.25	17.41	232.59	027.31	0.37	17.11	232.09
1994	786	3,032.46	27.17	222.03	039.06	0.70	25.01	224.19
1995	810	5,042.08	37.91	212.09	064.60	0.02	34.03	215.17
1996	842	6,384.60	49.07	200.13	090.04	0.52	44.35	205.05
1997	880	7,909.60	63.25	186.75	139.40	10.15	54.51	195.49
1998	920	9,609.56	78.24	171.76	192.10	10.91	65.41	186.59
1999	961	11,493.75	95.00	155.00	1,025.07	11.75	77.16	172.04
2000	1,003	13,590.00	113.69	136.31	1,070.70	12.00	89.03	160.17
2001	1,043	15,936.20	134.52	115.40	1,113.40	13.63	103.47	146.59
2002	1,079	18,522.20	157.04	92.36	1,151.03	14.73	118.20	131.00
2003	1,117	21,301.00	183.22	66.70	1,192.40	15.79	133.99	116.01
2004	1,155	24,539.00	211.50	36.50	1,232.96	16.99	150.90	99.02
2005	1,194	28,022.11	242.73	7.27	1,274.60	18.33	169.30	80.70

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1988) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1986.

Prepared by the House Research Agency, January 1989 (89.1731).

TABLE A.2
PROJECTED COSTS OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

No Change in Distribution of Permanent Fund Earnings
 Revenue Forecast: Low

Year	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1991			Age 65 after Jan. 1, 1991		
	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1990	52.6	52.6	17,842	250	52.6			
1990	57.2	109.8	10,085	250	57.2			
1991	60.2	170.1	10,189	250	54.5	1,919	250	5.0
1992	62.7	232.7	17,250	250	51.0	3,762	261	10.0
1993	64.9	297.6	16,362	250	49.1	5,655	233	19.0
1994	66.4	364.1	15,473	250	46.4	7,463	224	20.0
1995	68.0	432.0	14,606	250	43.8	9,357	215	24.2
1996	69.7	500.7	13,753	250	41.3	11,110	206	27.4
1997	68.6	569.3	12,910	250	38.8	12,713	195	28.0
1998	68.3	637.6	12,101	250	36.3	14,430	185	32.0
1999	67.2	704.8	11,296	250	33.9	16,074	173	33.3
2000	65.7	770.5	10,507	250	31.5	17,750	160	34.1
2001	63.3	833.8	9,733	250	29.2	19,410	147	34.1
2002	60.3	894.1	8,970	250	26.8	21,090	132	33.4
2003	56.5	950.6	8,245	250	24.7	22,705	118	31.7
2004	51.7	1,002.3	7,533	250	22.6	24,402	99	29.1
2005	46.1	1,048.3	6,848	250	20.5	26,361	81	25.5

Prepared by the House Research Agency, January 1988 (88-173J).

TABLE A.3

MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

No Change in Distribution of Permanent Fund Earnings

Revenue Forecast: Mid

Fiscal Year	Dividend Received	CASE A			CASE B			
		Person turning 65 in current year			Person Turning 65 on 1-2-91			
		Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	\$822	\$877.49			\$877.49			
1992	801	1,011.53	\$8.60	241.32	855.07	8.03	8.03	241.17
1993	842	2,079.40	17.92	222.00	888.04	8.79	17.62	232.30
1994	885	4,029.74	28.42	221.56	944.74	9.46	27.08	222.92
1995	915	5,428.41	40.33	209.07	976.76	10.16	37.24	212.76
1996	880	6,933.05	53.62	196.38	1,024.00	10.75	47.99	202.01
1997	1,010	8,635.20	68.50	181.42	1,078.18	11.57	59.56	190.44
1998	1,062	10,546.05	85.42	164.50	1,133.69	12.52	72.08	177.92
1999	1,116	12,686.52	104.32	146.60	1,191.33	13.56	85.64	164.38
2000	1,171	15,078.35	125.49	124.51	1,250.04	14.72	100.36	149.64
2001	1,221	17,730.02	148.15	100.05	1,303.42	15.92	116.28	133.72
2002	1,269	20,680.98	175.47	74.53	1,354.66	17.24	133.52	118.40
2003	1,317	23,957.97	204.86	45.34	1,405.90	18.57	152.89	97.91
2004	1,366	27,572.38	238.99	13.01	1,458.21	20.03	172.12	77.07
2005	1,415	31,564.42	272.74	0.00	1,510.51	21.67	192.00	56.99

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1988) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1986.

Prepared by the House Research Agency, January 1988 (88.1735).

TABLE A.1
PROJECTED COSTS OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

No Change in Distribution of Permanent Fund Earnings
 Revenue Forecast: Mid

Year	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1991			Age 65 after Jan. 1, 1991		
	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1988	52.8	52.8	17,842	250	52.6			
1989	57.2	109.8	18,085	250	57.2			
1991	60.2	170.1	18,159	250	54.5	1,919	250	5.0
1992	62.7	232.7	17,258	250	51.0	3,762	241	16.9
1993	64.8	297.6	16,362	250	48.1	5,655	232	15.0
1994	66.3	363.9	15,473	250	46.4	7,443	223	16.9
1995	67.7	431.6	14,606	250	43.8	9,357	213	23.9
1996	68.2	499.8	13,753	250	41.3	11,116	202	26.9
1997	67.8	567.6	12,918	250	38.8	12,713	190	29.1
1998	67.1	634.8	12,101	250	36.3	14,439	178	30.0
1999	65.8	700.3	11,298	250	33.9	16,074	164	31.7
2000	63.4	763.8	10,507	250	31.5	17,750	150	31.9
2001	60.4	824.1	9,733	250	29.2	19,418	134	31.2
2002	56.4	880.5	8,978	250	26.9	21,098	116	29.5
2003	51.5	932.0	8,245	250	24.7	22,785	98	26.8
2004	45.5	977.5	7,533	250	22.6	24,482	78	22.9
2005	38.3	1,015.8	6,846	250	20.5	26,361	56	17.8

Prepared by the House Research Agency, January 1988 (88-1737).

TABLE B.3

MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)

Capital Gains = 10 percent

Revenue Forecast: Mid

Fiscal Year	Dividend Received	CASE A			CASE B			
		Person turning 65 in current year	Person Turning 65 on 1-2-81	Person Turning 65 on 1-2-81	Person Turning 65 on 1-2-81	Person Turning 65 on 1-2-81	Person Turning 65 on 1-2-81	Person Turning 65 on 1-2-81
		Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	\$022	\$077.49			\$077.49			
1992	613	1,610.04	30.60	241.32	656.30	0.03	0.03	241.17
1993	632	2,430.47	15.93	234.07	674.66	6.73	15.56	234.44
1994	651	3,344.16	24.04	225.06	694.94	7.10	22.66	227.34
1995	670	4,360.36	33.00	216.92	715.23	7.47	30.13	219.87
1996	781	5,501.10	43.13	208.07	748.32	7.87	38.00	212.00
1997	747	6,709.63	54.42	195.50	787.42	8.45	46.46	203.54
1998	840	8,301.75	67.20	182.00	836.79	9.26	55.71	194.29
1999	940	10,062.36	82.12	167.00	1,003.45	10.73	66.44	183.56
2000	1,046	12,072.61	99.44	150.66	1,115.54	12.40	78.84	171.16
2001	1,151	14,307.84	119.42	130.50	1,220.69	14.20	93.04	156.86
2002	1,202	16,865.00	142.32	107.60	1,293.14	16.25	109.29	140.71
2003	1,251	19,020.25	167.02	82.10	1,335.44	17.59	126.89	123.11
2004	1,299	22,999.40	196.14	53.66	1,386.60	18.03	145.92	104.00
2005	1,347	26,507.35	227.50	22.50	1,437.92	20.61	166.53	83.47

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1980) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1986.

TABLE H.4
PROJECTED COSTS OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)
Capital Gains = 10 percent
Revenue Forecast: Mid

Year	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1981			Age 65 after Jan. 1, 1991		
	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1989	52.6	52.6	17,542	250	52.6			
1990	57.2	109.8	19,065	250	57.2			
1991	60.2	170.1	18,158	250	54.5	1,919	250	5.8
1992	62.7	232.7	17,250	250	51.8	3,762	241	10.9
1993	65.0	297.7	16,362	250	49.1	5,655	234	15.9
1994	66.7	364.4	15,473	250	46.4	7,443	227	20.3
1995	68.5	432.9	14,606	250	43.8	9,357	220	24.7
1996	69.5	502.5	13,753	250	41.3	11,116	212	28.3
1997	69.8	572.3	12,910	250	38.8	12,713	204	31.1
1998	70.0	642.3	12,101	250	36.3	14,439	196	33.7
1999	69.3	711.5	11,266	250	33.9	16,074	188	35.4
2000	68.0	779.5	10,507	250	31.5	17,750	171	36.5
2001	65.8	845.3	9,733	250	29.2	19,410	157	36.6
2002	62.6	907.9	8,976	250	26.9	21,090	141	35.6
2003	58.4	866.3	8,245	250	24.7	22,785	123	33.7
2004	53.2	1,019.5	7,533	250	22.6	24,482	104	30.6
2005	46.9	1,066.4	6,848	250	20.5	26,361	83	26.4

Prepared by the House Research Agency, January 1988 (88-173V).

APPENDIX C
ALB under SB 5: Distribution of Permanent Fund Earnings
Affected by SJR 5, Capital Gains = 20 Percent

TABLE C.3

MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT EUMD DIVIDENDS IN AN ANNUITY

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)

Capital Gains = 20 percent

Revenue Forecast: Mid

Fiscal Year	Dividend Received	CASE A			CASE B			
		Person turning 65 in current year			Person Turning 65 on 1-2-91			
		Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	\$822	\$877.49			\$877.49			
1992	542	1,535.04	\$8.60	241.72	576.59	8.83	8.83	241.17
1993	582	2,273.13	15.10	234.82	599.94	6.85	14.78	235.22
1994	593	3,100.07	22.49	227.51	622.35	6.31	21.09	228.91
1995	603	4,022.70	30.67	219.33	643.70	6.69	27.78	222.22
1996	635	5,062.69	39.70	210.21	677.86	7.09	34.87	215.13
1997	700	6,215.51	50.00	199.92	747.25	7.66	42.53	207.47
1998	815	7,609.49	61.90	188.82	870.01	8.67	51.20	198.80
1999	937	9,392.70	76.16	173.84	1,000.25	10.41	61.61	188.39
2000	1,095	11,374.93	92.91	157.89	1,136.89	12.36	73.97	176.03
2001	1,183	13,672.20	112.52	137.40	1,273.53	14.48	88.44	161.56
2002	1,247	16,233.87	135.24	114.76	1,331.17	16.85	105.29	144.71
2003	1,295	19,081.68	160.58	89.42	1,386.68	18.25	123.54	128.46
2004	1,348	22,239.80	188.75	61.25	1,440.06	19.76	143.30	106.70
2005	1,399	25,733.94	219.90	30.82	1,493.43	21.40	164.70	85.30

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1988) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1986.

TABLE C.2

PROJECTED COSTS OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)

Capital Gains = 20 percent

Revenue Forecast: Low

Year	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1991			Age 65 after Jan. 1, 1991		
	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1989	52.6	52.6	17,542	250	52.6			
1990	57.2	109.8	10,065	250	57.2			
1991	60.2	170.1	10,150	250	54.5	1,919	250	5.0
1992	62.7	232.7	17,250	250	51.0	3,762	241	10.9
1993	65.1	297.8	16,362	250	49.1	5,655	236	16.0
1994	67.0	364.8	15,473	250	46.4	7,443	231	20.6
1995	69.1	433.9	14,606	250	43.8	9,357	225	25.2
1996	70.4	504.3	13,753	250	41.3	11,116	210	29.2
1997	71.1	575.4	12,910	250	38.8	12,713	212	32.4
1998	71.7	647.2	12,101	250	36.3	14,439	204	35.4
1999	71.6	718.8	11,296	250	33.9	16,074	195	37.7
2000	70.9	789.6	10,507	250	31.5	17,750	185	39.4
2001	69.3	858.9	9,733	250	29.2	19,418	172	40.1
2002	66.8	925.8	8,978	250	26.9	21,090	158	39.9
2003	63.5	989.3	8,245	250	24.7	22,785	142	30.8
2004	59.3	1,048.6	7,533	250	22.6	24,402	125	36.7
2005	54.3	1,102.9	6,816	250	20.5	26,361	107	33.7

Prepared by the House Research Agency, January 1989 (99.173L).

TABLE C.1

MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)

Capital Gains = 20 percent

Revenue Forecast: Low

Fiscal Year	Dividend Received	CASE A			CASE B			
		Person turning 65 in current year			Person Turning 65 on 1-2-81			
		Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1971	\$013	\$867.00			\$857.00			
1992	472	1,449.05	\$0.50	241.42	503.06	0.73	0.73	241.27
1993	400	2,101.27	14.36	235.66	520.94	5.10	13.91	236.09
1994	505	2,029.47	20.79	229.21	530.09	5.48	19.40	230.60
1995	522	3,641.36	27.90	222.01	557.24	5.00	25.19	224.01
1996	540	4,551.94	36.02	213.96	502.06	6.14	31.33	210.67
1997	614	5,617.06	45.03	204.97	655.45	6.50	37.91	212.09
1998	711	6,001.59	55.56	194.44	750.99	7.61	45.52	204.40
1999	814	8,369.00	60.07	191.93	800.95	9.00	54.60	185.40
2000	922	10,107.40	82.79	167.21	984.24	10.74	65.33	184.67
2001	1,030	12,116.59	99.90	150.02	1,090.53	12.53	77.07	172.13
2002	1,072	14,351.44	119.05	130.15	1,144.16	14.55	92.41	157.59
2003	1,113	16,031.20	141.96	100.04	1,100.13	15.60	100.10	141.90
2004	1,153	19,576.04	166.49	83.51	1,230.03	16.93	125.03	124.97
2005	1,192	22,611.21	193.65	56.35	1,272.45	18.29	143.33	106.67

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1980) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1980.

TABLE C.4

PROJECTED COSTS OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

Distribution of Permanent Fund Earnings Changed by Senate Joint Resolution 5 (Budget Stabilization Fund)

Capital Gains = 20 percent

Revenue Forecast: Mid

Year	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1991			Age 65 after Jan. 1, 1991		
	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1999	52.6	52.6	17,542	250	52.6			
1999	57.2	109.8	19,065	250	57.2			
1991	60.2	170.1	19,159	250	56.5	1,919	250	5.0
1992	62.7	232.7	17,250	250	51.0	3,762	241	10.9
1993	65.0	297.8	16,362	250	49.1	5,655	235	16.0
1994	68.9	366.6	15,479	250	46.4	7,443	229	20.4
1995	68.0	433.4	14,606	250	43.0	8,357	222	25.0
1996	70.0	503.4	13,753	250	41.3	11,116	215	28.7
1997	70.4	573.8	12,910	250	38.8	12,713	207	31.7
1998	70.7	644.5	12,101	250	36.3	14,439	199	34.4
1999	70.2	714.7	11,296	250	33.9	16,074	188	36.3
2000	69.0	783.8	10,507	250	31.5	17,750	176	37.5
2001	66.8	850.6	9,733	250	29.2	19,410	162	37.6
2002	63.6	914.2	8,978	250	26.9	21,090	145	36.6
2003	59.3	973.5	8,245	250	24.7	22,785	126	34.6
2004	53.9	1,027.4	7,533	250	22.6	24,482	107	31.3
2005	47.5	1,075.0	6,846	250	20.5	26,361	85	27.8

Prepared by the House Research Agency, January 1999 (89-173X).

APPENDIX D
ALB under SB 5: Distribution of Permanent Fund Earnings
Affected by HJR 13

TABLE D.1

MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

Distribution of Permanent Fund Earnings Changed by House Joint Resolution 13 (Education Endowment Account)
Revenue Forecast: Low

Fiscal Year	Dividend Received	CASE A			CASE B			
		Person turning 65 in current year			Person Turning 65 on 1-2-91			
		Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	\$603	\$729.10			\$729.10			
1992	564	1,306.79	\$7.21	242.79	602.07	7.34	7.34	242.66
1993	502	2,050.39	13.02	236.10	535.09	6.19	13.53	236.47
1994	435	2,700.01	20.36	229.64	464.36	5.64	19.17	230.83
1995	437	3,410.22	26.79	223.21	466.50	4.99	24.16	225.84
1996	445	4,209.00	33.01	216.19	475.04	5.14	29.29	220.71
1997	450	5,065.76	41.55	208.45	486.70	5.36	34.66	215.34
1998	450	6,010.60	50.11	199.89	488.92	5.65	40.31	209.89
1999	401	7,005.02	59.46	190.54	513.47	5.85	46.16	203.84
2000	494	8,120.21	69.09	180.11	527.35	6.34	52.50	197.50
2001	504	9,526.77	81.39	168.61	530.02	6.71	59.22	190.78
2002	513	10,911.01	94.04	155.96	547.63	7.12	66.34	183.66
2003	522	12,449.15	107.92	142.00	557.24	7.51	73.84	176.16
2004	530	14,135.34	123.14	126.86	565.70	7.94	81.78	168.22
2005	530	15,901.64	139.02	110.10	574.32	8.41	90.19	159.81

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1988) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1986.

TABLE D.2
PROJECTED COSTS OF THE LONGEVITY BONUS PROGRAM AS MODIFIED BY SENATE BILL 5

Distribution of Permanent Fund Earnings Changed by House Joint Resolution 13 (Education Endowment Account)
 Revenue Forecast: Low

Year	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1991			Age 65 after Jan. 1, 1991		
	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1989	52.6	52.6	17,542	250	52.6			
1990	57.2	109.8	19,065	250	57.2			
1991	60.2	170.1	18,159	250	54.5	1,919	250	5.0
1992	62.7	232.8	17,250	250	51.0	3,762	243	11.0
1993	65.1	297.9	16,362	250	49.1	5,655	236	16.0
1994	67.0	365.0	15,473	250	46.4	7,443	231	20.6
1995	69.2	434.1	14,608	250	43.8	9,357	226	25.4
1996	70.7	504.8	13,753	250	41.3	11,116	221	29.4
1997	71.6	576.4	12,910	250	38.8	12,713	215	32.9
1998	72.6	649.1	12,101	250	36.3	14,439	210	36.3
1999	73.2	722.3	11,296	250	33.9	16,074	204	39.3
2000	73.6	795.9	10,507	250	31.5	17,758	197	42.1
2001	73.7	869.5	9,733	250	29.2	19,418	191	44.5
2002	73.4	943.0	8,978	250	26.9	21,098	184	46.5
2003	72.9	1,015.9	8,245	250	24.7	22,785	176	48.2
2004	72.0	1,087.9	7,533	250	22.6	24,482	168	49.4
2005	71.1	1,159.0	6,846	250	20.5	26,381	160	50.6

Prepared by the House Research Agency, January 1989 (89-173M).

TABLE D.3

MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF PERMANENT FUND DIVIDENDS IN AN ANNUITY

Distribution of Permanent Fund Earnings Changed by House Joint Resolution 13 (Education Endowment Account)

Revenue Forecast: Mid

Fiscal Year	Dividend Received	CASE A			CASE B			
		Person turning 65 in current year			Person Turning 65 on 1-2-91			
		Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1991	\$675	\$720.56			\$720.56			
1992	575	1,399.23	\$7.13	242.07	613.01	7.25	7.25	242.75
1993	532	2,093.07	13.04	236.16	567.91	6.31	13.56	239.44
1994	488	2,800.25	20.70	229.30	518.81	5.97	19.54	230.43
1995	400	3,573.21	27.70	222.30	520.94	5.58	25.12	224.00
1996	500	4,426.55	35.35	214.65	533.75	5.74	30.85	219.15
1997	515	5,376.00	43.01	206.19	549.76	6.03	30.80	213.12
1998	530	6,426.57	53.19	196.81	565.70	6.30	43.26	206.74
1999	546	7,597.02	63.57	186.43	582.06	6.77	50.03	199.97
2000	562	8,876.66	75.06	174.94	599.94	7.20	57.23	192.77
2001	574	10,261.76	87.75	162.25	612.75	7.64	64.07	185.13
2002	584	11,738.54	101.70	148.30	623.42	8.11	72.98	177.02
2003	594	13,320.39	117.02	132.90	634.10	8.55	81.52	168.48
2004	604	15,011.00	133.83	116.17	644.77	9.04	90.56	159.44
2005	613	17,431.44	152.25	97.75	654.38	9.58	100.14	149.86

NOTES:

1. Estimates of monthly annuity payments based on Department of Revenue projections of future Permanent Fund Dividends (Fall 1988) and an interest rate of nine percent.

2. Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1989.

PROJECTED COSTS OF THE LUMBERTON BONUS PROGRAM AS MODIFIED BY SENATE BILL 3

Distribution of Permanent Fund Earnings Changed by House Joint Resolution 13 (Education Endowment Account)
 Revenue forecast: Mid

Year	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1991			Age 65 after Jan. 1, 1991		
	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1990	92.6	92.6	17,542	250	52.6			
1991	57.2	149.8	19,065	250	57.2			
1992	60.2	210.0	18,159	250	54.5	1,919	250	5.0
1993	62.7	272.7	17,250	250	51.0	3,762	243	11.0
1994	65.1	337.8	16,362	250	49.1	5,655	236	16.0
1995	67.0	404.8	15,473	250	46.4	7,443	230	20.6
1996	69.1	473.9	14,606	250	43.8	9,357	225	25.3
1997	70.5	544.4	13,753	250	41.3	11,118	219	29.2
1998	71.3	615.7	12,918	250	38.8	12,713	213	32.5
1999	72.1	687.8	12,101	250	36.3	14,439	207	35.8
2000	72.5	760.3	11,296	250	33.9	16,076	200	38.6
2001	72.6	832.9	10,507	250	31.5	17,758	193	41.1
2002	72.3	905.2	9,733	250	29.2	19,418	185	43.1
2003	71.8	977.0	8,978	250	26.9	21,098	177	44.8
2004	70.8	1,047.8	8,245	250	24.7	22,785	168	46.1
2005	69.8	1,117.6	7,533	250	22.6	24,602	159	46.8
2006	67.8	1,185.4	6,846	250	20.5	26,361	150	47.4

Prepared by the House Research Agency, January 1989 (89-1732).

APPENDIX E
ALB under SB 5: Mid-level Revenue Forecast Graphs

FIGURE E.2 Alaska Longevity Bonus Program Under Senate Bill 5

ALASKA LONGEVITY BONUS

Comparison of Monthly Bonus Amounts

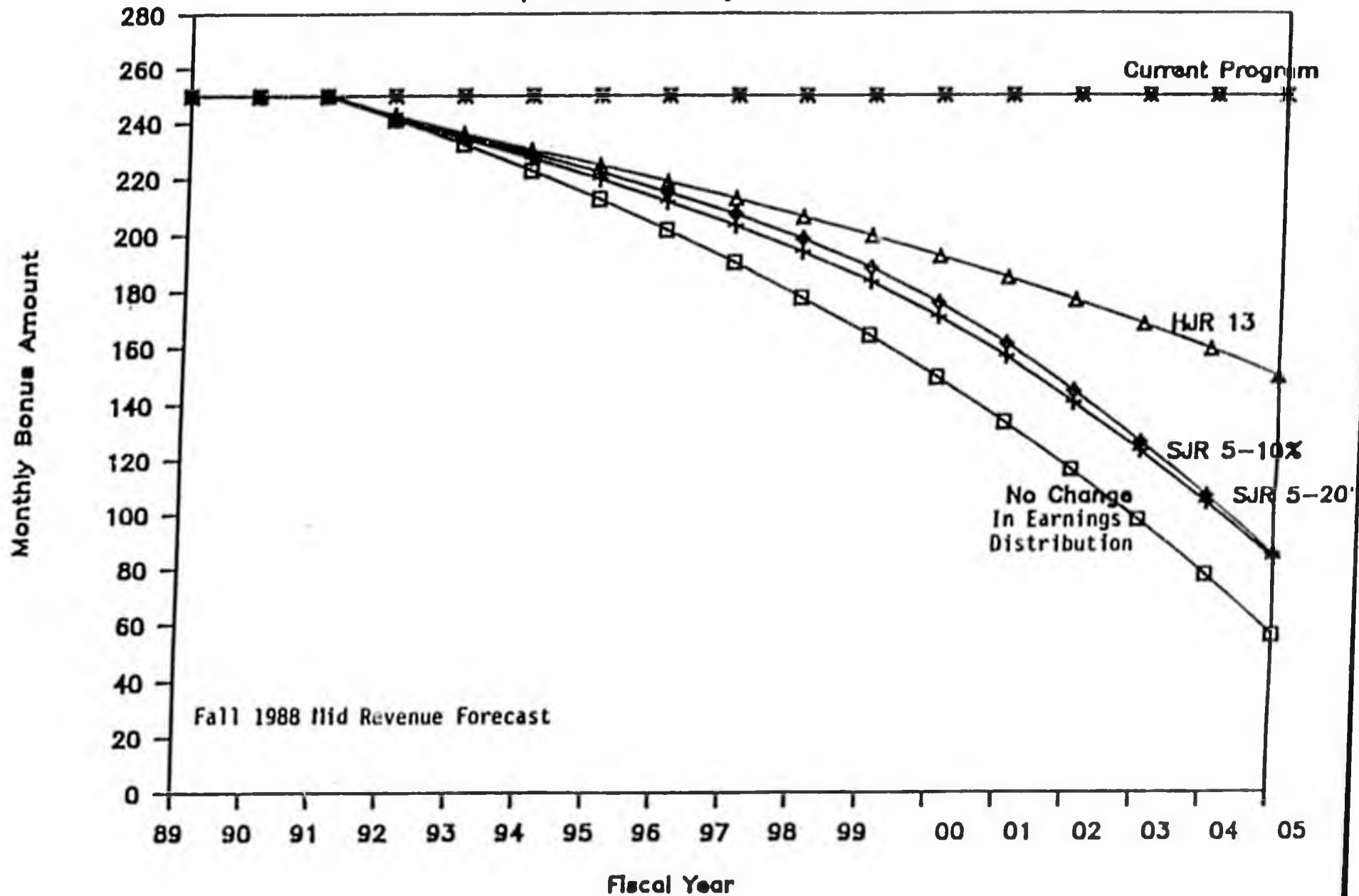


FIGURE E.1

PERMANENT FUND DIVIDENDS

10/88 Mid Revenue Forecast

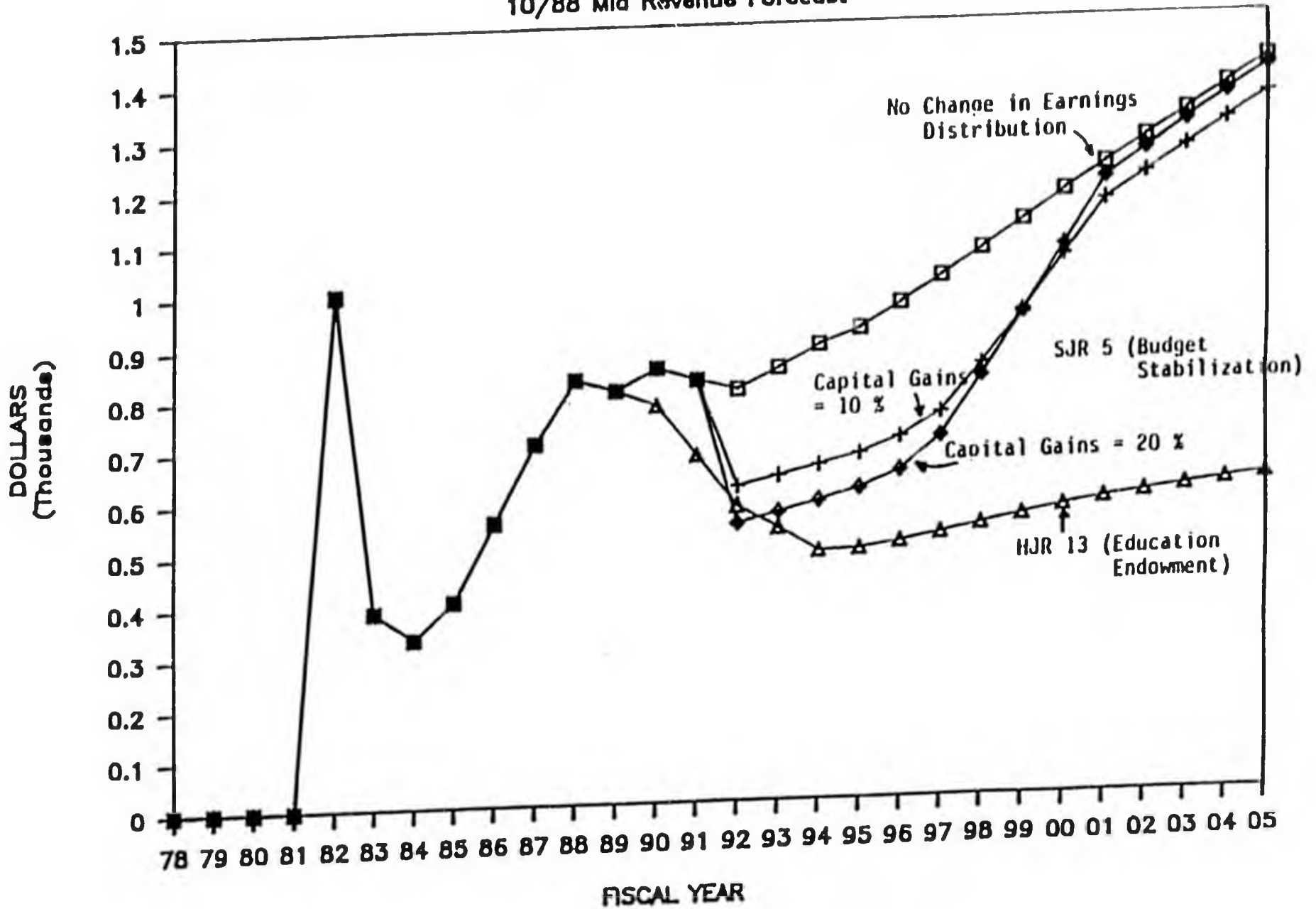
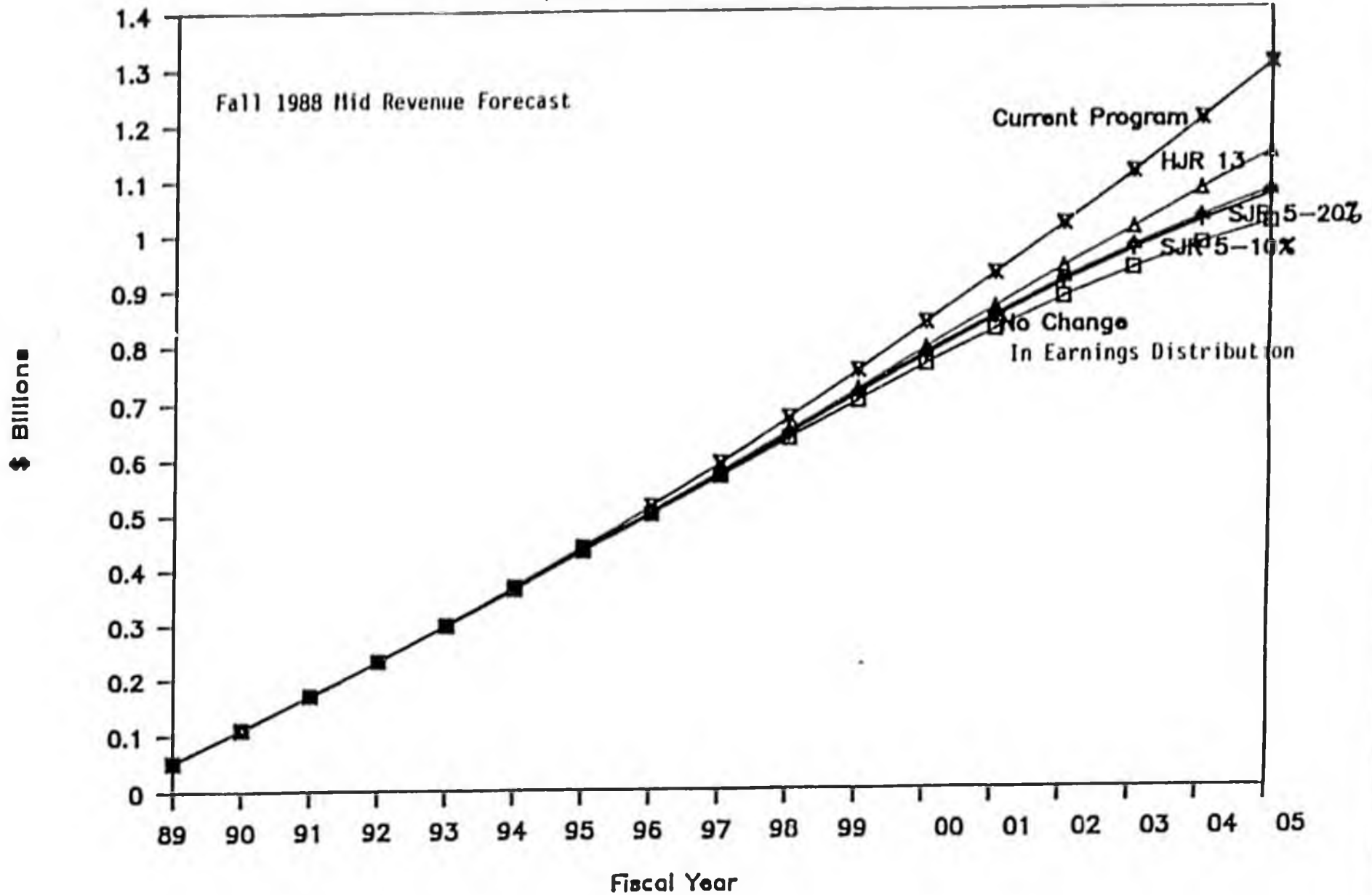


FIGURE E.3 Alaska Longevity Bonus Program Under Senate Bill 5

ALASKA LONGEVITY BONUS

Comparison of Cumulative Costs



APPENDIX F
ALB under SB 5: Low-level Revenue Forecast Graphs

FIGURE F.1 Alaska Longevity Bonus Program Under Senate Bill 5

ALASKA LONGEVITY BONUS

Comparison of Monthly Bonus Amounts

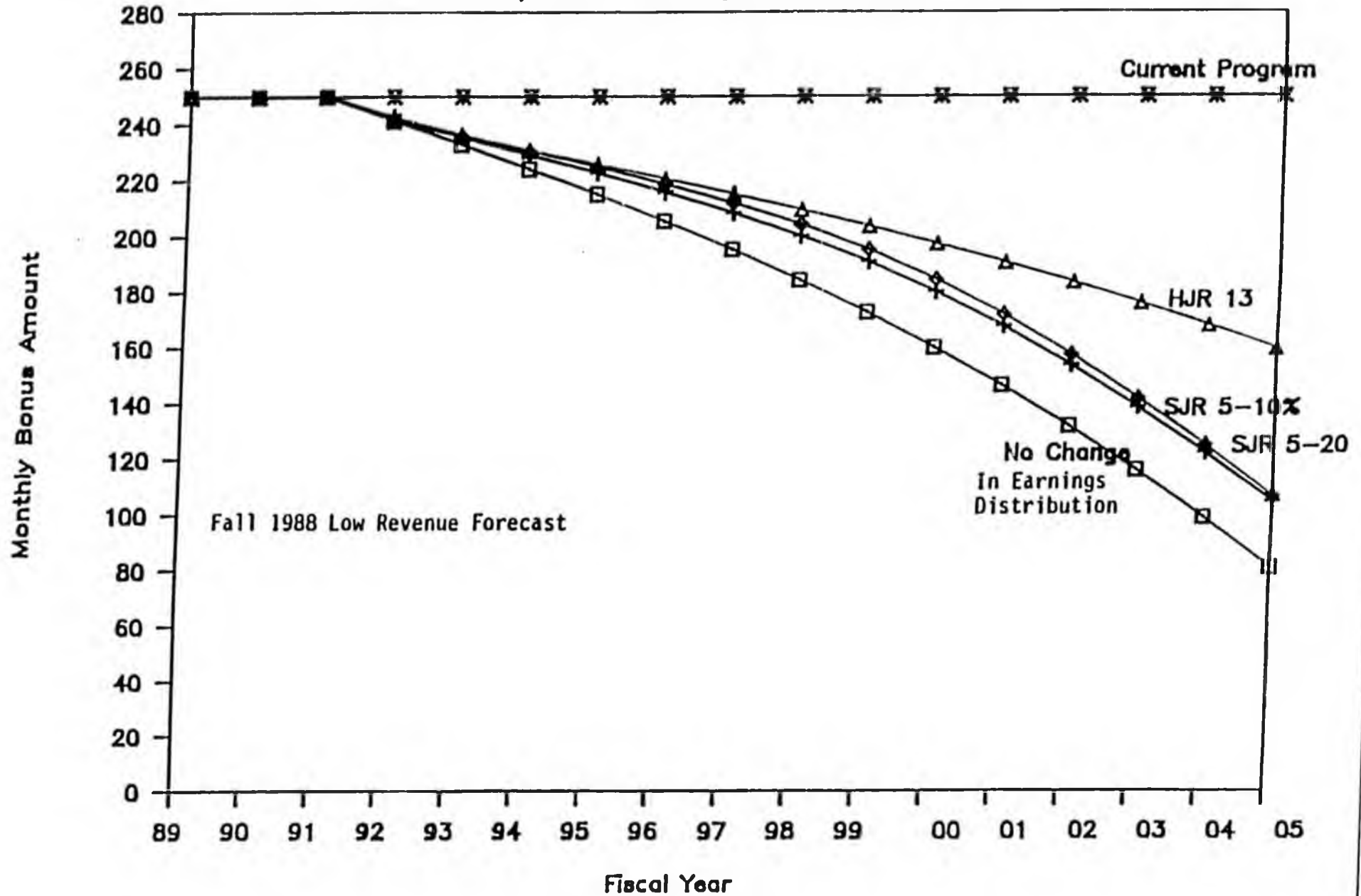


FIGURE F.2 Alaska Longevity Bonus Program Under Senate Bill 5

ALASKA LONGEVITY BONUS

Comparison of Annual Costs

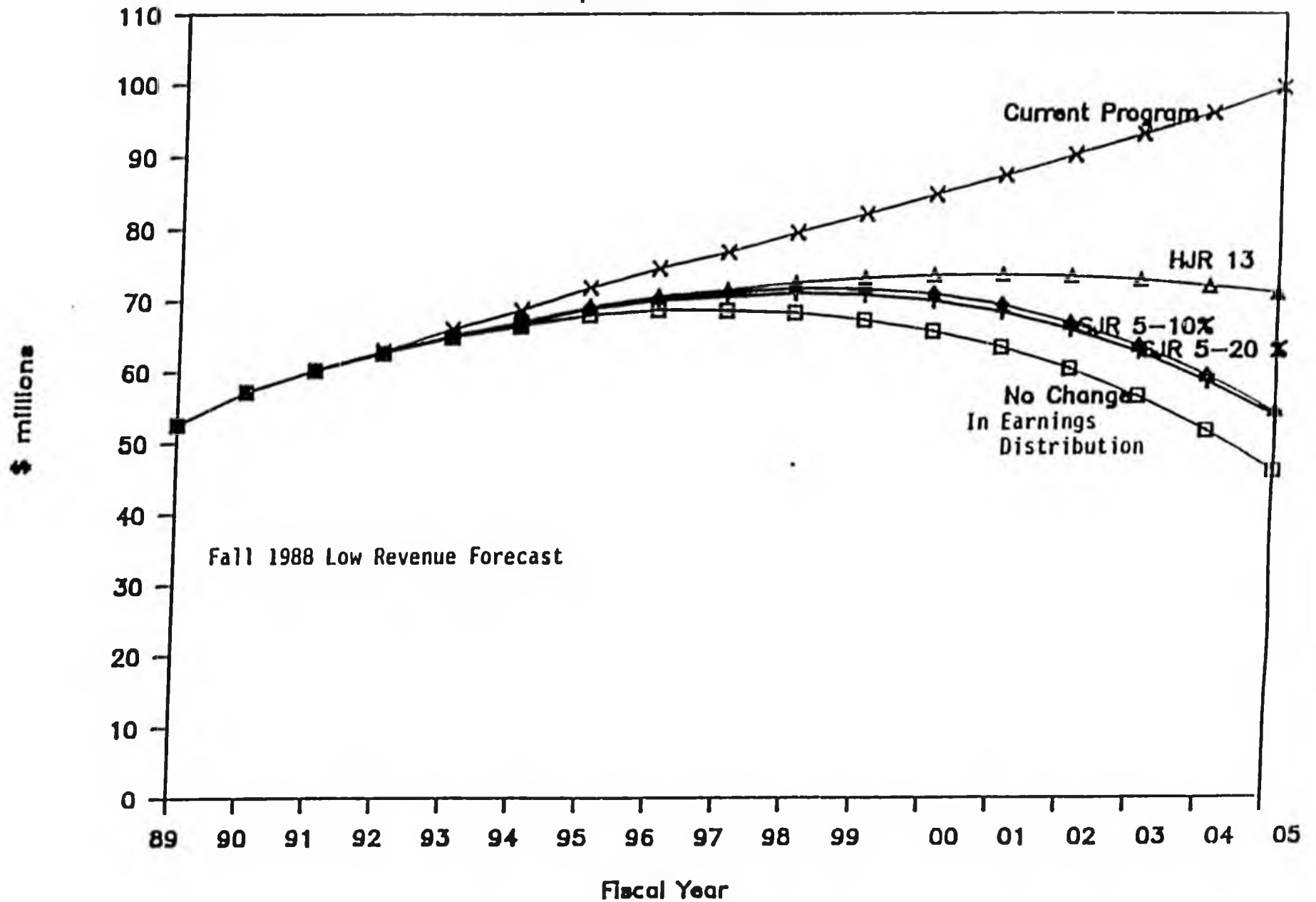
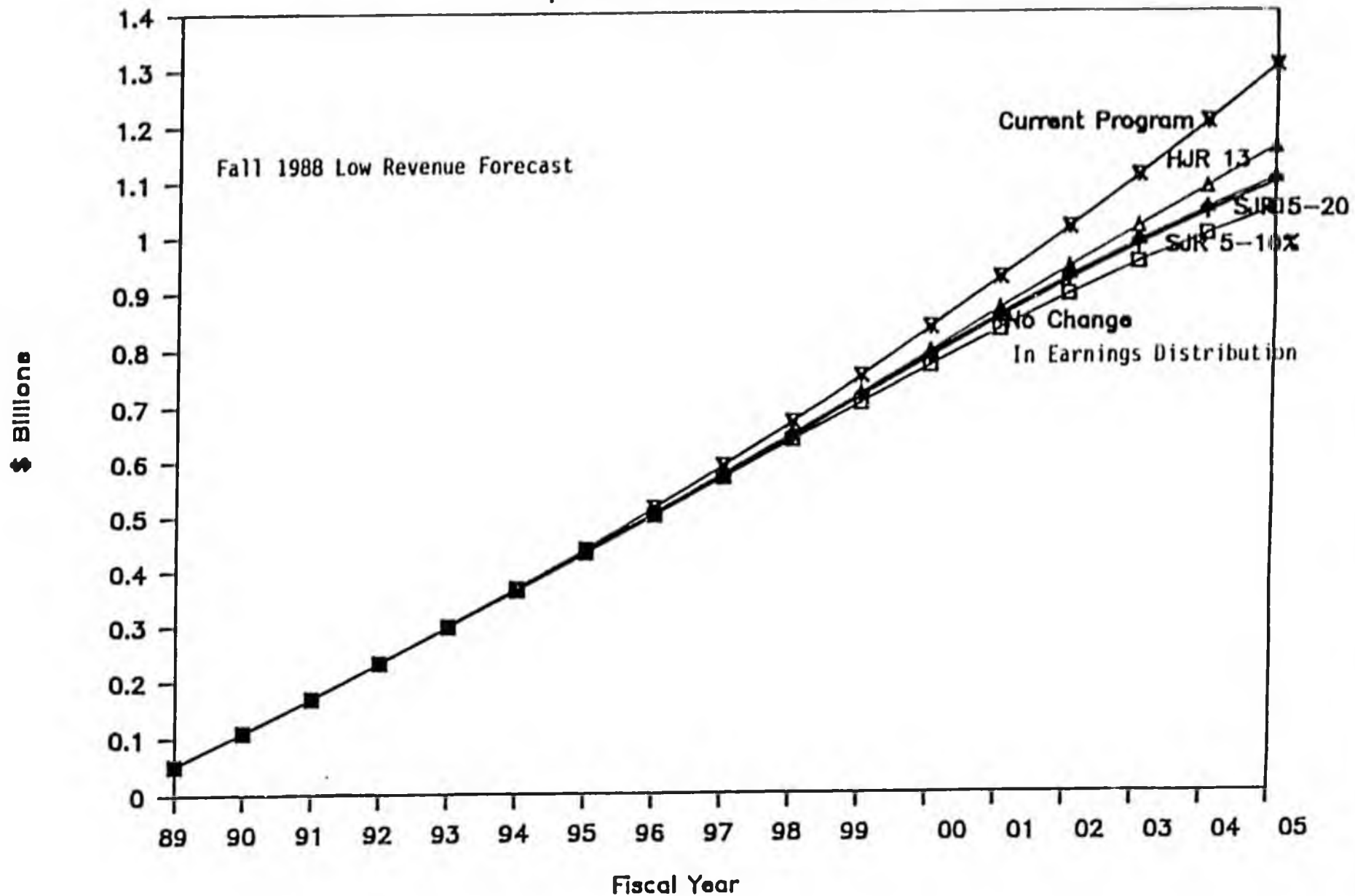


FIGURE F.3 Alaska Longevity Bonus Program Under Senate Bill 5

ALASKA LONGEVITY BONUS

Comparison of Cumulative Costs



APPENDIX G
Comparison of Various Proposals to Reduce
the Costs of the ALB Program Graphs

FIGURE G.1 Comparison of Proposals to Reduce the Cost of the Alaska Longevity Bonus Program

ALASKA LONGEVITY BONUS

Comparison of Monthly Bonus Amounts

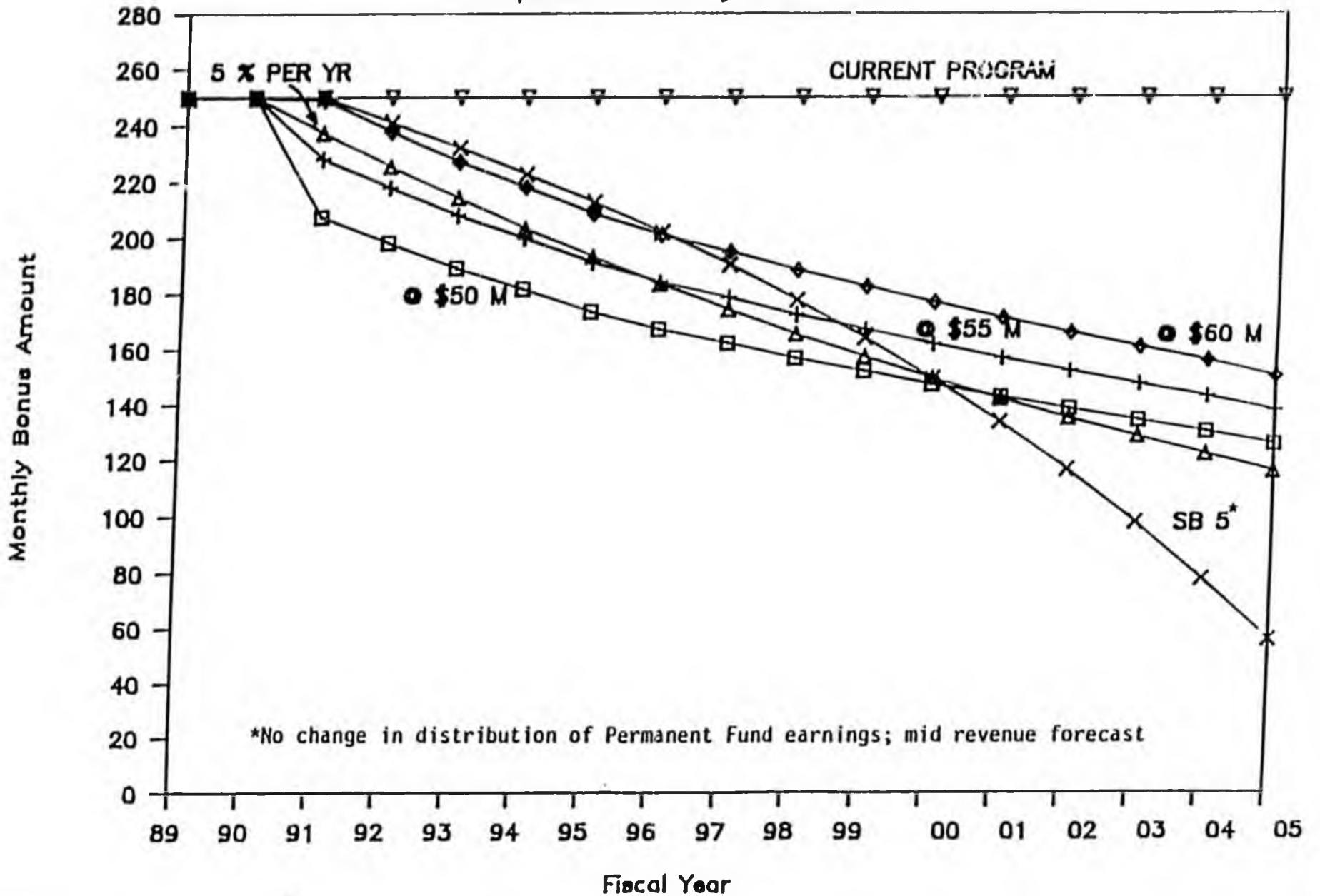
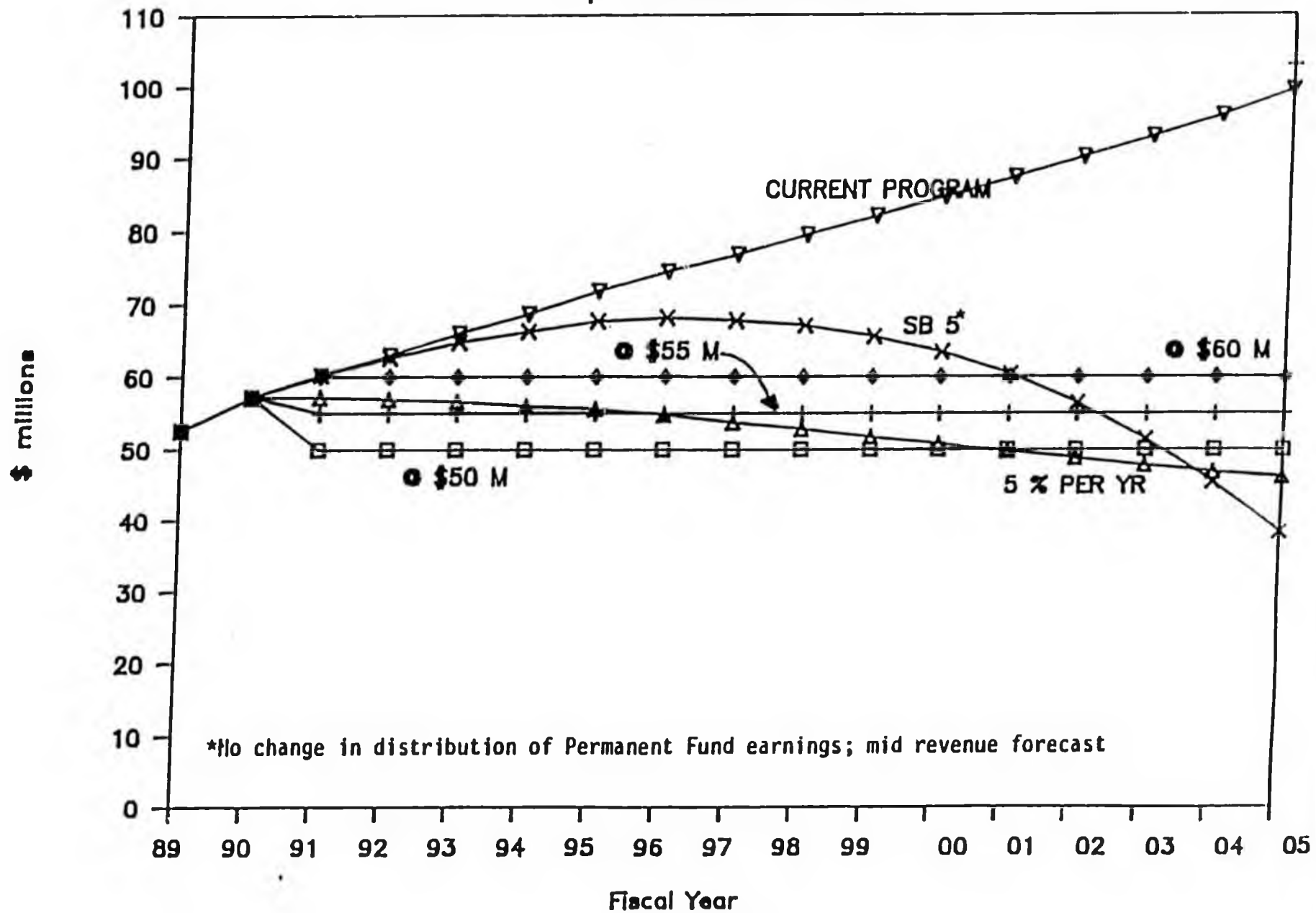


FIGURE G.2 Comparison of Proposals to Reduce the Cost of the Alaska Longevity Bonus Program

ALASKA LONGEVITY BONUS

Comparison of Annual Costs





ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P. O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-1991

February 15, 1989

MEMORANDUM

TO: Representative Kay Brown

ATTN: Eric Myers

FROM: Karen Oakley *KO*
Legislative Analyst

RE: Projected Costs of the Longevity Bonus Program Under Senate Bill 5 and
Other Proposed Modifications
Research Request 89.173 (Supplemental Information)

You asked that Figures G.1 and G.2 be modified by removing the information for the options that would freeze longevity bonus appropriations at \$50 million and \$60 million. You also asked that the information for the option that would freeze appropriations at \$55 million be labelled "Freeze at Current Level." The modified graphs are attached.

If you need any additional information, please let me know.

Attachment



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P. O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

February 16, 1989

MEMORANDUM

TO:

ATTN:

FROM: Karen Oakley ^{ko}
Legislative Analyst

RE: Estimated Costs of the Longevity Bonus Program in FY 90 Under Various
Modifications
Research Request 89.246

You asked for estimates of the costs of the longevity bonus program in FY 90 1) if the program is unchanged, 2) if no new recipients are allowed, 3) if new recipients are allowed but the monthly bonus amount is reduced to \$225, and 4) if eligibility is based on need.

Because your primary interest is costs of the program in the immediate future, I have estimated the costs using recent information from the Division of Pioneers' Benefits. Our prior work on costs was aimed at determining the relative costs of various proposals over the next 15 years, and the recipient numbers used to produce these long range estimates are less suitable for producing short range estimates.

Table 1 summarizes the estimated FY 90 costs of the bonus program with no change and under the various modifications which you asked to be analyzed. Table 2 shows how the estimates were produced. Note that the costs estimated are for bonuses only; we have not estimated administrative or hold harmless costs. The Governor's budget proposal for FY 90 (House Bill 100) includes \$56.8 million for the bonus program, hence our estimate of \$54.9 million to pay bonuses in FY 90 is in the same ballpark.

The most recent proposal to create a needs-based bonus program was Governor Cowper's House Bill 151, considered by the legislature in 1987. Under that bill, 1) no new recipients were allowed, 2) seniors with adjusted gross incomes less than \$20,000 would receive \$200 monthly bonuses, 3) seniors with adjusted gross incomes between \$20,000 and \$25,000 would receive monthly bonuses varying

February 16, 1989
Page 2

from \$16 to \$183, and 4) seniors with incomes above \$25,000 would receive no bonus. The House Research Agency produced several memorandums during the 1987 session analyzing this proposal and various proposed modifications; these memorandums are attached.¹

For the purposes of this memorandum, two needs-based programs were analyzed. In both scenarios, seniors with annual gross incomes (not including the bonus) above \$17,000 were excluded from the program, and the monthly bonus amount was left at \$250. In one scenario, new recipients were allowed; in the other scenario, no new recipients were allowed. At your request, we can estimate the costs of a needs-based program with different income limits and different bonus amounts.

House Research Memorandum 87.086 (also attached) provides a general evaluation of a needs-based bonus program. In that memorandum, we found that under a needs-based program:

• the bonus would not be counted as income in determining an individual's eligibility for certain public assistance programs, and the state would therefore no longer have to fund "hold harmless" accounts to replace lost benefits. Such benefits are estimated to cost \$3.8 million in FY 90.

• the one-year residency requirement for the bonus could be subject to challenge, as federal courts have held that the maximum residency requirement for programs that provide "basic necessities" is 30 days.

I hope you find this information useful. If you need any additional information, please let me know.

Attachments

¹The attached memorandums are: 87.161, 87.231, 87.237, 87.272, 87.275 and 87.292.

TABLE 1
SUMMARY OF ESTIMATED COSTS OF THE LONGEVITY BONUS PROGRAM IN FY 90 UNDER VARIOUS MODIFICATIONS
 (in thousands of dollars)

	Estimated Program Cost	Estimated Savings in Dollars	Percentage Savings
.....			
No Change	854,901.5		
No New Recipients	51,700.5	3,201.0	5.8
Allow New Recipients But Reduce Bonus to \$225	49,411.4	5,490.2	10.0
Needs-Based Program (Annual Gross Income less than \$17,000)			
Allow New Recipients	41,725.1	13,176.4	24.0
No New Recipients	39,292.4	15,609.1	28.4
.....			

Note: This table summarizes information presented in Table 2 of this memorandum.

Prepared by the House Research Agency, February 1989 (89-246A).

TABLE 2
ESTIMATED COST OF THE LONGEVITY BONUS PROGRAM IN FY 90 UNDER VARIOUS MODIFICATIONS

Month	No Change			No New Recipients			Allow New Recipients But Reduce Bonus to \$275			Allow New Recipients But Needs-based Program (Gross Annual Income = \$17,000)			No New Recipients And Needs-based Program (Gross Annual Income = \$17,000)		
	Number of Recipients	Monthly Bonus Amount	Cost (\$1,000s)	Number of Recipients	Monthly Bonus Amount	Cost (\$1,000s)	Number of Recipients	Monthly Bonus Amount	Cost (\$1,000s)	Number of Recipients	Monthly Bonus Amount	Cost (\$1,000s)	Number of Recipients	Monthly Bonus Amount	Cost (\$1,000s)
July	17,950	275	4,927.5	17,900	275	4,900.0	17,950	275	4,927.5	17,045	275	4,686.3	17,045	275	4,686.3
August	18,017	250	4,504.3	17,970	250	4,485.0	18,017	275	4,954.8	18,000	250	4,500.0	17,545	250	4,272.5
September	18,080	250	4,520.0	17,947	250	4,472.0	18,080	275	4,960.0	18,041	250	4,520.5	17,440	250	4,200.0
October	18,143	250	4,535.0	17,921	250	4,457.5	18,143	275	4,979.3	18,001	250	4,501.3	17,340	250	4,127.5
November	18,208	250	4,551.5	17,890	250	4,437.5	18,204	275	4,996.0	17,937	250	4,484.3	17,240	250	4,055.0
December	18,260	250	4,567.5	17,855	250	4,417.5	18,260	275	5,013.0	17,884	250	4,464.0	17,140	250	3,982.5
January	18,320	250	4,584.0	17,810	250	4,392.0	18,320	275	5,030.0	17,822	250	4,442.0	17,040	250	3,910.0
February	18,380	250	4,600.0	17,760	250	4,365.0	18,380	275	5,047.5	17,760	250	4,419.0	16,940	250	3,837.5
March	18,450	250	4,616.0	18,006	250	4,376.5	18,450	275	5,064.0	18,020	250	4,390.0	16,840	250	3,765.0
April	18,521	250	4,632.0	18,715	250	4,192.0	18,521	275	5,080.0	18,075	250	4,360.0	16,740	250	3,692.5
May	18,584	250	4,648.0	18,804	250	4,161.0	18,580	275	5,096.0	18,120	250	4,330.0	16,640	250	3,620.0
June	18,647	250	4,664.0	18,910	250	4,129.0	18,647	275	5,112.0	18,172	250	4,300.0	16,540	250	3,547.5
TOTAL			\$4,901.0			\$4,750.0			\$4,931.4			\$4,320.1			\$3,827.4

NOTES:

1. The "number of recipients" in each month for the current program and each modification was estimated based on recent longevity bonus program statistics from the Division of Pioneers' Benefits. In FY 88, the average monthly net increase was 63 new recipients. Using the number of warrants written in February 1988 (17,702 warrants) as a starting point, the number of recipients in July 1989 and each month thereafter was estimated.
2. The number of recipients under the "No New Recipients" option was estimated using the monthly average number of terminations and deaths during the last 20 months. On average, 131 recipients left the program each month during that period. For simplicity, I have assumed that no recipients leave the program in the same year that they enter the program.
3. The data presented in this table are based on average monthly increases and decreases in the number of recipients; the actual seasonality to the number of recipients is therefore not revealed.
4. For the two needs-based options, I have modified the recipient population numbers, and the increase and decrease factors, by 76 percent. According to surveys of longevity bonus recipients' incomes in 1981 and 1988 by the Older Alaskans Commission, 19.9 percent (1988) and 27.9 percent (1981) of bonus recipients had gross annual incomes, including bonus payments, of less than \$20,000. I therefore used a gross annual income, not including bonus payments, of \$17,000 as the median income for bonus recipients under a needs-based program.